ANNUAL REPORT 2013

ACHIEVING THROUGH HARMONY

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). In 2013, the company's wholly-owned subsidiary Tas'heelat for General Trading and Cars was incorporated in Kurdistan, Iraq with the purpose of selling Honda Vehicles in Erbil, Kurdistan Region.

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, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain

OPERATIONAL HIGHLIGHTS

The Group has achieved outstanding results in 2013, its 30th year, since incorporation. The Group has reported its highest ever net profit of BD 13.1 MM, 6.1% higher than the BD12.3 million earnings of 2012.

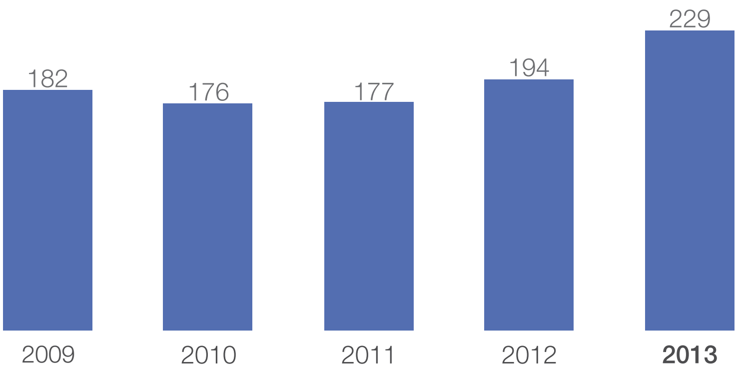
- Credit: Bahrain Credit continued building on its key product line of vehicle finance. It also made further credit cards acquisitions surpassing a major milestone of ten thousand cards. Total new lending was BD 99 MM. Portfolio quality improved further to 2.99% of the portfolio.

- Automotive: National Motor Company had a good year. 2013 results are after pre-incorporation expenses and initial losses incurred on its regional expansion in Erbil, Kurdistan, Iraq.

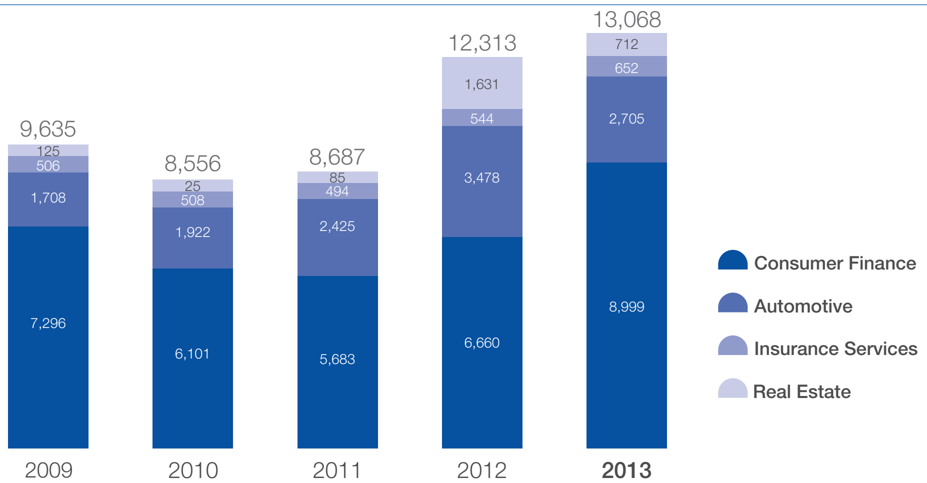
- Insurance: Despite the competition, Tas'heelat Insurance Services Company increased its market share through strong, innovative and direct marketing and efficient customer servicing.

- Real Estate: Tas'heelat Real Estate Company successfully completed two major land projects. The company's strategic investments into residential properties continue to generate good rental yields.

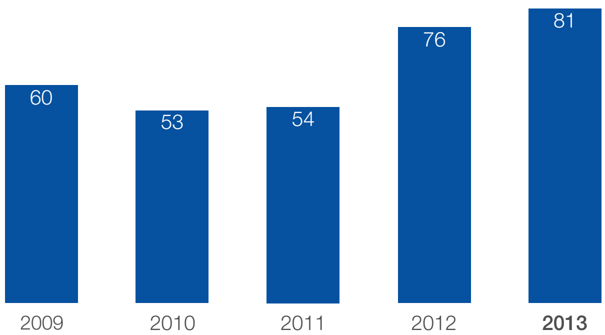
FINANCIAL HIGHLIGHTS



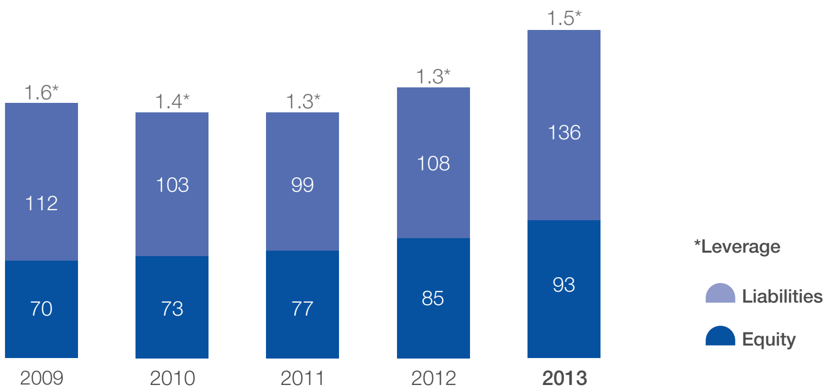
Total Assets (BD million)



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 2013. 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.

2013 marks the 30th anniversary of your company's incorporation. The remarkable journey of the Group and the growth achieved by all the Group's companies over the last thirty years is testimony to the clarity of its vision and the strength of its foundations. The current year's financial performance, yet again, bear testament to that: In 2013, your company has achieved its highest profit in its history. Group's net profit of BD 13.1 MM (2012: BD12.3 MM) has resulted in a return on equity of 14.1%. Your board recommends a cash dividend to shareholders at the rate of 40 fils per share (40%) (2012: 40 fils per share).

It is pleasing to note that the 30th Anniversary coincided with the successful launch of our Honda dealership operations in Erbil, Kurdistan. This dealership is a wholly owned subsidiary of National Motor Company. Exploring regional markets where the company can replicate its robust business model and tapping on its accumulated experience has always been a priority for management for the past several years.

Over the past twelve months, the world economy has presented some early signs of recovery yet the trajectory of world economic and financial growth remained flat. The economic scene in Bahrain is not insulated from the world economy or from the changes happening in the region. Despite all challenges, the local business community has shown remarkable resilience and the country witnessed healthy growth in almost all segments in which your company operates.

Bahrain Credit has achieved a net profit of BD 9.0 million (2012: 6.7 million) and provided new loans of BD 99 million (2012: BD 87 million). This successful outcome is the result of our relentless strive to refine our services, innovate new synergies, and actively reach out to both our business partners and customers, which all underpin your company's philosophy of 'fast friendly service'. In line with the strategic plan, in 2013, your Company introduced two new branches in Manama and Budaiya.

The company has continued to improve its market share in its core product, vehicle loans, through fostering relations with key auto dealers and sub dealers. The population of imtiaz credit cardholders reached and then exceeded ten thousand cards during the year.

The further stabilization of the local Bahrain economy is seen by a higher demand for mortgage loans. The real estate market, which is a reasonable barometer of economic activity, has witnessed more transactions and increase in real estate prices. The growth in your company's loans to this sector is in line with the market growth.

Your company has achieved the above without compromising asset quality: non-performing loans improved to 2.99% of the portfolio.

National Motor Company has recorded a net profit of BD 2.7 million (2012: BD3.5 MM.) As I have mentioned earlier in this report, the new Honda dealership inaugurated recently in Erbil, began trading in the last two months of the year. The reported financial result is net of pre-incorporation expenses and the initial losses that are normal for any new Greenfield Project. In Bahrain, the company has reorganized its management team by the appointment of Brand Managers to both provide better services to our customers and remain efficient. The Principals are also planning important changes in 2014: General Motors is replacing some of its vehicles with all-new models and Honda Motors plans to provide us some vehicles from its factories closer to Bahrain therefore reducing lead times in deliveries.

Tasheelat Real Estate Services Company has reported net profit of BD 712 thousand (2012: 1.6 million). In 2013, your company fulfilled its constant endeavor to address the aspirations of our citizens for affordable housing solutions through another successful project in Saar. In line with its vision, the company has also continued making prudent investments that offer steady and reliable yields in its rental portfolio.

