

**Bahrain Commercial Facilities Company B.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2024**

# Bahrain Commercial Facilities Company B.S.C.

## 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. Since 26th June 2005, the Company has been licensed and regulated by the Central Bank of Bahrain

The Company wholly owns National Motor Company WLL, which was established in March 1988, Tasheelat Insurance Services Company WLL, which was established in April 1997, Tasheelat Real Estate Service Company WLL, 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, which is currently under liquidation. In March 2015, the Company has incorporated Tasheelat Automotive Company WLL and Tasheelat Car Leasing Company WLL was established in April 2017.

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Office	:	Bahrain Credit Building, Building 290, Road 111, Tubli, Bahrain 701.
Branches	:	13444-1, 13444-2, 13444-7, 13444-10, 13444-13 , 13444-15
Board of Directors	:	Abdulrahman Yusuf Fakhro - Chairman Reyadh Yusuf Hasan Sater - Vice Chairman Sh. Salman Bin Isa Al Khalifa Ebrahim Abdulla Buhindi AbdulAziz Abdulla A.Aziz Al-Ahmed Mohammed Abdulla Isa Yusuf Saleh Sultan Khalaf Yaser Abduljalil Alsharifi Mishal Ali Alhellow Najla Mohammed Alshirawi
Chief Executive Officer	:	Abdulla Abdulrazaq Abdulla Ali Bukhowa
Deputy Chief Executive Officer	:	Mohamed Jehad Bukamal
Chief Financial Officer	:	Ali Khalaf
General Manager - TISCO	:	Mohamed Shehabi
General Manager - TRESCO	:	Fadi Al-Shaikh
Automotive Companies' Chief Executive Officer	:	Abdelmohsen Ahmed Abdelmohsen Kassem
General Manager - NMC	:	Abdulla Ahmed Mohsen Abdulla Alwedaei
General Manager - TCL	:	Najib Hussain
Banks	:	Bank of Bahrain and Kuwait BSC      National Bank of Bahrain BSC Ahli United Bank BSC      Gulf International Bank Arab Bank PLC      Mashreq Bank Standard Chartered Bank      Al Salam Bank Arab Banking Corporation BSC      HBL (Habib Bank Ltd)
External Auditors	:	Ernst & Young - Middle East



## CHAIRMAN'S REPORT

On behalf of the Board of Directors, it gives me great pleasure to present the annual consolidated financial statement of Bahrain Commercial Facilities Company BSC (BCFC), for the financial year ended 31 December 2024.

The consolidated financial statements include the financial results of Bahrain Commercial Facilities Company BSC and its subsidiaries: National Motor Company WLL, Tasheelat Real Estate Services Company WLL, Tasheelat Insurance Services Company WLL, Tasheelat Automotive Company WLL, Tasheelat Car Leasing Company WLL and Tasheelat for General Trading Company WLL.

The global economy experienced moderate growth, supported by resilient consumer spending and technological advancements, despite challenges posed by geopolitical tensions and inflationary pressures. Central banks around the world adopted a varying monetary policies, striving to balance the risks of inflation, economic stability, employment levels and encourage investment.

As BCFC completes the second year of its 3-year strategy implementation, I am pleased with the progress made to date. The first year was marked by aligning our operations with our strategic objectives, focusing on strengthening our core. In the second year of our strategy, we successfully launched innovative offerings, including residential mortgage loans and the award-winning digital platform "Sahel by BCFC." Additionally, we expanded our presence by opening a new branch in a prime location in the Kingdom of Bahrain.

At BCFC, we are committed to sustainability and responsible business practices, integrating ESG principles to ensure long-term resilience and value creation. In alignment with Bahrain Vision 2030 and global best practices, we continue to strengthen governance, enhance social contributions, and drive sustainable growth for a more inclusive future.

The Group takes pride in the strategic foresight of the Board of Directors and the commitment of the management team. The Group performance during 2024 reaffirms the Group resilience and potential for sustained growth. The Group achieved a net profit of BD 5 million compared to a net loss of BD 30.8 million reported last year. The basic and diluted earnings per share stood at 25 Fils, compared to a loss of 153 Fils in 2023. During the year 2023 the Group charged unprecedented credit losses resulting from the identification of non-performing accounts following the conclusion of the CBB deferral program.

The Group's financial position remains strong, with total assets of BD 220.8 million (2023: 219.8 million) and total equity of BD 105.9 million (2023: 101.6 million). BCFC maintains a healthy liquidity position, operating at a leverage ratio of 1.1 multiples. During the year, the Group refinanced BD 27.6 million in bank borrowings upon maturity and repaid BD 6.1 million utilizing the excess liquidity within the Group.



## CHAIRMAN'S REPORT (Continued)

In the lending activities segment, the Group made a net profit of BD 2.8 million (2023: net loss BD 30.7 million). Throughout the year 2024, the Group unveiled new loan and credit card offerings while accelerating investments in digital platforms to cater to the evolving needs of its customers. Leveraging on its branch network across the Kingdom of Bahrain and the digital app “Sahel by BCFC”, the Group is strategically positioned to expand its new lending volume. During 2024, the Group disbursed BD 35.1 million in new loans, compared to BD 24.1 million in the previous year.

During the year 2024 the Group's automotive companies segment reported a total net profit of BD 2.8 million compared to BD 1.9 million in previous year. The automotive companies achieved significant sales growth by improving the customer experience and optimizing inventory management for enhanced efficiency. Additionally, they remain focused on streamlining operations, optimizing costs, and maximizing operating profits. The diverse portfolio of brands continues to be well-received across all targeted segments, offering a wide range of models at different price points, catering to varying customer preferences.

Tasheelat Insurance Services Company WLL achieved a net profit of BD 110 thousand (2023: BD 86 thousand). This result is a testament to the strength of its business model, the dedication of the team, and the continued focus on both operational excellence and customer satisfaction. One of the primary goals for the year was to expand Tasheelat Insurance Services Company customer base, and it successfully achieved, by offering a range of innovative and comprehensive insurance solutions creating stronger relationships and ensuring a higher level of customer loyalty. Our commitment to digital transformation was another significant focus. The company introduced the Motor Insurance service through the “Sahel by BCFC” application, allowing our customers to access insurance solutions easily and seamlessly through their smartphones. This move not only improved the customer experience but also positioned us as a forward-thinking leader in the insurance space.

