

# 2015

ANNUAL REPORT



AUTHENTIC VALUES  
**BRIGHTER FUTURE**

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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, General Motors (Chevrolet, GMC and Cadillac) and Mack Defense. 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.

On 24 March 2015, the Group established a fully owned subsidiary 'Tas'heelat Automotive Company SPC' ("TAC") to introduce GAC Motors brand to the Bahrain market.

### 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 (TRESKO) 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.

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**His Royal Highness Prince  
Khalifa Bin Salman Al Khalifa**  
The Prime Minister of the  
Kingdom of Bahrain



**His Majesty King Hamad  
Bin Isa Al Khalifa**  
The King of the  
Kingdom of Bahrain



**His Royal Highness Prince  
Salman Bin Hamad Al Khalifa**  
The Crown Prince, Deputy Supreme  
Commander and First Deputy Prime  
Minister of the Kingdom of Bahrain

## OPERATIONAL HIGHLIGHTS

The Group has achieved its highest net profit of BD 17.4 million, 20% higher than BD 14.5 million earned in 2014. The remarkable performance of the Company is due to the successful execution of its strategic initiatives from 2013-2015 Strategic Plan which has further strengthened the Company's solid and robust business model.

**Credit:** Bahrain Credit has reported a record net profit of BD 12.2 million and provided new loans of BD 139 million. The new loans funded were across all the Company's products thereby diversifying its risk. Maintaining portfolio quality remained the Company's top priority which resulted in further improvement in non-performing loans to 2.8% of the loan portfolio.

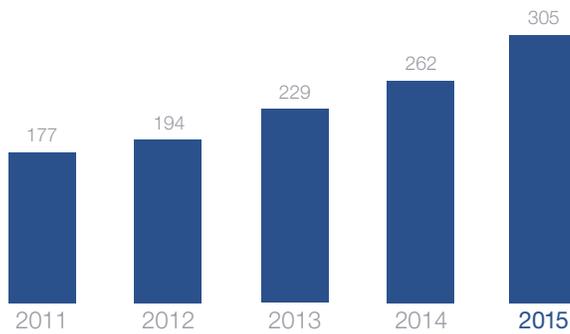
**Automotive:** National Motor Company has recorded a net profit of BD 2.1 million. The Company has further refined its brand focused strategy to enrich the overall car ownership experience. The introduction of new models from Honda and General Motor brands continues to be received with excitement. The Company's results were affected due to loss of BD 905 thousand suffered due to continued political uncertainty in Erbil, Kurdistan. Nonetheless, many prudent measures were taken by the Company.

During the year, a new company Tas'heelat Automotive was incorporated to introduce new and high quality Chinese cars from GAC Motors.

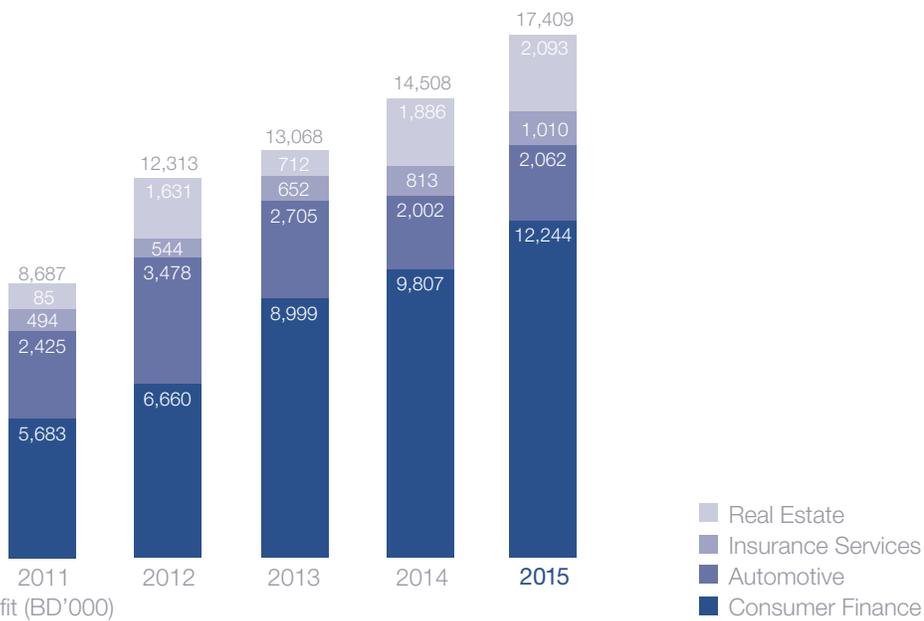
**Insurance:** Tasheelat Insurance Services Company achieved a significant milestone of BD one million net profit in 2015. During the year the Company arranged in excess of twenty three thousand motor insurance policies. Such financial results reflect the excellent relationship with insurance companies and customers' trust in the Company's transparent and objective advice on insurance products.

**Real Estate:** Tasheelat Real Estate Company has an excellent year and reported a net profit of BD2.1 million. The Company has introduced 3 new land projects which were very well received by local Bahraini citizens looking for affordable housing solutions. The Company's strategic investments into residential properties targeted towards middle income expatriates continue to generate good rental yields.

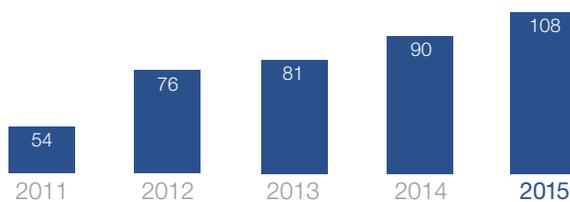
## FINANCIAL HIGHLIGHTS



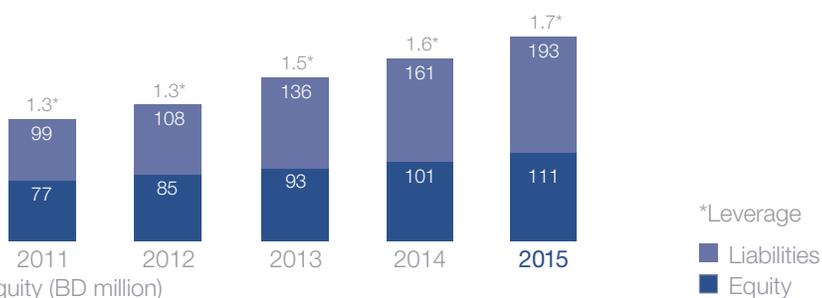
Total Assets (BD million)



Net Profit (BD'000)



Earnings per share (fils)



Debt Equity (BD million)

\*Leverage

■ Liabilities  
■ Equity

## 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 2015. 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, Tas'heelat Insurance Services Company and recently incorporated Tas'heelat Automotive Company.

Your Company's relentless efforts of continuous refinement of its core competencies and further strengthening of its solid and successful business model have resulted in recording the highest net profit in its history. In 2015, the Company has achieved a net profit of BD 17.4 million, 20% ahead of the previous year (2014: BD 14.5 million). Such a profit has resulted in a return on equity of 15.6% (2014: 14.3%). Your board recommends a cash dividend to shareholders at the rate of 45 fils per share (45 %) (2014: 45 fils per share).

2015 proved to be another year of continued volatility and subdued global growth. Whilst the recovery in the United States of America, driven by strong domestic demand, has gained some traction, Eurozone and other emerging economies remained stressed with a weak growth forecast. The free fall of oil prices has significantly impacted the health of regional economies, whereby the local governments in the GCC countries are forced to cut down on their expenses to narrow the soaring budget deficits. Bahrain economy is not immune from this severe drop in oil prices but despite many challenges, the local business community remained resilient. We have witnessed healthy growth in all segments in which your Company operates.

Bahrain credit has achieved a net profit of BD12.2 million (2014: 9.8 million). During the year your Company has provided new loans of BD139 million, 21% higher than previous year. The new business volume achieved is a reflection of your Company's marketing differentiation strategies to reach out wider customer base, managing their expectations through focused human resources, state of art information technology infrastructure and highly customised and efficient services. With such new business volume, it is pleasing to note that the Company has strengthened its market share in vehicle, mortgage and personal loans and emerged as a key player in the credit card market.

Your Company's flagship product – vehicle loans maintained and further improved its market leadership through constant process refinements and further improving mutually rewarding relationship with the auto dealers and sub-dealers. The mortgage loans performed well in line with the robust growth in the local real estate markets during the year. Through the introduction of new initiatives, the unsecured loans significantly improved its demand and achieved record new business. Your Company's youngest product Imtiaz credit card continues to excite customers, with its transparent offering and excellent customer service. Imtiaz has surpassed 25,000 active cards.

Your Company remained selective in granting new loans to its customers through sustained emphasis on the quality of underwriting. Such an endeavour has ensured that the portfolio quality remained good and the nonperforming loans were controlled at 2.8% of the loans portfolio.

National Motor Company has recorded a net profit of BD 2.1 million (2014: BD 2.0 million). In Bahrain operations, despite many challenges, the Company further refined its brand focussed strategy and achieved net profit of BD 3.1 million. The results demonstrate a very successful year for General Motors Brand with some exciting new launches that are well appreciated and accepted by the customers. The margins for Honda Motors cars came under pressure, due to the loss of FTA benefits as the Principal shifted the supply of some of its volume cars from the United States of America to other locations. Your Company continued to fine tune its after sales service operations to improve customers overall car ownership experience. This is to further increase customers' retention. During the year, the Company has also officially secured exclusive franchise of Mack Defence, a coveted truck manufacturing company based in the United States of America for Bahrain market.

The National Motor Company net profits are net of BD 905 thousand losses of its wholly owned subsidiary T'asheelat for General Trading and Cars W.L.L. based in Erbil, Kurdistan. The instability in Erbil, Iraq

seems not to be ending any time soon, which has adversely affected our operations there. Your board is constantly monitoring the situation very closely to reduce losses and proactively take the needed measures. The Company is currently operating with minimum resources to keep the company's assets safe and operational.