Tasheelat Insurance Services Company had a good year and reported net profit of BD 652 thousand (2012: 544 thousand). During the year, the Company arranged in excess of fifteen thousand motor insurance policies and improved on its renewal rate for existing customers. This is a reflection of customer confidence in the quality of services offered. As an insurance broker, your company enjoys strong relationships with insurance companies and such relationship continue to serve the best interests of our customers.

During the year, your Company strengthened its funding position. In total, term funding of USD 155 MM replaced maturing USD 120 MM of syndicated loans. Additionally, the company successfully issued BD 20 million 5 years floating rate bonds, that replaced BD 6.7 million of maturing bonds. It is pleasing to note that all these new funding have different maturities so there is no concentration of maturities that could pose a liquidity risk in any uncertain times.

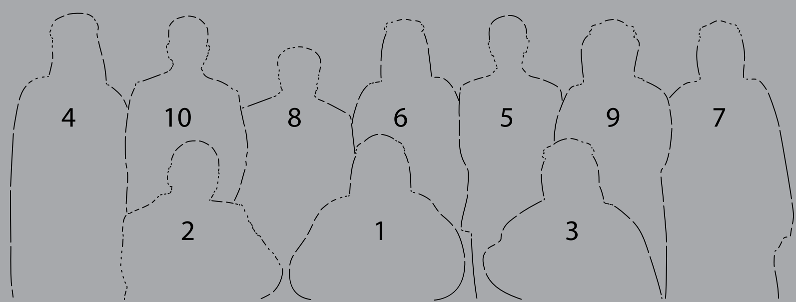
There have been no changes in the composition of the board during the year. Shareholders are set to elect new board of directors in the upcoming Annual General Meeting. In accordance with the requirement of Bahrain's Commercial Company Law 2001, we report the aggregate amount paid to directors during 2013 was BD 433 thousand (2012: BD 392 thousand) 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).

On behalf of the Board, I 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
19 February 2014

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 49 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

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 37 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 (up until April 2013)
- 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 32 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
- Chairman of the Executive Committee of Tas’heelat for General Trading and Cars W.L.L. (TGTC), a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq

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 38 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 48 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 Property Management and Maintenance, Bahrain

6 **Jamal Mohammed Jassim Hejres**
Board Member - Nominee of BBK B.S.C.

Director since 18 October 2004 (Non-independent and Executive in shareholder bank “BBK”); has more than 35 years of extensive and diversified experience in banking; holds an MBA in Business Administration from University of Bahrain, 1991.

- General Manager – Shared Services Group, BBK B.S.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 40 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 33 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 29 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 and Member of the Remuneration and Nomination Committee - Nominee of Social Insurance Organization, Bahrain

Director from 24 October 2012; (Independent and Non-executive); has some 28 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.

- Board Member and member of the Executive Committee of Arabian Sugar Company B.S.C. (c), Bahrain
- Board Member of Bahrain International Golf Course Company B.S.C. (c), Bahrain (up until March 2013)
- Board Member of Riffa Views, Bahrain (up until March 2013)

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

Joined on 02 May 2007; has more than 13 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 and media 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 approved Corporate Governance Code Principles of the Ministry of Industry and Commerce and the updated regulatory requirements and in particular 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 15 to the Consolidated Financial Statements for the year ended 31 December 2013.

B. Board of Directors Information

Constituted of ten non-executive and executive members divided into independent and non-independent, the Board, are appointed and elected for a three-year term and terminated 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 some of 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, the performances and contributions of all Committees vis-à-vis their respective charters and the performance, effectiveness and contribution of each board member. The performance appraisals are in the form of written forms or reports made at the last scheduled meeting of the calendar year. The final performance appraisal report is recommended by the Remuneration and Nomination Committee and approved by the BCFC Board of Directors at the first meeting of the calendar year where the Company's year-end results are approved for publication.

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

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 types of material transactions that require the Board of Directors approval cover a wide area ranging from credit approvals, approval of policies, strategies, donations to signing and investment authorities.

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

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 (i.e. approved persons) and the connected persons as at 31st December 2013 as follows:

Directors *	Type of Shares	31 December 2013	31 December 2012
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 2013.*

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 2013, the Board of Directors convened five ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Board of Directors	29 Jan. ‹1›	20 Feb.	19 Mar.	23 Jul.	29 Oct.	25 Dec.	Total
Abdulrahman Yusuf Fakhro	✓	✓	✓	✓	✓	✓	*6*
Abdulkarim Ahmed Bucheery	*Face to Face*	✓	✓	✓	✓	✓	*6*
Khalid Mohammed Ali Mattar	✓	✓	✓	✓	✓	✓	*6*
Ebrahim Abdulla Buhindi	✓	✓	✓	✓	✓	✓	*6*
Jamal Mohamed Jassim Hejres	*By phone*	✓	✓	✓	✓	✓	*6*
Sayed Abdulghani Hamza Qarooni	✓	✓	✓	✓	✓	✓	*6*
Ali Abdulla Ahmadi	✓	✓	✓	✓	✓	✓	*6*
Abdulaziz Abdulla Al-Ahmed	✓	✓	✓	✓	✓	✓	*6*
Jamal Abdulla Al-Mutawa	✓	✓	✓	✓	✓	✓	*6*
Abdulrahman Yousif Al-Qasim	✓	✓	✓	*By phone*	*By phone*	✓	*6*

1. An unscheduled meeting of the Board held to consider and approve the Group's Strategic Plan for 2013-2015.

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, two Board Sub-Committee meetings were held separately to consider proposals for a syndicated loan and bonds in 2013. The meetings were attended as follows:

Board Sub-committee *(To consider proposals for a syndicated loan)*	11 Apr.
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi	✓
Abdulrahman Yousif Al-Qasim	✓

Board Sub-committee *(To consider proposals for bonds)*	11 Sep.
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi	✓
Sayed Abdulghani Hamza Qarooni	✓

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 a 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 pre-defined matters as per the Executive Committee Charter.

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, where applicable. These responsibilities and authorities cover a wide area ranging from credit approvals, write-offs, strategy, business planning, company operational 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 2013, the Executive Committee held eight meetings. The meetings were attended as follows:

Committee Member	22 Jan.	19 Mar.	30 Apr.	21 May	18 Jun.	03 Jul. ‹1›	25 Sep.	26 Nov.	Total
Khalid Mohammed Ali Mattar, Chairman	✓	✓	✓	✓	✓	✓	✓	✓	*8*
Sayed Abdulghani Hamza Qarooni, Vice Chairman	✓	✓	‹2›	✓	✓	✓	✓	✓	*7*
Abdulkarim Ahmed Bucheery, Member	✓	✓	✓	✓	✓	✓	✓	✓	*8*

1. To consider and recommend to the Board the company's policies.

2. Absent due to sickness.

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 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 2013, the Board Audit Committee met six times. The meetings were attended as follows:

Committee Member	23 Jan.	19 Feb.	29 Apr.	21 Jul.	29 Sep.	27 Oct.	Total
Ebrahim Abdulla Buhindi, Chairman	✓	✓	✓	✓	✓	✓	*6*
Jamal Abdulla Al-Mutawa, Vice Chairman	✓	✓	✓	✓	✓	✓	*6*
Ali Abdulla Ahmadi, Member	✓	✓	✓	✓	✓	✓	*6*

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

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 2013. The meetings were attended as follows:

Committee Member	10 Feb.	02 Jul.	Total
Abdulrahman Yusuf Fakhro, Chairman	✓	✓	*2*
Ebrahim Abdulla Buhindi, Vice Chairman	✓	✓	*2*
Jamal Mohamed Jassim Hejres, Member ‹1›	✓		*1*
Abdulrahman Yousif Al-Qasim, Member ‹2›		*By phone*	*1*

1. Ceased to be member of the Committee effective from 19 March 2013.

2. Appointed as member of the Committee in place of Mr. Hejres effective from 19 March 2013.

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 reflected by the requirements of the Central Bank of Bahrain.

The Company has a Risk Manager, Group Compliance Officer and Anti-Money Laundering Reporting Officer. These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function. In addition, following a rigorous review to ensure compliance with the 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. Management Committees:

1. The Assets and Liabilities Committee ("ALCO") shall be comprised of at least three members appointed by the Chief Executive Officer who will also designate a chairman. The Risk Manager, Group Compliance Officer and Anti-Money Laundering Reporting Officer shall attend ALCO meetings as a non-voting member. ALCO is mandated to fulfill oversight responsibilities for the Group with regard to (1) asset and liability management; (2) capital planning; (3) liquidity adequacy; and (4) contingency planning with respect to the foregoing. It is also mandated to fix and review the overall portfolio yield, periodically review the provisioning and write off policies, reviews and take appropriate action with regard to the CBB consultation papers, guidelines and rules and follow up on all matters reported in regulatory inspection reports, review and approve rates, administration charges, business terms, and acceptance criteria of existing and new loan products. ALCO shall meet at least once a month or more frequently as circumstances dictate. A resolution is deemed passed if more than half the members present at the meeting vote "for" such a resolution. The Secretary to the Board will take minutes of ALCO meetings. The Committee periodically reviews its own composition and Charter and conducts an evaluation of its performance and the performances of its members.