Tasheelat Real Estate Services Company WLL registered a net loss of BD 678 thousand (2023: net loss of BD 2,075 thousand). The company's performance was impacted due to provisions booked during the year of BD 799 thousand (2023:BD 2.1 million). Management is proactively refining the company's business model to drive profitability and adapt to evolving customer needs in the real estate sector.

Regarding Board composition, the Board has welcomed Mr. Yasser Abduljalil Alsharifi as the representative of Bank of Bahrain and Kuwait, replacing the retiring Dr. AbdulRahman Ali Saif, whose valuable contributions are sincerely appreciated.

As per the Company Law 2001, the aggregate amount accrued / paid to the directors during 2024 is BD 363 thousand. As required by Article 188 of the Company Commercial Law, all the details in respect of fees and subsidiary Board and Committees' attendance allowance are included in the annexure with this report. The total shareholding of the directors (Elected and Nominee) in the Company is 134 million shares (65.7% of paid-up capital).



## **CHAIRMAN'S REPORT (Continued)**

Finally, on behalf of the Board, I extend my deep appreciation to His Majesty King Hamad bin Isa Al Khalifa and the Crown Prince and Prime Minister His Royal Highness Prince Salman bin Hamad Al Khalifa. I also extend our gratitude to the government ministries and organizations of the Kingdom of Bahrain for their continued support and cooperation received, particularly to the Central Bank of Bahrain and the Ministry of Industry and Commerce and the Bahrain Bourse.

We express our deep appreciation for the contributions of His Excellency Mr. Rasheed Mohamed Al Meraj, the departing Governor of the Central Bank of Bahrain, for his years of dedicated leadership, initiatives, and contributions in strengthening the financial sector.

We also extend a warm welcome to His Excellency Mr. Khalid Ebrahim Humaidan, who assumed the role of Governor of the Central Bank of Bahrain in February 2024, and we wish him success in his new responsibilities.

AbdulRahman Yusuf Fakhro

Chairman

Date 26 February 2025

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**Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors 2024**

**First: Board of directors' remuneration details:**

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD***	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
<b>First: Independent Directors:</b>													
1- AbdulRahman Yusuf Fakhro	54,545	9,000	-	-	63,545	-	-	-	-	-	-	63,545	-
2- Reyadh Yusuf Hasan Sater	27,273	4,000	-	-	31,273	-	-	-	-	-	-	31,273	-
3- Ebrahim Abdulla Buhindi	27,273	8,000	-	-	35,273	-	-	-	-	-	-	35,273	-
4- Yusuf Saleh Sultan Khalaf	27,273	7,250	-	-	34,523	-	-	-	-	-	-	34,523	-
5- Najla Mohamed Al Shirawi	27,273	6,000	-	-	33,273	-	-	-	-	-	-	33,273	-
<b>Second: Non-Executive Directors:</b>													
1- Sh. Salman Bin Isa Al-Khalifa	27,273****	7,250	-	-	34,523	-	-	-	-	-	-	34,523	-
2- Mishal Ali Mohamed Al hellow	27,273****	5,500	-	-	32,773	-	-	-	-	-	-	32,773	-

**CHAIRMAN'S REPORT (Continued)**

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
<b>Third: Executive Directors:</b>													
1- Yaser Abduljalil AlSharifi	9,090	1,500	-	-	10,590	-	-	-	-	-	-	10,590*****	-
2- Abdulaziz Abdulla A.Aziz Al-Ahmed	27,273	5,500	-	-	32,773	-	-	-	-	-	-	32,773	-
3- Mohamed Abdulla Isa	27,273	5,500	-	-	32,773	-	-	-	-	-	-	32,773*****	-
4- Dr. AbdulRahman Ali Saif	18,181	3,500	-	-	21,681	-	-	-	-	-	-	21,681*****	-
<b>Total</b>	<b>300,000</b>	<b>63,000</b>	<b>-</b>	<b>-</b>	<b>363,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>363,000</b>	<b>-</b>

Note: All amounts must be stated in Bahraini Dinars.

Other remunerations:

\* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory work (if any).

\*\* It includes the board member's share of the profits - Granted shares (value is added if any).

\*\*\* Subject to the Ordinary General Meeting's Approval on 25 March 2025.

\*\*\*\* It includes Nomination/Representation Remuneration to be paid to the entity (the shareholder) represented by these Board Members.

\*\*\*\*\* It includes Nomination/Representation Remuneration and Allowances to be paid / paid to the entity (the shareholder) represented by the Board Member who was appointed to the Board of Directors on 29 October 2024, succeeding Dr. Abdulrahman Ali Saif upon his retirement from the Bank of Bahrain and Kuwait B.S.C.

\*\*\*\*\* It includes Nomination/Representation Remuneration and Allowances to be paid / paid to the entity (the shareholder) represented by the Board Member.

\*\*\*\*\* It includes Nomination/Representation Remuneration and Allowances to be paid / paid to the entity (the shareholder) represented by the previous Board Member whose board membership ended upon his retirement from the Bank of Bahrain and Kuwait B.S.C. on 18 August 2024.

CHAIRMAN'S REPORT (Continued)

**Second: Executive management remuneration details:**

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	853,635	225,360*	-	1,078,995

**Note: All amounts must be stated in Bahraini Dinars.**

\* Subject to the Board of Directors' approval.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C.**

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the accompanying consolidated financial statements of Bahrain Commercial Facilities Company B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024 and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C. (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key audit matters (continued)*

<b>1. Impairment of loans and advances</b>	
<b>Refer to notes 4, 5 &amp; 10</b>	
<b>Key audit matter / risk</b>	<b>How the key audit matter was addressed in the audit</b>
<p>The process for estimating Expected Credit Loss (“ECL”) on credit risk associated with loans and advances in accordance with IFRS 9 – Financial Instruments (“IFRS 9”) is a significant and complex area.</p> <p>IFRS 9 requires use of the ECL model for the purposes of calculating loss allowances. The key areas of judgement applied by the management in the determination of the ECL include:</p> <ul style="list-style-type: none"> <li>• Determining whether the risk of default on a customer has increased significantly due to increase in credit risk;</li> <li>• Choosing appropriate models and assumptions for the measurement of ECL, including the changes in forward-looking macroeconomic variables; and</li> <li>• Qualitative adjustments (overlays) made to the ECL results to address model limitations or emerging risks and trends in the underlying portfolio which are inherently judgmental.</li> </ul>	<p>Our approach included understanding the relevant processes for estimating the ECL and performing audit procedures on such estimates.</p> <p>We assessed the Group’s IFRS 9 based ECL policy including the Group’s determination of the significant increase in credit risk and its impact on the staging criteria with the requirements of IFRS 9.</p> <p>We assessed the basis of determination of the management overlays against the requirements of the Group’s ECL policy.</p> <p>For a sample of exposures, we checked the appropriateness of the Group’s staging.</p> <p>For Probability of Default (“PD”) used in the ECL calculations we checked the Through the Cycle (“TTC”) PDs with internal historical data and checked the appropriateness of conversion of the TTC PDs to Point in Time PDs.</p> <p>We checked the appropriateness of the Loss Given Default used by the Group’s management in the ECL calculations.</p>

