RELENTLESS **PERSEVERANCE**

2014
ANNUALREPORT

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

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OPERATIONAL HIGHLIGHTS

The Group has delivered its highest ever net profit of BD 14.5 million, some 11% higher than the BD 13.1 million earnings of 2013.

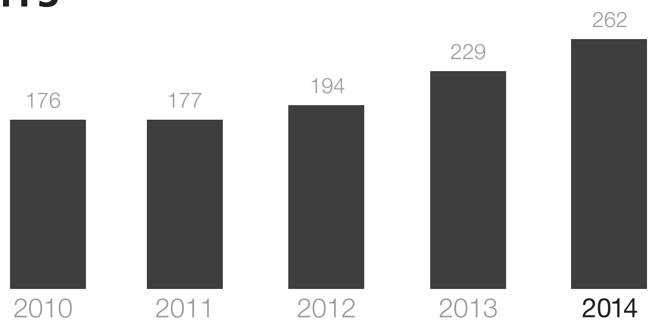
Credit: Bahrain Credit has reported a net profit of BD 9.8 million and provided new loans of BD 115 million. Such amount of new business has resulted in 14% growth in interest earning loan portfolio. The non-performing loans stood at 3.1%.

Automotive: The Bahrain operation has actively pursued its brand focused strategy and earned a net profit of BD 3.3 million. The Company's Greenfield project in Erbil, Kurdistan in its first full year's operations has incurred losses of BD 1.3 million.

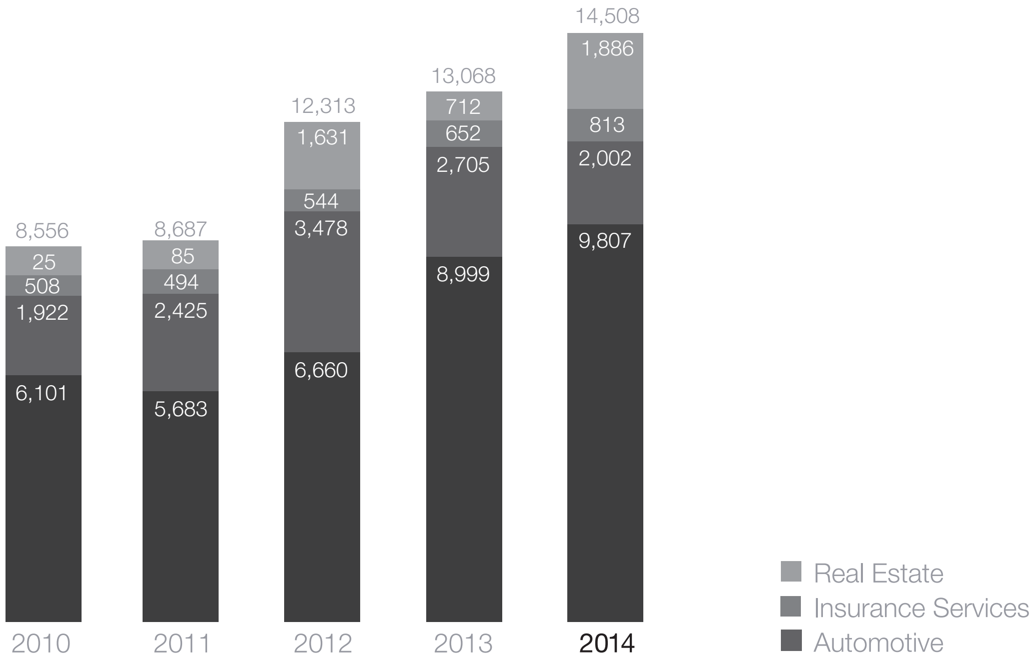
Insurance: T'asheelat Insurance Services Company has arranged more than eighteen thousand new insurance policies and reported a net profit of BD 813 thousand. The results reflect its excellent relationship with insurance companies and customers who recieve proper advice on the various insurance products.

Real Estate: Tas'heelat Real Estate Company had an outstanding year and earned its highest net profit of BD 1.9 million. The company has successfully completed another land project in Saar. The investments into residential properties have maintained healthy occupancy during the year which has resulted in good rental yields.

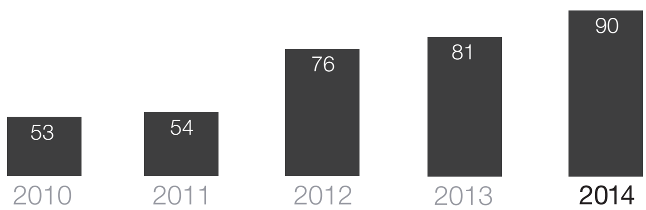
FINANCIAL HIGHLIGHTS



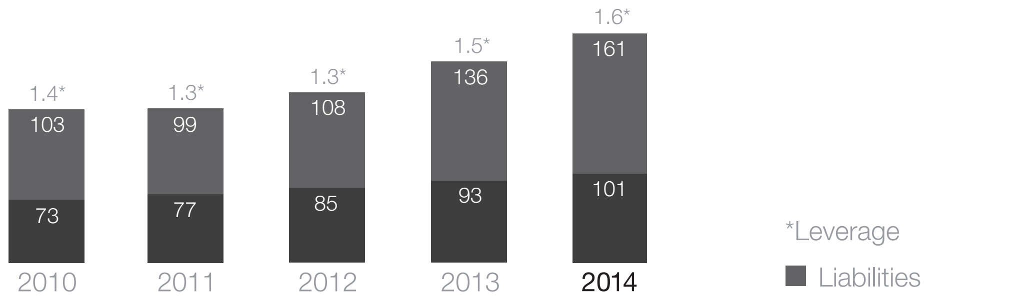
Total Assets (BD million)



Net Profit (BD'000)



Earnings per share (fils)



Debt Equity (BD million)

CHAIRMAN'S REPORT

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 2014. The annual report includes the consolidated financial results of Bahrain Credit and the company's subsidiaries National Motor Company, Tas'heelat for General Trading and Cars (Kurdistan), Tas'heelat Real Estate Services Company and Tas'heelat Insurance Services Company.

In 2014, your Company has scaled new levels – it has achieved, yet again, the highest profit in its history. This remarkable achievement is a result of the faithful adherence of all Group companies to their core business models, successful execution of their strategic plans and the sheer hard work of their dedicated employees. The Group's net profit of BD 14.5 million (2013: BD13.1 million) has ensured a return on equity of 14.3%. Your board recommends a cash dividend to shareholders at the rate of 45 fils per share (45%) (2013: 40 fils per share).

In the 2013 Annual Report, your management forecasted the global economy to grow at a meagre pace and to remain vulnerable to potential volatility in the world markets over 2014. This has proven to be true - whilst the United States of America has shown signs of recovery, the Eurozone and emerging market economies remained under significant pressure resulting in a further global slowdown. Locally the sudden and extreme decline in the oil prices in the last few months have raised serious questions about sovereign planned capital expenditure, budget deficits and the funding of the same within the GCC. Bahrain is not immune to this sharp fall in oil prices. That is mentioned, the local business community remained resilient and witnessed healthy growth in all segments in which your company operates.

Bahrain Credit has achieved a net profit of BD 9.8 million (2013: 9.0 million) and provided new loans of BD 115 million (2013: BD 99 million). It is pleasing to note that the new loans were spread across all products thereby diversifying risk. The continued increase in new business and constant endeavour to surpass customer expectations have translated into your company spending extensive time and effort in increasing and training its manpower, refining its operations and business processes and addressing the requirements for further infrastructural support. In 2014, your company broke ground in the construction of its new Head Office building near the current headquarters. This is expected to be ready by early 2017. The building is futuristic in design and is expected to meet the growing demand on the company's services. This strategic project will ensure that your company's employees will serve our customers in a comfortable, spacious state-of-the-art environment.

In 2014, your company sustained its market leadership in its core product, vehicle lending, and this is due to its excellent relationship with key car dealers and sub-dealers. Our youngest product Imtiaz has grown into a major player in Bahraini market with more than seventeen thousands cards. The buoyant local real estate market fostered healthy growth in your company's mortgage loans.

The new business sourced by your company was without compromising on the asset quality: the non-performing loans stands at 3.1% of the total loans portfolio.

Your company continues to maintain a strong and healthy liquidity position and has recently issued a new USD 53 million floating rate bonds maturing in 2019.

National Motor Company has recorded a net profit of BD 2.0 million (2013: BD2.7 million).The results include first full year operating loss of its wholly owned subsidiary T'asheelat for General Trading and Cars W.L.L. based in Erbil, Kurdistan. The instability and sad events in Iraq have adversely affected our operations there leading this newly formed company to produce trading loss of BD1.3 million. Your board has constantly monitored the situation closely and a number of proactive steps taken over the year have minimized the loss and protected this investment. In its Bahrain operations, your company has actively pursued its brand focussed strategy and produced a net profit of BD3.3 million.