T'asheelat Real Estate Services Company has an excellent year and achieved a net profit of BD 2.1 million (2014: 1.9 million). Over the years, the business model of the Company has matured and is a key contributor to the group net profit. In its continuous endeavour to address the aspirations of our citizens for affordable housing solutions, your Company has successfully introduced three new projects in different localities which all have received a good reception from our customers. All the Company's investment properties for rental income have maintained healthy occupancy rates during the year and has generated steady and reliable yields.

T'asheelat Insurance Services Company had a good year and crossed the one million net profit for the first time in its history. The Company reported a net profit of BD 1,010 thousand (2014: BD 813 thousand). During the year, your Company has provided a wide range of insurance brokerage services and arranged in excess of twenty three thousand motor insurance policies. The Company continues to aspire to be the first choice of customers for their insurance needs in Bahrain and provide innovative solutions to earn their trust and loyalty that resulted in a high level of renewal rate for its existing customers.

In 2015, your Company has achieved an important milestone through adding a fast growing high quality Chinese automotive brand. The vehicle range from GAC Motors has been introduced to Bahrain market under the umbrella of Tasheelat automotive Company, a newly incorporated company for that purpose. The customers' reception for the new brand is highly encouraging, with all the cars sourced in first order were sold in a very short time.

Your Company has a strong and healthy liquidity position. It has recently replaced maturing USD 100 million loan with a new 5 year USD125 million syndicated loan facility. With such a new facility, the Company's funding position is in an enviable condition. The Group is operating at a low leverage and this will facilitate further expansions and growth plans.

I am pleased to announce that following an active engagement of both management and your board, your Company now has an approved three years strategic plan for 2016–18. The strategic plan focuses on prudent growth of the shareholders' value through the implementation of new organic and inorganic initiatives. We believe that the whole is greater than the sum of the parts: the initiatives and directions contained in the new Strategic Plan document is set to profitably and safely grow and steer your Company in this plan cycle. It builds on the Company's core strengths and seeks to take advantage of natural synergies within the various business markets where the Group companies currently operates in.

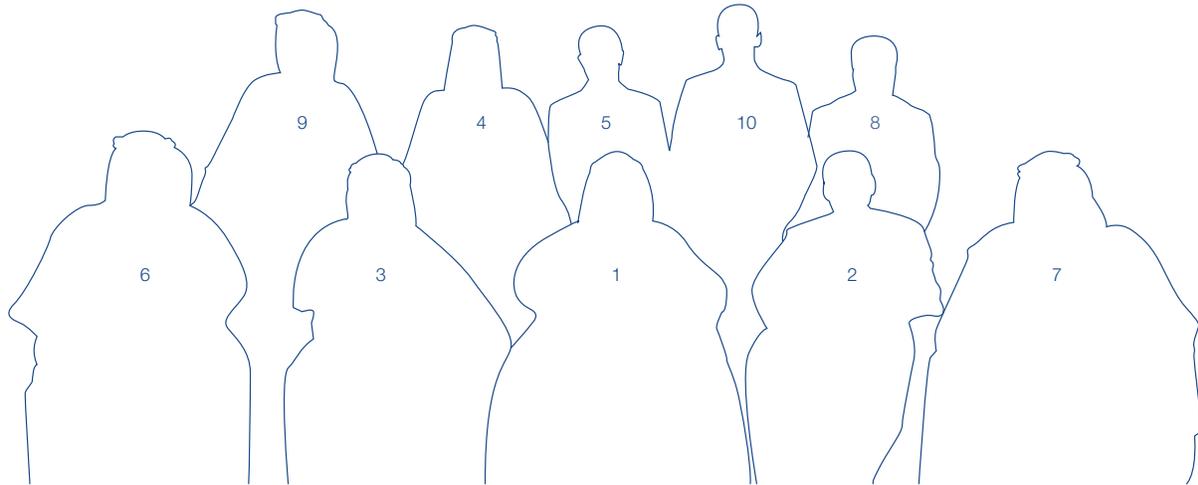
There has been no changes in the composition of the board during the year. In accordance with the requirement of Bahrain's Commercial Company Law 2001, we report the aggregate amount paid to directors during 2015 was BD 506 thousand (2014: BD 455 thousand) in respect of fees and subsidiary Board and Committees' attendance allowances. The total shareholding of the directors in the Company is 111.9 million shares (68.5% of paid up capital).

On behalf of the Board, I express our appreciation to our customers and shareholders for their continuing loyal support and confidence and to all our employees for their commitment and hard work that has resulted in this excellent performance.

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

*Abdulrahman Yusuf Fakhro*  
Chairman  
23 February 2016

## 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 51 years of extensive and diversified experience in business, trade, investment and insurance.

- *Chairman of Yusuf Bin Yusuf Fakhro B.S.C. (c), Bahrain*
- *Board Member of Bahrain Telecommunications Company B.S.C. (Batelco), Bahrain*
- *Deputy Chairman of Social Insurance Organisation (SIO), Bahrain*
- *Deputy Chairman of Osool Asset Management B.S.C.(c) (Osool), a subsidiary of SIO, Bahrain*
- *Chairman of Amlak Social Insurance Organization Development Company S.P.C., a subsidiary of SIO, 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 (Executive in shareholder bank "BBK"); has more than 37 years of extensive and diversified experience in banking; holds a B.Sc. in Economic Science, Economic Stream from Aleppo University, Syria, 1976.

- *Chief Executive – BBK B.S.C., Bahrain*
- *Chairman of the Board of CreditMax 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 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 34 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. W.L.L. (AWALCO), 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 Chairman of the Audit Committee*

Director from 15 March 1988 to July 2004 (Executive in shareholder bank "BBK" then); Subsequently Director since March 2007 (Independent and Non-executive); has more than 40 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 50 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 S.P.C., Bahrain*

**6. Reyadh Yusuf Hasan Sater**

*Board Member - Nominee of BBK B.S.C*

Director since 18 March 2014 (Executive in shareholder bank "BBK"); has more than 37 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*
- *Vice Chairman of Credimax B.S.C. (c), Bahrain*
- *Board Member of National Motor Company W.L.L., Bahrain*

**7. Abdulaziz Abdulla A.Aziz Al-Ahmed**

*Board Member, Member of the Audit Committee and Vice Chairman of the Remuneration and Nomination Committee - Nominee of National Bank of Bahrain B.S.C.*

Director since 28 March 2011 (Executive in shareholder bank "NBB"); has more than 42 years of extensive and diversified experience in Management & Banking; fulfilled the requirements of The Gulf Executive Development Program at University of Virginia - Darden-USA, 2001 - 2002; attended numerous management and business-related courses held locally & internationally.

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

**8. Ali Abdulla Ahmadi**

*Board Member*

Director since 15 May 1996 (Independent and Non-executive); has more than 35 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, Vice Chairman of the Audit Committee and Member of the Remuneration & Nomination Committee - Nominee of Social Insurance Organization, Bahrain*

Director from 18 March 2014; (Non-executive); has more than 27 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*

**10. Mohammed Ahmed Al-Khaja**

*Board Member and Member of the Executive Committee - Nominee of Social Insurance Organization, Bahrain*

Director from 18 March 2014; (Non-executive); has more than 16 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, 2000.

- *Vice President, Head of Asset Management at Osool Asset Management Company B.S.C.(c) (Osool), a subsidiary of SIO, 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, 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 15 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, formation of companies, 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.

## CORPORATE GOVERNANCE

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

### A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note 15 to the Consolidated Financial Statements for the year ended 31 December 2015.

### B. Board of Directors Information

The Board is constituted of ten directors, divided into independent, non-executive and executive members. The members 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. The Board 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, while directors who are nominees of a governmental body are considered 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 best practices and high standards in ethical norms and values.

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

In compliance with the regulatory requirements, below is the number of shares held by the Company's directors, in their capacity as approved persons, and the connected persons as at 31st December 2015 as follows:

Directors *	Type of Shares	31 December 2015	31 December 2014
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 and their connected persons did not trade in the shares of the Company during the financial year ended 31<sup>st</sup> December 2015.

## 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 2015, the Board of Directors convened five ordinary meetings and two unscheduled meetings. The meetings were attended as follows:

Board of Directors	17 Feb.	17 Mar.	25 May <sup>1</sup>	28 Jul.	21 Sept. <sup>2</sup>	10 Nov.	22 Dec.	Total
Abdulrahman Yusuf Fakhro	✓	✓	✓	✓	✓	✓	✓	7
Abdulkarim Ahmed Bucheery	By phone	By phone	✓	■	✓	✓	✓	6
Khalid Mohammed Ali Mattar	✓	✓	■	✓	✓	✓	✓	6
Ebrahim Abdulla Buhindi	✓	✓	✓	✓	■	✓	✓	6
Reyadh Yusuf Hasan Sater	✓	By phone	✓	✓	✓	✓	✓	7
Sayed Abdughani Hamza Qarooni	✓	✓	✓	✓	✓	✓	✓	7
Ali Abdulla Ahmadi <sup>3</sup>	By phone	■	■	■	■	■	■	1
Abdulaziz Abdulla Al-Ahmed	✓	✓	✓	✓	✓	✓	✓	7
Abdulla Mohamed Al Mahmood	✓	✓	✓	✓	✓	✓	✓	7
Mohammed Ahmed Abdulla Al Khaja	✓	✓	✓	By Skype	✓	✓	✓	7

1. An unscheduled meeting of the Board held to consider and approve a business opportunity and an investment proposal in 2015.