2. The Credit Committee is set up with the objective of overseeing all aspects of credit exposures so as to ensure that proper due diligence is established before sanctioning any credit exposure and that credit risk arising from a credit exposure is closely monitored throughout the tenor. To fulfill this objective, the Credit Committee is delegated with a defined scope of responsibilities and authorities. To ensure that the Credit Committee possesses the right skills and expertise to professionally discharge its responsibilities, membership to this Committee is not appointed based on seniority but exclusively based on the skills of the appointed member. The credit approval authorities of the Credit Committee are arranged into two tiers, each of which is delegated with a definite credit authority level. The members of Tier 1 and Tier 2 of the Credit Committee are appointed by the Executive Committee upon the recommendation of the Chief Executive Officer.

G. Remuneration Policy

a. Board Remuneration:

The Company has in place policies and guidelines for the attendance and sitting fees payable to all the Directors in consideration of attending one or more of Board and Committee meetings in a financial year. The Policy reflects the Company's commitment to best practices of corporate governance in line with the legal and regulatory requirements and is intended to remunerate its Board and Committee members fairly and responsibly. The Policy ensures that the remuneration of Board and Committee members are sufficient to attract, retain and motivate persons of the quality needed to run the Company successfully.

The Remuneration Policy of the Company applies to all the Boards of Directors of the Parent Company, its Committees, the Boards of its Subsidiaries and any other Committee of a subsidiary formed from time to time.

The structure and level of the compensation for the Board and Committee Members are as follows:

- A fixed amount representing an annual remuneration fee approved by the Shareholders at the AGM; and
- Attendance fees payable quarterly to members attending different Board-related committees' meetings.

b. CEO and Management Remuneration:

The performance and remuneration of the CEO is reviewed by the Remuneration and Nomination Committee and approved by the Board. The performance and remuneration of the Management members is reviewed and approved by the CEO. Furthermore, the Board takes into consideration the following dimensions to remunerate the CEO:

1- The bonus is discretionary and decided by the board depending on the profitability of the Company, i.e. the bottom line not the top line.
2- Lending growth in each product.
3- Meeting all the funding requirement needed to ensure the growth of the Company.
4- Quality of loan portfolio and levels of non-performing loans.
5- Meeting agreed upon strategic objectives both financial objectives and non-financial objectives.

H. Policy on Related Party Transactions

The Company has in place policies approved by the Board for the approval of related party transactions. The Company's dealings with its shareholders are conducted on an arms-length basis in respect of borrowings received from them. If loans are extended to related parties, these are approved on the basis of authorities delegated by the Board of Directors to the CEO. If the loans exceed these authorities, then further approval from the Executive Committee or the Board is requested.

All loans to management members and staff of the company, are governed by the policies applicable to staff. These policies are reviewed by the Board regularly. The maximum interest-free loan advanced to a staff member is BD 5,000 regardless of his status.

I. Communication Strategy

The Company has a clear policy in relation to communication with its stakeholders, shareholders, and 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 interest and concern.

EXECUTIVE MANAGEMENT

Dr. Adel Hubail
Chief Executive Officer - Bahrain Commercial Facilities Company B.S.C.

Joined on 1 September 2004; has more than 15 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
- Member of the Executive Committee of Tas'heelat for General Trading and Cars W.L.L. (TGTC), a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq

Fadhel Al Mahoozi
Senior Vice President, Head of Credit and Marketing - Bahrain Credit

Joined on 1 January 1993; has more than 33 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

Simon Austin
General Manager - National Motor Company W.L.L., Bahrain

Joined NMC as Deputy General Manager in June 2009 and appointed General Manager in July 2010; has 28 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.

- Member of the Executive Committee of Tas'heelat for General Trading and Cars W.L.L. (TGTC), a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq

Rajiv Kumar Mittal
Senior Vice President, Head of Operations - Bahrain Commercial Facilities Company B.S.C.

Joined on 21 April 1996; has more than 27 years of diversified experience in financial services, trading and manufacturing sectors; holds a CPA from CPA Australia and a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management, Ahmedabad, India.

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

EXECUTIVE MANAGEMENT CONTINUED

Vishal Purohit
Vice President, Head of Finance - Bahrain Credit, Head of Finance and Administration - National Motor Company W.L.L.

Joined on 16 Sept 2007; has more than 15 years of extensive and diversified experience in finance, audit and treasury operations; holds a Chartered Accountant Degree from the Institute of Chartered Accountants of India.

Nader Ebrahim
Head of GM Brand - National Motor Company W.L.L.

Joined on 15 July 1995; has more than 28 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).

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

Ali Al Daylami
General Manager - Tas'heelat Insurance Services Company W.L.L.

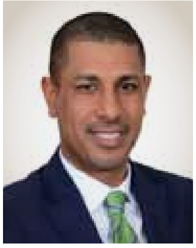
Joined on 1 January 1993; has more than 28 years of extensive and diversified experience in insurance; holds a Post Graduate Diploma in Business & Management from Sheffield University, UK, 1999.

Hussain Al-Madhi
Vice President, Head of Branch Network - Bahrain Credit

Joined on 3 May 1997; has more than 17 years of extensive and diversified experience in financial and banking services; holds a BSc in Banking and Finance, University of Bahrain, 2004.

Xavier Stephen
General Manager - Tas'heelat for General Trading and Cars W.L.L. (TGTC), a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq

Joined on 2 December 1995; has more than 26 years of extensive and diversified experience in Automobile Industry; an Automobile Engineer by profession.



Abdulla Al-Wedaei
Head of Honda Brand - National Motor Company W.L.L.

Joined on 19 October 1991; has more than 22 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

Ali Ebrahim Al Marzooq
Vice President, Head of Information Technology - Bahrain Credit

Joined on 4 June 2006; has more than 20 years of extensive and diversified experience in IT; holds an MBA in Information Technology Management from Sunderland University, UK, 2010.

Hussain Salman
Vice President, Head of Human Resources - Bahrain Credit

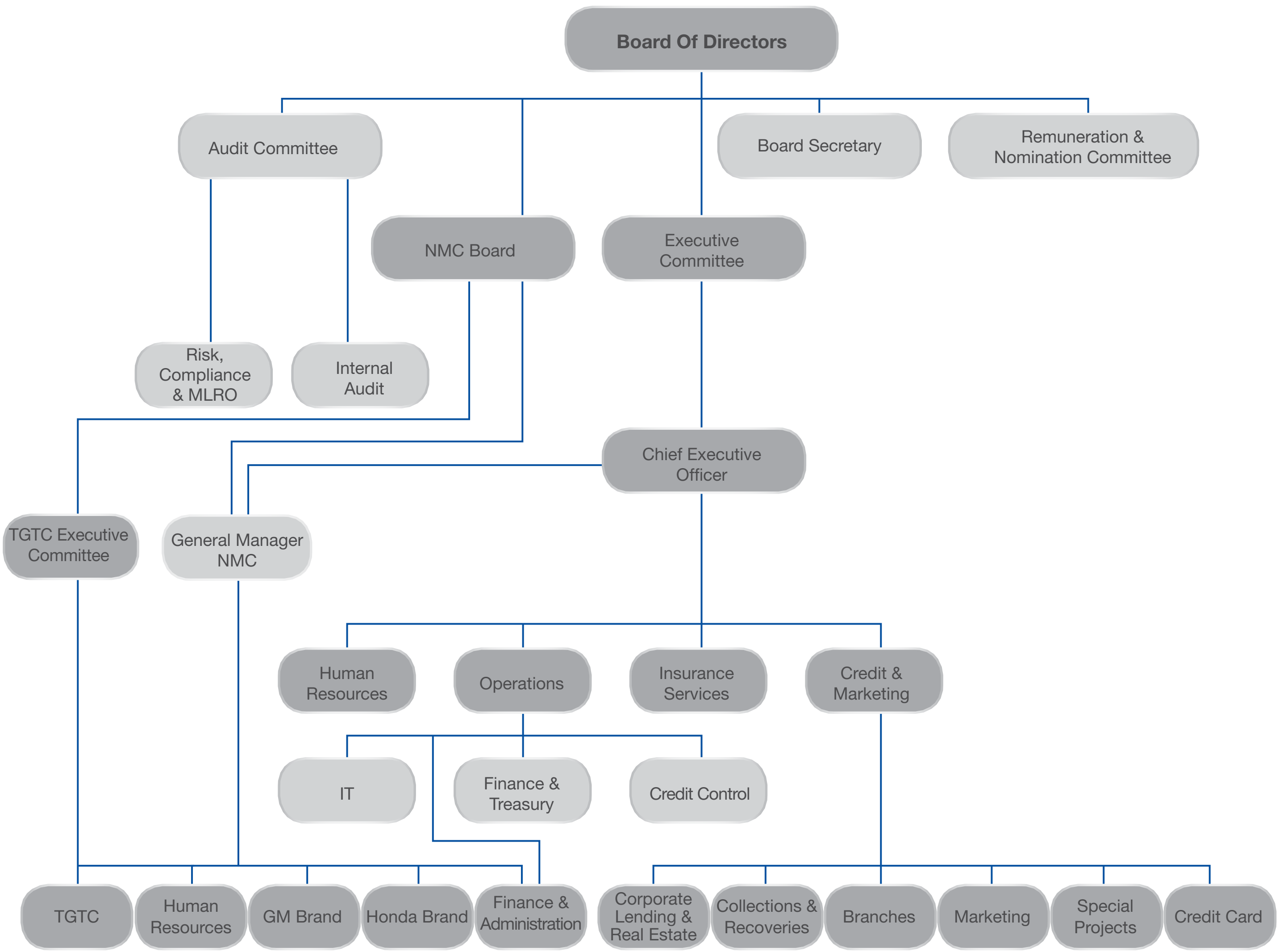
Joined on 17 April 2004; has more than 9 years of extensive and diversified experience in human resources training and development, procurement and administration; holds a Master's Degree in Human Resource Management from DePaul University, Chicago, USA, 2010. Member of The Chartered Institute of Personnel and Development (CIPD), UK.