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C. (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key audit matters (continued)*

<b>1. Impairment of loans and advances (continued)</b>	
<b>Refer to notes 4, 5 &amp; 10</b>	
<b>Key audit matter / risk</b>	<b>How the key audit matter was addressed in the audit</b>
<p>Due to the complexity of the requirements under IFRS 9, the significance of judgments and estimations applied in the ECL calculations, and the Group's exposure to loans and advances, which account for 62% of the Group's total assets, the audit of ECL for loans and advances is a key area of focus.</p> <p>As at 31 December 2024, the Group's gross loans and advances amounted to BD 176.9 million and the related ECL amounted to BD 39.6 million, comprising BD 3 million of ECL against Stage 1 and 2 exposures and BD 36.6 million against exposures classified under Stage 3.</p>	<p>For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations.</p> <p>We checked the completeness of loans and advances to customers and credit related contingent items included in the ECL calculations as of 31 December 2024.</p> <p>We involved Financial Services Risk Management specialists to verify the appropriateness of the model.</p> <p>We evaluated the key management assumptions related to the determination of the future macroeconomic scenarios including forward looking information and assigning probability weights, incorporating management overlays.</p> <p>We considered the adequacy of the disclosures in the consolidated financial statements in relation to ECL on loans and advances as per the applicable financial reporting standards.</p>

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C. (continued)**

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### *Other information included in the Group's 2024 annual report*

Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Chairman's Statement which will form part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Board of Directors for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C. (continued)**

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### *Auditor's responsibilities for the audit of the consolidated financial statements (continued)*

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all and where applicable, action taken to eliminate threats or safeguards applied.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C. (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

*Auditor's responsibilities for the audit of the consolidated financial statements (continued)*


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 5), 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 Statement consistent with the consolidated financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association having occurred during the year ended 31 December 2024 that might 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.

The partner in charge of the audit resulting in this independent auditor's report is Essa Al-Jowder.



Auditor's Registration No: 45  
26 February 2025  
Manama, Kingdom of Bahrain

# Bahrain Commercial Facilities Company B.S.C.


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		<b>31 December</b>	<b>31 December</b>
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b>BD '000</b>	<b>BD '000</b>
<b>ASSETS</b>			
Cash and balances with banks		15,232	13,244
Loans and advances to customers	10	137,320	144,044
Trade receivables	11	3,927	2,509
Inventories	12	18,900	18,959
Investment properties	13	9,849	9,972
Property and equipment	14	28,613	25,423
Other assets	15	6,963	5,712
<b>TOTAL ASSETS</b>		<b>220,804</b>	<b>219,863</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Trade and other payables	16	21,197	17,863
Bank term loans and other borrowings	17	93,731	100,355
<b>TOTAL LIABILITIES</b>		<b>114,928</b>	<b>118,218</b>
<b>EQUITY</b>			
Share capital	18	20,419	20,419
Treasury shares	18	(599)	(599)
Statutory reserve		10,210	10,210
Share premium		25,292	25,292
Other reserves		28,074	28,777
Retained earnings		22,480	17,546
<b>TOTAL EQUITY</b>		<b>105,876</b>	<b>101,645</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>220,804</b>	<b>219,863</b>

  
**Abdulrahman Yusuf Fakhro**  
Chairman

  
**Reyadh Yusuf Sater**  
Vice Chairman

  
**Abdulla Abdulrazaq Bukhowa**  
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.


**Bahrain Commercial Facilities Company B.S.C.****CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the year ended 31 December 2024

	Note	2024 BD '000	2023 BD '000
Interest income		17,187	19,307
Interest expense		(7,115)	(8,752)
<b>Net interest income</b>		<b>10,072</b>	<b>10,555</b>
Automotive revenue	19	45,615	39,995
Cost of sales		(37,764)	(33,698)
<b>Gross profit on automotive revenue</b>		<b>7,851</b>	<b>6,297</b>
Net fee and commission income	20	2,631	3,363
Rental and real estate income	21	768	554
Other income	22	1,486	2,036
<b>Total operating income</b>		<b>22,808</b>	<b>22,805</b>
Salaries and related costs		(8,519)	(8,266)
Other operating expenses	23	(10,302)	(9,314)
<b>Total operating expenses</b>		<b>(18,821)</b>	<b>(17,580)</b>
<b>Profit before net provisions, credit losses and recoveries</b>		<b>3,987</b>	<b>5,225</b>
Provisions and credit losses	24	(2,226)	(38,467)
Recoveries from written off balances	24	3,273	2,430
<b>Profit / (loss) for the year</b>		<b>5,034</b>	<b>(30,812)</b>
<b>Basic and diluted earnings / (loss) per 100 fils share</b>	30	<b>25 fils</b>	<b>(153 fils)</b>
<b>Proposed cash dividend per 100 fils share</b>		<b>15 fils</b>	<b>-</b>

  
AbdulRahman Yusuf Fakhro  
Chairman

  
Reyadh Yusuf Sater  
Vice Chairman

  
Abdulla Abdulrazaq Bukhowa  
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

## **Bahrain Commercial Facilities Company B.S.C.**

### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2024

	<b>2024</b>	<b>2023</b>
	<b>BD '000</b>	<b>BD '000</b>
<b>Profit / (loss) for the year</b>	<b>5,034</b>	<b>(30,812)</b>
<b>Other comprehensive loss:</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Net change in cash flow hedge reserve	(685)	(938)
<b>Total comprehensive income / (loss) for the year</b>	<b>4,349</b>	<b>(31,750)</b>

The attached notes 1 to 34 form part of these consolidated financial statements.

