Bahrain Commercial Facilities Company B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2023

Building a better working world

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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 2023 comprising of the interim consolidated statement of financial position as at 30 September 2023 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.
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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

1 November 2023
Manama, Kingdom of Bahrain

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	Note	*(Reviewed)* ***30 September 2023 BD '000***	*(Audited) 31 December 2022 BD '000*
ASSETS			
Cash and balances with banks		20,515	40,702
Loans and advances to customers	6	169,308	197,605
Trade receivables	7	2,784	3,026
Inventories	8	20,179	16,472
Investment properties		10,325	10,502
Property and equipment		25,661	24,613
Other assets	9	7,068	5,558
TOTAL ASSETS		**255,840**	298,478
LIABILTIES AND EQUITY			
Liabilities			
Trade and other payables		20,610	16,924
Bank term loans and other borrowings		113,775	143,915
TOTAL LIABILITIES		**134,385**	160,839
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		29,601	29,930
Retained earnings		36,532	52,387
TOTAL EQUITY		**121,455**	137,639
TOTAL LIABILITIES AND EQUITY		**255,840**	298,478

AbdulRahman Yusuf Fakhro	**Dr. AbdulRahman Ali Saif**	**Abdulla Abdulrazaq Bukhowa**
Chairman	Vice Chairman	Chief Executive Officer

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2023

	(Reviewed) *Nine months ended* *30 September*		*(Reviewed)* *Three months ended* *30 September*	
	2023 ***BD '000***	*2022* *BD '000*	***2023*** ***BD '000***	*2022* *BD '000*
Interest income	14,576	19,382	4,487	6,105
Interest expense	(6,692)	(5,695)	(2,137)	(2,037)
Net interest income	**7,884**	13,687	**2,350**	4,068
Automotive revenue	29,609	30,510	9,681	12,307
Cost of sales	(24,643)	(25,537)	(8,115)	(10,479)
Gross profit on automotive revenue	**4,966**	4,973	**1,566**	1,828
Net fee and commission income	2,634	3,084	819	1,097
Profit from sale of real estate inventory	-	41	-	-
Rental and evaluation income	414	398	134	133
Total operating income	**15,898**	22,183	**4,869**	7,126
Other income	1,297	469	330	218
Salaries and related costs	(5,869)	(5,495)	(1,935)	(1,710)
Operating expenses	(7,535)	(7,184)	(2,634)	(2,392)
Profit before allowance on financial instruments	**3,791**	9,973	**630**	3,242
Allowance on loans and receivables, net of recoveries	(15,617)	(6,344)	(6,940)	(3,992)
(Loss) / profit for the period	**(11,826)**	3,629	**(6,310)**	(750)
Basic and diluted earnings per 100 fils share	**(59) fils**	18 fils	**(32) fils**	(4) fils

AbdulRahman Yusuf Fakhro
Chairman

Dr. AbdulRahman Ali Saif
Vice Chairman

Abdulla Abdulrazaq Bukhowa
Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	(Reviewed) Nine months ended 30 September		*(Reviewed) Three months ended 30 September*	
	2023	*2022*	***2023***	*2022*
	BD '000	*BD '000*	***BD '000***	*BD '000*
(Loss) / profit for the period	**(11,826)**	3,629	**(6,310)**	(750)
Other comprehensive (loss) / income:				
Items that are or may be reclassified to profit or loss				
Net change in cash flow hedge reserve	(170)	4,206	(25)	1,476
Total comprehensive (loss) / income for the period	**(11,996)**	7,835	**(6,335)**	726

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	(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 14 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 2023

	(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 2022	20,419	(599)	10,210	25,292	(2,113)	303	27,000	54,408	134,920
2021 appropriations (approved by shareholders):									
- Donations approved	-	-	-	-	-	150	-	(150)	-
- Dividend to equity holders declared	-	-	-	-	-	-	-	(5,036)	(5,036)
- Transfer to general reserve	-	-	-	-	-	-	500	(500)	-
Balance after 2021 appropriations	20,419	(599)	10,210	25,292	(2,113)	453	27,500	48,722	129,884
Comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	3,629	3,629
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	4,206	-	-	-	4,206
	20,419	(599)	10,210	25,292	2,093	453	27,500	52,351	137,719
Utilisation of donation reserve	-	-	-	-	-	(202)	-	-	(202)
At 30 September 2022	20,419	(599)	10,210	25,292	2,093	251	27,500	52,351	137,517