Ali Aburwais
Assistant Vice President, Head of Risk Management, Compliance & MLRO - Bahrain Commercial Facilities Company B.S.C.

Joined on 1 August 1995; has more than 23 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 and has an International Diploma in Compliance (ICA), UK. Member of the International Compliance Association (ICA), UK.

**Executive Management Members and their connected persons did not hold or trade in the shares of the company during the financial year ended 31st December 2013.*

ORGANIZATION CHART



MANAGEMENT'S REVIEW
OF OPERATIONS

In 2013, the global economy continued to go through a difficult phase with marginal growth due to factors ranging from recessionary environments in Europe to political infighting in the United States of America with respect to divergent school of thoughts as to the best options to sustain the largest economy in the world. The half-hearted quantitative easing programs and sluggish economic indicators most in Europe carry with it the risk of deflation due to huge imbalances between various Eurozone countries. This would continue to dent the recovery hopes. The growth in emerging markets was also much slower than expected.

The MENA region is going through unprecedented political changes and will further exacerbate economic and social pressures. However, it is reassuring that the key economic indicators of Bahrain are better when compared to other MENA region countries. GDP growth is 3.9% as against the GDP growth of 2.9% for the MENA region countries and 1.9% for the rest of the world. The local real estate market continued to show signs of recovery this year; in some areas of the country, land prices have started increasing based on supply and demand fundamentals. With improved liquidity, continued increase in demand for new housing projects and increasing number of transactions, real estate prices are expected to rise further.

The Group has delivered its highest ever earnings in its thirty year history. Net profit of BD 13.1 million is 6.1% higher than 2012 reported earnings of BD12.3 million resulting in a return on equity of 14% (2012: 14%). 2013 was also the first year of the Company's new 3-year strategic plan for the period 2013 to 2015. During the year, the Group commenced many key initiatives as outlined in the plan. A noteworthy strategic initiative that was successfully executed during the year was its regional expansion to open a new dealership in Erbil, Kurdistan. It should be noted that the Group net profit is net of pre-incorporation expenses and initial losses of such investment. The Group with a solid capital base and a low leverage of 1.5 at the end of 2013 is well placed to take advantage of any new opportunities as and when presented.

PARENT COMPANY

• Vehicle loan • Personal loan • Mortgage loan • Corporate loan • Credit Card

In 2013, the company earned a record net profit of BD 9.0 million (2012: BD 6.7 million). Leveraging on the upbeat local economic outlook, the company has consolidated its position as the first choice amongst its customers and provided new loans of BD 99 million during the year, 14% higher than the previous year. This business flow has resulted in healthy growth of the loan portfolio to 174.3 million (15.8% over 2012).

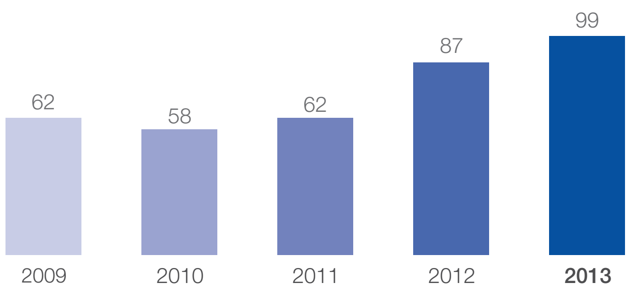
The company continued its leadership in its core product vehicle finance and increased its market share. There was no significant growth in the overall auto sales in the country and despite that, the company achieved 14% in new vehicle loans financed over 2012. This is attributable to close co-operation with our partner auto dealers and the efficiency of our services.

The company's imtiaz credit card achieved a major milestone of surpassing ten thousand cards in issuance. The credit card market remains fiercely competitive. Imtiaz is customized to offer a wide range of benefits tailored to the customers' needs and requirements. The product has proven to be a good revenue contributor increasing overall portfolio yield. The company has spent considerable time and effort in the development of comprehensive policy and procedures in light of the higher default potential of this relatively riskier product. Stringent adherence to the same has ensured that the non-performing credit cards remained well below industry averages.

The real estate market witnessed a return of genuine customers in 2013; many buyers were end users and not speculators. The company continued its cautious lending approach for mortgage loans, mostly only funding customers who service their loan installments with regular cash flows independent of the underlying assets financed and limiting the lending to 70% of the property value.

The quality of the portfolio remains a key focus and daily priority. The company continued to focus considerable time, effort and manpower towards the critical collection process. Its approach remained customer friendly, flexible and understanding towards its good customers. This has been rewarded with non-performing loans having reduced to 2.99% of the portfolio during the year. It must be noted that most of the non-performing loans are more than adequately supported by the underlying security financed.

The Company with very low leverage remained comfortable in its liquidity position. The company has always strived to diversify its source of funds. Taking into account the recent global financial crisis and the sad events that followed later, the company had significant maturities in 2013. All such maturities have been replaced with term loans / bonds of varying repayment dates so that in the next few years, there are no concentrations of maturities. The company wishes to thank its close relationship banks for their confidence in the business model of the company. During the year, the company replaced maturing USD 75 million and USD 45 million syndicated loans with a new three year USD100 million and a four years USD 55 million syndicated loans respectively. The company has also successfully issued its eighth series of BD 20 MM 5 years floating rate bond to replace a maturing BD 6.7 MM bond.



Bahrain Credit New Lending (BD million)

NATIONAL MOTOR COMPANY

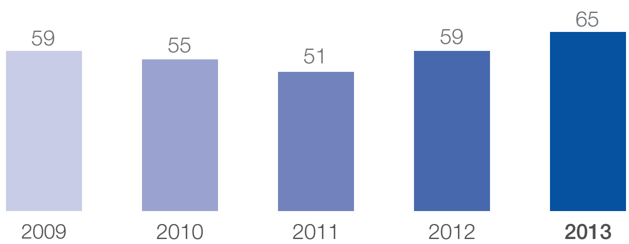
• Honda • Chevrolet • GMC • Cadillac

2013 proved to be an exciting year for National Motor Company with the opening of its new Honda dealership in Erbil Kurdistan. The operation trading as Tas'heelat for General Trading and Cars (TGTC) is a wholly owned subsidiary of the company. There is undoubted potential in this emerging market and it is credit to the company's long-term success with Honda Motor Co that it was chosen as their preferred partner for this region. TGTC intends to replicate the same business model relying on the same processes and procedures that have proved so successful in Bahrain in the past.

Bahrain Operations

During the year, there was an important organization restructure. The company has vertically divided its organization chart into respective brands and appointed Brand Managers to oversee each brand. A major benefit that will accrue is better focus on the guiding principles as laid down in the 3 Year Strategic Plan i.e. to increase market share, improve customer retention and further enhance profitability.

