Bahrain Commercial Facilities Company B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2024

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Bahrain Commercial Facilities Company B.S.C. ("the Company") and its subsidiaries (collectively, "the Group") as at 30 September 2024 comprising of the interim consolidated statement of financial position as at 30 September 2024 and the related interim consolidated statements of profit or loss and other comprehensive income for the three and nine month periods then ended and the interim consolidated statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. The Board of Directors of the Group is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

30 October 2024
Manama, Kingdom of Bahrain

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

	Note	*(Reviewed)* ***30 September 2024*** ***BD '000***	*(Audited)* *31 December 2023* *BD '000*
ASSETS			
Cash and balances with banks		**11,937**	13,244
Loans and advances to customers	6	**138,754**	144,044
Trade receivables	7	**3,723**	2,509
Inventories	8	**18,995**	18,959
Investment properties		**9,870**	9,972
Property and equipment		**28,017**	25,423
Other assets	9	**7,231**	5,712
TOTAL ASSETS		**218,527**	219,863
LIABILTIES AND EQUITY			
LIABILITIES			
Trade and other payables	10	**21,794**	17,863
Bank term loans and other borrowings		**91,507**	100,355
TOTAL LIABILITIES		**113,301**	118,218
EQUITY			
Share capital		**20,419**	20,419
Treasury shares		**(599)**	(599)
Statutory reserve		**10,210**	10,210
Share premium		**25,292**	25,292
Other reserves		**28,030**	28,777
Retained earnings		**21,874**	17,546
TOTAL EQUITY		**105,226**	101,645
TOTAL LIABILITIES AND EQUITY		**218,527**	219,863

AbdulRahman Yusuf Fakhro
Chairman

Sh. Salman Bin Isa Al-Khalifa
Board Member

Abdulla Abdulrazaq Bukhowa
Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2024

	(Reviewed) *Nine months ended 30 September*		*(Reviewed)* *Three months ended 30 September*	
	2024 ***BD '000***	*2023* *BD '000*	***2024*** ***BD '000***	*2023* *BD '000*
Interest income	**13,137**	14,576	**4,401**	4,487
Interest expense	**(5,463)**	(6,692)	**(1,722)**	(2,137)
Net interest income	**7,674**	7,884	**2,679**	2,350
Automotive revenue	**33,748**	29,609	**11,278**	9,681
Cost of sales	**(27,695)**	(24,643)	**(9,430)**	(8,115)
Gross profit on automotive revenue	**6,053**	4,966	**1,848**	1,566
Net fee and commission income	**2,200**	2,544	**571**	774
Rental and real estate income	**552**	414	**184**	134
Other income	**906**	1,297	**175**	330
Total operating income	**17,385**	17,105	**5,457**	5,154
Salaries and related costs	**(6,357)**	(5,869)	**(2,221)**	(1,935)
Other operating expenses	**(7,749)**	(7,379)	**(2,604)**	(2,568)
Total operating expenses	**(14,106)**	(13,248)	**(4,825)**	(4,503)
Profit before provisions, credit losses and recoveries	**3,279**	3,857	**632**	651
Provisions and credit losses	**(870)**	(17,538)	**(341)**	(7,559)
Recoveries from written off balances	**2,019**	1,855	**812**	598
Profit / (loss) for the period	**4,428**	(11,826)	**1,103**	(6,310)
Basic and diluted earnings / (loss) per 100 fils share	**22 fils**	(59) fils	**5 fils**	(32) fils

AbdulRahman Yusuf Fakhro
Chairman

Sh. Salman Bin Isa Al-Khalifa
Board Member

Abdulla Abdulrazaq Bukhowa
Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2024

	(Reviewed)	*(Reviewed)*	*(Reviewed)*	*(Reviewed)*
	Nine months ended 30 September		***Three months ended 30 September***	
	2024	*2023*	***2024***	*2023*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Profit / (loss) for the period	**4,428**	(11,826)	**1,103**	(6,310)
Other comprehensive income / (loss):				
Items that are or may be reclassified to profit or loss				
Net change in cash flow hedge reserve	**(733)**	(170)	**(647)**	(25)
Total comprehensive income / (loss) for the period	**3,695**	(11,996)	**456**	(6,335)