# Bahrain Commercial Facilities Company B.S.C.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Share capital</i>		<i>Reserves and retained earnings</i>						<i>Total equity BD '000</i>
	<i>Share Capital BD '000</i>	<i>Treasury shares BD '000</i>	<i>Statutory reserve BD '000</i>	<i>Share Premium BD '000</i>	<i>Other reserves</i>			<i>Retained earnings BD '000</i>	
					<i>Cash flow hedge reserve BD '000</i>	<i>Donation reserve BD '000</i>	<i>General reserve BD '000</i>		
As at 1 January 2024	20,419	(599)	10,210	25,292	1,244	33	27,500	17,546	101,645
<b>2023 appropriations (approved by shareholders):</b>									
- Donation	-	-	-	-	-	100	-	(100)	-
<b>Balance after 2023 appropriations</b>	<b>20,419</b>	<b>(599)</b>	<b>10,210</b>	<b>25,292</b>	<b>1,244</b>	<b>133</b>	<b>27,500</b>	<b>17,446</b>	<b>101,645</b>
<b>Comprehensive income for the year:</b>									
Profit for the year	-	-	-	-	-	-	-	5,034	5,034
Other comprehensive loss:									
- Net change in cash flow hedge reserve	-	-	-	-	(685)	-	-	-	(685)
	20,419	(599)	10,210	25,292	559	133	27,500	22,480	105,994
Utilisation of donation reserve	-	-	-	-	-	(118)	-	-	(118)
<b>At 31 December 2024</b>	<b>20,419</b>	<b>(599)</b>	<b>10,210</b>	<b>25,292</b>	<b>559</b>	<b>15</b>	<b>27,500</b>	<b>22,480</b>	<b>105,876</b>

The attached notes 1 to 34 form part of these consolidated financial statements.

# Bahrain Commercial Facilities Company B.S.C.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Share capital</i>		<i>Reserves and retained earnings</i>						<i>Total equity</i> <i>BD '000</i>
	<i>Share Capital</i> <i>BD '000</i>	<i>Treasury shares</i> <i>BD '000</i>	<i>Statutory reserve</i> <i>BD '000</i>	<i>Share Premium</i> <i>BD '000</i>	<i>Other reserves</i>			<i>Retained earnings</i> <i>BD '000</i>	
					<i>Cash flow hedge reserve</i> <i>BD '000</i>	<i>Donation reserve</i> <i>BD '000</i>	<i>General reserve</i> <i>BD '000</i>		
As at 1 January 2023	20,419	(599)	10,210	25,292	2,182	248	27,500	52,387	137,639
<b>2022 appropriations (approved by shareholders):</b>									
- Dividend to equity holders declared and paid	-	-	-	-	-	-	-	(4,029)	(4,029)
<b>Balance after 2022 appropriations</b>	<b>20,419</b>	<b>(599)</b>	<b>10,210</b>	<b>25,292</b>	<b>2,182</b>	<b>248</b>	<b>27,500</b>	<b>48,358</b>	<b>133,610</b>
<b>Comprehensive loss for the year:</b>									
Loss for the year	-	-	-	-	-	-	-	(30,812)	(30,812)
Other comprehensive loss:									
- Net change in cash flow hedge reserve	-	-	-	-	(938)	-	-	-	(938)
	20,419	(599)	10,210	25,292	1,244	248	27,500	17,546	101,860
Utilisation of donation reserve	-	-	-	-	-	(215)	-	-	(215)
At 31 December 2023	20,419	(599)	10,210	25,292	1,244	33	27,500	17,546	101,645

The attached notes 1 to 34 form part of these consolidated financial statements.

# Bahrain Commercial Facilities Company B.S.C.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	<b>2024</b>	2023
	<b>BD '000</b>	BD '000
<b>OPERATING ACTIVITIES</b>		
Loan repayments, interest received and other credit related receipts	206,100	202,451
Cash receipts from automotive sales	45,478	41,293
Insurance commission received	674	583
Proceeds from sale of real estate inventory	1,051	240
Rental and evaluation income received	1,380	501
Loans and advances to customers	(178,243)	(162,010)
Payments to suppliers	(38,434)	(36,489)
Payments for operating expenses	(15,406)	(12,810)
Payment for real estate inventory	(22)	-
Directors' fees paid	-	(275)
Interest paid	(7,337)	(9,120)
<b>Net cash generated from operating activities</b>	<b>15,241</b>	24,364
<b>INVESTING ACTIVITIES</b>		
Capital expenditure on property and equipment	(10,281)	(5,863)
Addition to investment properties	(61)	(2)
Proceeds from sale of property and equipment	3,761	1,846
Fixed deposit held with banks with maturities of more than three months	2,000	300
<b>Net cash used in investing activities</b>	<b>(4,581)</b>	(3,719)
<b>FINANCING ACTIVITIES</b>		
Bank term loans and other borrowings availed	27,617	39,455
Bank term loans and other borrowings paid	(33,716)	(83,966)
Dividends paid	-	(4,029)
Donations paid	(118)	(215)
<b>Net cash used in financing activities</b>	<b>(6,217)</b>	(48,755)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,443</b>	(28,110)
Cash and cash equivalents at 1 January	6,215	34,325
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>10,658</b>	6,215
Cash and cash equivalents comprise:		
Cash and balances with banks	15,232	13,244
Less:		
Restricted cash	(179)	(69)
Bank overdrafts	(395)	(960)
Fixed deposit held with banks with maturities more than three months	(4,000)	(6,000)
	<b>10,658</b>	6,215

The attached notes 1 to 34 form part of these consolidated financial statements.

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 1 REPORTING ENTITY

Bahrain Commercial Facilities Company BSC (“the Company”) is a public shareholding company incorporated and registered in the Kingdom of Bahrain. It provides term loans and issues credit cards. Since 26 June 2005, the Company has been licensed and regulated by the Central Bank of Bahrain (“the CBB”). The consolidated financial statements of the Group as at and for the year ended 31 December 2024 comprise the Company, its subsidiaries and its branches (together referred to as “the Group”).