2. An unscheduled meeting of the Board held to consider and approve an investment proposal in 2015.

3. Attended one meeting by phone and was absent till the end of the year due to legitimate reasons.

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 non-banking Board members capable of exercising independent, objective judgment. This is to ensure that the Board members discharge their duties with a high degree of integrity and loyalty, taking into account applicable laws, codes and regulations. Therefore, in order to avoid conflicts of interest, a Board Sub-Committee meeting was held to consider proposals for a syndicated loan in 2015. The meeting was attended as follows:

Board Sub-committee	22 July
<i>(To consider proposals for a syndicated loan)</i>	
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi <sup>1</sup>	■
Abdulla Mohamed Al Mahmood	✓

1. Absent due to sickness.

### 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 natural 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, TRESKO 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 2015, the Executive Committee held seven meetings. The meetings were attended as follows:

Committee Member	1 Feb.	17 Mar.	28 Apr.	19 May	16 Jun.	21 Sep.	29 Nov.	Total
Khalid Mohammed Ali Mattar, <i>Chairman</i>	✓	✓	✓	✓	✓	✓	✓	7
Abdulkarim Ahmed Bucheery, <i>Vice Chairman</i>	✓	By phone	✓	✓	✓	✓	✓	7
Sayed Abdulghani Hamza Qarooni, <i>Member</i>	✓	✓	✓	✓	✓	✓	✓	7
Ebrahim Abdulla Buhindi, <i>Member :1&gt;</i>	✓							1
Mohammed Ahmed Abdulla Al Khaja, <i>Member :2&gt;</i>		✓	By Skype	✓	✓	✓	✓	6

1. Quit as member of the Committee and joined the Audit Committee effective from 17 March 2015.

2. Appointed as member effective from 17 March 2015.

### 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.

## CORPORATE GOVERNANCE (Continued)

The Board Audit Committee consists of at least three members appointed by the Board of Directors on annual basis. All the members are financially literate and independent of the management and free of any business or other relationships (including, without limitations, day to day involvement in the management of the business) which could interfere with the exercise of their independent judgment. The Committee directs the role and assesses the performance of the Internal Audit Department and the Risk Management, Compliance and Anti-Money Laundering Department and is responsible for developing and recommending to the Board corporate governance guidelines and reviewing those guidelines at least once a year in compliance with the regulatory requirements.

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

The Committee shall hold a minimum of 4 meetings a year, with authority to convene additional meetings, as circumstances require. On each occasion, the Board Audit Committee will meet on a quarterly basis with the External Auditor in the presence of members of management of the parent company and its subsidiaries, Internal Auditors, Head of Risk Management and Compliance and Money Laundering Reporting Officer or others, as necessary. During 2015, the Board Audit Committee met 9 times. The meetings were attended as follows:

Committee Member	18 Jan.	5 Feb.	16 Feb.	21 Apr.	27 Apr.	27 May	27 Jul.	13 Sept.	8 Nov.	Total
Reyadh Yusuf Hasan Sater, <i>Chairman</i> <sup>(1)</sup>	✓	✓	✓	/						3
Ebrahim Abdulla Buhindi, <i>Chairman</i> <sup>(2)</sup>	/			✓	✓	✓	✓	✓	✓	6
Mohammed Ahmed Abdulla Al Khaja, <i>Vice Chairman</i> <sup>(3)</sup>	By Skype	✓	✓	/						3
Abdulla Mohamed Al Mahmood, <i>Vice Chairman</i> <sup>(4)</sup>	/			✓	✓	✓	✓	✓	✓	6
Abdulaziz Abdulla Al-Ahmed, <i>Member</i> <sup>(5)</sup>	/			✓	✓	✓	✓	✓	✓	6
Ali Abdulla Ahmadi, <i>Member</i> <sup>(6)</sup>	By phone	By phone	By phone	/						3
Rashed Ali Mohamed A.Rahim, <i>Invitee</i> <sup>(7)</sup>	✓	✓	✓	/						3

1. Quit as chairman of the Committee effective from 17 March 2015.
2. Appointed as member of the Committee effective from 17 March 2015 and elected as chairman on 21 April 2015.
3. Quit as vice chairman of the Committee and joined the Executive Committee effective from 17 March 2015.
4. Appointed as member of the Committee effective from 17 March 2015 and elected as vice chairman on 21 April 2015.
5. Appointed as member of the Committee effective from 17 March 2015.
6. Quit as member of the Committee effective from 17 March 2015.
7. Quit as invitee, being an independent advisor from outside the Board, effective from 17 March 2015.

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

### 3. Remuneration and Nomination Committee

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

The Committee reviews and makes recommendations to the Board on all matters of remuneration and compensation of Directors and the remuneration of the Chief Executive Officer, the General Manager of National Motor Company WLL and the Secretary to the Board, the bonus, share option, redundancy and termination payment policies of the Company. The Committee assesses the roles of the Chief Executive Officer, General Manager of National Motor Company WLL and Secretary to the Board. Moreover, the Committee reviews and approves the salary and bonus payments for the CEO's Direct Reports. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration.

The Committee shall meet as necessary to ensure full discharge of duties based upon a request of the Chairman, Vice-Chairman or the Chief Executive Officer. The Committee shall convene not less than two meetings each year. The Remuneration and Nomination Committee convened three meetings during 2015. The meetings were attended as follows:

Committee Member	12 Feb.	10 Mar.	20 Dec.	Total
Abdulrahman Yusuf Fakhro, Chairman	✓	✓	✓	3
Abdulaziz Abdulla Al-Ahmed, Vice Chairman	✓	✓	✓	3
Abdulla Mohamed Al Mahmood, Member	✓	✓	✓	3

### E. Risk Management, Compliance and Anti-Money Laundering

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

The Company has a 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.

## CORPORATE GOVERNANCE (Continued)

### F. Management Committees:

1. *The Assets and Liabilities Committee ("ALCO")* shall be comprised of at least three members appointed by the Chief Executive Officer who will also designate a chairman. The 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 member. The credit approval authorities of the Credit Committee are arranged into two tiers, each of which is delegated with a definite credit authority level. The members of Tier 1 and Tier 2 of the Credit Committee are appointed by the Executive Committee upon the recommendation of the Chief Executive Officer.

### G. Remuneration Policy

#### a. *Board Remuneration:*

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

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

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

- A fixed amount representing an annual remuneration fee approved by the Shareholders at the AGM; and
- Attendance fees payable 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 remuneration of the Chief Executive Officer's direct reports is reviewed and approved by the Remuneration and Nomination Committee. 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. *The strength of internal controls and risk management practices.*
3. *Lending growth in each product.*
4. *Meeting all the funding requirement needed to ensure the growth of the Company.*
5. *Quality of loan portfolio and levels of non-performing loans.*
6. *Meeting agreed upon strategic objectives both financial objectives and non-financial objectives.*

#### **H. Policy on Related Party Transactions**

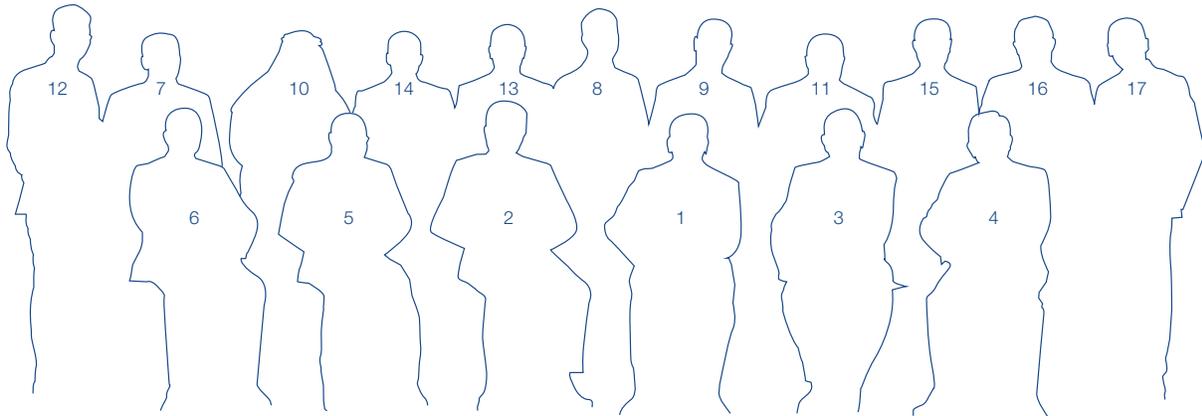
Controlling relations with related party transactions are enshrined in various policies, charters and agreements. The Company's dealings with its shareholders are conducted on an arms-length basis in respect of borrowings received from them. If loans are extended to related parties, these are approved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

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

#### **I. Communication Strategy**

The Company has a clear policy in relation to communication with its stakeholders, shareholders, and employees, customers, Government bodies, Regulator and society and has approved Corporate Communication Policy Guidelines. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting in the presence of the Chairman and other directors including the Executive Committee Chairman, the Audit Committee Chairman, the Remuneration and Nomination Chairman, the Chairmen of subsidiaries' boards and the External Auditors, who are available to answer any questions raised by shareholders or media representatives with regard to the operations and performance of the Company. Additionally, the Company is cognizant and fully aware of its regulatory and statutory obligations regarding dissemination of information to its stakeholders. Without prejudice to the disclosure standards, guidelines on key persons and other requirements of the relevant statutory bodies, financial and non-financial corporate information is provided by the Company on all events that merit announcement, either on its website: [www.bahraincredit.com.bh](http://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 17 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. (TISCO), Bahrain
- Board Member of National Motor Company W.L.L. (NMC), Bahrain
- Member of the Executive Committee of Tas'heelat for General Trading and Cars W.L.L. (TGTC), a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq
- Chairman of the Executive Committee of Tas'heelat Automotive Company S.P.C. (TAC), Bahrain

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

Joined on 1 January 1993; has more than 35 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 (NMC) W.L.L., Bahrain
- Vice Chairman of the Executive Committee of Tas'heelat Automotive Company S.P.C. (TAC), 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 30 years of experience in the motor industry in which time he has fulfilled a number of roles from Sales Manager, Sales Director, Dealer Principal and ultimately General Manager. Prior to NMC has worked in two other Brands, Ford and BMW.