The change was not easy but the Management team has responded positively and enthusiastically to the challenges it presented. Consequently, the company had a very good year, turnover increasing to BD65 million and net profit of BD 3.2 million.



NMC Sales (BD million)

In 2013, growth in the Bahrain automotive market was flat. Nonetheless, Honda increased its total sales volume by 47% and GM by 4% on the previous year. Despite the fiercely competitive market place, the Honda model lineup continued to be well accepted and saw much improved profitability. 2013 year proved extremely challenging within the General Motors Brand where over supply had a detrimental effect on its profitability. General Motors introduced a number of new models to the region that was proof of its recent levels of investment in product and development. These were well received and are indicative of what the future holds for this brand with a number of key models for the line up being launched in the coming year.

The After Sales Divisions continued to be the bedrock for the profitability of the company. There has been a strong focus on customer retention with all efforts being made to improve customer service and affordability across both Brands. A number of new initiatives were introduced to ensure competitiveness in the market place.

We are currently undertaking a strategic review of our aftersales facilities in order to further enhance the customer experience. These plans will include a new Body shop and central parts warehouse as well as looking at our current service proposition and how it can best serve our customers. There continued to be a strong focus on cost control to ensure the efficiency of the operations

Erbil Operations

The construction of the new facility was completed in late October. It represents a unique proposition for the region as Sales, Service and Parts are located on one site which is unlike any other operations there. The facility was officially opened in mid-December with a number of local dignitaries and senior representatives from Bahrain attending the inauguration.

Trading began in late October and although the initial sales numbers have been low, we remain convinced that this is an investment for the medium to long term and represents an extremely exciting venture in what would seem to be a particularly vibrant market place.

TAS'HEELAT REAL ESTATE SERVICES COMPANY

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

The company had a good year and it registered a net profit of BD 712 thousands (2012: BD1.6 million). The company continued to invest into its business model to build a diversified source of income through managing large land projects, acquiring selected investment properties with steady rental yields, and income from valuation and brokerage services.

The company continued its participation in the land investments aiming to facilitate housing solution for local citizens by offering affordable residential plots. During the year, all the available plots in both Saar Land -1 and Saar Land-2 projects were sold. To remain an active player in such a market, the company has made another land investment that is expected to be available for sale after sub-division in the second quarter of next year.

The company has created a niche for itself by buying buildings in areas that are highly sought after by the middle-income expatriate population. Such investments are made with the purpose of creating long-term annuity style business from rentals. 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

Tas'heelat Insurance Services Company has registered a net profit of BD 652 thousand for the year 20% higher than 2012.

The company is building on its strong market reputation through refining its business model to increase its reach to the customers. The customers trust the company's advice in selecting proper coverage and the right insurance company for them and it will continue to have captive business from the Group companies and strategic partnership with some car dealers. The Company is paying special attention to increase its market penetration through leveraging on the Bahrain Credit and National Motor Company branch network.

2014 OUTLOOK

Global economy is showing good signs of recovery but we still expect it to grow at a meagre pace, as it remains vulnerable to potential volatility in the world markets. Any political risk-taking by world leaders to instill confidence requires more collective efforts. World GDP growth was range bound and is forecast to remain at 2.7%. The region is going through unprecedented political changes and we expect it to remain stressed. We expect economic interests to influence political behavior in 2014. The company, in line with its strategic plan, will continue to look for investments that will increase shareholders value in existing business within Bahrain and outside as and when such opportunities present themselves.

CORPORATE SOCIAL RESPONSIBILITY

Our approach to corporate social responsibility and community engagement continues to focus on measureable social, economic, environmental and cultural impacts. In 2013, we worked hard to double our contributions to Bahraini community.

Our brand message, “Fast and Friendly Service” has been capturing our shared sense of responsibility for the role of sustainable development in our business. It indicates that our roadmap to sustainable growth is through integrity, transparency and behaving responsibly in all that we do. Therefore, any advances in operational efficiency have been made with business sustainability and responsibility in mind year after year.

We will continue to strengthen our community involvement partnerships and we are proud that during 2013 we continued to support a number of officially-registered not-for-profit organisations, charity societies and other governmental entities that address the special needs of Bahraini citizens and are actively involved in helping needy families. Therefore, the Company approved total donations of BD 271K towards those institutions’ activities.

We remain committed to community action as a force for good and in 2013 we were able to combine flagship campaigns with a focus on national culture and heritage which mark the company’s deep-rooted corporate social responsibility in maintaining local traditions. To this effect and as reported in the previous annual reports, our community projects included a nation-wide project, i.e. the construction of Bu Maher Fort Information Centre as part of Bahrain’s “Pearling Pathway” project sponsored by the Ministry of Culture, which became a reality and was inaugurated under the patronage of HRH Prince Salman Bin Hamad Bin Isa Al-Khalifa on November 27, 2013.

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. In December 2013, the Group geographically expanded its presence and established Tasheelat for General Trading Company WLL in Erbil, Kurdistan, Iraq, to act as an exclusive distributor for Honda vehicles in Erbil, Kurdistan, Iraq.

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Fax	:	17 786 010
Office	:	Bahrain Credit Building, Building 264, Road 111, Tubli 701
E-mail	:	bcredit@bahraincredit.com.bh
Website	:	www.bahraincredit.com.bh
Banks	:	BBK BSC Ahli United Bank Gulf International Bank Arab Banking Corporation (BSC) Ahli Bank SAOG HSBC Bank Al Baraka Bank Bank of Baghdad National Bank of Bahrain BNP Paribas Standard Chartered Bank Arab Bank Bank Sohar Intercontinental Bank of Lebanon
Auditors	:	KPMG Fakhro

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Commercial Facilities Company BSC, 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 2013, the consolidated statements of profit or loss, 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 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

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

19 February 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013
Bahraini Dinars Thousands

	Note	31 December 2013	31 December 2012
Assets			
Cash and balances with banks		**2,288**	1,912
Loans and advances to customers	8	**174,295**	150,543
Trade receivables	9	**4,859**	4,753
Inventories	10	**25,259**	16,427
Investment properties	11	**3,473**	2,184
Property and equipment	12	**17,607**	16,674
Other assets		**900**	1,168
Total assets		**228,681**	193,661
Liabilities and equity			
Liabilities			
Bank overdrafts		**49**	781
Trade and other payables		**20,340**	13,654
Bank term loans	13	**95,678**	87,113
Bonds issued	14	**19,789**	6,663
Total liabilities		**135,856**	108,211
Equity			
Share capital	15	**16,335**	16,335
Treasury shares		**(599)**	(599)
Statutory reserve		**33,542**	33,542
Other reserves		**16,885**	14,352
Retained earnings		**26,662**	21,820
Total equity (page 31-32)		**92,825**	85,450
Total liabilities and equity		**228,681**	193,661

The Board of Directors approved the consolidated financial statements consisting of pages 28 to 60 on 19 February 2014 and signed on its behalf by:

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2013
Bahraini Dinars Thousands

	Note	**2013**	2012
Interest income		18,017	15,867
Interest expense		(5,087)	(5,397)
Net interest income		**12,930**	10,470
Automotive sales		64,617	58,544
Cost of sales		(57,390)	(50,722)
Gross profit on automotive sales		**7,227**	7,822
Fee and commission income	16	4,300	3,443
Profit from sale of land inventory		678	1,566
Rental income		453	267
Total operating income		**25,588**	23,568
Operating expenses	18	11,195	10,437
Impairment allowance on loans and receivables, net of recoveries		1,658	1,263
Other income, net	17	(333)	(445)
Profit for the year		**13,068**	12,313
Basic and diluted earnings per 100 fils share	23	81 fils	76 fils
Proposed cash dividend per 100 fils share		40 fils	40 fils

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Dr. Adel Hubail
Chief Executive Officer

The consolidated financial statements consist of pages 28 to 60.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013
Bahraini Dinars Thousands

	2013	2012
Profit for the year	**13,068**	12,313
Other comprehensive income		
Items that are or may be reclassified to profit or loss in subsequent periods		
Net change in cash flow hedge reserve	1,005	1,793
Transferred to profit or loss on de-designation of hedge	-	229
Total other comprehensive income for the year	**1,005**	2,022
Total comprehensive income for the year	**14,073**	14,335

The consolidated financial statements consist of pages 28 to 60.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
Bahraini Dinars Thousands

	Share capital		Reserves and retained earnings					
2013	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge reserve	Donations reserve	General reserve	Retained earnings	Total equity
At 1 January 2013	16,335	(599)	33,542	(2,305)	907	15,750	21,820	85,450
2012 appropriations (approved by shareholders):								
- Donation declared	-	-	-	-	280	-	(280)	-
- Transfer to general reserve	-	-	-	-	-	1,500	(1,500)	-
Balance after 2012 appropriations	**16,335**	**(599)**	**33,542**	**(2,305)**	**1,187**	**17,250**	**20,040**	**85,450**
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	13,068	13,068
Other comprehensive Income								
- Net changes in cash flow hedge reserve	-	-	-	1,005	-	-	-	1,005
Total comprehensive income for the year	**-**	**-**	**-**	**1,005**	**-**	**-**	**13,068**	**14,073**
Transactions with equity holders, recognised directly in equity								
Dividend to equity holders	-	-	-	-	-	-	(6,446)	(6,446)
Total distributions to equity holders	**-**	**-**	**-**	**-**	**-**	**-**	**(6,446)**	**(6,446)**
Utilisation of donation	-	-	-	-	(252)	-	-	(252)
At 31 December 2013	**16,335**	**(599)**	**33,542**	**(1,300)**	**935**	**17,250**	**26,662**	**92,825**

*Includes BD 25,292 of share premium.