The consolidated financial statements of the Group comprise the results of the Company and its subsidiaries. Significant subsidiaries are set out below:

Name of subsidiary	Country of incorporation	% holding by Group	Principal activities
National Motor Company WLL	Bahrain	100%	Distributor for General Motors (GMC, Chevrolet and Cadillac) and Honda vehicles and represents Mack Defence in the Kingdom of Bahrain
Tasheelat Real Estate Company WLL	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%	Established through NMC, currently under liquidation
Tasheelat Automotive Company WLL	Bahrain	100%	Distributor for GAC, Haval and Great Wall vehicles in the Kingdom of Bahrain
Tasheelat Car Leasing Company WLL	Bahrain	100%	Car rentals, long and short term leasing services

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with the relevant provisions of the Bahrain Commercial Companies Law, directives, regulations and associated resolutions, rules and procedures of the Central Bank of Bahrain (“CBB”), which require the preparation of financial statements under International Financial Reporting Standards (“IFRS”). The consolidated financial statements of the Group for the years ending 31 December 2023 and 31 December 2024 were prepared in accordance with International Financial Reporting Standards.

For the purpose of these consolidated financial statements, the financial statements of subsidiaries have been adjusted to align with the above framework.

#### 2.2 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.

#### 2.3 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.

At 31 December 2024

### 2 BASIS OF PREPARATION (continued)

#### 2.4 New standards, interpretations and amendments

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended standards and interpretation applicable to the Group, which are effective for annual periods beginning on or after 1 January 2024. The adoption of below new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

##### 2.4.1 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.

##### 2.4.2 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.

##### 2.4.3 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.

The above amendments had no impact on the Group's consolidated financial statements.

#### 2.5 New standards, interpretations and amendments issued but not yet effective

Standards, interpretations and amendments to existing standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group reasonably expects these issued standards, interpretations and amendments to existing standards to be applicable at a future date. The Group intends to adopt these standards, interpretations and amendments to existing standards, if applicable, when they become effective:

##### 2.5.1 IFRS 19 - Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

At 31 December 2024

### 2 BASIS OF PREPARATION (continued)

#### 2.5 New standards, interpretations and amendments issued but not yet effective (continued)

##### 2.5.2 Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

##### 2.5.3 IFRS 18 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the Primary Financial Statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

##### 2.5.4 Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

On 30<sup>th</sup> May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments; and
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The amendments are effective for annual periods starting on or after 1<sup>st</sup> January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Group is currently not intending to early adopt the amendments.

At 31 December 2024

### 2 BASIS OF PREPARATION (continued)

#### 2.5 New standards, interpretations and amendments issued but not yet effective (continued)

##### 2.5.4 Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (continued)

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Group is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Group is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Group is assessing the impact of the amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the Group's consolidated financial statements, however, the assessment is yet to be concluded.

##### 2.5.5 International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules') apply to multinational enterprise (MNE) groups with total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

In line with the requirements of GloBE rules, the Kingdom of Bahrain has issued and enacted Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident entities of the Group for fiscal years commencing on or after 1 January 2025.

As per the Group's assessment, it has concluded that it is not in scope for the Bahrain DMTT law or the GloBE rules as:

- it does not have total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

Accordingly, it does not expect to be subject to the Bahrain DMTT law and GloBE rules for the next fiscal year.

The above amendments are not expected to have a material impact on the Group's consolidated financial statements.

### 3 MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied by the Group to all periods presented in these consolidated financial statements.

#### 3.1 Basis of consolidation

##### 3.1.1 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.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.1 Basis of consolidation (continued)

##### 3.1.2 Loss of control:

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

##### 3.1.3 Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses 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.

#### 3.2 Revenue recognition

##### 3.2.1 Interest income and expense

Interest income and expense is recognised in the statement of profit or loss, 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 instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not Expected Credit loss ("ECL").

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

##### *Amortised cost and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

##### 3.2.2 Income from sale of goods and provision of services

Revenue from sale of goods (motor vehicles and spare parts) is recognised at a point in time when the control of the goods is transferred to the customer, i.e. when the goods have been delivered to and accepted by the customer.

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises revenue from car maintenance and repair and warranty services. Revenue is recognised over time as the services are rendered, provided pervasive evidence of an arrangement exists, tariff / rates are fixed or are determinable and collectability is reasonably certain.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.2 Revenue recognition (continued)

##### 3.2.2 *Income from sale of goods and provision of services (continued)*

Revenue from investment property and cars leased out under an operating lease are recognised over the tenure of the lease / service agreement on a straight line basis over the term of the lease, except where the rentals are structured to increase in line with expected general inflation, and except where there is uncertainty of ultimate collection.

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.
- c) Revenue from warranty claims is recognised when these services have been rendered to the customers under warranty obligations.
- d) Rental income from car hire is recognised on a straight-line basis over the lease term.
- e) 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; and
- f) Rental income from investment property is recognised as revenue on a straight-line basis over the rental agreement term.

##### 3.2.3 *Income from maintenance and repairs*

Revenue from car maintenance and repair and warranty services is recognised over time as the services are rendered, provided pervasive evidence of an arrangement exists, tariff / rates are fixed or are determinable and collectability is reasonably certain.

##### 3.2.4 *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 income is recognised when such services are performed.

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

### 3.3 Foreign currency 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 amortised cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year and the amortised 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 recognised in the statement of profit or loss.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.4 Financial instruments

##### 3.4.1 Recognition and initial measurement

The financial instruments of the Group consist primarily of cash and balances with banks, loans and advances to customers, trade receivables, derivative financial instruments, trade and other payables, and bank term loans and other borrowings. The Group initially recognises loans and advances and trade receivables on the date on which they are originated. All other financial instruments are initially recognised on the trade date, which is the date when 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 FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### 3.4.2 Classification and subsequent measurement

###### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt security; FVOCI – equity security; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

###### Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.4 Financial instruments (continued)

##### 3.4.2 Classification and subsequent measurement (continued)

###### **Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual interest rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

###### **Modifications of financial assets**

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of profit or loss.

###### **Financial assets at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.4 Financial instruments (continued)

##### 3.4.3 De-recognition

###### Financial assets

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 or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

###### Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss.

##### 3.4.4 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.

##### 3.4.5 Impairment

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, unless there has been no SICR since origination in which case the allowance is based on 12 months ECL.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group has assumed that the credit risk on a financial asset has increased significantly if it is more than 30 days past due for the loan portfolio.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.4 Financial instruments (continued)

##### 3.4.5 Impairment (continued)

###### Measurement of ECLs- Loans and advances

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

###### Measurement of ECLs- Trade receivables (simplified approach)

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures based on the customer's common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and group view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.4 Financial instruments (continued)

##### 3.4.5 Impairment (continued)

###### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is considered 'credit-impaired' when one or more events, that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties; and
- Liquidation of collaterals.