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

**4. Vishal Purohit*****Vice President, Group Head of Finance - Bahrain Commercial Facilities Company B.S.C.***

Joined on 16 Sept 2007; has more than 17 years of extensive and diversified experience in finance, audit, corporate and business strategies and treasury operations; has a Bachelor of Commerce and holds a Chartered Accountant Degree from the Institute of Chartered Accountants of India.

- Member of the Executive Committee of Tas'heelat Automotive Company S.P.C. (TAC), Bahrain

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

Joined on 1 January 1993; has more than 30 years of extensive and diversified experience in insurance; holds a Post Graduate Diploma in Business & Management from Sheffield University, UK, 1999.

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

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## EXECUTIVE MANAGEMENT (Continued)

### **6. Hussain Ali Salman**

#### *Vice President, Head of Human Resources - Bahrain Credit*

Joined on 17 April 2004; has more than 14 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.

### **7. Hussain Al-Madhi**

#### *Vice President, Head of Branch Network - Bahrain Credit*

Joined on 3 May 1997; has more than 19 years of extensive and diversified experience in financial and banking services; holds a BSc in Banking and Finance, University of Bahrain, 2004.

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

### **8. Nader Ebrahim**

#### *Head of GM Brand - National Motor Company W.L.L.*

Joined on 15 July 1995; has more than 30 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. (TISCO), Bahrain

### **9. Abdulla Al-Wedaei**

#### *Head of Honda Brand - National Motor Company W.L.L.*

Joined in October 1991; has more than 24 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. (TISCO), Bahrain.

### **10. Majeed Hussain**

#### *Vice President, Head of Collection and Legal – Bahrain Credit*

Joined on 1 April 2010; has more than 19 years of extensive and diversified experience in collection, recoveries and legal affairs management. Prior to his current post he was an Acting Principal at Ministry of Education; holds a B.A. in Education from University of Bahrain, 1996; attended a number of management, leadership, strategic thinking and planning and business-related courses.

### **11. Ali Ebrahim Al Marzooq**

#### *Vice President, Head of Information Technology - Bahrain Credit*

Joined on 4 June 2006; has more than 23 years of extensive and diversified experience in IT; holds an MBA in Information Technology Management from Sunderland University, UK, 2010.

**12. Manaf Ghreeb*****Assistant Vice President, Head of Corporate Lending, Bahrain Credit***

Joined Bahrain Credit in July 2002; has more than 20 years of extensive and diversified experience in financial and banking services; holds a Master in Business Administration from University of Strathclyde, Glasgow, U.K. 2013; a BSc in Information Systems and Management from University of Bahrain, 2004.

**13. Jaffar Al Oraibi*****Assistant Vice President, Head of Real Estate, Tas'heelat Real Estate Services Company S.P.C.***

Joined on 1 October 2011; has more than 10 years of extensive and diversified experience in real estate and brokerage business; holds a BEng (Hons) in Building Services Engineering from Northumbria University, Newcastle Upon Tyne, United Kingdom, 2005.

**14. 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.

**15. A. Rasool Al A'ali*****Assistant Vice President, Head of Credit Card – Bahrain Credit***

Joined on 1 June 2009; has more than 20 years of extensive and diversified experience in credit card business in financial institutions; holds a Diploma in Commercial Studies from University of Bahrain, 1994; attended a number of management, sales and marketing and business-related courses.

**16. Hamza Shehab*****Assistant Vice President, Head of Collection – Bahrain Credit***

Joined on 24 December 2005; has more than 10 years of extensive and diversified experience in collection and recoveries; holds a BSc. in Marketing from Applied Science University, Jordan, 2004.

**17. Bareer Jassim*****GAC Motors Brand Manager - Tas'heelat Automotive Company S.P.C.***

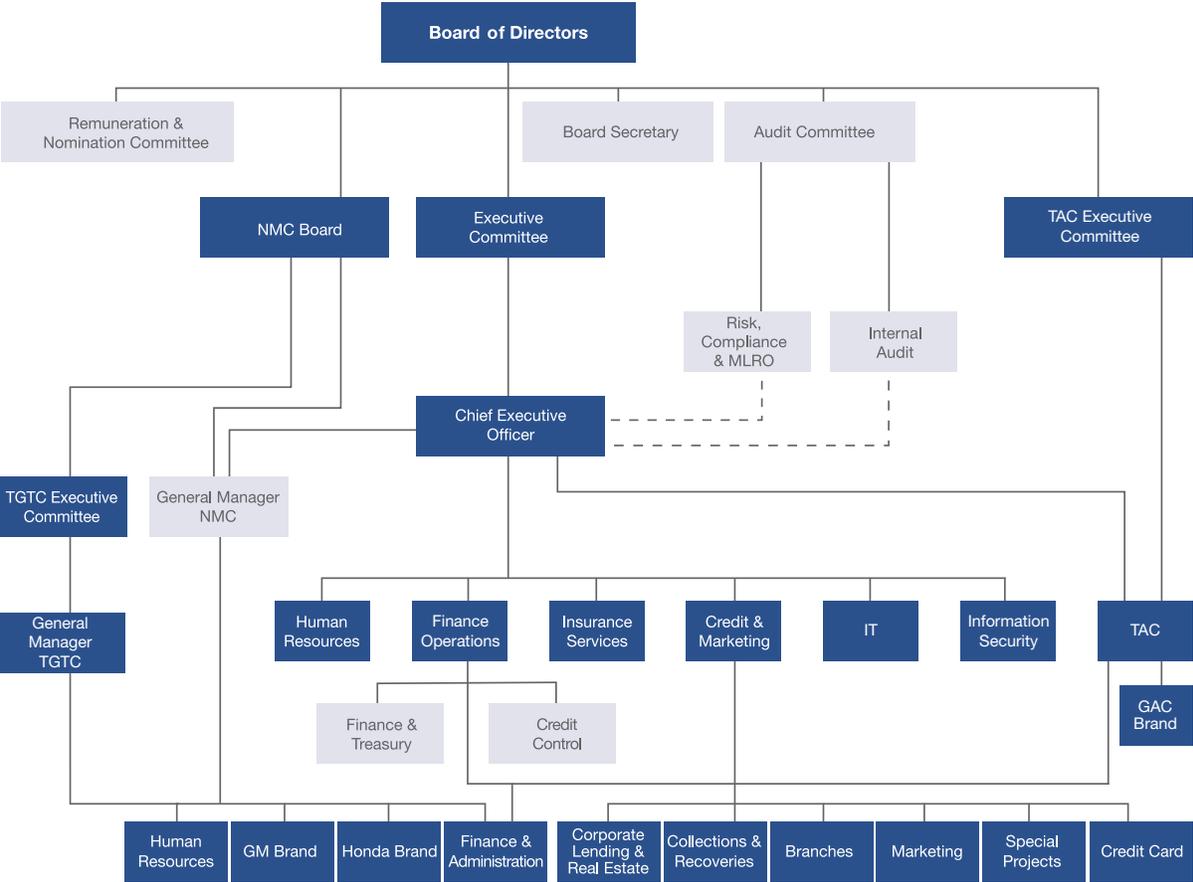
Joined in May 2015; has more than 4 years of extensive and diversified experience in the motor industry as well as more than 9 years of experience in Industrial Engineering and Maintenance; holds a BEng (Hons) in Electrical and Electronic Engineering – Teesside University, UK, 2010, HND Electrical and Electronics, Bahrain Training Institute, 2009; Diploma in Electronic Communications, College of Technological Studies, Kuwait, 2001.

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

Joined in August 2014; has more than 31 years of extensive and diversified experience in Automobile Industry; holds a BSc. in Mechanical Power Engineering, University of Alexandria, 1984.

\* 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 2015.

# ORGANIZATION CHART



## MANAGEMENT'S REVIEW OF OPERATIONS

The world economy continued to be stressed and extremely volatile. The global growth again fell short of expectations tumbling to 2.4 percent in 2015. This downward spiral in the economic activities were accompanied by further declines in commodity prices, subdued global trade, precarious financial market volatility and weakening capital flows. The momentum expected by the strengthening of the United States of America economy was eclipsed by the weaknesses in the economies of Eurozone and emerging market countries.

Towards 2015 year end, the sudden and significant decline in oil prices have adversely affected the GCC economies and have eroded national account budgets. The Bahrain economy proved to be highly vulnerable to such an extraordinary oil price crash. This is despite the local government's measures and policy decisions to narrow its deficit and improve its fiscal discipline. Nonetheless, the local business sentiments and trade dynamics remained resilient.

In such challenging economic conditions, the Group has delivered its highest earnings ever. The Company has achieved a net profit of BD 17.4 million, which translates into a return on equity of 15.6% (2014: 14.3%). Such a result reflects, to a large extent, the faithful adherence to the company's strategic plan for 2013-2015. By the end of the third year of the strategic plan cycle, the Company has successfully executed most of the initiatives identified in the plan. A key initiative in the plan led to the introduction of high quality Chinese automotive brand in Bahrain automotive market. To this end, a fully owned subsidiary Tasheelat Automotive Company was incorporated to launch the Chinese brand "GAC Motors".

The management of the company has put extensive efforts in collaboration with the Board of Directors to build a new strategic plan for 2016-2018. This plan is now fully approved by the Board of Directors. Whilst maintaining the same key business principles, the new plan contains a number of key initiatives that take into account the present and future trends and opportunities. All of these will position the Company for further growth.

The Company further bolstered its liquidity position through successfully replacing USD 100 million syndicated loan with a new USD 125 million 5 year syndicated loan. We thank all our banking relationship for their strong and consistent support. The Company has a wide spread and staggered maturity profile with no significant borrowings falling due in 2016. The Company is operating at low leverage of 1.7. This enables the company to diligently consider business opportunities and strategic investments to further enhance the shareholders' value.



\* Group Management Team during strategic plan 2016 - 2018 dissemination meeting.

## MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

2015 proved to be the most successful year for the Company. It has earned its highest net profit of BD12.2 million (2014: BD 9.8 million). During 2015, the Company extended new loans and credit cards to over 27 thousand customers, out of which significant new business came from the existing relationships. Total new loans disbursed across all the products reached BD 139 million (2014: BD 115 million). The new lending volume has reinforced the Company's market shares in vehicle lending, mortgage lending and personal lending. The company cemented its position as a key player in the credit card market.

The vehicle finance remained the Company's forte with significant contribution in total earnings from this product. The Company improved its market penetration through new and targeted initiatives to improve its reach, refine its processes to enhance overall customer service experience and to further strengthen its relationship with the auto dealers and sub-dealers.

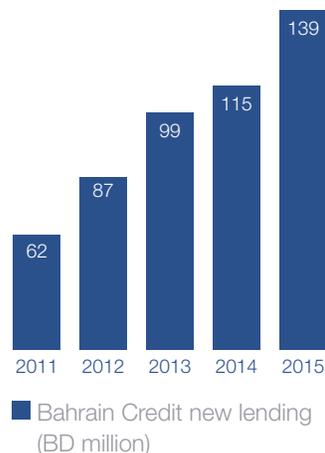
The real estate market in 2015 remained buoyant with land and properties witnessing good growth in prices and demands. The Company remained cautious in extending mortgage loans and continued funding those customers with regular income independent of cash flows from the security being mortgaged. The new loans disbursed were limited to 70% of the value of collateral offered.

The Company with its customer friendly approach remained flexible and understanding towards its customers' needs whilst continuing to focus considerable time and efforts toward the critical collection activities. The consistent and focused efforts have ensured that the non-performing loans remained low and well managed at 2.8% of the total loans portfolio. It must be noted that most of the company's loans are fully or partly secured by underlying assets and are adequately covered by impairment provisions.

In the unsecured lending and credit cards market, the company was able to reach out to more customers through certain innovative initiatives. The Company's credit card offering *imtiiaz* has established its footprint and gained the confidence of more than 25 thousand customers. During the year, the customers have entered into transactions aggregate of which reached more than BD 49.9 million using *imtiiaz*. The Company has introduced new initiatives like *imtiiaz* travel and 24 hour fraud risk monitoring to augment customers experience and enhance the security of the card usage.

### PARENT COMPANY

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



\* Press conference for unveiling GAC Motors brand in Bahrain.



\* Signing ceremony to appoint Tas'heel Automotive Company as GAC Motors exclusive distributor in Bahrain.

## NATIONAL MOTOR COMPANY

• Honda • Chevrolet • GMC • Cadillac • Mack Defence



\* All new Honda Pilot

In the automotive business, National Motor Company achieved a consolidated net profit of BD 2.1 million for the year ended 31 December 2015 (2014: BD 2.0 million). In Bahrain operations, the Company has further refined its brand focused strategy and achieved a net profit of BD 3.1 million. The consolidated results are net of losses of its wholly owned subsidiary which was affected by the instability and political turmoil in Kurdistan region. The Company is constantly monitoring the situation very closely to reduce its losses and proactively take the necessary measures to protect its investments.

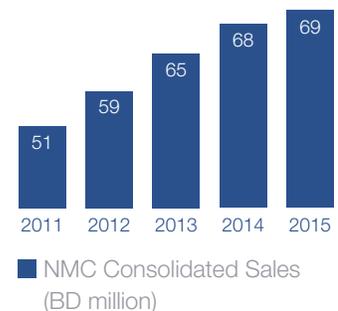


\* New Cadillac Escalade

### Bahrain Operations

In 2015 the Company has achieved a turnover of BD 68 million (2014: BD 66 million), earning a net profit of BD 3.1 million. Although the traffic registration information indicates that the Bahrain automotive market as a whole, grew by 4.4 % in the year, all the car dealers in general experienced difficult market conditions, driving profitability margins down.

The brand of General Motors has a good year. Overall vehicle sales under this brand covering Chevrolet, GMC and Cadillac Brands recorded a growth of 7 percent over previous year. The wide range of models and the emphasis on ownership experience continue to excite our customers.



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## MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

The sales of Honda Motors cars remained largely flat compared to 2014. The manufacturer's constraints in timely supply of cars together with the loss of benefits from the free trade agreement due to change in sourcing the cars to locations other than the United States of America has affected both the volume aspirations and profitability.

In After Sales, the Company continued its strong focus on customer retention with all efforts being made to improve customer service and affordability across both the brands. Such a strategy proved successful whereby customers' satisfaction ratings and overall customers' retention have shown further improvements. The Aftersales operation continued to be a major contributor to the overall profitability of the Company.

### **Erbil Operations**

The year proved extremely difficult for the Erbil operations. The instability in the region continued to have a huge impact on the trading performance. Consequently, the management focused on scaling down the operations and reducing the losses wherever possible. This has been achieved through stringent stock and cost controls in all areas of the business. The management will continue to observe the conditions in Erbil and take whatever necessary steps to protect the investment.

## **TAS'HEELAT REAL ESTATE SERVICES COMPANY**

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

The Company registered a net profit of BD 2.1 million (2014: BD 1.9 million), an outstanding performance. With this, the company has become a critical contributor to the Group's profitability. The Company has developed a strong business model, built upon well diversified sources of income. Through managing large land projects, the Company has largely established itself as a trusted provider for affordable housing solutions to the citizens. It has also developed regular and annuity kind of returns from its portfolio of selected investment properties, which are providing steady and reliable rental yield. The Company also provide evaluation and brokerage services.

Endeavoring to be part of nationwide housing solution to address the demand for affordable housing, the Company has introduced 3 new land projects with total 135 plots. All the projects were very well received by the customers.

The Company remained active in efficiently managing its investment properties directed towards middle income expatriates looking for affordable luxury. During the year, the Company has successfully executed its exit strategy for one of the investment properties. Such sale has resulted in a profit of BD 431 thousands. The Company has also acquired a new investment property during the year. All the company's investment properties throughout the year maintained high occupancy and provided healthy returns.

## TAS'HEELAT INSURANCE SERVICES COMPANY

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

Tas'heelat Insurance Services Company exhibited further growth in its operations and achieved a net profit of BD 1,010 thousand (2014: BD 813 thousand). In 2015, the Company arranged in excess of twenty three thousand motor insurance policies. Such results were achieved due to excellent relationship with all the partnered insurance companies which continue to provide tailor-made products to the Company as per its requirements.

The Company's relentless efforts of refining its business model to increase customer convenience has led to the introduction of some new initiatives for reaching out to new customers. The Company continued to identify more opportunities to improve upon the captive in-house business from Bahrain Credit, NMC and strategic partnership with some car sub-dealers.

The Company shall 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 sister group companies.

## TAS'HEELAT AUTOMOTIVE COMPANY

In a full translation to the mandate of BCFC Strategy Plan 2013-2015, a wholly owned subsidiary under the name of Tasheelat Automotive Company was incorporated in 2015. This company obtained the exclusive distributorship right to introduce GAC Motors in Bahrain. GAC Motors is a high quality fast growing Chinese automotive brand. The initial response to this brand in highly favorable.



\* GA6 from GAC Motors

In 2015 we had some changes in our Executive Management Team. Our previous Senior Vice President and Head of Operations Mr. Rajiv Mittal retired after serving the Company for 19 years. Also, our previous Group Head of Internal Audit Mr. Shehab Ahmed retired after serving the Company for 23 years. The Management places on record its thanks and appreciation to Mr. Mittal and Mr. Shehab for their loyalty and valuable contributions over the years.

### 2016 OUTLOOK

*The world economy is projected to grow by 2.7 per cent in 2016 supported by generally less restrictive fiscal and still accommodative monetary policies. In Bahrain, the real GDP growth is expected to slow down due to lower oil revenue and expected reduction in the government spendings. The Company, in line with its new strategic plan, shall continue to focus on its key markets and look for opportunities that will further increase the shareholders' value.*

## CORPORATE SOCIAL RESPONSIBILITY

We, at Bahrain Commercial Facilities Company B.S.C., adopt and practice a wider philosophical understanding and a pragmatic approach to corporate social responsibility, sustainability and community engagement. We believe that implementing our corporate social responsibility requires us to strike a fine balance among critical social and economic dimensions and focus on measurable initiatives benefiting the whole local community. Our Deep-rooted Corporate Social Responsibility is clearly manifested in a socio-business strategy that shapes the company's values and underpins its vision and mission of its role in society.

Creating a solid platform conducive to growth is of great paramount and addresses a key pillar of our social corporate responsibility and commitment towards building a better nation. It is through this that we contribute to the economy of our beloved land through providing values to individual customers and commercial enterprises that operate across all the economic sectors. We empower our customers to have better living standards and we create meaningful employment opportunities that can support the wider aspirations of the Bahraini families. We also aspire to build a sustainable workforce that is happy, rewarded and empowered through training and career development programmes and to become the "Employer of Choice" for the most talented Bahraini Nationals. In fulfilling these noble causes, we do not compromise our belief in the importance of fully observing all the governing laws and ethical principles.

We strongly believe in the principles of Corporate Social Responsibility in ways that honor ethical values and meet the needs of our people in the Kingdom of Bahrain. With over 32 years of operations, community engagement and active participation in charitable and philanthropic activities, BCFC is



\* Mr. Ali Aburwais, Bahrain Credit representative, with Bahrain Red Crescent Society management and staff.

undoubtedly contributing genuinely to the social good in compelling ways, backing its words with responsible actions that enrich the lives of those in need and uphold the society in general.

During 2015, we kept on strengthening our community partnerships and active participation of our involvement with charitable organizations, sharpening our 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 to alleviate hardships and contribute generously to worthwhile social causes.