With the appointment of Brand Managers, the company is striving to enrich the overall car ownership experience of our customers. This will result in not only increasing sales volume and market share for the brands we represent but aims at improving customer satisfaction and thereby, increase retention.

T'asheelat Real Estate Services company has an outstanding year and reported a net profit of BD 1.9 million (2013: 712 thousand). Your company remained committed to addressing the aspirations of our citizens for affordable housing solutions through another successful project in Saar. The company made additional investments in similar projects over the year. All the company's investment properties for rental income maintained healthy occupancy rates during the year and generated steady and reliable yields.

T'asheelat Insurance Services Company reported a net profit of BD 813 thousand (2013: BD 652 thousand). During the year, your company has provided brokerage services and arranged in excess of eighteen thousand motor insurance policies. It has achieved this through maintaining excellent relationships with insurance companies, developing closer ties with car sub-dealers and vigorous direct marketing efforts that have especially resulted in a high level of renewal rate for existing customers.

2015 is the last year of the current strategic plan. Your company is operating at a very low leverage and thereby has significant capacity to expand. Investment opportunities to further enhance shareholder value will be a focus of the next strategic planning cycle of 2016 – 2019.

During the year, the following were the changes in the composition of the Board of directors. Mr. Jamal Mohammed Jassim Hejres, a nominee of BBK BSC, reached the end of his tenure at the Board effective March 2014. Mr. Hejres served on the Board since October 2004 and was also the Vice Chairman of National Motor Company Board.

Mr. Jamal Abdulla Al-Mutawa and Mr. Abdulrahman Yousif Al-Qasim, nominees of Social Insurance Organisation, reached the end of their tenure at the Board effective March 2014. Mr Al-Mutawa served on the Board since February 2012 and was also the Vice Chairman of Group Audit Committee. Mr Al-Qasim has served on the Board since October 2012 and was also a member of Remuneration and Nomination Committee.

The Board places on record its sincere thanks and appreciation to Mr. Jamal Mohammed Jassim Hejres, Mr. Jamal Abdulla Al-Mutawa and Mr. Abdulrahman Yousif Al-Qasim for their valuable contributions over the years. The Board welcomed three new members effective March 2014; Mr. Mohammed Ahmed Abdulla Al Khaja and Mr. Abdulla Mohamed Al Mahmood who joined as nominees of the Social Insurance Organization and Mr. Reyadh Yusuf Hassan Sater who joined as nominee of BBK BSC.

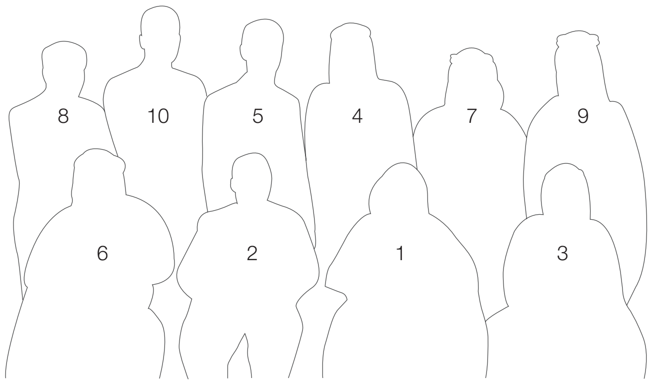
In accordance with the requirement of Bahrain's Commercial Company Law 2001, we report the aggregate amount paid to directors during 2014 was BD 455 thousand (2013: BD 433 thousand) in respect of fees and subsidiary Board and Committees' attendance allowances. The total shareholding of the directors (a total of their individual holdings and the holding of their nominating institutions, where applicable) 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
17 February 2015

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 50 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*
- *Board Member of Asset Management Company ("Osool"), Bahrain (representing SIO, Bahrain)*
- *Chairman of Bahrain Mumtalakat Holding Company B.S.C. (c), Bahrain (representing Osool, Bahrain)*

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

Director since 15 March 2008 (Non-independent and Executive in shareholder bank "BBK"); has more than 36 years of extensive and diversified experience in banking; holds a B.Sc. in Economic Science, Economic Stream from Aleppo University, Syria, 1976.

- *Chief Executive Officer – BBK B.S.C., Bahrain*
- *Chairman of the Board of CrediMax B.S.C. (c), Bahrain*
- *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 Nasser Center for Rehabilitation and Vocational Training*

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 33 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 and Member of the Executive 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 39 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 Member of the Executive Committee

Director since 15 March 2008 (Independent and Non-executive); has more than 49 years of extensive and diversified experience in the field of law as a Lawyer, Legal Advisor and Accredited Arbitrator in 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. Reyadh Yusuf Hasan Sater
Board Member and Chairman of the Audit Committee - Nominee of BBK B.S.C.

Director since 18 March 2014 (Non-independent and Executive in shareholder bank "BBK"); has more than 36 years of extensive and diversified experience in banking and auditing; holds an Executive Management Diploma from University of Bahrain, 1996; an MBA in Business Administration from University of Glamorgan, UK, 2001; CIA from the Institute of Internal Auditors, USA, 2002; fulfilled the requirements of The Gulf Executive Development Program at University of Virginia - Darden-USA, 2003.

- *Deputy CEO, Head of Business 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*

7. Abdulaziz Abdulla A.Aziz Al-Ahmed
Board Member and Vice Chairman of the Remuneration and Nomination Committee - 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 41 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 and 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 34 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. Abdulla Mohamed Al-Mahmood
Board Member and Member of the Remuneration and Nomination Committee - Nominee of Social Insurance Organization, Bahrain

Director from 18 March 2014; (Independent and Non-executive); has more than 26 years of extensive and diversified experience in information technology, human resources and administration and accounting & Finance; holds a Diploma in Actuarial Science from Mohanna Foundation, Cyprus, 1998; an MSc in Information Technology from Arabian Gulf University, Bahrain, 1997; BSc in Statistics from Kuwait University, Kuwait, 1988.

- *Executive Director of Customer Service Department - Social Insurance Organisation, Bahrain*
- *Board member, Member of the Remuneration & Nomination Committee and Member of the Governance Committee of Bahrain Tourism Company ("BTC") B.S.C., Bahrain (up until February 2014)*

10. Mohammed Ahmed Al-Khaja
Board Member and Vice Chairman of the Audit Committee - Nominee of Social Insurance Organization, Bahrain

Director from 18 March 2014; (Independent and Non-executive); has more than 14 years of extensive and diversified experience in financial services, credit control, wealth management, risk and compliance, sales, marketing and operations in domestic and international banking; holds a B.Sc. in Accounting from University of Bahrain, 2001.

- *Vice President, Head of Fund Management - Asset Management Company ("Osool"), Bahrain*
- *Board Member, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee of The Mediterranean and Gulf Insurance and Reinsurance Company ("MEDGULF") B.S.C. (c), Bahrain*
- *Board Member, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee of Medgulf Allianz Takaful B.S.C. (c), Bahrain*
- *Board Member, Member of the Nomination and Remuneration Committee and Member of the Risk Management Committee of Bahrain Islamic Bank B.S.C., Bahrain*

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

Joined on 02 May 2007; has more than 14 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; and currently pursuing an LLB in Law.

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CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC is committed to the 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 Module of the Central Bank of Bahrain. Additionally, the company in 2014, as part of its corporate governance strategy, has put extensive efforts to facilitate and enhance means of communication and decision-making processes at board and management level by adopting a green solution and easy-to-use electronic web-based portal, aimed at automating all board activities and providing Board Members with secure, real-time access to the Board's archive.

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 2014.