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2024

	(Reviewed)								
			Reserves and retained earnings						
					Other reserves				
	Share capital BD '000	*Treasury shares BD '000*	*Statutory reserve BD '000*	*Share premium BD '000*	*Cash flow hedge reserve BD '000*	*Donation reserve BD '000*	*General reserve BD '000*	*Retained earnings BD '000*	*Total equity BD '000*
As at 1 January 2024	20,419	(599)	10,210	25,292	1,244	33	27,500	17,546	101,645
2023 appropriations (approved by shareholders):									
- Donations approved	-	-	-	-	-	100	-	(100)	-
Balance after 2023 appropriations	20,419	(599)	10,210	25,292	1,244	133	27,500	17,446	101,645
Comprehensive income for the period:									
Income for the period	-	-	-	-	-	-	-	4,428	4,428
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	(733)	-	-	-	(733)
	20,419	(599)	10,210	25,292	511	133	27,500	21,874	105,340
Utilisation of donation reserve	-	-	-	-	-	(114)	-	-	(114)
At 30 September 2024	**20,419**	**(599)**	**10,210**	**25,292**	**511**	**19**	**27,500**	**21,874**	**105,226**

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2024

	(Reviewed)								
			Reserves and retained earnings						
					Other reserves				
	Share capital BD '000	*Treasury shares BD '000*	*Statutory reserve BD '000*	*Share premium BD '000*	*Cash flow hedge reserve BD '000*	*Donation reserve BD '000*	*General reserve BD '000*	*Retained earnings BD '000*	*Total equity BD '000*
As at 1 January 2023	20,419	(599)	10,210	25,292	2,182	248	27,500	52,387	137,639
2022 appropriations (approved by shareholders):									
- Dividend to equity holders declared	-	-	-	-	-	-	-	(4,029)	(4,029)
Balance after 2022 appropriations	20,419	(599)	10,210	25,292	2,182	248	27,500	48,358	133,610
Comprehensive loss for the period:									
Loss for the period	-	-	-	-	-	-	-	(11,826)	(11,826)
Other comprehensive loss:									
- Net change in cash flow hedge reserve	-	-	-	-	(170)	-	-	-	(170)
	20,419	(599)	10,210	25,292	2,012	248	27,500	36,532	121,614
Utilisation of donation reserve	-	-	-	-	-	(159)	-	-	(159)
At 30 September 2023	20,419	(599)	10,210	25,292	2,012	89	27,500	36,532	121,455

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2024

	(Reviewed)	*(Reviewed)*
	Nine months ended 30 September	
	2024	*2023*
	BD '000	*BD '000*
OPERATING ACTIVITIES		
Loan repayments, interest received and other credit related receipts	**151,812**	151,166
Cash receipts from automotive sales	**33,616**	30,494
Insurance commission received	**524**	374
Proceeds from sale of real estate inventory	**503**	-
Rental and evaluation income received	**455**	402
Loans and advances to customers	**(130,022)**	(121,668)
Payments to suppliers and others	**(26,254)**	(25,010)
Payments for operating expenses	**(12,395)**	(11,050)
Directors' remuneration paid	**-**	(275)
Interest paid	**(5,724)**	(6,928)
Net cash generated from operating activities	**12,515**	17,505
INVESTING ACTIVITIES		
Capital expenditure on property and equipment	**(7,873)**	(5,032)
Proceeds from sale of property and equipment	**2,854**	1,557
Fixed deposit held with banks with maturities of more than three months	**2,000**	200
Net cash used in investing activities	**(3,019)**	(3,275)
FINANCING ACTIVITIES		
Bank loans availed	**23,117**	31,668
Bank term loans and other borrowings paid	**(30,996)**	(62,395)
Dividends paid	**-**	(4,029)
Donations paid	**(114)**	(159)
Net cash used in financing activities	**(7,993)**	(34,915)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,503**	(20,685)
Cash and cash equivalents at 1 January	**6,214**	34,325
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**7,717**	13,640
Cash and cash equivalents comprise:		
Cash and balances with banks	**11,937**	20,515
Less:		
Restricted cash	**(220)**	(95)
Bank overdrafts	**-**	(680)
Fixed deposit held with banks with maturities of more than three months	**(4,000)**	(6,100)
	7,717	13,640