For those purposes, we proceeded, for the second year in a row, with our “Social Responsibility Placement” initiative and undertook field visits to all the charitable institutions and societies supported by the company, with the aim of closely observing their activities and understanding their bare necessities and needs. We also intensified our efforts to continue supporting the two community projects referred to in the last Annual Report of 2014, i.e. the construction of a second floor of UCO Parents Care Centre in Al-Hidd and the pre-school building of Bahrain Mobility International in Isa Town. We are hopeful of beginning construction on the projects once authorities approvals are obtained in order to be able to address their pressing additional needs to satisfy the special needs of the elderly and the disabled children respectively.

Today we are 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.



\* Mr. Majeed Hussain, Bahrain Credit representative, with the elderly of UCO Parents Care Centre.

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## GENERAL INFORMATION

Bahrain Commercial Facilities Company BSC is a Bahraini Public Shareholding Company. Initially the Company was registered on 29 August 1983 as a B.S.C. (closed). In April 1993, the Company was registered as a Public Shareholding Company following the public offering of its shares.

The Company wholly owns National Motor Company WLL, which was established in March 1988, Tasheelat Insurance Services Company WLL, which was established in 1997, and Tasheelat Real Estate Service Company SPC, which was established in May 2002. In December 2013, the Group geographically expanded its presence and established Tasheelat for General Trading Company WLL in Erbil, Kurdistan, Iraq, to act as an exclusive distributor for Honda vehicles in Erbil, Kurdistan, Iraq. In March 2015, the Company has incorporated Tasheelat Automotive Company in Bahrain.

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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 2015

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Commercial Facilities Company BSC  
Manama - Kingdom of Bahrain

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Bahrain Commercial Facilities Company BSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, 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 2015, 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. 83  
23 February 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015  
Bahraini Dinars Thousands

	Note	31 December 2015	31 December 2014
<b>Assets</b>			
Cash and balances with banks		1,669	2,312
Loans and advances to customers	8	230,362	198,500
Trade receivables	9	8,066	6,518
Inventories	10	36,674	30,391
Investment properties	11	6,061	5,362
Property and equipment	12	19,859	17,979
Other assets		1,906	1,070
<b>Total assets</b>		<b>304,597</b>	<b>262,132</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Bank overdrafts		1,411	757
Trade and other payables		22,155	18,575
Bank term loans	13	129,845	101,782
Bonds issued	14	39,766	39,701
<b>Total liabilities</b>		<b>193,177</b>	<b>160,815</b>
<b>Equity</b>			
Share capital	15	16,335	16,335
Treasury shares	15	(599)	(599)
Statutory reserve		33,542	33,542
Other reserves		20,840	19,095
Retained earnings		41,302	32,944
<b>Total equity (page 34-35)</b>		<b>111,420</b>	<b>101,317</b>
<b>Total liabilities and equity</b>		<b>304,597</b>	<b>262,132</b>

The Board of Directors approved the consolidated financial statements consisting of pages 31 to 68 on 23 February 2016 and signed on its behalf by:

*Abdulrahman Yusuf Fakhro*  
Chairman

*Abdulkarim Ahmed Bucheery*  
Vice Chairman

*Dr. Adel Hubail*  
Chief Executive Officer

CONSOLIDATED STATEMENT OF  
**PROFIT OR LOSS**

for the year ended 31 December 2015  
 Bahraini Dinars Thousands

	Note	2015	2014
Interest income		24,301	20,577
Interest expense		(6,397)	(5,858)
<b>Net interest income</b>		<b>17,904</b>	14,719
Automotive sales		69,748	67,549
Cost of sales		(62,167)	(59,878)
<b>Gross profit on automotive sales</b>		<b>7,581</b>	7,671
Fee and commission income	16	6,795	5,195
Profit on sale of land inventory		1,876	1,745
Rental income		631	607
<b>Total operating income</b>		<b>34,787</b>	29,937
Salaries and related costs		(6,737)	(5,619)
Other operating expenses	18	(8,923)	(8,004)
Impairment allowance on loans and receivables, net of recoveries		(2,864)	(2,380)
Other income	17	1,146	574
<b>Profit for the year</b>		<b>17,409</b>	14,508
Basic and diluted earnings per 100 fils share	23	108 fils	90 fils
Proposed cash dividend per 100 fils share		45 fils	45 fils

*Abdulrahman Yusuf Fakhro*  
 Chairman

*Abdulkarim Ahmed Bucheery*  
 Vice Chairman

*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 2015  
 Bahraini Dinars Thousands

	31 December 2015	31 December 2014
Profit for the year	17,409	14,508
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Net change in cash flow hedge reserve	329	747
<b>Total other comprehensive income for the year</b>	<b>329</b>	<b>747</b>
<b>Total comprehensive income for the year</b>	<b>17,738</b>	<b>15,255</b>

CONSOLIDATED STATEMENT OF  
**CHANGES IN EQUITY**

for the year ended 31 December 2015  
 Bahraini Dinars Thousands

	Share capital		Reserves and retained earnings					Total equity
	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge reserve	Donation reserve	General reserve	Retained earnings	
<b>2015</b>								
As at 1 January 2015	16,335	(599)	33,542	(553)	898	18,750	32,944	101,317
<b>2014 appropriations</b> (approved by shareholders):								
- Donation declared for 2014	-	-	-	-	300	-	(300)	-
- Transfer to general reserve for 2014	-	-	-	-	-	1,500	(1,500)	-
<b>Balance after 2014 appropriations</b>	16,335	(599)	33,542	(553)	1,198	20,250	31,144	101,317
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	17,409	17,409
Other comprehensive income:								
- Net changes in cash flow hedge reserve	-	-	-	329	-	-	-	329
<b>Total comprehensive income for the year</b>	-	-	-	329	-	-	17,409	17,738
<b>Transactions with equity holders, recognised directly in equity</b>								
Dividend declared for 2014	-	-	-	-	-	-	(7,251)	(7,251)
<b>Total distributions to shareholders</b>	-	-	-	-	-	-	(7,251)	(7,251)
Utilisation of donation	-	-	-	-	(384)	-	-	(384)
<b>At 31 December 2015</b>	16,335	(599)	33,542	(224)	814	20,250	41,302	111,420

\*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 2015  
 Bahraini Dinars Thousands

	Share capital		Reserves and retained earnings						Total equity
	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge reserve	Donation reserve	General reserve	Retained earnings		
2014									
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

CONSOLIDATED STATEMENT OF  
**CASH FLOWS**

for the year ended 31 December 2015  
 Bahraini Dinars Thousands

	2015	2014
<b>Cash flow from operating activities</b>		
Loan repayments, interest received and other credit related receipts	180,223	141,940
Receipts from automotive sales	69,059	66,328
Insurance commission received	1,059	880
Proceeds from sale of land inventory	7,524	4,466
Rental received	624	601
Loans and advances to customers disbursed	(185,006)	(143,702)
Payments to automotive suppliers	(62,733)	(60,452)
Payment for land held as inventory	(7,528)	(8,503)
Payments for operating expenses	(12,864)	(11,432)
Directors' fees paid	(325)	(297)
Interest paid	(7,123)	(5,279)
<b>Net cash used in operating activities</b>	<b>(17,090)</b>	<b>(15,450)</b>
<b>Cash flow from investing activities</b>		
Capital expenditure on property and equipment	(5,328)	(3,062)
Purchase of investment properties	(1,843)	(2,655)
Proceeds from sale of property and equipment	1,001	848
Proceeds from sale of an investment property	1,287	712
<b>Net cash used in investing activities</b>	<b>(4,883)</b>	<b>(4,157)</b>
<b>Cash flow from Financing activities</b>		
Bank term loans availed	78,199	58,040
Bank term loans repaid	(49,974)	(52,120)
Proceeds from bonds issuance	-	19,981
Dividends paid	(7,252)	(6,560)
Donations paid	(384)	(317)
<b>Net cash generated from financing activities</b>	<b>20,589</b>	<b>19,024</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,384)</b>	<b>(583)</b>
Cash and cash equivalents at 1 January	1,226	1,809
<b>Cash and cash equivalents at 31 December</b>	<b>(158)</b>	<b>1,226</b>
Cash and cash equivalents comprise:		
Cash and balances with banks	1,669	2,312
Less:		
Restricted cash	(416)	(329)
Bank overdrafts	(1,411)	(757)
	<b>(158)</b>	<b>1,226</b>

The consolidated financial statements consist of pages 31 to 68.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015  
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 2015 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 Real Estate Company SPC	Bahrain	100%	Real estate related services
Tasheelat Insurance Services Company WLL	Bahrain	100%	Insurance brokerage services
Tasheelat for General Trading Company WLL	Kurdistan, Iraq	100%	Exclusive distributor for Honda vehicles in Erbil, Kurdistan, Iraq (established through NMC)
Tasheelat Automative Company SPC	Bahrain	100%	Exclusive distributor for GAC vehicles

### 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.

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NOTES TO THE CONSOLIDATED  
**FINANCIAL STATEMENTS**

for the year ended 31 December 2015  
Bahraini Dinars Thousands

## **2. BASIS OF PREPARATION** (Continued)

### *d. New standards, amendments and interpretations effective from 1 January 2015*

The following standards, amendments and interpretations, which became effective as of 1 January 2015, are relevant to the Group:

#### *(i) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).*

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

#### *(ii) Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycles various standards.*

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 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/amortisation 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

NOTES TO THE CONSOLIDATED  
**FINANCIAL STATEMENTS**

for the year ended 31 December 2015  
 Bahraini Dinars Thousands

manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation 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.

The adoption of these amendments 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 and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

***(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 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

NOTES TO THE CONSOLIDATED  
**FINANCIAL STATEMENTS**

for the year ended 31 December 2015  
Bahraini Dinars Thousands

**2. BASIS OF PREPARATION** (Continued)

*(iii) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*

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 amortisation 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. Early adoption is permitted. The Group does not expect to have a significant impact on its consolidated financial statements.

*(iv) Annual Improvements to IFRSs 2012–2014 Cycle – various standards.*

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; 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. The following are the key amendments in brief:

- IFRS 5 – when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’ or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for derecognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information.