B. Board of Directors Information

Constituted of ten non-executive and executive members divided into independent and non-independent, the Board, who are appointed and elected 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. In this regard, it is worth mentioning that training of the Board Members, as approved persons holding controlled functions in the company, has always been at the forefront of the responsibilities of the company, which ensures proper Continuous Professional Development ("CPD") Training is extended to all Directors as per the CBB Training and Competency Module. 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 the best practices and the highest 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, in their capacity as approved persons, and the connected persons as at 31st December 2014 as follows:

Directors *	Type of Shares	31 December 2014	31 December 2013
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
Reyadh Yusuf Hasan Sater	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
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Mohammed Ahmed Abdulla Al Khaja	Ordinary	Nil	Nil

** The Board of Directors did not trade in the shares of the Company during the financial year ended 31 December 2014.*

CORPORATE GOVERNANCE (Continued)

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 2014, the Board of Directors convened five ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Directors *	19 Feb.	18 Mar.	22 Jun. ‹1›	22 Jul.	21 Oct.	23 Dec.	Total
Abdulrahman Yusuf Fakhro	✓	✓	✓	✓	✓	✓	6
Abdulkarim Ahmed Bucheery	By phone	✓	By phone	✓	✓	✓	6
Khalid Mohammed Ali Mattar	✓	✓	By phone	✓	✓	✓	6
Ebrahim Abdulla Buhindi	✓	✓	By phone	✓	✓	✓	6
Jamal Mohammed Jassim Hejres ‹2›	✓						1
Reyadh Yusuf Hasan Sater ‹3›		✓	✓	✓	✓	✓	5
Sayed Abdughani Hamza Qarooni	✓	✓	✓	✓	✓	✓	6
Ali Abdulla Ahmadi ‹4›	✓	✓	By phone	By phone	By phone	By phone	6
Abdulaziz Abdulla Al-Ahmed	✓	✓	✓	✓	✓	✓	6
Jamal Abdulla Al-Mutawa ‹5›	✓						1
Abdulla Mohamed Al Mahmood ‹6›		✓	✓	✓	✓	✓	5
Abdulrahman Yousif Al-Qasim ‹7›	✓						1
Mohammed Ahmed Abdulla Al Khaja ‹8›		✓	✓	‹9›	By phone	✓	4

1. *An unscheduled meeting of the Board held to consider and approve an investment proposal in 2014.*
2. *Ceased to be a Board member from March 2014.*
3. *Joined the Board in place of the outgoing nominee of BBK, Mr. Jamal Mohammed Hejres, effective on 18 March 2014.*
4. *Attended by phone till the end of the year due to legitimate reasons.*
5. *Ceased to be a Board member from March 2014.*
6. *Joined the Board in place of the outgoing nominee of SIO, Mr. Jamal Abdulla Al- Mutawa, effective on 18 March 2014.*
7. *Ceased to be a Board member from March 2014.*
8. *Joined the Board in place of the outgoing nominee of SIO, Mr. Abdulrahman Yousif Al-Qasim, effective on 18 March 2014.*
9. *Absent due to being abroad on a business trip arranged prior to his appointment.*

Additionally, where there is a potential for conflict of interest, or there is a need for impartiality in relation to a subject or proposed transaction where a conflict of interest exists, the Board shall form ad hoc Board sub-committees, comprising of a sufficient number of Board members capable of exercising independent, objective judgment. This is to ensure that the Board members discharge their duties with a high degree of integrity and loyalty, taking into account applicable laws, codes and regulations. Therefore, in order to avoid conflicts of interest, a Board Sub-Committee meeting was held to consider proposals for bonds in 2014. The meeting was attended as follows:

Board Sub-committee *(To consider proposals for bonds)*	14 May
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 2014, the Executive Committee held seven meetings. The meetings were attended as follows:

Committee Member	21Jan.	18 Mar.	29 Apr.	14 May.	17Jun.	23 Sep.	25 Nov.	Total
Khalid Mohammed Ali Mattar, *Chairman*	✓	✓	‹3›	✓	✓	✓	✓	6
Abdulkarim Ahmed Bucheery, *Vice Chairman ‹1›*	✓	✓	✓	✓	✓	✓	By phone	7
Sayed Abdulghani Hamza Qarooni, *Member*	✓	✓	✓	✓	✓	✓	✓	7
Ebrahim Abdulla Buhindi, *Member ‹2›*		✓	✓	✓	✓	✓	✓	6

1. Elected as vice chairman effective from 18 March 2014.
2. Appointed as member effective from 18 March 2014.
3. Absent due to sickness.

CORPORATE GOVERNANCE (Continued)

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. During 2014, the Board of Directors took a decision to appoint an independent advisor from outside the Board, with no voting right, to add value and provide professional, independent advice and assist the Committee in effectively exercising its best judgment for the exclusive benefit of the Company. 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, Head of Risk Management and Compliance and Money Laundering Reporting Officer or others, as necessary. During 2014, the Board Audit Committee met 10 times. The meetings were attended as follows:

Committee Member	29 Jan.	17 Feb.	23 Feb.	25 Mar.	27 Apr.	21 Jul.	20 Oct.	27 Oct.	30 Nov.	23 Dec.	Total
Reyadh Yusuf Hasan Sater, *Chairman ‹1›*					✓	✓	✓	✓	✓	✓	6
Mohammed Ahmed Abdulla Al Khaja, *Vice Chairman ‹2›*				✓	✓	<7>	By phone	✓	✓	✓	6
Ali Abdulla Ahmadi, *Member ‹3›*	✓	✓	✓	✓	By phone	By phone	By phone	By phone	By phone	By phone	10
Rashed Ali Mohamed A.Rahim, *Invitee ‹4›*				✓	✓	✓	✓	✓	✓	✓	7
Ebrahim Abdulla Buhindi, *Chairman ‹5›*	✓	✓	✓								3
Jamal Abdulla Al-Mutawa, *Vice Chairman ‹6›*	✓	✓	✓								3

1. Appointed as member on 22 April 2014 and elected as Chairman effective from 27 April 2014.
2. Elected as chairman from 25 March 2014 to 26 April 2014. Then, elected as vice chairman effective from 27 April 2014.
3. Elected as vice chairman from 25 March 2014 to 26 April 2014. Then, attended by phone till the end of the year due to legitimate reasons.
4. Appointed as invitee, being an independent advisor from outside the Board, effective from 18 March 2014.
5. Quit as the chairman of the Committee and joined the Executive Committee effective from 18 March 2014.
6. Quit as the vice chairman of the Committee after being replaced by a new nominee of SIO effective from March 2014.
7. Absent due to being abroad on a business trip arranged prior to his appointment.

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

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 2014. The meetings were attended as follows:

Committee Member	12 Feb.	18 Dec.	Total
Abdulrahman Yusuf Fakhro, *Chairman*	✓	✓	2
Abdulaziz Abdulla Al-Ahmed, *Vice Chairman ‹1›*		✓	1
Abdulla Mohamed Al Mahmood, *Member ‹2›*		✓	1
Ebrahim Abdulla Buhindi, *Vice Chairman ‹3›*	✓		1
Abdulrahman Yousif Al-Qasim, *Member ‹4›*	✓		1

1.Appointed as member of the Committee effective from 18 March 2014 and elected as vice chairman on 18 December 2014.
2. Appointed as member of the Committee effective from 18 March 2014.
3.Quit as vice chairman of the Committee following his appointment to the Executive Committee effective from 18 March 2014.
4.Quit as member of the Committee after being replaced by a new nominee of SIO effective from March 2014.

CORPORATE GOVERNANCE (Continued)

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 the best international practices in relation to its functioning. It is committed to complying with the 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 Head of Risk Management and Compliance and Money Laundering Reporting Officer (MLRO). 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, the Head of Risk Management and Compliance and Money Laundering Reporting Officer reports directly to the Chief Executive Officer and Board Audit Committee and has full access to the Board of Directors.

The Company has in place a clear strategy and framework for both risk management and compliance to identify and monitor risks and put right controls on a regular basis. The Company also 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. Head of Risk Management and Compliance and 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 members. 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 Committees' Members are as follows:

- A fixed amount representing an annual remuneration fee approved by the Shareholders at the AGM; and
- Attendance fees payable 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.*
6. *The financial performance of all the Group's subsidiaries.*

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.

CORPORATE GOVERNANCE (Continued)

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. At board level, there is an easy-to-use electronic web-based portal that is aimed at automating all board works and providing Board Members with secure, real-time access to the Board's archive.

EXECUTIVE MANAGEMENT

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

Joined on 1 September 2004; has more than 16 years of extensive and diversified experience in financial services, automotive business, real estate business, insurance brokerage business, corporate and business strategies, product development, human resources, marketing and sales and business processes; holds a PhD in Management Studies from University of Aberdeen, UK, 2005.

- Chairman of Tas'heelat Insurance Services Company W.L.L., Bahrain
- Board Member of National Motor Company W.L.L., Bahrain
- Member of the Executive Committee of Tas'heelat for General Trading and Cars W.L.L., a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq

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

Joined on 1 January 1993; has more than 34 years of extensive and diversified experience in financial and banking services, credit and recoveries, Information Technology, marketing and human resources.

- Board Member of National Motor Company W.L.L., Bahrain

3. 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 29 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., a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq

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

Joined on 21 April 1996; has more than 28 years of diversified experience in financial services, trading and manufacturing sectors; holds a CPA from CPA Australia, a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management, Ahmedabad, India.

- Board Member of Tas'heelat Insurance Services Company W.L.L., Bahrain
- Board Member of National Motor Company W.L.L., Bahrain

EXECUTIVE MANAGEMENT (Continued)

5. 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 16 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.