The consolidated financial statements consist of pages 28 to 60.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
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.

The consolidated financial statements consist of pages 28 to 60.

CONSOLIDATED STATEMENT OF
CASH FLOWS

for the year ended 31 December 2013
Bahraini Dinars Thousands

	Note	2013	2012
Cash flow from operating activities			
Loan repayments, interest received and other credit related receipts		95,248	88,691
Receipts from automotive sales		64,832	57,452
Insurance commission income received		690	663
Proceeds from sale of land inventory		2,548	5,937
Rental income received		455	275
Loans and advances to customers disbursed		(99,122)	(86,639)
Payments to automotive suppliers		(56,351)	(57,161)
Payment for land held as inventory		(4,259)	-
Payments for operating expenses		(9,401)	(7,474)
Change in restricted cash		(251)	(234)
Directors' fees paid		(275)	(220)
Interest paid		(4,989)	(6,088)
Net cash used in operating activities		**(10,875)**	(4,798)
Cash flow from investing activities			
Capital expenditure on property and equipment	12	(3,468)	(2,971)
Purchase of investment properties	11	(1,448)	(1,031)
Proceeds from sale of property and equipment		888	872
Net cash used in investing activities		**(4,028)**	(3,130)
Cash flow from financing activities			
Bank term loans availed		108,807	31,787
Bank term loans repaid		(99,649)	(20,810)
Proceeds from bonds issuance	14	20,000	-
Bonds matured	14	(6,700)	-
Dividends paid		(6,312)	(5,655)
Donations paid		(252)	(382)
Net cash generated from financing activities		**15,894**	4,940
Net increase / (decrease) in cash and cash equivalents		**991**	(2,988)
Cash and cash equivalents at 1 January		818	3,806
Cash and cash equivalents at 31 December		1,809	818
Cash and cash equivalents comprise:			
Cash and balances with banks		2,288	1,912
Less:			
Restricted cash		(430)	(313)
Bank overdrafts		(49)	(781)
		1,809	818

The consolidated financial statements consist of pages 28 to 60.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013
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 2013 comprise the Company and its subsidiaries (together referred to as "the Group").

The consolidated financial statements of the Group comprise the financial statements of the Company and its fully owned subsidiaries mentioned below:

Name of subsidiary	Country of incorporation	% holding by Group	Principal activities
National Motor Company WLL (NMC)	Bahrain	100%	Exclusive distributor for General Motors (GMC, Chevrolet and Cadillac) and Honda vehicles in the Kingdom of Bahrain
Tasheelat for General Trading Company WLL	Kurdistan, Iraq	100%	Exclusive distributor for Honda vehicles in Erbil, Kurdistan, Iraq (established through NMC)
Tasheelat Real Estate Company SPC	Bahrain	100%	Real estate related services
Tasheelat Insurance Services Company WLL	Bahrain	100%	Insurance brokerage services

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 effective from 1 January 2013

The following standards, amendments and interpretations, which became effective as of 1 January 2013, are relevant to the Group:

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

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

The adoption of this amendment had no significant impact on the consolidated financial statements.

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TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013
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(ii) IAS 19 – Employee benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two.

The adoption of this amendment had no significant impact on the consolidated financial statements.

(iii) Amendments to IFRS 7 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. Based on the new disclosure requirements, the Group has 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.

The adoption of this amendment had no significant impact on the consolidated financial statements.

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

IFRS 10 (2011) replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. As a result, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities.

In accordance with transitional provisions of IFRS 10 (2011), the Group reassessed its control conclusion as of 1 January 2013. The change did not have an impact on the Group's consolidated financial statements.

(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.

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (refer to note 3(a)).

(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. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

As a result, the Group has included additional disclosures in this regard (refer to note 7). In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(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 Group as a result of these amendments.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. Basis of preparation (continued)

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 on or after 1 January 2014, 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) 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 (2013) introduces a new general hedge accounting standard which would align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The new standard does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, more judgement would be required to assess the effectiveness of a hedging relationship under the new standard.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is 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.

(ii) Amendments to IAS 19R – Employee Benefits

IAS 19 – Employee Benefits (Amendments to IAS 19R) apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted.

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

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TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(iii) Amendments to IAS 32 on offsetting financial assets and financial liabilities (2011)

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria 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.

(iv) Novation of Derivatives and Continuation of Hedge Accounting (2013)

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 provides relief from discontinuing hedge accounting if certain criteria are met.

The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted. Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, the previous hedge accounting (pre-novation) for that relationship cannot be reinstated.

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

(v) Amendments to IAS 36 on recoverable amount disclosures for non-financial assets

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) have expanded disclosures of recoverable amounts when the amounts are based on fair value less costs of disposals and impairment is recognized.

The amendments are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. An entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply IFRS 13.

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

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2013.

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, 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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013
Bahraini Dinars Thousands

3. Significant accounting policies (continued)

a) Basis of consolidation

(i) Subsidiaries:

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Loss of control:

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised 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 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 is measured at the fair value of the consideration received or receivable, net of discounts, and represents amounts receivable for goods supplied or services performed. The Group recognises revenues when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group; and when specific criteria has been met for each of the Group's activities as follows: a) 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; b) income from maintenance and repair services is recognised when the service is rendered; and c) revenue from warranty claims is recognised when these services have been rendered to the customers under warranty obligations.

Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including loan administration and account servicing fees – are recognised as the related services are performed.

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

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013
Bahraini Dinars Thousands

Sale of land

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

(i) 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 on which they are originated. All other financial assets and liabilities are initially recognised on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

The Group classifies its financial assets as 'loans and advances' and are measured at amortised cost. The Group's financial liabilities are measured at amortised cost except derivatives, which are measured at fair value and categorised as at fair value through profit or loss.

(iii) 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.

(iv) 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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013
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3. Significant accounting policies (continued)

(v) 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.

(vi) 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 a borrower.

Impairment

The Group regards a loan and advance as impaired when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset. Objective evidence that loans and advances are impaired can include significant financial difficulty of a 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. Those 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 2013
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f) Trade 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 is capitalised. Other borrowing cost is recognised in the profit or loss in the year in which it arises.

k) Dividends

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

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013
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3. Significant accounting policies (continued)

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) Cash flow hedges

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

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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) Employee saving plan

The Group provides a voluntary saving plan for its Bahraini employees that meet certain criteria. The Group contributes a matching amount to each employee's savings contribution. Annual interest rate of 3% is currently accrued on cumulative savings amount. In case of leaving, retirement or death, an employee receives his/her full contribution and the share of Group's contribution and all earned interest based on years of service.

t) Bank term loans and bonds issued

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

u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, unrestricted balances and deposits with banks with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of restricted cash and bank overdrafts.

v) Earnings per share

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

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3. Significant accounting policies (continued)

w) Segment reporting

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

x) 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 ad hoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee and the management.

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.

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All loans and advances are with local individuals and locally incorporated entities. The credit risk on these loans and advances is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The creditworthiness of each borrower is evaluated prior to lending and with a comprehensive review of information which includes the Credit Bureau report. The Group is also subject to single obligor limits as specified by the Central Bank 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 is the carrying value amount net of the deferred income and net of impairment allowance.

	31 December 2013	31 December 2012
Specifically provided loans		
Gross amount	2,376	2,730
Impairment allowance	(1,092)	(1,126)
Net amount	**1,284**	1,604
Collectively provided loans		
Neither past due nor impaired	154,275	131,440
Past due but not impaired	22,373	21,043
Impairment allowance	(3,637)	(3,544)
Net amount	**173,011**	148,939
Net loans and advances to customers	**174,295**	150,543

Specific impairment

The Group considers evidence of impairment for all individually significant loans and advances which are assessed for impairment on a specific basis.