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

1 REPORTING ENTITY

Bahrain Commercial Facilities Company B.S.C. (the “Company”) is a public shareholding company incorporated and registered in the Kingdom of Bahrain. It provides term loans and issues credit cards. Effective 26 June 2005, the Company became licensed and regulated by the Central Bank of Bahrain (“the CBB”). This financial information is the reviewed interim condensed consolidated financial statements (the “interim condensed consolidated financial statements”) of the Company and its subsidiaries (together referred to as the “Group”) for the nine-month period ended 30 September 2024.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain (“CBB”). These rules and regulations require the application of all International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements are reviewed, not audited. They do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the Group’s last audited consolidated financial statements for the year ended 31 December 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2023.

3 MATERIAL ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for adoption of new standards or certain amendments to existing standards that have become applicable to the Group effective from 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2024, but do not have any impact on the interim condensed consolidated financial statements of the Group.

3.1.1 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group’s interim condensed consolidated financial statements.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 New standards, interpretations and amendments adopted by the Group (continued)

3.1.2 Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

3.1.3 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

3.2 New standards, interpretations and amendments issued but not yet effective

There were no new standards, interpretations and amendments that are issued as of 1 January 2024 which are applicable to the Group and not yet effective up to the date of issuance of the Group's interim condensed consolidated financial statements.

4 USE OF JUDGEMENTS AND ESTIMATES

Preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the last audited consolidated financial statements as at and for the year ended 31 December 2023.

Significant increase in credit risk (SICR)

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporation, forward looking information into measurement of ECL and selection and approval of models used to measure ECL.

Judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a financing facility, which would result in the financial asset moving from 'stage 1' to 'stage 2'. The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary or longer term.

Reasonableness of forward-looking information

Judgement is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables.

4 USE OF JUDGEMENTS AND ESTIMATES (continued)

Reasonableness of forward-looking information (continued)
Due to macro economic variables being not statistically acceptable, the Group has used Vasicek- Merton single factor model for conversion of TTC PD to PIT PD instead of the regression methodology as per the Group's approved policy. Vasicek Based Analysis method has been used to forecast the forward-looking PIT PDs by developing composite index oil price as macro-economic variables. The Oil price for base scenario has been considered.

Probability weights
Management judgement is involved in determining the probability weighting of each scenario considering the risks and uncertainties surrounding the base case scenario.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the last audited consolidated financial statements for the year ended 31 December 2023 with emphasis on those described below:

Credit Risk
The Group is performing assessments of the relevant available macro-economic information in light of the rising interest rate environment and the ongoing geopolitical tensions in Europe, and within the region. The relevant macro-economic information has been updated during the period ended.

The risk management department has also enhanced its monitoring of financing portfolio by reviewing the performance of exposures to sectors expected to be directly or indirectly impacted by ongoing challenging economic environment to identify potential SICR on a qualitative basis.

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

The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in the current extreme stress environment . As at the reporting date the liquidity and funding position of the Group remains strong and is well placed to absorb and manage the impacts of this disruption.