6. Nader Ebrahim
Executive Senior Manager, Head of GM Brand - National Motor Company W.L.L.

Joined on 15 July 1995; has more than 29 years of extensive and diversified experience in Auditing and Finance and in the motor industry. Performed a number of roles during the service with NMC as Head of Finance and Administration and now holds the position of Head of GM Brand responsible for all the business aspect of Sales, Service and Spare Parts; 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).

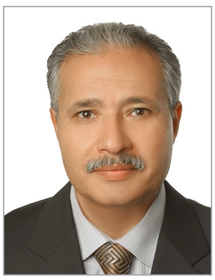
- Board Member of Tas'heelat Insurance Services Company W.L.L., Bahrain

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

Joined on 1 January 1993; has more than 29 years of extensive and diversified experience in insurance; holds a Post Graduate Diploma in Business & Management from Sheffield University, UK, 1999.

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

Joined on 3 May 1997; has more than 18 years of extensive and diversified experience in financial and banking services; holds a BSc in Banking and Finance, University of Bahrain, 2004.



9. Mostafa El-Berry
*General Manager - Tas'heelat for General Trading and Cars W.L.L.
a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq*

Joined in August 2014; has more than 30 years of extensive and diversified experience in Automobile Industry; holds a BSc. in Mechanical Power Engineering, University of Alexandria, 1984.

10. Abdulla Al-Wedaei
Executive Senior Manager, Head of Honda Brand - National Motor Company W.L.L.

Joined in October 1991; has more than 23 years of extensive and diversified experience in the motor industry. Performed a number of roles during the service with NMC from Honda Sales Manager, Head of Sales of Honda, GM and Used Cars and now holds the position of Head of Honda Brand responsible for all the business aspect of Sales, Service and Spare Parts; holds a Master's Degree in Business Administration from University of Hull, 2001. Board member in Car Dealer Association, Bahrain.

- Board Member of Tas'heelat Insurance Services Company W.L.L., Bahrain

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

Joined on 4 June 2006; has more than 21 years of extensive and diversified experience in IT; holds an MBA in Information Technology Management from Sunderland University, UK, 2010.

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

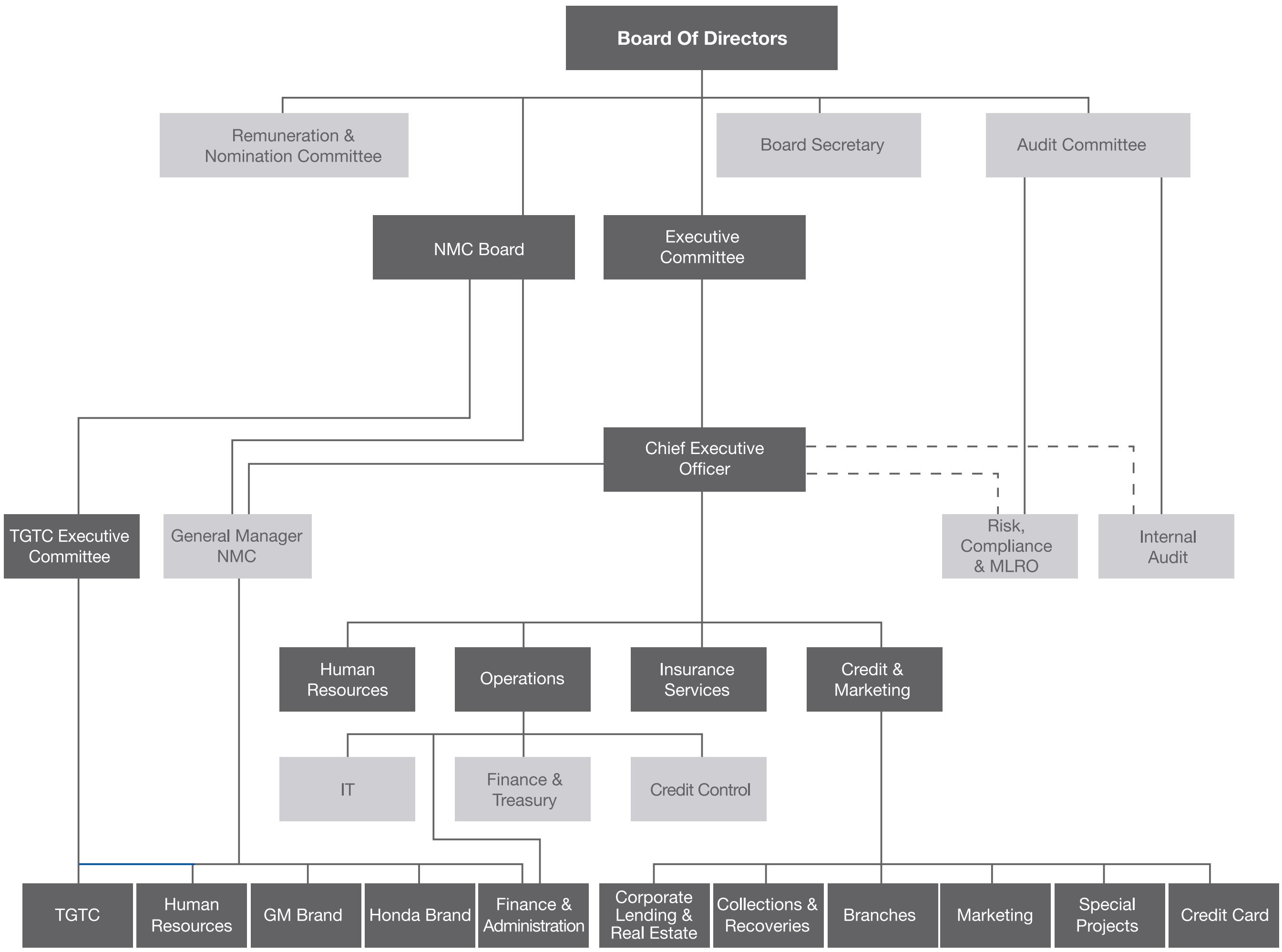
Joined on 17 April 2004; has more than 13 years of extensive and diversified experience in human resources training and development, procurement and administration, project management; holds a Master's Degree in Human Resource Management from DePaul University, Chicago, USA, 2010, BSc. in Business Information Systems and an Associated Diploma in Civil Engineering, University of Bahrain,2001. Member of The Chartered Institute of Personnel and Development (CIPD), UK. Member of The Society for Human Resource Management (SHRM), USA.

13. Ali Aburwais
Head of Risk Management and Compliance and Money Laundering Reporting Officer (MLRO) - Bahrain Commercial Facilities Company B.S.C.

Joined on 1 August 1995; has more than 24 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 2014.*

ORGANIZATION CHART



MANAGEMENT'S REVIEW OF OPERATIONS

The volatility in the global economy continued and further slowed the growth trajectory of most world economies. Indicators in the US economy are encouraging but are offset by themes of falling prices, slowing growth and rising credit risks in the euro zone and emerging economies. The global recovery also continues to be hampered by increased geopolitical conflicts in various parts of the world. It is difficult to forecast which of these opposing elements will prevail.

Although Bahrain's economy is linked to (now falling) oil prices, the local economy during 2014 remained robust – key economic indicators were ahead of the rest of the GCC countries. Bahrain GDP has registered a growth of 4.3% as against the GDP growth of 3% for MENA region countries and 2.3% for the rest of the world. The local real estate market has witnessed an increase in completed deals with good demand for new housing projects and increase in land prices.

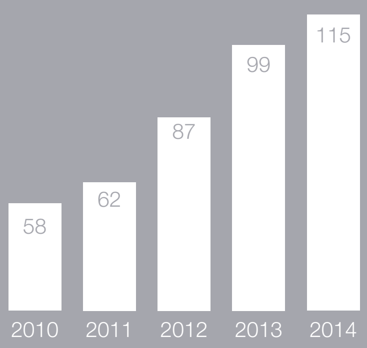
2014 is the most successful year for Bahrain Commercial Facilities Company BSC in its history. The Group has delivered its highest ever net profit of BD 14.5 million (2013: BD 13.1 million) which translates into a return on equity of 14%.

2014 was also the second year of the Company's current 3-year strategic plan for the period 2013 to 2015. Over the last two years, the Group has implemented a wide range of initiatives ahead of schedule. Several of these are qualitative in nature and they have contributed significantly to the outstanding performance. One important project the Group has recently commenced is the construction of its new corporate headquarters building which is designed to meet all present and future needs. The Group with a solid capital base and a low leverage of 1.59 times is well placed to take advantage of any new opportunities as and when presented.

MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

PARENT COMPANY

- *Vehicle loans*
- *Personall loans*
- *Mortgage loans*
- *Corporate loans*
- *Credit cards*



Bahrain Credit new lending (BD million)

Bahrain Credit has reported a record net profit of BD 9.8 million (2013: BD 9 million). In the backdrop of the positive economic environment in Bahrain, the company has provided new loans of BD 115 million – the first time in its history that it has crossed three digits in new lending in a single year. As of 31 December 2014, the total loan portfolio, net of impairment provisions stands at BD 198.5 million, 14% higher than last year.

Despite price based competition, the company strengthened its dominant position in the consumer finance market by successfully implementing its strategic initiatives. Additional investments in improving operating procedures and efficient servicing of customers' requirements through conveniently positioned branches has resulted in increased market share. The company has reinforced its leadership position in its core product - vehicle loans, thanks to its strong relationship with key auto dealers and sub-dealers.

The quality of the portfolio remains a key priority – it is dependent on uncompromising underwriting standards and an efficient collection and recovery function. The non-performing loans stood at a very satisfactory 3.1% of the total loans portfolio; it is worth mentioning that most of the company's new lending is made on a partially or fully secured basis and all past due loan accounts are well covered by impairment provisions.

The company has made further inroads in the unsecured lending and credit cards market. With seventeen thousand active customers, Imtiaz is now an established player and a force to reckon with in the credit card market. Building on this strong market penetration, Bahrain Credit introduced the Platinum Card to selected clients. The strong relationship with Mastercard that has been forged since 2010 resulted in it conferring Bahrain Credit with a Principal Membership in 2014. This will provide the company more flexibility in structuring new product offerings and benefits to customers.

The confidence level in the real estate market over the past twelve months has significantly improved. The Company continued its cautious lending approach for mortgage loans, mostly funding those customers who can 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 company with a low leverage remain comfortable in its liquidity position. In continuation of the efforts of the management to diversify its funding base and spread the maturities of its obligations, the company has successfully issued a new USD 53 million floating rate bonds that will mature in 2019.

NATIONAL MOTOR COMPANY

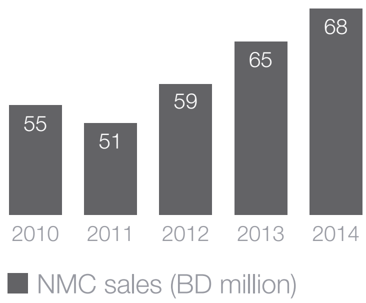
• Honda • Chevrolet • GMC • Cadillac

In the automotive business, the company has registered a net profit of BD 2.0 million (2013: BD 2.7 million). The Bahrain operations have demonstrated an improvement in the profitability on the previous year's results, the overall financial result for the company was undermined by the difficult political situation in Iraq. The financial results include the first full year's operating losses of BD 1.3 million for its wholly owned subsidiary operating in Erbil, Kurdistan. The company is constantly monitoring the situation and has already taken several proactive steps to protect its investment.

Bahrain Operations

In 2014 the company achieved a turnover of BD 66 million earning a net profit of BD 3.3 million representing an improvement of 3.6 per cent on the previous year. The company has actively pursued its brand focused strategy to enrich the overall car ownership experience of its customers. This is started to show very encouraging results.

During the year, the Bahrain automotive market witnessed only marginal growth. In this fiercely competitive market, it is pleasing to note that the Honda brand maintained market share and all Honda car models remained well accepted. General Motors new car sales were adversely affected by global recalls by the Parent Company. However, the issue has now been very professionally and transparently resolved.



MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

With new and exciting launches of number of key models including the flagship Cadillac Escalade and the bestselling Tahoe and Yukon models, the sales volumes for GM are expected to increase in the coming year.

After Sales services continued their strong focus on customer retention with all the efforts being made to improve customer service and affordability across both brands. This strategy has proved successful as we have observed marked improvement in not only our customers' service rating but also in customer retention numbers. Your company is determined to continue its efforts to bring down the cost of ownership of its vehicles which is key to customer loyalty and customer satisfaction.

Erbil Operations

Erbil is a green-field project and initial losses are normal and expected; after all, the company embarked in this venture outside Bahrain for the long term and cognizant of the normal risks involved. 2014 however, proved more difficult than anticipated for well-publicized and distressing reasons beyond anybody's control and which have ramifications not just for Iraq but for the entire MENA region. Management is hopeful that the situation will stabilize and is aware that it might take not just a few months but even perhaps, a few years. In 2014, the company has implemented stringent cost control in all areas of the business including reducing headcount where appropriate. During the year, it has also moved some inventory back to Bahrain and made the necessary provisions in the books of accounts as a precautionary and conservative measure. The company, at this point in time, remains committed to this market that has the potential to offer very good returns in the longer term and is, in the meantime, keeping a watchful brief on the situation as it unfolds.

TAS'HEELAT REAL ESTATE SERVICES COMPANY

• Rental & brokerage services • Valuation • Property management • Investment

The Company has achieved a record net profit of BD 1.9 million (2013: BD 712 thousand). The company's success can be attributed to its strategy 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 remained committed to its constant endeavor to address the aspirations of our citizens for affordable housing solutions and successfully completed another project in Saar. In the Saar Land-3 project, the company has sold 53 plots out of 61 available. The company will continue to execute similar projects in the coming years and already has made careful investments in this regard.

With the purpose of creating long term annuity style business, the company has identified a niche and bought residential buildings in areas which are sought after by a specific segment of the expatriate population. All such investment properties throughout the year maintained very high occupancy and provided healthy returns. During the year, the company has opportunistically sold one investment property which resulted in a net profit of BD194 thousand recognized as other income in the financial statements.

TAS'HEELAT INSURANCE SERVICES COMPANY

• Motor insurance • Home insurance • Life insurance • Travel insurance

T'asheelat Insurance Services Company reported a net profit of BD 813 thousand (2013: BD 652 thousand). In 2014, the company has arranged in excess of eighteen thousand motor insurance policies which has resulted in 25% increase in its gross income. This was achieved through maintaining excellent relationship with insurance companies, developing closer ties with car dealers and providing valued added services to customers. It is quite welcoming to note higher renewal rates from our existing customers.

The company will continue to improve upon its market presence through joint marketing promotions with selected insurance companies, introducing innovative insurance products, providing unique facilities to its customers' and further developing synergies with the rest of the group's subsidiaries.

2015 OUTLOOK

We expect global economy to strengthen in 2015, with the World GDP projected to grow by 3.1 per cent. Global growth will receive a boost from prevailing low oil prices but this improvement will be offset by negative factors in euro zone and emerging market economies. Bahrain GDP growth is forecasted to fall to 2.6 percent in 2015 due to lower oil prices whose negative impact should be offset by sustained Government investments, including contribution from the GCC Development Fund. 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

Since inception, Bahrain Commercial Facilities Company B.S.C. has witnessed many phases of development and achievements not only in terms of business growth and profitability, but also in the fields of philanthropy, sustainability, corporate social responsibility and community engagement, which give us reasons to be proud of what we were able to achieve. Our contributions to Bahraini community, focusing on measureable social, economic, environmental, educational and cultural impacts, reached a significant milestone in 2014.

We at BCFC firmly believe in giving back to our local community. During 2014 we strengthened our community partnerships and active participation of our involvement with charitable organizations, translating our brand message, “Fast and Friendly Service”, into capturing our shared sense of responsibility and maintaining a deep commitment towards building a better nation, initiating innovative philanthropic programmes, caring enough to support, encourage and participate in welfare activities for the community, touching and enriching the lives of those in need.

The Management thinks there are more needs to be addressed to alleviate hardships and contribute generously to social causes. Towards accomplishing these objectives, the senior management throughout the year undertook field visits to all the charitable institutions and societies supported by the company, with the purpose of closely observing their activities and understanding their bare necessities and needs. In addition to that, a specialized “Social Responsibility Placement” initiative was introduced and all the managers at all levels were given the opportunity to represent the company in all the areas of voluntary activities and volunteer their community service in all aspects for three consecutive days to truly convey a clear message that the Company is always there in times of need.

During 2014, 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 a larger section of needy families in the society. Therefore, the Company approved total donations of BD 317,000 towards those institutions’ activities.

Also in 2014, we were able to combine flagship campaigns with a focus on community projects, marking the company’s deep-rooted corporate social responsibility in intensifying our efforts to continue supporting our society for many years to come. To this effect, the company approved a contribution of BD 282,125 to fully construct a second floor of UCO Parents Care Centre in Al-Hidd and the pre-school building of Bahrain Mobility International in Isa Town to address the special needs of the elderly and be committed to the upliftment and education of the disabled children respectively. Concept designs of the two projects have been completed and constructions are due to start in 2015.