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2023

	(Reviewed) Nine months ended 30 September	
	2023	*2022*
	BD '000	*BD '000*
OPERATING ACTIVITIES		
Loan repayments, interest received and other credit related receipts	151,166	164,217
Cash receipts from automotive sales	30,494	30,741
Insurance commission received	374	440
Proceeds from sale of real estate inventory	-	976
Rental and evaluation income received	402	472
Loans and advances to customers	(121,668)	(124,295)
Payments to suppliers	(25,010)	(29,590)
Payments for operating expenses	(11,050)	(13,435)
Directors' fees paid	(275)	(330)
Interest paid	(6,928)	(5,516)
Net cash generated from operating activities	**17,505**	23,680
INVESTING ACTIVITIES		
Capital expenditure on property and equipment	(5,032)	(2,974)
Proceeds from sale of property and equipment	1,557	1,102
Movement in fixed deposit held with banks with maturities of more than three months	200	(8,500)
Net cash used in investing activities	**(3,275)**	(10,372)
FINANCING ACTIVITIES		
Bank loans availed	31,668	21,007
Bank loans paid	(62,395)	(31,981)
Dividends paid	(4,029)	(5,036)
Donations paid	(159)	(202)
Net cash used in financing activities	**(34,915)**	(16,212)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,685)	(2,904)
Cash and cash equivalents at 1 January	34,325	28,301
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**13,640**	25,397
Cash and cash equivalents comprise:		
Cash and balances with banks	20,515	33,962
Less:		
Restricted cash	(95)	(65)
Bank overdrafts	(680)	-
Fixed deposit held with banks with maturities of more than three months	(6,100)	(8,500)
	13,640	25,397

The attached notes 1 to 14 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 short-term, medium-term, long-term loans and issue 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 2023.

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 2022. 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 2022.

3 SIGNIFICANT 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 2022, except for adoption of new standards or certain amendments to existing standards that have become applicable to the Group effective from 1 January 2023. 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 2023, but do not have any impact on the interim condensed consolidated financial statements of the Group.

3.1.1 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.1.2 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

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 2023 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 2022.

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 considers both qualitative and quantitative information in the assessment of significant increase in credit risk. 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.

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 prices as macro-economic variables. The oil price for base scenario has been considered.

4 USE OF JUDGEMENTS AND ESTIMATES (continued)

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 2022 with an emphasis on those described below:

Credit Risk

The Group has performed an assessment of the relevant available macro-economic information. This assessment resulted in certain changes to the expected credit loss methodology and judgements as at and for the year ended 31 December 2022.

The Group considered, post the end of CBB deferment program measures, rising interest rates and inflationary pressures in many countries across the globe and ongoing geopolitical tensions. Further, the Group considered the impact of the challenging economic environment caused by COVID-19, and accordingly, has updated inputs and assumptions used for the determination of ECL.

The risk management department has also enhanced its monitoring of financing portfolio by reviewing the performance of exposures to sectors that are expected to be directly or indirectly impacted by the ongoing economic environment challenges 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 in excess of its 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 of directors.

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 adequate 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 by 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 2023 (Reviewed)			
	Stage 1 BD '000	***Stage 2 BD '000***	***Stage 3 BD '000***	***Total BD '000***
Loans and advances	113,830	20,913	73,406	**208,149**
Less: expected credit loss	(1,167)	(2,536)	(35,138)	**(38,841)**
Loans and advances	**112,663**	**18,377**	**38,268**	**169,308**

	31 December 2022 (Audited)			
	Stage 1 BD '000	*Stage 2 BD '000*	*Stage 3 BD '000*	*Total BD '000*
Loans and advances	127,523	50,082	55,430	233,035
Less: expected credit loss	(1,313)	(7,105)	(27,012)	(35,430)
Loans and advances	126,210	42,977	28,418	197,605

During the period, the Group has recorded total recoveries of BD 1,855 thousand (2022: BD 1,889 thousand) from the loans previously written off.

(b) Expected credit loss movement

	30 September 2023 (Reviewed)				
2023	***Stage 1 BD '000***	***Stage 2 BD '000***	***Stage 3 Collectively assessed BD '000***	***Stage 3 Specifically assessed BD '000***	***Total BD '000***
Expected credit loss at 1 January 2023	1,313	7,105	24,014	2,998	**35,430**
Net transfer between stages	860	(3,048)	3,229	(1,041)	**-**
Net remeasurement for the period	(1,006)	(1,521)	19,774	177	**17,424**
Net write off during the period	-	-	(13,717)	(296)	**(14,013)**
Expected credit loss at 30 September 2023	**1,167**	**2,536**	**33,300**	**1,838**	**38,841**

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Expected credit loss movement (continued)

	31 December 2022 (Audited)				
2022	*Stage 1 BD '000*	*Stage 2 BD '000*	*Stage 3 Collectively assessed BD '000*	*Stage 3 Specifically assessed BD '000*	*Total BD '000*
Expected credit loss at 1 January 2022	3,912	7,201	18,843	3,834	33,790
Net transfer between stages	1,900	(2,864)	964	-	-
Net remeasurement for the year	(4,499)	2,768	13,386	279	11,934
Net write off during the year	-	-	(9,179)	(1,115)	(10,294)
Expected credit loss at 31 December 2022	1,313	7,105	24,014	2,998	35,430