Operational risk management
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 manages the operational risk through policies and procedures to identify, assess, control, manage and report risks. Additionally, prior to the implementation of new products and services, it's reviewed and assessed for operational risks. The Group's risk management division employs clear internal policies and procedures and the Risk Control Self-Assessment (RCSA) methodology to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

6 LOANS AND ADVANCES TO CUSTOMERS

(a) Exposure by staging

	30 September 2024 (Reviewed)			
	Stage 1 BD '000	***Stage 2 BD '000***	***Stage 3 BD '000***	***Total BD '000***
Loans and advances	**103,548**	**13,689**	**63,003**	**180,240**
Less: expected credit loss	**(1,023)**	**(1,985)**	**(38,478)**	**(41,486)**
Loans and advances	**102,525**	**11,704**	**24,525**	**138,754**

	31 December 2023 (Audited)			
	Stage 1 BD '000	*Stage 2 BD '000*	*Stage 3 BD '000*	*Total BD '000*
Loans and advances	107,836	18,411	66,539	192,786
Less: expected credit loss	(1,088)	(2,413)	(45,241)	(48,742)
Loans and advances	106,748	15,998	21,298	144,044

During the period, the Group has recorded total recoveries of BD 2,019 thousand (2023: BD 1,855 thousand) from the loans previously written off.

(b) Expected credit loss movement

	30 September 2024 (Reviewed)			
2024	***Stage 1 BD '000***	***Stage 2 BD '000***	***Stage 3 BD '000***	***Total BD '000***
Expected credit loss at 1 January 2024	**1,088**	**2,413**	**45,241**	**48,742**
Net transfer between stages	**(3,107)**	**(2,236)**	**5,343**	**-**
Net charge / (reversal) for the period	**3,042**	**1,808**	**(4,507)**	**343**
Net write off during the period	**-**	**-**	**(7,599)**	**(7,599)**
Expected credit loss at 30 September 2024	**1,023**	**1,985**	**38,478**	**41,486**

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Expected credit loss movement (continued)

	31 December 2023 (Audited)			
2023	*Stage 1 BD '000*	*Stage 2 BD '000*	*Stage 3 BD '000*	*Total BD '000*
Expected credit loss at 1 January 2023	1,313	7,105	27,012	35,430
Net transfer between stages	748	(2,551)	1,803	-
Net (reversal) / charge for the year	(973)	(2,141)	39,032	35,918
Net write off during the year	-	-	(22,606)	(22,606)
Expected credit loss at 31 December 2023	1,088	2,413	45,241	48,742

7 TRADE RECEIVABLES

	(Reviewed) 30 September 2024 BD '000	*(Audited) 31 December 2023 BD '000*
Trade receivables	**5,335**	4,623
Less: expected credit loss	**(1,612)**	(2,114)
	3,723	2,509

Expected credit loss movement

	(Reviewed) 30 September 2024 BD '000	*(Audited) 31 December 2023 BD '000*
At beginning of the period / year	**2,114**	2,072
Charge for the period / year	**119**	54
Net write off during the period / year	**(621)**	(12)
At end of the period / year	**1,612**	2,114

8 INVENTORIES

	(Reviewed) ***30 September 2024 BD '000***	*(Audited) 31 December 2023 BD '000*
Vehicles	**12,093**	10,842
Automotive spare parts	**6,607**	7,306
Real estate inventory	**1,630**	2,105
	20,330	20,253
Provision	**(1,335)**	(1,294)
	18,995	18,959

Provisions' movement

	(Reviewed) ***2024 BD '000***	*(Audited) 2023 BD '000*
At beginning of the period / year	**1,294**	789
Net charge for the period / year	**110**	508
Utilisation	**(69)**	(3)
At end of the period / year	**1,335**	1,294

9 OTHER ASSETS

	(Reviewed) ***30 September 2024 BD '000***	*(Audited) 31 December 2023 BD '000*
Positive fair value derivative	**541**	1,277
Advance to suppliers and manufacturers incentive	**3,578**	2,181
Prepaid expenses	**889**	581
VAT receivables	**1,748**	1,272
Others	**475**	401
	7,231	5,712

10 TRADE AND OTHER PAYABLES

	(Reviewed) 30 September 2024 BD '000	*(Audited) 31 December 2023 BD '000*
Negative fair value derivative	**30**	33
Lease liabilities	**814**	1,118
Trade payables and others	**20,950**	16,712
	21,794	17,863

11 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise major shareholders, directors, and key management personnel of the Group and entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group.