Furthermore, the company made a generous donation to Al-Moayyad Nephrology Centre at the Salmanyia Medical Centre, Ministry of Health towards purchasing four precision medical instruments (necessary for patients undergoing dialysis, kidney transplant, kidney-related diseases and disinfection of units) and providing a fully equipped vehicle to assist in transporting impoverished patients with renal failure and other kidney-related diseases to and from the hospital.

Today we are glad that we have set an example to be followed by national companies and firms. We are particularly delighted that we have played a role in serving our people and our beloved homeland. Meanwhile, Bahrain Commercial Facilities Company BSC is determined to make more contributions in this respect and seek to engage more in philanthropic activities.

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 Kurdistan, Iraq.

CR Number	:	13444	
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Banks	:	BBK BSC Ahli United Bank Gulf International Bank Arab Banking Corporation (BSC) Ahli Bank SAOG HSBC Bank Al Baraka Bank	National Bank of Bahrain BNP Paribas Standard Chartered Bank Arab Bank Bank Sohar Intercontinental Bank of Lebanon Bank of Baghdad
Auditors	:	KPMG Fakhro	

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

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 2014, 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 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements
As required by the Bahrain Commercial Companies Law and Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year 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, the Bahrain Bourse rules and procedures or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG Fakhro
Partner Registration No. 100
17 February 2015

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
as at 31 December 2014
Bahraini Dinars Thousands

	Note	31 December 2014	31 December 2013
Assets			
Cash and balances with banks		2,312	2,288
Loans and advances to customers	8	198,500	174,295
Trade receivables	9	6,518	4,859
Inventories	10	30,391	25,259
Investment properties	11	5,362	3,473
Property and equipment	12	17,979	17,643
Other assets		1,070	864
Total assets		262,132	228,681
Liabilties and equity			
Liabilities			
Bank overdrafts		757	49
Trade and other payables		18,575	20,340
Bank term loans	13	101,782	95,678
Bonds issued	14	39,701	19,789
Total liabilities		160,815	135,856
Equity			
Share capital	15	16,335	16,335
Treasury shares		(599)	(599)
Statutory reserve		33,542	33,542
Other reserves		19,095	16,885
Retained earnings		32,944	26,662
Total equity (page 34 - 35)		101,317	92,825
Total liabilities and equity		262,132	228,681

The Board of Directors approved the consolidated financial statements consisting of pages 31 to 68 on 17 February 2015 and signed on its behalf by:

Abdulrahman Yusuf Fakhro
Chairman

Khaled Mohamed Mattar
Board Member

Dr. Adel Hubail
Chief Executive Officer

CONSOLIDATED STATEMENT OF

PROFIT OR LOSS

for the year ended 31 December 2014

Bahraini Dinars Thousands

	Note	2014	2013
Interest income		20,577	18,017
Interest expense		(5,858)	(5,087)
Net interest income		14,719	12,930
Automotive sales		67,549	64,617
Cost of sales		(59,878)	(57,390)
Gross profit on automotive sales		7,671	7,227
Fee and commission income	16	5,195	4,300
Profit on sale of land inventory		1,745	678
Rental income		607	453
Total operating income		29,937	25,588
Salaries and related costs		(5,619)	(4,732)
Other operating expenses	18	(8,004)	(6,463)
Impairment allowance on loans and receivables, net of recoveries		(2,380)	(1,658)
Other income	17	574	333
Profit for the year		14,508	13,068
Basic and diluted earnings per 100 fils share	23	90 fils	81 fils
Proposed cash dividend per 100 fils share		45 fils	40 fils

Abdulrahman Yusuf Fakhro
Chairman

Khaled Mohamed Mattar
Board Member

Dr. Adel Hubail
Chief Executive Officer

The consolidated financial statements consist of pages 31 to 68.

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

for the year ended 31 December 2014
Bahraini Dinars Thousands

	31 December 2014	31 December 2013
Profit for the year	14,508	13,068
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Net change in cash flow hedge reserve	747	1,005
Total other comprehensive income for the year	747	1,005
Total comprehensive income for the year	15,255	14,073

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

for the year ended 31 December 2014

Bahraini Dinars Thousands

2014	Share capital		Reserves and retained earnings					
	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge reserve	Donation reserve	General reserve	Retained earnings	Total equity
As at 1 January 2014	16,335	(599)	33,542	(1,300)	935	17,250	26,662	92,825
2013 appropriations (approved by shareholders):								
- Donation declared for 2013	-	-	-	-	280	-	(280)	-
- Transfer to general reserve for 2013	-	-	-	-	-	1,500	(1,500)	-
Balance after 2013 appropriations	16,335	(599)	33,542	(1,300)	1,215	18,750	24,882	92,825
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	14,508	14,508
Other comprehensive income:								
- Net changes in cash flow hedge reserve	-	-	-	747	-	-	-	747
Total comprehensive income for the year	-	-	-	747	-	-	14,508	15,255
Transactions with equity holders, recognised directly in equity								
Dividend declared for 2013	-	-	-	-	-	-	(6,446)	(6,446)
Total distributions to shareholders	-	-	-	-	-	-	(6,446)	(6,446)
Utilisation of donation	-	-	-	-	(317)	-	-	(317)
At 31 December 2014	16,335	(599)	33,542	(553)	898	18,750	32,944	101,317

**Includes BD 25,292 of share premium*

The consolidated financial statements consist of pages 31 to 68.

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

for the year ended 31 December 2014

Bahraini Dinars Thousands

2013	Share capital: Share capital	Share capital: Treasury shares	Reserves and retained earnings: Statutory reserve*	Reserves and retained earnings: Cash flow hedge reserve	Reserves and retained earnings: Donation reserve	Reserves and retained earnings: General reserve	Reserves and retained earnings: Retained earnings	Total equity
As 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 for 2012	-	-	-	-	280	-	(280)	-
- Transfer to general reserve for 2012	-	-	-	-	-	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 declared for 2012	-	-	-	-	-	-	(6,446)	(6,446)
Total distributions to shareholders	-	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF

CASH FLOWS

for the year ended 31 December 2014

Bahraini Dinars Thousands

	2014	2013
Cash flow from operating activities		
Loan repayments, interest received and other credit related receipts	113,441	95,248
Receipts from automotive sales	66,328	64,832
Insurance commission received	880	690
Proceeds from sale of land inventory	4,466	2,548
Rental received	601	455
Loans and advances to customers disbursed	(115,203)	(99,122)
Payments to automotive suppliers	(60,452)	(56,602)
Payment for land held as inventory	(8,503)	(4,259)
Payments for operating expenses	(11,432)	(9,365)
Directors' fees paid	(297)	(275)
Interest paid	(5,279)	(4,989)
Net cash used in operating activities	(15,450)	(10,839)
Cash flow from investing activities		
Capital expenditure on property and equipment	(3,062)	(3,504)
Purchase of investment properties	(2,655)	(1,448)
Proceeds from sale of property and equipment	848	888
Proceeds from sale of an investment property	712	-
Net cash used in investing activities	(4,157)	(4,064)
Cash flow from Financing activities		
Bank term loans availed	58,040	108,807
Bank term loans repaid	(52,120)	(99,649)
Proceeds from bonds issuance	19,981	20,000
Bonds matured	-	(6,700)
Dividends paid	(6,560)	(6,312)
Donations paid	(317)	(252)
Net cash generated from financing activities	19,024	15,894
Net (decrease) / increase in cash and cash equivalents	(583)	991
Cash and cash equivalents at 1 January	1,809	818
Cash and cash equivalents at 31 December	1,226	1,809
Cash and cash equivalents comprise:		
Cash and balances with banks	2,312	2,288
Less:		
Restricted cash	(329)	(430)
Bank overdrafts	(757)	(49)
	1,226	1,809

The consolidated financial statements consist of pages 31 to 68.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2014
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 2014 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 carried 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.

2. BASIS OF PREPARATION (Continued)

d) New standards, amendments and interpretations effective from 1 January 2014

The following standards, amendments and interpretations, which became effective as of 1 January 2014, are relevant to the Group:

(i) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities.

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous recognizing and settlement'. The amendments have been applied retrospectively.

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

(ii) Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets.

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments at the Group had no material impact on the disclosures in the consolidated financial statements.

(iii) Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting.

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments have been applied retrospectively.

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below.

(i) IFRS 9 Financial Instruments.

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

(ii) IFRS 15 – Revenue from Contracts with Customers.
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

(iii) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation.
The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for recognizing of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The above amendments are not expected to have any significant impact on the consolidated financial statements.

(iv) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.
The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service. The above amendments does not have any material impact on the consolidated financial statements of the Group.

(v) Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle.
The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The amendments are not expected to have any material impact on the consolidated financial statements of the Group.