Collective impairment

A collective loan loss allowance is 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,

Past due but not impaired loans and advances include those for which contractual interest and principal payments are past due but the Group believes that impairment is not appropriate on the basis of level of security and collateral available and/ or in the process of collecting the amounts owed to the Group.

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4. Financial risk management (continued)

Aging analysis of past due loans and advances to customers as follows

	Retail	Corporate	**2013 Total**	2012 Total
1-30 days	4,395	437	**4,832**	3,731
31-60 days	5,515	1,033	**6,548**	5,746
61-90 days	6,384	443	**6,827**	7,262
91 days – 1 year	2,720	212	**2,932**	3,053
1 year – 3 years	1,456	399	**1,855**	1,616
More than 3 years	564	-	**564**	590

At 31 December 2013, the total gross amount of non-performing loans as defined by the CBB was BD 5,351 (2012: 5,259). In compliance with the CBB requirements, interest on non-performing loans is placed on a non-accrual status and interest on such loans and advances is 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 2013, the average gross credit exposure for cash and balances with banks is BD 2,542, loans and advances to customers is BD 167,154, trade and other receivables is BD 5,738 and unutilised credit limit is BD 7,133. Such amounts are calculated based on the average of last four quarterly result.

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.

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 759 (2012: BD 783) were past due against which BD 359 (2012: BD 380) was the impairment allowance. Substantially all commercial past due receivables are less than one year.

Loans with renegotiated terms and the Group's forbearance policy
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis in situation where the debtor is currently in default on its debt, or where there is a high risk of default, there is evidence that the debtor made all the reasonable effort to pay under the original contractual terms and it is expected to be able to meet the revised terms.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly review reports on forbearance activities.

During the year ended 31 December 2013, loans and advances amounting to BD 9,741 (2012: BD 9,848) were restructured.

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

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

As at 31 December 2013, loans amounting to BD 138,317 (2012: BD 122,719) were fully collateralized and loans amounting to BD 7,883 (2012: BD 6,998) was partly collateralized with a collateral value of BD 7,278 (2012: BD 6,460).

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.

As at 31 December 2013, the Group obtained assets of BD 542 by taking possession of collateral held as security against loans and advances.

Credit risk concentration
All loans are made to borrowers that are Bahraini residents. Credit risk concentration of loans at the reporting date represents 87% retail loans and 13% to corporate customers and trade receivables represent mainly corporate customers.

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.

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4. Financial risk management (continued)

2013	**Carrying amount**	**Gross contractual cash flows**	**Within 1 Year**	**1 year to 5 years**	**Over 5 years**
Assets					
Cash and balances with banks	2,288	2,288	2,288	-	-
Loans and advances to customers	174,295	242,469	71,232	155,284	15,953
Trade receivables	4,859	4,859	4,859	-	-
	181,442	**249,616**	**78,379**	**155,284**	**15,953**
Liabilities					
Bank overdrafts	49	49	49	-	-
Trade and other payables	20,340	20,340	20,340	-	-
Bank term loans	95,678	123,633	39,638	83,995	-
Bonds	19,789	23,654	366	23,288	-
	135,856	**167,676**	**60,393**	**107,283**	-
Unutilised credit limits	7,255	7,255	7,255	-	-

2012	Carrying amount	Gross 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 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	-	-
Unutilised credit limits	8,506	8,506	8,506	-	-

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.

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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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
ASSETS								
Cash and balances with banks	-	-	-	-	2,288	1,912	2,288	1,912
Loans and advances to customers	174,181	150,419	-	-	114	124	174,295	150,543
Trade receivables	-	-	-	-	4,859	4,753	4,859	4,753
	174,181	150,419	**-**	-	**7,261**	6,789	**181,442**	157,208
LIABILITIES								
Bank overdrafts	**-**	-	**49**	781	**-**	-	**49**	781
Trade and other payables	**-**	-	-	-	20,340	13,654	20,340	13,654
Bank term loans	**-**	-	95,678	87,113	-	-	95,678	87,113
Bonds issued	**-**	6,663	19,789	-	-	-	19,789	6,663
	-	6,663	**115,516**	87,894	**20,340**	13,654	**135,856**	108,211

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 a customer one month 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 2013 interest rate risk attributable to the term loans of USD 120 million (BD: 45.2 million) (2012: USD 120 million, BD 45.2 million) has been hedged. The fair value changes of the interest rate swaps are recognised in equity (page 31). The Group has also entered into forward state interest rate swaps of USD 30 million (BD: 11.3 million) to hedge it interest rate risk for future periods. The cash flows relating to the interest rate swaps are expected to occur over a period of one to six 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 2013 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 703.

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.

	2013	2012
Japanese Yen	**-**	88
US Dollars	**5,801**	6,534

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

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4. Financial risk management (continued)

A 10 percent strengthening of the Bahraini Dinar against the Japanese Yen at 31 December 2012 would have increased equity by BD 9 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 for the Group was 1.46 as at 31 December 2013 (2012:1.26).

5. MATURITY PROFILE

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

At 31 December	Within 1 Year		1 year to 5 years		5 year to 10 years		10 year to 20 years		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
ASSETS										
Cash and balances with banks	**2,288**	1,912	**-**	-	**-**	-	**-**	-	**2,288**	1,912
Loans and advances to customers	**54,220**	45,094	**100,527**	87,330	**18,650**	16,556	**898**	1,563	**174,295**	150,543
Trade receivables	**4,859**	4,753	**-**	-	**-**	-	**-**	-	**4,859**	4,753
Inventories	**25,259**	16,427	**-**	-	**-**	-	**-**	-	**25,259**	16,427
	86,626	68,186	**100,527**	87,330	**18,650**	16,556	**898**	1,563	**206,701**	173,635
LIABILITIES										
Bank overdrafts	**49**	781	**-**	-	**-**	-	**-**	-	**49**	781
Trade and other payables	**20,340**	13,654	**-**	-	**-**	-	**-**	-	**20,340**	13,654
Bank term loans	**17,818**	87,113	**77,860**	-	**-**	-	**-**	-	**95,678**	87,113
Bonds issued	**-**	6,663	**19,789**	-	**-**	-	**-**	-	**19,789**	6,663
	38,207	108,211	**97,649**	-	**-**	-	**-**	-	**135,856**	108,211

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

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6. USE OF ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies management has made certain estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates.

(i) Specific 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.

(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

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 value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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.

All financial assets of BD 181,442 (2012: BD 157,208) are categorised under 'loans and receivables' and are measured at amortised cost. All the financial liabilities of BD 130,298 (2012: BD 102,941) are measured at amortised cost except derivatives which are measured at fair value and categorised as at fair value through profit or loss.

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7. Fair value (continued)

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. ask 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.

(i) Financial assets and liabilities measured at fair value

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 Group's exposure to derivatives are categorised under Level 2.

(ii) Financial assets and liabilities not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2013.

	Level 1	Level 2	Level 3	Fair value	Carrying value
Loans and advances to customers	-	-	174,295	174,295	174,295
Bank term loans	-	95,678	-	95,678	95,678
Bonds issued	-	19,789	-	19,789	19,789

In case of loans and advances to customers, the average interest rate of the loan portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the carrying value would not be materially different to fair value of these assets.

The fair value of bank term loans and bonds issued approximate their carrying value since they are at floating interest rates.

The fair values of all other financial instruments approximated their respective book values due to their short-term nature.

(iii) Non-financial assets not measured at fair value but where the fair value is disclosed

The fair value of the Group's investment property as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. The independent valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on market comparable approach that reflects recent transaction prices for similar properties. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value	Carrying value
Investment properties	-	4,340	-	4,340	3,473

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8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2013	31 December 2012
Gross loans	179,024	155,213
Provision for impairment	(4,729)	(4,670)
Net loans	**174,295**	150,543

The table below shows the movements in allowances for loans and advances during the period:

	2013	2012
Specific allowance for impairment		
Balance at 1 January	1,126	435
Charge for the year	234	691
Loans written-off, net of recoveries	(268)	-
Balance at 31 December	1,092	1,126
Collective allowance for impairment		
Balance at 1 January	3,544	3,541
Charge for the year	1,939	1,290
Loans written-off, net of recoveries	(1,846)	(1,287)
Balance at 31 December	3,637	3,544
Total allowance for impairment	**4,729**	4,670

The effective interest rates (APR) on loans and credit card ranges between 7.5% to 21.0% p.a. (2012: 7.5% to 21.0% p.a.).