7 TRADE RECEIVABLES

	(Reviewed) 30 September 2023 BD '000	*(Audited) 31 December 2022 BD '000*
Trade receivables	4,881	5,098
Less: expected credit loss	(2,097)	(2,072)
	2,784	3,026

Expected credit loss movement

	(Reviewed) 30 September 2023 BD '000	*(Audited) 31 December 2022 BD '000*
At beginning of the period / year	2,072	2,039
Charge for the period / year	37	76
Write off during the period / year	(12)	(43)
At end of the period / year	**2,097**	2,072

8 INVENTORIES

	(Reviewed) ***30 September 2023*** ***BD '000***	*(Audited)* *31 December 2022* *BD '000*
Automotive stock:		
-Vehicles	11,272	8,218
-Spare parts	7,467	6,752
Real estate inventory	2,291	2,291
	21,030	17,261
Vehicles and spare parts provisions	(851)	(789)
	20,179	16,472

Movement in vehicles and spare parts provisions

	(Reviewed) ***2023*** ***BD '000***	*(Audited)* *2022* *BD '000*
At beginning of the period / year	789	751
Charge for the period / year	66	121
Utilisation of inventories	(4)	(83)
At end of the period / year	**851**	789

9 OTHER ASSETS

	(Reviewed) ***30 September 2023*** ***BD '000***	*(Audited)* *31 December 2022* *BD '000*
Derivative financial instruments	2,071	2,230
Advance to suppliers	2,242	1,969
Prepaid expenses	814	608
VAT receivables	1,401	499
Others	540	252
	7,068	5,558

10 TRANSACTIONS WITH RELATED PARTIES

The Group's major shareholders are Social Insurance Organisation, Bank of Bahrain and Kuwait B.S.C. and National Bank of Bahrain B.S.C with holdings of 30.9%, 23.0% and 11.2% respectively of the Company's share capital at 30 September 2023. The Group has the following transactions and balances with Bank of Bahrain and Kuwait B.S.C. and National Bank of Bahrain B.S.C:

	(Reviewed) 30 September 2023 BD '000	*(Audited) 31 December 2022 BD '000*
Shareholders:		
Bank term loan and borrowings	**31,544**	20,099
Bank balance	**1,800**	1,872

	(Reviewed) 30 September 2023 BD '000	*(Reviewed) 30 September 2022 BD '000*
Interest expense	**1,562**	775
Sale of vehicles	**99**	-

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

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 2023 BD '000	*(Reviewed) 30 September 2022 BD '000*
Salaries and short-term employee benefits	**1,423**	1,207
Directors remuneration and attendance fees	**392**	470
Sales, service and lease of vehicles	**99**	84
Loan and advances*	**758**	757

*The Group has allowance of BD 256 thousand (2022: BD 175 thousand) for impairment losses on balances with related parties.

11 DIVIDENDS

At the Annual General Meeting held on 29 March 2023, the shareholders approved cash dividends of 20 fils per share (2021: 25 fils per share) totaling BD 4,029 thousand for the year 2022 (2021: BD 5,036 thousand).

12 OPERATING SEGMENT INFORMATION

	Operating Income		***(Loss) / Profit***	
	Nine months ended 30 September 2023	*Nine months ended 30 September 2022*	***Nine months ended 30 September 2023***	*Nine months ended 30 September 2022*
	(Reviewed)	*(Reviewed)*	***(Reviewed)***	*(Reviewed)*
	BD ’000	*BD ’000*	***BD ’000***	*BD ’000*
Consumer finance	**10,065**	16,348	**(13,496)**	2,055
Automotive	**4,978**	5,000	**1,574**	1,774
Insurance	**441**	389	**28**	6
Real estate	**414**	449	**68**	(206)
	15,898	22,186	**(11,826)**	3,629

Majority of the Group’s assets and liabilities are concentrated in the lending and automotive segments. Total assets as of 30 September 2023 amounted to BD 193,032 thousand and BD 46,206 thousand (31 December 2022: BD 238,049 thousand and BD 43,872 thousand) and total liabilities amounted to BD 124,123 thousand and BD 9,901 thousand (31 December 2022: BD 152,488 thousand and BD 7,923 thousand) in the lending and automotive segments respectively.

13 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.

The Group’s financial assets are classified and measured at amortised cost. The Group’s financial liabilities are classified and measured at amortised cost except for derivatives which are classified and measured at fair value through other comprehensive income.

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.

13 FAIR VALUE (continued)

(i) Financial assets and liabilities measured at fair value

The fair value of the derivatives, which are not exchange traded, is estimated at the amount the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current credit worthiness of the counterparties. The Group's exposure to derivatives are categorised under Level 2.

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

The following 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 2023 (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	**-**	**-**	**169,308**	**169,308**	**169,308**
Bank term loans and other borrowings	**-**	**-**	**113,775**	**113,775**	**113,775**

31 December 2022 (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	-	-	197,605	197,605	197,605
Bank term loans and other borrowings	-	-	143,915	143,915	143,915

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 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.

14 COMPARATIVES

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