2. BASIS OF PREPARATION (Continued)

The following are the key amendments in brief:

- IFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:
• a brief description of the operating segments that have been aggregated; and
• the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation recognizing when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation recognizing is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

- IAS 40 has been amended to clarify that an entity should:
• assess whether an acquired property is an investment property under IAS 40; and
• perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

f. Early adoption of standards
The Group did not early adopt new or amended standards in 2014.

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 6.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of consolidation

(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 recognizing 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income from sale of goods 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 significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Specific criteria for each of the Group's activities are 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.

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.

A financial asset or financial liability is measure at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue

(ii) Classification

The Group classifies its financial assets as 'loans and advances' and are measured at amortised cost. The Group classifies its financial liabilities as 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 presented in the statement of financial position, when and only when, the Group currently has a legally enforceable 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

f. Trade and other receivables

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

g. Inventories

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

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

h. Property and equipment

Recognition:

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its residual amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Depreciation:

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment. No depreciation is charged on freehold land. The estimated useful lives are as follows:

Buildings	15 to 20 years
Furniture, fixture and equipment	3 to 6 years
Vehicles	4 years

i. Investment properties

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

Depreciation:

Depreciation on investment property is charged to the profit or loss on a straight-line basis over the estimated useful lives of property. The land component is not depreciated. The estimated useful life of the investment is as follows:

Buildings	20 years
Furniture, fixture and equipment	4 years

j. Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

y. Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans and advances that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within ‘other assets’.

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.

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2014	31 December 2013
Specifically provided loans		
Gross amount	1,152	2,376
Impairment allowance	(521)	(1,092)
Net amount	631	1,284
Collectively provided loans		
Neither past due nor impaired	175,937	154,275
Past due but not impaired	26,450	22,373
Impairment allowance	(4,518)	(3,637)
Net amount	197,869	173,011
Net loans and advances to customers	198,500	174,295

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.

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

	Retail	Corporate	Total 2014	Total 2013
1-30 days	5,081	267	5,348	4,832
31-60 days	7,925	469	8,394	6,548
61-89 days	5,922	982	6,904	6,827
90 days – 1 year	3,786	56	3,842	2,932
1 year – 3 years	1,735	103	1,838	1,855
More than 3 years	619	-	619	564

	Bahrain	Kurdistan	2014
1-30 days	5,211	137	**5,348**
31-60 days	8,389	5	**8,394**
61-89 days	6,884	20	**6,904**
90 days – 1 year	3,842	-	**3,842**
1 year – 3 years	1,838	-	**1,838**
More than 3 years	619	-	**619**

At 31 December 2014, the total gross amount of non-performing loans as defined by the CBB was BD 6,299 (2013: 5,351). In compliance with the CBB requirements, interest on non-performing loans is suspended and is accounted for on a cash basis. Suspended interest income relating to such past due loans is not material to the Group's net income.

During the year ended 31 December 2014, the average gross credit exposure for cash and balances with banks is BD 2,888 (2013: BD 2,542), loans and advances to customers is BD 190,249 (2013: BD 167,154), trade and other receivables is BD 6,094 (2013: BD 5,738) and unutilised credit limit is BD 8,943 (2013: BD 7,133). Such amounts are calculated based on the average of last four quarterly results.

At the reporting date, the loans and advances to customers represent 57% vehicle (2013: 57%), 23% mortgage (2013: 23%) and 20% unsecured lending (2013: 20%).

The below table show the geographic distribution of exposure as of 31 December 2014:

	Bahrain	Kurdistan	Total
Cash and balances with banks	2,238	74	2,312
Loans and advances to customers	198,183	317	198,500
Trade receivables	6,045	473	6,518
Total	206,466	864	207,330
Unutilised credit limit	10,678	-	10,678

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 1,459 (2013: BD 759) were past due against which BD 383 (2013: BD 359) was the impairment allowance. Substantially all commercial past due receivables are less than one year.

4. FINANCIAL RISK MANAGEMENT (Continued)

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 2014, loans and advances amounting to BD 2,187 (2013: BD 533) 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.

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 2014, loans amounting to BD 152,370 (2013: BD 138,317) were fully collateralized and loans amounting to BD 9,736 (2013: BD 7,883) was partly collateralized with a collateral value of BD 6,479 (2013: BD 7,278).

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 2014, the Group obtained assets of BD 586 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.

2014	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	2,312	2,312	2,312	-	-
Loans and advances to customers	198,500	277,603	83,387	157,654	36,562
Trade receivables	6,518	6,518	6,518	-	-
	207,330	**286,433**	**92,217**	**157,654**	**36,562**
Liabilities					
Bank overdrafts	757	762	762	-	-
Trade and other payables	18,575	18,575	18,575	-	-
Bank term loans	101,782	134,985	84,795	50,190	-
Bonds	39,701	45,989	1,399	44,590	-
	160,815	**200,311**	**105,531**	**94,780**	**-**
Unutilised credit limits	10,678	10,678	10,678	-	-

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	-	-

d. Market risks

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

Management of market risks

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

Interest rate risk

Interest rate risk is the risk that the Group's earnings will be affected as a result of movements in interest rates. The Group's interest rate exposures arise from its interest earning assets and interest-bearing liabilities i.e. balance with banks, loans, bank overdrafts, bonds and term loans. The distribution of financial instruments between interest rate categories is summarised below:

At 31 December	Fixed Rate		Floating rate		Non-interest earning		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets								
Cash and balances with banks	-	-	-	-	2,312	2,288	2,312	2,288
Loans and advances to customers	198,328	174,181	-	-	172	114	198,500	174,295
Trade receivables	-	-	-	-	6,518	4,859	6,518	4,859
	198,328	174,181	-	-	9,002	7,261	207,330	181,442
Liabilities								
Bank overdrafts	-	-	757	49	-	-	757	49
Trade and other payables	-	-	-	-	18,575	20,340	18,575	20,340
Bank term loans	-	-	101,782	95,678	-	-	101,782	95,678
Bonds issued	-	-	39,701	19,789	-	-	39,701	19,789
	-	-	142,240	115,516	18,575	20,340	160,815	135,856

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 2014 interest rate risk attributable to the term loans of USD 120 million (BD: 45.2 million) (2013: USD 120 million, BD 45.2 million) has been hedged. The fair value changes of the interest rate swaps are recognised in equity (pages 34-35). The Group has also entered into forward state interest rate swaps of USD 100 million (BD: 37.7 million) to hedge its 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 2014 a change in variable rate financial instruments by 100 basis points will increase/(decrease) net profits by BD 970 (2013: 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.

	2014	2013
US Dollars	9,056	5,801

The Bahraini Dinar is effectively pegged to the US Dollar.

4. FINANCIAL RISK MANAGEMENT (Continued)

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 1.59 as at 31 December 2014 (2013:1.46).

5. MATURITY PROFILE

The maturity profile of the Group's financial 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Assets										
Cash and balances with banks	2,312	2,288	-	-	-	-	-	-	2,312	2,288
Loans and advances to customers	62,792	54,220	113,043	100,527	21,447	18,650	1,218	898	198,500	174,295
Trade receivables	6,518	4,859	-	-	-	-	-	-	6,518	4,859
	71,622	61,367	113,043	100,527	21,447	18,650	1,218	898	207,330	181,442
Liabilities										
Bank overdrafts	757	49	-	-	-	-	-	-	757	49
Trade & other payables	18,575	20,340	-	-	-	-	-	-	18,575	20,340
Bank term loans	54,082	17,818	47,700	77,860		-		-	101,782	95,678
Bonds issued	-	-	39,701	19,789	-	-	-	-	39,701	19,789
	73,414	38,207	87,401	97,649	-	-	-	-	160,815	135,856

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

6. USE OF ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies management has made 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 207,330 (2013: BD 181,442) are categorised under 'loans and receivables' and are measured at amortised cost. All the financial liabilities of BD 160,815 (2013: BD 135,856) are measured at amortised cost except derivatives which are measured at fair value and categorised as at fair value through profit or loss.

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.

2014	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Loans and advances to customers	-	-	198,500	198,500	198,500
Bank term loans	-	101,782	-	-	101,782
Bonds issued	-	39,701	-	-	39,701
2013	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total 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 2014 and 31 December 2013 has been arrived at on the basis of a valuation carried out on the respective dates. 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 2014 are as follows:

2014	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Investment properties	-	6,000	-	6,000	5,362
2013	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total Carrying value**
Investment properties	-	4,340	-	4,340	3,473

8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2014	31 December 2013
Gross loans	203,539	179,024
Provision for impairment	(5,039)	(4,729)
Net loans and advances to customers	198,500	174,295

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

Provision for impairment Investment properties	2014	2013
Specific allowance for impairment		
Balance at 1 January	1,092	1,126
Charge for the year	22	234
Loans written off, net of recoveries	(593)	(268)
Balance at 31 December	521	1,092
Collective allowance for impairment		
Balance at 1 January	3,637	3,544
Charge for the year	2,831	1,939
Loans written off, net of recoveries	(1,950)	(1,846)
Balance at 31 December	4,518	3,637
Total allowance for impairment	5,039	4,729

The effective interest rates (APR) on loans and credit card ranges between 7.5% to 22.2% p.a. (2013: 7.5% to 21.0% p.a.).