###### Stage 1, 2 and 3 - Collectively assessed loans

The Group applies a three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date;
- Stage 2 lifetime ECLs - not credit impaired: these are ECLs that result from all possible default events over the expected life of a financial instrument. Includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; and
- Stage 3 lifetime ECLs - credit impaired: these are ECLs that result from all possible default events over the expected life of a financial instrument. Includes financial instruments that have objective evidence of impairment at the reporting date.

###### Stage 3 – Specifically assessed loans

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

###### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

###### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

During the year 2024, the Group revised its write-off policy. This revision resulted in a net write-back of gross exposure and its corresponding ECL of BD 6.2 million. This adjustment had no impact on the Group's consolidated statement of profit or loss, nor on the Group's net loans and advances to customers in the Group's consolidated statement of financial position.

#### 3.5 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less expected credit loss.

At 31 December 2024

**3 MATERIAL ACCOUNTING POLICIES (continued)****3.6 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 and property inventory is stated at the lower of cost and net realisable value. A property is subsequently reclassified from inventory to investment property if there is an actual change in use and reclassified from inventory to property and equipment upon change in use or vice versa.

**3.7 Property, equipment and right of use assets***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.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

*Depreciation*

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

Buildings	15 to 35 years
Furniture, fixture and equipment	3 to 6 years
Owned Vehicles	4 to 6 years
Leased Vehicles	4 to 6 years
Right of Use	Over lease period

**3.8 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 accumulated depreciation and impairment if any.

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

*Depreciation*

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

Buildings	35 years
Furniture, fixture and equipment	4 years

**3.9 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 statement of profit or loss in the year in which it arises.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.10 Dividends

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

#### 3.11 Statutory reserve

In accordance with the Company's Articles of Association and in compliance with the Commercial Companies Law, 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 circumstances stipulated in the law.

#### 3.12 General reserve

In accordance with the 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.

#### 3.13 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.

#### 3.14 Share capital

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

##### *Treasury shares*

Where the Company purchases its own equity share capital, the consideration paid, including any attributable transaction costs, are deducted from total equity and recorded as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

#### 3.15 Cash flow hedges

The Group uses interest rate swaps and foreign exchange forward contracts 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 statement of 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 statement of profit or loss. Fair value gains and losses on trading derivatives are recognised in the statement of 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.

At 31 December 2024

### **3 MATERIAL ACCOUNTING POLICIES (continued)**

#### **3.15 Cash flow hedges (continued)**

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 the statement of profit or loss.

If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the statement of profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to the statement of profit or loss in the same period that the hedged item affects the profit or loss.

#### **3.16 Impairment of non-financial assets**

The carrying amounts of the Group's assets other than financial assets 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 statement of profit or loss.

#### **3.17 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.

#### **3.18 Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

#### **3.19 Lease Liability**

At the date of initial application, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **3.20 Bank term loans and other borrowings**

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

#### **3.21 Cash and cash equivalent**

Cash and balances with banks 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.

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICIES (continued)

#### 3.22 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.

#### 3.23 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 executive management to make decisions about resource allocation and assess its performance, and for which discrete financial information is available.

#### 3.24 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 such obligation.

### 4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the 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 estimates are recognised prospectively.

#### 4.1 Judgements

##### 4.1.1 Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether contracted terms of the financial asset are SPPI and the principal amount outstanding (Note 3.4.2).

##### 4.1.2 Classification of derivative financial instruments

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 IFRS 9.

#### **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 unlikelihood to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary or longer term.

At 31 December 2024

### 4 USE OF JUDGEMENTS AND ESTIMATES (continued)

#### 4.1 Judgements (continued)

##### 4.1.2 Classification of derivative financial instruments (continued)

###### **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 price as macro-economic variables.

###### **Probability weights**

Management judgement is involved in determining the probability weighting of each scenario considering the risks and uncertainties surrounding the base case scenario, to reflect the enhanced economic environment, the Group has updated the scenario weighting to reflect the improved economic environment in measuring the estimated credit losses for the year ended 31 December 2024.

#### 4.2 Estimates

##### 4.2.1 Impairment of financial instruments

- Determining inputs into the ECL measurement models, including incorporation of forward looking information.
- Key assumptions used in estimating recoverable cash flows.

##### 4.2.2 Impairment on trade receivables

The Group measures expected credit loss for trade receivables using a 'roll rate' (net flow) method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. The Group estimates the loss rates based on historical loss experience, which are adjusted to reflect future economic and business conditions.

##### 4.2.3 Provision on inventory

The Group reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The Group identifies the inventories, which have been impaired based on the age of the inventory and their estimate of the future demand for the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience relating to disposal of such inventory.

### 5 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

###### *Risk management framework*

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 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 balances with banks, loans and advances to customers, trade receivables, and other assets. The maximum credit risk is the carrying value of the assets.

#### On going economic environment impact

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 2024.

The rising interest rates and inflationary pressures in many countries across the globe and ongoing geopolitical tensions. The Group has updated the inputs and assumptions used for the determination of ECL including additional management overlays.

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 to identify potential SICR on a qualitative basis.

#### *Management of credit risk*

The Group's credit risk management framework includes:

- Credit risk policies and strategy: Defining the Group's credit risk appetite and strategies employed, and outlining the principals and standards governing the credit risk related activities within the Group;
- Define the methodologies used for assessing the credit exposures, and outlines the procedures of reviewing the credit facilities in accordance with the a defined authorization structure;
- Diversification of lending activities; and
- Conducting regular independent reviews of the credit risk process, exposures and limits, ensuring effectiveness and compliance, while incorporating stress testing scenarios for preparedness against adverse market conditions.

#### 5.1.1 Loans and advances to customers

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, financial position of the customer, market position, tangible security where applicable. The Group is also subject to single obligor limits as specified by the CBB.

Regular Credit review procedures are in place to identify at early stage exposures which require more detailed monitoring and review. Appropriate remedial 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 the Group credit processes are undertaken by the Internal Audit department.

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 Credit risk (continued)

##### 5.1.1 Loans and advances to customers (continued)

###### *Exposure to credit risk (continued)*

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less 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 reported at year end.