*(v) Disclosure Initiative (Amendments to IAS 1).*

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

## NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

for the year ended 31 December 2015  
Bahraini Dinars Thousands

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/ accounting policies are not required for these amendments. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted

### ***f. Early adoption of standards***

The Group did not early adopt new or amended standards in 2015.

### ***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.

## FINANCIAL STATEMENTS

for the year ended 31 December 2015

Bahraini Dinars Thousands

### 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.

##### *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.

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### *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 measured 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*(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.

*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.

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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

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**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*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.

*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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### *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.

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### **3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### *s. Employee saving plan*

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

#### *t. Bank term loans and bonds issued*

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

#### *u. Cash and cash equivalents*

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

#### *v. Earnings per share*

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

#### *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
- market risk
- liquidity risk
- operational risk

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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.

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**4. FINANCIAL RISK MANAGEMENT** (Continued)

	31 December 2015	31 December 2014
<b>Specifically provided loans</b>		
Gross amount	1,427	1,152
Impairment allowance	(689)	(521)
<b>Net amount</b>	<b>738</b>	631
<b>Collectively provided loans</b>		
Current	203,583	175,937
Past due but not impaired	26,255	20,464
Past due and impaired	6,081	5,986
Impairment allowance	(6,295)	(4,518)
<b>Net amount</b>	<b>229,624</b>	197,869
<b>Net loans and advances to customers</b>	<b>230,362</b>	198,500

*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:

	Past due but not impaired		Past due and impaired		Total past due loans 2015	Total past due loans 2014
	Retail	Corporate	Retail	Corporate		
1-30 days	9,532	811	-	-	<b>10,343</b>	5,348
31-60 days	9,035	359	-	-	<b>9,394</b>	8,394
61-89 days	6,167	351	98	124	<b>6,740</b>	6,904
90 days – 1 year	-	-	3,820	308	<b>4,128</b>	3,842
1 year – 3 years	-	-	1,847	90	<b>1,937</b>	1,838
More than 3 years	-	-	636	-	<b>636</b>	619

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	Bahrain	Kurdistan	2015
1-30 days	10,237	106	<b>10,343</b>
31-60 days	9,280	114	<b>9,394</b>
61-89 days	6,708	32	<b>6,740</b>
90 days – 1 year	4,030	98	<b>4,128</b>
1 year – 3 years	1,937	-	<b>1,937</b>
More than 3 years	636	-	<b>636</b>

At 31 December 2015, the total gross amount of non-performing loans as defined by the CBB was BD 6,701 (2014: BD 6,299) against which BD 4,519 (2014: BD 3,406) was the impairment allowance. 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 2015, the average gross credit exposure for cash and balances with banks is BD 3,448 (2014: BD 2,888), loans and advances to customers is BD 218,567 (2014: BD 190,249), trade and other receivables is BD 7,797 (2014: BD 6,094) and unutilised credit limit is BD 13,514 (2014: BD 8,943). Such amounts are calculated based on the average of last four quarterly results.

At the reporting date, the loans and advances to customers represent 55% vehicle (2014: 57%), 22% mortgage (2014: 23%), 17% unsecured lending (2014: 15%) and 6% credit card lending (2014: 5%).

The below table show the geographic distribution of exposure as of 31 December 2015:

	Bahrain	Kurdistan	Total
Cash and balances with banks	1,624	45	1,669
Loans and advances to customers	229,964	398	230,362
Trade receivables	7,337	729	8,066
<b>Total</b>	<b>238,925</b>	<b>1,172</b>	<b>240,097</b>
Unutilised credit limit	14,911	-	14,911

***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 3,083 (2014: BD 1,459) were past due against which BD 438 (2014: BD 383) was the impairment allowance. Substantially all commercial past due receivables are less than one year.

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#### **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 2015, loans and advances amounting to BD 1,187 (2014: BD 2,187) 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 2015, loans amounting to BD 172,407 (2014: BD 152,370) were fully collateralized and loans amounting to BD 9,546 (2014: BD 9,736) was partly collateralized with a collateral value of BD 8,991 (2014: BD 6,479).

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 2015, the Group obtained assets of BD 214 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 84% retail loans and 16% 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.

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**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.

	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
<b>2015</b>					
<b>Assets</b>					
Cash and balances with banks	1,669	1,669	1,669	-	-
Loans and advances to customers	230,362	309,786	89,183	179,959	40,644
Trade receivables	8,066	8,066	8,066	-	-
	<b>240,097</b>	<b>319,521</b>	<b>98,918</b>	<b>179,959</b>	<b>40,644</b>
<b>Liabilities</b>					
Bank overdrafts	1,411	1,420	1,420	-	-
Trade and other payables	22,155	22,155	22,155	-	-
Bank term loans	129,845	142,120	36,108	106,012	-
Bonds	39,766	45,120	1,565	43,555	-
	<b>193,177</b>	<b>210,815</b>	<b>61,248</b>	<b>149,567</b>	<b>-</b>
Unutilised credit limits	14,911	14,911	14,911	-	-

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**4. FINANCIAL RISK MANAGEMENT** (Continued)

2014	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
<b>Assets</b>					
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	-	-
	<b>207,330</b>	<b>286,433</b>	<b>92,217</b>	<b>157,654</b>	<b>36,562</b>
<b>Liabilities</b>					
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	-
	<b>160,815</b>	<b>200,311</b>	<b>105,531</b>	<b>94,780</b>	<b>-</b>
Unutilised credit limits	10,678	10,678	10,678	-	-

**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:

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At 31 December	Fixed Rate		Floating rate		Non-interest earning		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Assets</b>								
Cash and balances with banks	-	-	-	-	1,669	2,312	1,669	2,312
Loans and advances to customers	230,183	198,328	-	-	179	172	230,362	198,500
Trade receivables	-	-	-	-	8,066	6,518	8,066	6,518
	<b>230,183</b>	198,328	-	-	<b>9,914</b>	9,002	<b>240,097</b>	207,330
<b>Liabilities</b>								
Bank overdrafts	-	-	1,411	757	-	-	1,411	757
Trade and other payables	-	-	-	-	22,155	18,575	22,155	18,575
Bank term loans	-	-	129,845	101,782	-	-	129,845	101,782
Bonds issued	-	-	39,766	39,701	-	-	39,766	39,701
	-	-	<b>171,022</b>	142,240	<b>22,155</b>	18,575	<b>193,177</b>	160,815

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 2015 interest rate risk attributable to the term loans of USD 190 million (BD: 71.6 million) (2014: 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 2015 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 994 (2014: BD 970).

**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 as of 31 December:

	2015	2014
US Dollars	<b>128,145</b>	109,949

The Bahraini Dinar is effectively pegged to the US Dollar.

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**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 1.74 as at 31 December 2015 (2014:1.59).

**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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Assets</b>										
Cash and balances with banks	1,669	2,312	-	-	-	-	-	-	1,669	2,312
Loans and advances to customers	77,679	62,792	127,795	113,043	23,987	21,447	901	1,218	230,362	198,500
Trade receivables	8,066	6,518	-	-	-	-	-	-	8,066	6,518
	<b>87,414</b>	<b>71,622</b>	<b>127,795</b>	<b>113,043</b>	<b>23,987</b>	<b>21,447</b>	<b>901</b>	<b>1,218</b>	<b>240,097</b>	<b>207,330</b>
<b>Liabilities</b>										
Bank overdrafts	1,411	757	-	-	-	-	-	-	1,411	757
Trade & other payables	22,155	18,575	-	-	-	-	-	-	22,155	18,575
Bank term loans	31,250	54,082	98,595	47,700	-	-	-	-	129,845	101,782
Bonds issued	-	-	39,766	39,701	-	-	-	-	39,766	39,701
	<b>54,816</b>	<b>73,414</b>	<b>138,361</b>	<b>87,401</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,177</b>	<b>160,815</b>

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

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## **6. USE OF ESTIMATES AND JUDGEMENTS**

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

### ***(i) Specific impairment charge on loans***

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

### ***(ii) Collective impairment charge on loans***

In addition to specific impairment charge against individually significant loans, the Group also maintains a collective impairment allowance against portfolios of loans with similar economic characteristics which have not been specifically identified as impaired. In assessing the need for collective impairment charge, management considers concentrations, credit quality, portfolio size and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical and current economic conditions.

### ***(iii) Contingent liability arising from litigations***

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

### ***(iv) Classification of derivatives financial instrument***

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

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### 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 240,097 (2014: BD 207,330) are categorised under 'loans and receivables' and are measured at amortised cost. All the financial liabilities of BD 193,177 (2014: BD 160,815) 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.

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*(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.

2015	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Loans and advances to customers	-	-	230,362	230,362	230,362
Bank term loans	-	129,845	-	129,845	129,845
Bonds issued	-	39,766	-	39,766	39,766
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	101,782
Bonds issued	-	39,701	-	39,701	39,701

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 2015 and 31 December 2014 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 are as follows:

2015	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Investment properties	-	6,596	-	6,596	6,061
2014	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Investment properties	-	6,000	-	6,000	5,362

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**8. LOANS AND ADVANCES TO CUSTOMERS**

	31 December 2015	31 December 2014
Gross loans	237,346	203,539
Provision for impairment	(6,984)	(5,039)
<b>Net loans and advances to customers</b>	<b>230,362</b>	198,500

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

Provision for impairment	2015	2014
<b>Specific allowance for impairment</b>		
Balance at 1 January	521	1,092
Charge for the year	206	22
Loans written off, net of recoveries	(38)	(593)
<b>Balance at 31 December</b>	<b>689</b>	521
<b>Collective allowance for impairment</b>		
Balance at 1 January	4,518	3,637
Charge for the year	3,303	2,831
Loans written off, net of recoveries	(1,526)	(1,950)
<b>Balance at 31 December</b>	<b>6,295</b>	4,518
<b>Total allowance for impairment</b>	<b>6,984</b>	5,039

The effective interest rates (APR) on loans and credit card ranges between 7% to 30% p.a. (2014: 7.5% to 22.2% p.a.).