9. TRADE RECEIVABLES

	31 December 2014	31 December 2013
Trade receivables	6,901	5,218
Provision for impairment	(383)	(359)
	6,518	4,859

Movement on impairment provisions	2014	2013
At 1 January	359	380
Net charge for the year	24	24
Written off	-	(45)
At 31 December	383	359

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10. INVENTORIES

	31 December 2014	31 December 2013
Automotive stock:		
-Vehicles	18,483	19,044
-Spare parts	3,130	3,180
Land inventory	9,153	3,371
	30,766	25,595
Provision on vehicles and spare parts	(375)	(336)
	30,391	25,259

Movement on provisions (vehicle and spare parts)	2014	2013
At 1 January	336	358
Net charge for the year	414	47
Written off	(375)	(69)
At 31 December	375	336

During the year 2014, the Group purchased three plots 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

	2014	2013
Cost		
At 1 January	3,766	2,318
Purchases	2,655	1,448
Disposal	(597)	-
At 31 December	5,824	3,766
Accumulated depreciation		
At 1 January	293	134
Depreciation for the year	250	159
Disposal	(81)	-
At 31 December	462	293
Net book value		
At 31 December	5,362	3,473

The fair value of all the investment properties as at 31 December 2014 is BD 6,000.

12. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture, fixtures & equipment	Vehicles	2014 Total	2013 Total
Cost					
At 1 January	18,450	5,785	3,986	28,221	26,266
Additions	609	512	1,941	3,062	3,504
Disposals and retirements	-	-	(1,615)	(1,615)	(1,549)
At 31 December	19,059	6,297	4,312	29,668	28,221
Depreciation					
1 January	5,139	4,311	1,128	10,578	9,592
Charge for the year	659	522	705	1,886	1,725
Disposals and retirements	-	-	(775)	(775)	(739)
At 31 December	5,798	4,833	1,058	11,689	10,578
Net book value					
At 31 December 2014	13,261	1,464	3,254	17,979	-
At 31 December 2013	13,311	1,474	2,858	-	17,643

The cost of fully depreciated assets still in use at 31 December 2014 was BD 5,058 (2013: BD 4,384).

13. BANK TERM LOANS

	31 December 2014	31 December 2013
Repayable within one year	54,082	17,818
Repayable after one year	47,700	77,860
	101,782	95,678

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 4.5% p.a. (2013: 4.8% p.a.).

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14. BONDS ISSUED

	31 December 2014	31 December 2013
Face value	39,981	20,000
Less: Unamortised cost of issue	(280)	(211)
	39,701	19,789

Movement on bonds during the year	2014	2013
At 1 January	20,000	6,700
Add: Issued during the year	19,981	20,000
Less: Redeemed during the year	-	(6,700)
At 31 December	39,981	20,000

On 26 Dec 2013, the Company issued 200,000 bonds with a face value of BD 100 each. The principal terms of the bonds issued are as follows:

Period: Five years
Interest rate: 2.5% over BIBOR for 3 months deposit in Bahrain Dinars. Interest is payable three months in arrears from the date of issue.
Security: Unsecured
Redemption: 26 December 2018

On 14 October 2014. The principal terms of the bonds issued are as follows:

Period: Five years
Interest rate: 3.2% over LIBOR for 6 months. Interest is payable six months in arrears from the date of issue.
Security: Unsecured
Redemption: 14 Oct 2019

15. SHARE CAPITAL

	31 December 2014	31 December 2013
Authorised share capital		
500,000,000 (2013: 500,000,000) shares of 100 fils each	50,000	50,000

	2014	2013
Issued and fully paid		
At 1 January	16,335	16,335
At 31 December	16,335	16,335
Treasury shares 2,206,891 shares (2013: 2,206,891 shares)	599	599

15. SHARE CAPITAL (Continued)

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	50,879,939	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, 98% are Bahraini individuals or corporates and 2% are other nationalities.

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

Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	33,785,053	1,288	20.7%
1% up to less than 5%**	21,594,840	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%	88,498,630	2	54.2%
Total	163,350,000	1,300	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

	2014	2013
Loan administration and other credit related fees	4,231	3,496
Insurance commission income	964	804
	5,195	4,300

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17. OTHER INCOME

	2014	2013
Incentives from automotive principal	317	256
Gain on sale of an investment property	194	-
Foreign exchange gains	49	51
Other income	14	26
	574	333

18. OTHER OPERATING EXPENSES

	2014	2013
General and administration costs	4,416	3,386
Depreciation	1,780	1,590
Selling and promotion costs	1,525	1,391
Impairment provision for inventory	26	48
Automotive finance cost	257	48
	8,004	6,463

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.

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 - include buying, selling and renting of properties and providing property 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 2014 or 2013. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Operating income	18,911	16,426	7,721	7,227	2,352	1,131	964	804	29,948	25,588
Inter segment revenue	-	-	12	53	-	-	202	172	214	225
Operating costs	(6,699)	(5,735)	(5,690)	(4,431)	(293)	(372)	(353)	(324)	(13,035)	(10,862)
Impairment, net of recoveries	(2,365)	(1,634)	(41)	(24)	-	-	-	-	(2,406)	(1,658)
Inter segment expenses	(41)	(58)	-	(120)	(173)	(47)	-	-	(214)	(225)
Profit for the year	9,807	8,999	2,002	2,705	1,886	712	813	652	14,508	13,068
Assets (Liabilities)										
Cash and balances with banks	1,327	1,497	820	548	12	5	153	238	2,312	2,288
Loans and advances to customers	198,183	174,295	317	-	-	-	-	-	198,500	174,295
Trade and other receivables	-	-	6,111	4,553	22	20	385	286	6,518	4,859
Intercompany balances	4,969	(549)	374	894	(7,729)	(1,933)	2,386	1,588	-	-
Inventories	-	-	21,238	21,888	9,153	3,371	-	-	30,391	25,259
Investment properties	-	-	-	-	5,362	3,473	-	-	5,362	3,473
Property and equipment	3,159	2,441	14,820	15,166	-	-	-	-	17,979	17,643
Other assets	81	109	989	791	-	-	-	-	1,070	864
Overdrafts	(757)	(49)	-	-	-	-	-	-	(757)	(49)
Trade and other payables	(8,724)	(8,804)	(9,557)	(11,239)	(26)	(29)	(267)	(268)	(18,575)	(20,340)
Bonds	(39,701)	(19,789)	-	-	-	-	-	-	(39,701)	(19,789)
Bank term loans	(97,445)	(91,851)	(4,336)	(3,827)	-	-	-	-	(101,782)	(95,678)
Equity	(61,092)	(57,300)	(30,776)	(28,774)	(6,794)	(4,907)	(2,657)	(1,844)	(101,317)	(92,825)
Capital expenditure	836	238	2,226	3,230	-	-	-	-	3,062	3,468
Depreciation charge for the property and equipment	160	246	1,726	1,479	-	-	-	-	1,886	1,725

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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.

	2014	2013
Shareholders:		
As at 31 December		
Term loans	14,445	13,540
Bank overdrafts	757	49
Bank balances	590	1,181
For the year ended 31 December		
Interest expense	1,370	1,146

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.

	2014	2013
For the year ended 31 December		
Salaries and short term employee benefits	1,489	1,362
Directors remuneration and attendance fees	455	433

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.

22. RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini employees for the year amounted to BD 670 (2013: BD 619). The Group's provision for expatriate employees' leaving indemnities at 31 December 2014 was BD 1,194 (2013: BD 1,172). The Group employed 720 staff at 31 December 2014 (2013: 684).

As at 31 December 2014, the total liability of the Group to its employees under Saving Plan was BD 869 (2013: BD 651).

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:

	2014	2013
Profit for the year	14,508	13,068
Weighted average number of equity shares (in 000's)	161,143	161,143
Basic earnings per share	90 fils	81 fils

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

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 11,324 (2013: BD 10,382) and unutilised credit limits of BD 10,678 (2013: BD 7,255) to its customers.

The Group's capital commitment for the construction of a Company's new office is BD 3,620 as at 31 December 2014.

25. PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2014. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2014	2013
Proposed dividends	7,251	6,446
Donations	300	280
General reserve	1,500	1,500
	9,051	8,226

26. COMPARATIVES

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