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts:

	<b>31 December 2024 BD'000</b>	<b>31 December 2023 BD'000</b>
<b>Stage 1, 2 and 3</b>		
Stage 1 - 12 month	103,884	107,836
Stage 2 - lifetime - not credit impaired	12,518	18,411
Stage 3 - lifetime - credit impaired	60,577	66,539
Expected credit loss	(39,659)	(48,742)
<b>Net loans and advances to customers</b>	<b>137,320</b>	<b>144,044</b>

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

#### **Monitoring of credit risk**

##### *Generating the term structure of PD*

Ageing buckets based on days past due ("Ageing buckets") are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by ageing buckets.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 Credit risk (continued)

##### 5.1.1 Loans and advances to customers (continued)

###### **Monitoring of credit risk (continued)**

###### *Generating the term structure of PD (continued)*

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates, unemployment and oil prices. Considering the extra ordinary circumstances and the variations in the forward looking data for this variables, the Group has used Vasicek- Merton methodology using oil prices as a factor to determine the PDs.

Based on consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts to adjust its estimates of PDs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 Credit risk (continued)

##### 5.1.1 Loans and advances to customers (continued)

###### *Monitoring of credit risk (continued)*

###### *Generating the term structure of PD (continued)*

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A customer needs to demonstrate consistently good payment behaviour over a period of 3 months for retail and 6 months for corporate before the exposure is no longer considered to be credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL based on regulatory guidance.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

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 loans and advances to customers as follows:

<b>2024</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>BD'000</b>	<b>BD'000</b>	<b>BD'000</b>	<b>BD'000</b>
<b>Current</b>	93,271	1,633	1,837	<b>96,741</b>
<b>Past due:</b>				
1-30 days	10,613	1,495	274	<b>12,382</b>
31-60 days	-	7,288	934	<b>8,222</b>
61-89 days	-	2,102	2,191	<b>4,293</b>
90 days – 1 year	-	-	21,156	<b>21,156</b>
1 year – 3 years	-	-	23,729	<b>23,729</b>
More than 3 years	-	-	10,456	<b>10,456</b>
Expected credit loss	(1,066)	(1,978)	(36,615)	<b>(39,659)</b>
Carrying value	<b>102,818</b>	<b>10,540</b>	<b>23,962</b>	<b>137,320</b>

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 Credit risk (continued)

##### 5.1.1 Loans and advances to customers (continued)

###### Monitoring of credit risk (continued)

2023	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Current	95,552	4,603	3,683	103,838
Past due:				
1-30 days	12,284	1,615	1,659	15,558
31-60 days	-	7,740	1,744	9,484
61-89 days	-	4,453	4,157	8,610
90 days – 1 year	-	-	29,868	29,868
1 year – 3 years	-	-	18,758	18,758
More than 3 years	-	-	6,670	6,670
Expected credit loss	(1,088)	(2,413)	(45,241)	(48,742)
Carrying value	106,748	15,998	21,298	144,044
<b>2024</b>		<b>Retail BD'000</b>	<b>CSME* BD'000</b>	<b>Total BD'000</b>
<b>Current</b>		85,707	11,034	96,741
<b>Past due:</b>				
1-30 days		9,924	2,458	12,382
31-60 days		7,223	999	8,222
61-89 days		4,198	95	4,293
90 days – 1 year		19,868	1,288	21,156
1 year – 3 years		21,272	2,457	23,729
More than 3 years		7,722	2,734	10,456
Gross loans and advance		<b>155,914</b>	<b>21,065</b>	<b>176,979</b>
Expected credit loss		(35,757)	(3,902)	(39,659)
<b>Net loans and advances</b>		<b>120,157</b>	<b>17,163</b>	<b>137,320</b>

\* Corporate and small to medium enterprises (CSME)

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 Credit risk (continued)

##### 5.1.1 Loans and advances to customers (continued)

###### *Monitoring of credit risk (continued)*

2023	<i>Retail</i> <i>BD'000</i>	<i>CSME*</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
Current	93,451	10,387	103,838
Past due:			
1-30 days	13,820	1,738	15,558
31-60 days	8,545	939	9,484
61-89 days	8,047	563	8,610
90 days – 1 year	29,258	610	29,868
1 year – 3 years	16,139	2,619	18,758
More than 3 years	5,097	1,573	6,670
Gross loans and advance	174,357	18,429	192,786
Expected credit loss	(44,926)	(3,816)	(48,742)
Net loans and advances	129,431	14,613	144,044

\* *Corporate and small to medium enterprises (CSME)*

The Group's exposure to customers who are less than 90 days past due and in stage 3 as of the reporting date pertains to customers either in their cooling-off period, the pledged collateral has been liquidated, or customer experiencing financial difficulties that may lead to default.

###### *Credit risk concentration*

All loans are made to borrowers that are residents in Bahrain. Credit risk concentration of loans at the reporting date represents 88% (2023: 90%) retail loans and 12% (2023: 10%) to CSME customers.

###### *By geographical region*

All loans and advances are geographically located in Bahrain.

The unutilised credit limit for credit cards at 31 December 2024 amounted to BD 19,066 thousand (2023: BD 19,109 thousand). Off balance sheet exposures are converted into on balance sheet equivalents by applying a credit conversion factor (CCF). During the year ended 31 December 2024, the average gross credit exposure for loans and advances to customers is BD 179,191 thousand (2023: BD 212,087 thousand) and average unutilised credit limit for credit cards is BD 19,266 thousand (2023: BD 19,218 thousand). Such amounts are calculated based on the average of last four quarterly results.

Management estimates the fair value of collaterals and other security enhancements held against individually impaired customers loans are reasonably sufficient to cover the value of such loans at the reporting date. The Group monitors concentrations of credit risk by product.

At the reporting date, the loans and advances to customers represent 26% vehicle loans (2023: 28%), 25% mortgage collateral backed loans (2023: 21%), 38% personal loans and other (2023: 40%), and 11% credit card lending (2023: 11%).

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 Credit risk (continued)

##### 5.1.1 Loans and advances to customers (continued)

###### *Monitoring of credit risk (continued)*

###### *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 is influenced mainly by the individual characteristics of each customer. Loans which are past due 90 days are considered as non-performing.

At 31 December 2024, the total gross amount of accounts with days past due 90 days or more, was BD 55,341 thousand (2023: BD 55,296 thousand). The total stage 3 accounts were BD 60,577 thousand (2023: BD 66,539 thousand). In compliance with the CBB requirements, interest on stage 3 is suspended and is accounted for on a cash basis.