**9. TRADE RECEIVABLES**

	31 December 2015	31 December 2014
Trade receivables	8,481	6,901
Provision for impairment	(415)	(383)
	<b>8,066</b>	6,518

Movement on impairment provisions	2015	2015
At 1 January	383	359
Net charge for the year	32	24
<b>At 31 December</b>	<b>415</b>	383

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### 10. INVENTORIES

	31 December 2015	31 December 2014
Automotive stock:		
-Vehicles	21,174	18,483
-Spare parts	3,805	3,130
Land inventory	11,973	9,153
	<b>36,952</b>	30,766
Provision on vehicles and spare parts	(278)	(375)
	<b>36,674</b>	30,391

Movement on provisions (vehicle and spare parts)	2015	2014
At 1 January	375	336
Net charge for the year	109	414
Written off	(206)	(375)
<b>At 31 December</b>	<b>278</b>	375

During the year 2015, the Group purchased one plot of land with the objective of subdividing it into smaller plots for resale. The unsold plots at reporting date have been classified as an inventory and carried at the lower of cost and net realisable value.

### 11. INVESTMENT PROPERTIES

	2015	2014
<b>Cost</b>		
At 1 January	5,824	3,766
Purchases	1,843	2,655
Disposal	(1,034)	(597)
<b>At 31 December</b>	<b>6,633</b>	5,824
<b>Accumulated depreciation</b>		
At 1 January	462	293
Depreciation for the year	288	250
Disposal	(178)	(81)
<b>At 31 December</b>	<b>572</b>	462
<b>Net book value</b>		
<b>At 31 December</b>	<b>6,061</b>	5,362

The fair value of all the investment properties as at 31 December 2015 is BD 6,596.

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**12. PROPERTY AND EQUIPMENT**

	Land and buildings	Furniture, fixtures & equipment	Vehicles	Work in Progress	2015 Total	2014 Total
<b>Cost</b>						
At 1 January	18,497	6,204	4,312	655	29,668	28,221
Additions	1,186	703	2,875	560	5,324	3,062
Disposals and retirements	-	(8)	(1,485)	-	(1,493)	(1,615)
<b>At 31 December</b>	<b>19,683</b>	<b>6,899</b>	<b>5,702</b>	<b>1,215</b>	<b>33,499</b>	29,668
<b>Depreciation</b>						
1 January	5,798	4,833	1,058	-	11,689	10,578
Charge for the year	934	575	935	-	2,444	1,886
Disposals and retirements	-	(8)	(485)	-	(493)	(775)
<b>At 31 December</b>	<b>6,732</b>	<b>5,400</b>	<b>1,508</b>	<b>-</b>	<b>13,640</b>	11,689
<b>Net book value</b>						
<b>At 31 December 2015</b>	<b>12,951</b>	<b>1,499</b>	<b>4,194</b>	<b>1,215</b>	<b>19,859</b>	-
At 31 December 2014	12,700	1,370	3,254	655	-	17,979

The cost of fully depreciated assets still in use at 31 December 2015 was BD 5,699 (2014: BD 5,058).

**13. BANK TERM LOANS**

	31 December 2015	31 December 2014
Repayable within one year	31,250	54,082
Repayable after one year	98,595	47,700
	<b>129,845</b>	101,782

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 4.2% p.a. (2014: 4.5% p.a.).

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#### 14. BONDS ISSUED

	31 December 2015	31 December 2014
Face value	39,981	39,981
Less: Unamortised cost of issue	(215)	(280)
	<b>39,766</b>	39,701
<b>Movement on bonds during the year</b>	<b>2015</b>	2014
At 1 January	39,981	20,000
Add: Issued during the year	-	19,981
<b>At 31 December</b>	<b>39,981</b>	39,981

On 26 December 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 3 months in arrears from the date of issue.  
 Security: Unsecured  
 Redemption: 26 December 2018

On 26 October 2014, the Company issued 106 bonds with a face value of USD 500,000 (BD: 188,500) each. 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 6 months in arrears from the date of issue.  
 Security: Unsecured  
 Redemption: 14 Oct 2019

#### 15. SHARE CAPITAL

	31 December 2015	31 December 2014
Authorised share capital 500,000,000 (2014: 500,000,000) shares of 100 fils each	<b>50,000</b>	50,000
	<b>2015</b>	2014
<b>Issued and fully paid</b>		
At 1 January	16,335	16,335
16,335,000 (2014:16,335,000) shares of 100 fils each		
<b>At 31 December</b>	<b>16,335</b>	16,335
Treasury shares 2,206,891 shares (2014: 2,206,891 shares)	<b>599</b>	599

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**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 (GOS) 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	1,302	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%
<b>Total</b>	<b>163,350,000</b>	<b>1,314</b>	<b>100.00%</b>

\* 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**

	2015	2014
Loan administration and other credit related fees	5,604	4,231
Insurance commission income	1,191	964
	<b>6,795</b>	<b>5,195</b>

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**17. OTHER INCOME**

	2015	2014
Incentives from automotive principal	573	317
Gain on sale of investment property	431	194
Foreign exchange gains	46	49
Other income	96	14
	<b>1,146</b>	<b>574</b>

**18. OTHER OPERATING EXPENSES**

	2015	2014
General and administration costs	4,901	4,416
Depreciation	2,136	1,780
Selling and promotion costs	1,492	1,525
Impairment provision for inventory	100	26
Automotive finance cost	294	257
	<b>8,923</b>	<b>8,004</b>

**19. DISTRIBUTION OF ASSETS AND LIABILITIES**

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

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**20. SEGMENTAL INFORMATION**

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

- Lending - principally providing consumer loans and credit cards facilities.
- Automotive - trading in motor vehicles and spares and the provision of after sales services.
- Real estate - 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 2015 or 2014. 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Operating income</b>	<b>23,442</b>	18,911	<b>7,646</b>	7,721	<b>2,508</b>	2,352	<b>1,191</b>	964	<b>34,787</b>	29,948
Inter segment revenue	86	-	159	12	-	-	222	202	467	214
Operating costs	(8,300)	(6,699)	(5,584)	(5,690)	(227)	(293)	(403)	(353)	(14,514)	(13,035)
Impairment, net of recoveries	(2,825)	(2,365)	(39)	(41)	-	-	-	-	(2,864)	(2,406)
Inter segment expenses	(159)	(41)	(120)	-	(188)	(173)	-	-	(467)	(214)
<b>Profit for the year</b>	<b>12,244</b>	9,807	<b>2,062</b>	2,002	<b>2,093</b>	1,886	<b>1,010</b>	813	<b>17,409</b>	14,508
<b>Assets (Liabilities)</b>										
Cash and balances with banks	870	1,327	503	820	28	12	268	153	1,669	2,312
Loans and advances to customers	229,964	198,183	398	317	-	-	-	-	230,362	198,500
Trade and other receivables	-	-	7,413	6,111	4	22	649	385	8,066	6,518
Intercompany balances	6,057	4,969	(521)	374	(8,239)	(7,729)	2,703	2,386	-	-
Inventories	-	-	24,701	21,238	11,973	9,153	-	-	36,674	30,391
Investment properties	-	-	-	-	6,061	5,362	-	-	6,061	5,362
Property and equipment	4,602	3,159	15,257	14,820	-	-	-	-	19,859	17,979
Other assets	129	81	1,777	989	-	-	-	-	1,906	1,070
Overdrafts	(1,411)	(757)	-	-	-	-	-	-	(1,411)	(757)
Trade and other payables	(9,817)	(8,724)	(10,946)	(9,557)	(939)	(26)	(453)	(267)	(22,155)	(18,575)
Bonds	(39,766)	(39,701)	-	-	-	-	-	-	(39,766)	(39,701)
Bank term loans	(123,101)	(97,445)	(6,744)	(4,336)	-	-	-	-	(129,845)	(101,782)
<b>Equity</b>	<b>(67,527)</b>	(61,092)	<b>(31,838)</b>	(30,776)	<b>(8,888)</b>	(6,794)	<b>(3,167)</b>	(2,657)	<b>(111,420)</b>	(101,317)
Capital expenditure	<b>1,636</b>	836	<b>3,688</b>	2,226	-	-	-	-	<b>5,324</b>	3,062
Depreciation charge for the property and equipment	<b>191</b>	160	<b>2,253</b>	1,726	-	-	-	-	<b>2,444</b>	1,886

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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.

	2015	2014
<b>Shareholders:</b>		
<i>As at 31 December</i>		
Term loans	17,848	14,445
Bank overdrafts	1,411	757
Bank balances	863	590
<i>For the year ended 31 December</i>		
Interest expense	1,531	1,370

### 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.

	2015	2014
<i>For the year ended 31 December</i>		
Salaries and short term employee benefits	1,547	1,489
Directors remuneration and attendance fees	506	455

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 715 (2014: BD 670). The Group's provision for expatriate employees' leaving indemnities at 31 December 2015 was BD 1,136 (2014: BD 1,194). The Group employed 757 staff at 31 December 2015 (2014: 720).

As at 31 December 2015, the total liability of the Group to its employees under Saving Plan was BD 1,140 (2014: BD 869).

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### 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:

	2015	2014
Profit for the year	17,409	14,508
Weighted average number of equity shares (in 000's)	161,143	161,143
Basic earnings per share	<b>108 fils</b>	90 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 amounting to BD 11,346 (2014: BD 11,324) and unutilised credit limits of BD 14,911, (2014: BD 10,678) to its customers.

The Group's capital commitment for the construction of a Company's new office is BD 2,570 as at 31 December 2015.

### 25. PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2015. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2015	2014
Proposed dividends	7,251	7,251
Donations	300	300
General reserve	1,500	1,500
	<b>9,051</b>	9,051

### 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.