9. TRADE RECEIVABLES

	31 December 2013	31 December 2012
Trade receivables	5,218	5,133
Provision for impairment	(359)	(380)
	4,859	4,753

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10. INVENTORIES

	31 December 2013	31 December 2012
Automotive stock:		
-Vehicles	19,044	12,908
-Spare parts	3,180	2,894
Land inventory	3,371	983
	25,595	16,785
Provision on vehicles and spare parts	(336)	(358)
	25,259	16,427

Movement on provisions (vehicle and spare parts)	**2013**	2012
At 1 January	358	198
Net charge for the year	47	173
Written-off	(69)	(13)
At 31 December	**336**	358

During the year 2013, 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.

11. INVESTMENT PROPERTIES

	2013	2012
Cost		
At 1 January	2,318	1,287
Purchases	1,448	1,031
At 31 December	**3,766**	2,318
Accumulated depreciation		
At 1 January	134	42
Depreciation for the year	159	92
At 31 December	**293**	134
Net book value		
At 31 December	**3,473**	2,184

The fair value of the investment properties as at 31 December 2013 is BD 4,340 based on independent third party valuations.

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12. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture, fixtures & equipment	Vehicles	2013 Total	2012 Total
Cost					
At 1 January	17,507	5,100	3,659	26,266	24,973
Additions	943	649	1,876	3,468	2,971
Disposals and retirements	-	-	(1,549)	(1,549)	(1,678)
At 31 December	**18,450**	**5,749**	**3,986**	**28,185**	26,266
Depreciation					
1 January	4,543	3,688	1,361	9,592	8,694
Charge for the year	596	623	506	1,725	1,933
Disposals and retirements	-	-	(739)	(739)	(1,035)
At 31 December	**5,139**	**4,311**	**1,128**	**10,578**	9,592
Net book value					
At 31 December 2013	**13,311**	**1,438**	**2,858**	**17,607**	
At 31 December 2012	12,964	1,412	2,298		16,674

The cost of fully depreciated assets still in use at 31 December 2013 was BD 4,384 (2012: BD 3,758).

13. BANK TERM LOANS

	31 December 2013	31 December 2012
Repayable within one year	17,818	87,113
Repayable after one year	77,860	-
	95,678	87,113

Bank term loans have floating interest rates, which are subject to re-pricing 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 4.8% p.a. (2012: 6.1% p.a.).

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14. BONDS ISSUED

	31 December 2013	31 December 2012
Face value	20,000	6,700
Less: Unamortised cost of issue	(211)	(37)
	19,789	6,663

Movement on bonds during the year	**2013**	2012
At 1 January	6,700	6,700
Add: Bonds issued during the year	20,000	-
Less: Redeemed during the year	(6,700)	-
At 31 December	**20,000**	6,700

These are unsecured bonds which bear floating interest rate payable quarterly in arrears and maturing on 26 December 2018.

15. SHARE CAPITAL

	31 December 2013	31 December 2012
Authorised share capital		
500,000,000 (2012: 500,000,000) shares of 100 fils each	**50,000**	50,000

	2013	2012
Issued and fully paid		
At 1 January	16,335	16,335
At 31 December	**16,335**	16,335
Treasury shares 2,206,891 shares (2012: 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 Organisation*	Bahrain	50,833,589	31.1%
BBK BSC	Bahrain	37,618,691	23.0%
National Bank of Bahrain	Bahrain	19,471,477	11.9%

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

(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, 96% are Bahraini individuals or corporates and 4% are other nationalities.

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

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Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	33,826,951	1,282	20.7%
1% up to less than 5%**	21,599,292	9	13.2%
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	54.2%
Total	**163,350,000**	**1,294**	**100.00%**

* Expressed as a percentage of total issued and fully paid shares of the Company
** Includes 2,206,891 treasury shares

16. FEE AND COMMISSION INCOME

	2013	2012
Loan administration and other credit related fees	3,496	2,782
Insurance commission income	804	661
	4,300	3,443

17. OTHER INCOME

	2013	2012
Incentives from automotive principal	256	322
Foreign exchange gain	51	67
Gain on sale of property and equipment – Vehicles	16	41
Other income	10	15
	333	445

18. OPERATING EXPENSES

	2013	2012
Salaries and related costs	4,732	4,182
General and administration costs	3,386	2,945
Depreciation	1,590	1,726
Selling and promotion costs	1,391	1,112
Impairment provision for inventory	48	173
Automotive finance cost	48	70
Changes in fair value of trading derivative	-	229
	11,195	10,437

19. DISTRIBUTION OF ASSETS AND LIABILITIES

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

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20. SEGMENTAL INFORMATION

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

- Lending - 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 2013 or 2012. The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

At 31 December	Lending		Automotive		Real estate		Insurance		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Operating income	**16,426**	13,252	**7,227**	7,822	**1,131**	1,833	**804**	661	**25,588**	23,568
Inter segment revenue	-	-	53	-	-	-	172	180	225	180
Operating costs	(5,735)	(5,309)	(4,431)	(4,027)	(372)	(186)	(324)	(297)	(10,862)	(9,819)
Impairment, net of recoveries	(1,634)	(1,239)	(24)	(197)	-	-	-	-	(1,658)	(1,436)
Inter segment expenses	(58)	(44)	(120)	(120)	(47)	(16)	-	-	(225)	(180)
Profit for the year	**8,999**	6,660	**2,705**	3,478	**712**	1,631	**652**	544	**13,068**	12,313
Assets (Liabilities)										
Cash and balances with banks	1,497	883	548	606	5	6	238	417	2,288	1,912
Loans and advances to customers	174,295	150,543	-	-	-	-	-	-	174,295	150,543
Trade receivables	-	-	4,553	4,582	20	-	286	171	4,859	4,753
Intercompany balances	(549)	(2,403)	894	589	(1,933)	1,029	1,588	785	-	-
Inventories	-	-	21,888	15,444	3,371	983	-	-	25,259	16,427
Investment properties	-	-	-	-	3,473	2,184	-	-	3,473	2,184
Property and equipment	2,441	2,447	15,166	14,227	-	-	-	-	17,607	16,674
Other assets	109	565	791	603	-	-	-	-	900	1,168
Overdrafts	(49)	(781)	-	-	-	-	-	-	(49)	(781)
Trade and other payables	(8,804)	(7,913)	(11,239)	(5,554)	(29)	(6)	(268)	(181)	(20,340)	(13,654)
Bonds	(19,789)	(6,663)	-	-	-	-	-	-	(19,789)	(6,663)
Bank term loans	(91,851)	(83,382)	(3,827)	(3,731)	-	-	-	-	(95,678)	(87,113)
Equity	**(57,300)**	(53,296)	**(28,774)**	(26,766)	**(4,907)**	(4,196)	**(1,844)**	(1,192)	**(92,825)**	(85,450)
Capital expenditure	**238**	984	**3,230**	1,987	-	-	-	-	**3,468**	2,971
Depreciation charge for the property and equipment	**246**	352	**1,479**	1,581	-	-	-	-	**1,725**	1,933

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21. 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.

	2013	2012
Shareholders:		
As at 31 December		
Term loans	**11,040**	13,155
Bank overdrafts	**49**	781
Bank balances	**1,181**	856
For the year ended 31 December		
Interest expense	**226**	367

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.

	2013	2012
For the year ended 31 December		
Salaries and short term employee benefits	**1,362**	1,151
Directors remuneration and attendance fees	**433**	392

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.d.

22. RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini employees for the year amounted to BD 619 (2012: BD 640). The Group's provision for expatriate employees' leaving indemnities at 31 December 2013 was BD 1,172 (2012: BD 1,050). The Group employed 684 staff at 31 December 2013 (2012: 628).

As at 31 December 2013, the total liability of the Group to its employees under Saving Plan was BD 651 (2012: BD 493).

23. 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:

	2013	2012
Profit for the year	**13,068**	12,313
Weighted average number of equity shares (In 000's)	**161,143**	161,143
Basic earnings per share	**81 fils**	76 fils

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

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24. OUTSTANDING COMMITMENTS

As at reporting date, the Group has contingent liabilities for standby letters of credit issued in the normal course of the automotive business amounting to BD 15,000 (2012: BD 8,730) and unutilised credit limits of BD 7,255 (2012: BD 8,506) to its customers.

The Group's capital commitment for the construction of a Company's new office is BD 3,750 as at 31 December 2013.

25. PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2013. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2013	2012
Proposed dividends	**6,446**	6,446
Donations	**280**	280
General reserve	**1,500**	1,500
	8,226	8,226

26. COMPARATIVES

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