The Group has banking relationships and obtains term borrowings and has unutilised credit facilities with certain of its shareholder banks (Bank of Bahrain and Kuwait B.S.C and National Bank of Bahrain B.S.C). All such transactions are in the ordinary course of business and on terms agreed between the parties.

	(Reviewed) 30 September 2024 BD '000	*(Audited) 31 December 2023 BD '000*
Shareholders:		
Term loans	**31,034**	25,260
Bank balance	**1,527**	913

	(Reviewed) 30 September 2024 BD '000	*(Reviewed) 30 September 2023 BD '000*
Interest expense	**1,783**	1,562
Sale of vehicles	**-**	99

Key management personnel
Transactions with related parties are transactions with key management personnel or their direct family members.

11 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Key management personnel (continued)

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, Chief Executive Officer, Deputy Chief Executive Officer, approved personnel by the CBB and the General Managers.

	(Reviewed) 30 September 2024 BD '000	*(Audited) 31 December 2023 BD '000*
Loan and advances*	**826**	823

	(Reviewed) 30 September 2024 BD '000	*(Reviewed) 30 September 2023 BD '000*
For the period ended		
Salaries and short-term employee benefits	**1,436**	1,423
Directors remuneration and attendance fees	**389**	392
Sales, service and lease of vehicles	**35**	99

*The Company has allowance of BD 355 thousand (2023: BD 256 thousand) for impairment losses on balances with related parties.

12 APPROPRIATIONS

At the Annual General Meeting held on 26 March 2024, the shareholders approved the appropriation of donation of BD 100 thousand (2023: appropriation of dividends of BD 4,029 thousand) from the retained earnings of the Group.

13 OPERATING SEGMENT INFORMATION

	Operating income		***Profit / (loss)***	
	Nine months ended 30 September 2024 (Reviewed) BD '000	*Nine months ended 30 September 2023 (Reviewed) BD '000*	***Nine months ended 30 September 2024 (Reviewed) BD '000***	*Nine months ended 30 September 2023 (Reviewed) BD '000*
Lending	**9,447**	10,543	**2,488**	(13,496)
Automotive	**6,423**	5,562	**2,103**	1,574
Insurance	**664**	587	**83**	28
Real estate	**851**	413	**(246)**	68
	17,385	17,105	**4,428**	(11,826)

13 OPERATING SEGMENT INFORMATION (continued)

Majority of the Group's assets and liabilities are concentrated in the lending and automotive segments. Total assets as of 30 September 2024 amounted to BD 154,233 thousand and BD 47,843 thousand (31 December 2023: BD 159,731 thousand and BD 44,364 thousand) and total liabilities amounted to BD 103,129 thousand and BD 9,353 thousand (31 December 2023: BD 109,639 thousand and BD 8,344 thousand) in the lending and automotive segments respectively.

14 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.

Except for derivative instruments which are classified as at fair value, all of the Group's other financial assets and liabilities are classified as at amortised cost.

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.

14 FAIR VALUE (continued)

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

The following tables set 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:

30 September 2024 (Reviewed)	***Level 1***	***Level 2***	***Level 3***	***Fair value***	***Carrying value***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Loans and advances to customers	**-**	**-**	**138,754**	**138,754**	**138,754**
Bank term loans and other borrowings	**-**	**-**	**91,507**	**91,507**	**91,507**

31 December 2023 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Fair value*	*Carrying value*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Loans and advances to customers	-	-	144,044	144,044	144,044
Bank term loans and other borrowings	-	-	100,355	100,355	100,355

In the 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 other borrowings issued approximate their carrying value since they are at floating interest rates.

15 COMPARATIVES

Certain comparative figures have been regrouped to conform to the current period's presentation. Such regrouping did not affect previously reported profit or loss, comprehensive income for the period or total equity.