###### *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. During the year ended 31 December 2024, loans and advances amounting to BD 2,145 thousand (2023: BD 7,572 thousand) were restructured.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A retail customer needs to demonstrate consistently good payment behaviour over a period of 3 months (6 months for corporate) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL based on regulatory guidance.

###### *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 personal guarantees.

In case of vehicle lending, estimates of fair value for collaterals are based on the value of the collateral assessed at the time of borrowing, and generally are not revalued except when a loan is individually assessed as impaired.

As at 31 December 2024, loans amounting to BD 59,947 thousand (2023: BD 74,068 thousand) were fully collateralised and loans amounting to BD 37,588 thousand (2023: BD 30,445 thousand) were partly collateralised with a collateral value of BD 24,508 thousand (2023: BD 17,789 thousand). Stage 3 loans amounting to BD 25,741 thousand (2023: BD 23,832 thousand) are collateralised by real estate.

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.1 Credit risk (continued)

##### 5.1.2 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.

During the year ended 31 December 2024, the average gross exposure for trade and other receivables is BD 4,903 thousand (2023: BD 4,865 thousand). Such amounts are calculated based on the average of last four quarterly results.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Geographically the concentration of credit risk is in the Kingdom of Bahrain as majority of the Group's customers are based in Bahrain.

##### 5.1.3 Credit risk related to balances with banks

Credit risk from balances with banks is managed by the Group's finance department in accordance with the Group's policy. Placement of surplus funds are made only with approved banks and within credit limits assigned to each bank. The Group's balances with banks are placed with banks of good credit ratings, therefore, are considered to be low credit risk placements.

During the year ended 31 December 2024, the average gross credit exposure for balances with banks is BD 14,624 thousand (2023: BD 18,655 thousand). Such amounts are calculated based on the average of last four quarterly results.

##### 5.1.4 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.

##### 5.1.5 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.

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

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.2 Liquidity risk (continued)

##### Management of liquidity risk (continued)

The Group monitors CBB requirements for liquidity ratios and ensures that those ratios remain within the CBB limits.

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.

2024	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
	BD '000	BD '000	BD '000	BD '000	BD '000
<b>Assets</b>					
Cash and balances					
with banks	15,232	15,449	15,449	-	-
Loans and advances					
to customers	137,320	246,988	53,636	127,410	65,942
Trade receivables	3,927	3,927	3,927	-	-
Other assets	2,524	2,524	2,256	268	-
	<b>159,003</b>	<b>268,888</b>	<b>75,268</b>	<b>127,678</b>	<b>65,942</b>
<b>Liabilities</b>					
Trade and other payables	16,502	16,502	16,502	-	-
Derivative financial instruments	23	23	23	-	-
Lease liabilities	912	1,039	615	349	75
Bank term loans and other borrowings	93,731	102,687	33,715	68,972	-
	<b>111,168</b>	<b>120,251</b>	<b>50,855</b>	<b>69,321</b>	<b>75</b>
Unutilised credit limits	<b>19,066</b>	<b>19,066</b>	<b>19,066</b>	-	-
<b>2023</b>					
<b>Assets</b>					
Cash and balances					
with banks	13,244	13,398	13,398	-	-
Loans and advances					
to customers	144,044	295,569	79,481	138,685	77,403
Trade receivables	2,509	2,509	2,509	-	-
Other assets	2,950	2,950	1,705	1,245	-
	<b>162,747</b>	<b>314,426</b>	<b>97,093</b>	<b>139,930</b>	<b>77,403</b>
<b>Liabilities</b>					
Trade and other payables	14,327	14,327	14,327	-	-
Derivative financial instruments	33	33	33	-	-
Lease liabilities	1,118	1,245	516	648	81
Bank term loans and other borrowings	100,355	115,748	49,089	66,659	-
	<b>115,833</b>	<b>131,353</b>	<b>63,965</b>	<b>67,307</b>	<b>81</b>
Unutilised credit limits	<b>19,109</b>	<b>19,109</b>	<b>19,109</b>	-	-

**5 FINANCIAL RISK MANAGEMENT (continued)**

**5.3 Market risk**

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 department 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 and term loans. The distribution of financial instruments between interest rate categories is summarised below:

At 31 December	<i>Fixed rate</i>		<i>Floating rate</i>		<i>Non-interest earning</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>ASSETS</b>								
Cash and balances								
with banks	11,045	8,114	-	-	4,187	5,130	15,232	13,244
Loans and advances								
to customers	136,863	143,544	-	-	457	500	137,320	144,044
Trade receivables	-	-	-	-	3,927	2,509	3,927	2,509
Other assets	-	-	582	1,277	1,942	1,673	2,524	2,950
	<b>147,908</b>	<b>151,658</b>	<b>582</b>	<b>1,277</b>	<b>10,513</b>	<b>9,812</b>	<b>159,003</b>	<b>162,747</b>
<b>LIABILITIES</b>								
Trade and								
other payables	-	-	-	-	16,502	14,327	16,502	14,327
Derivative financial								
instruments	-	-	-	-	23	33	23	33
Lease liabilities	912	1,118	-	-	-	-	912	1,118
Bank term loans and								
other borrowings	-	-	93,731	100,355	-	-	93,731	100,355
	<b>912</b>	<b>1,118</b>	<b>93,731</b>	<b>100,355</b>	<b>16,525</b>	<b>14,360</b>	<b>111,168</b>	<b>115,833</b>

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2024 a change in variable rate financial instruments by 100 basis points will increase / (decrease) net profits by BD 575 thousand (2023: BD 598 thousand).

Bank term loans extended have floating interest rates, which are subject to re-pricing on a quarterly basis. The effective interest rate on term loans inclusive of the effect of the interest rate swaps and FX hedge contracts was 7.51% p.a. (2023: 7.50% p.a.).

**5.4 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 BD 74,190 thousand net liability denominated in US Dollars (2023: BD 98,576 thousand) and BD 143 thousand net asset (2023: BD 1,180 thousand) denominated in Japanese Yen.

A probable change of 5% in foreign currency exchange rates of the Japanese Yen, with all other variables held constant, is expected to have an impact of BD 7 thousand (2023: BD 59 thousand) on the consolidated statement of comprehensive income.

The Bahraini Dinar is effectively pegged to the US Dollar.

At 31 December 2024

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.5 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 1.1 as at 31 December 2024 (2023: 1.2).

## 6 DERIVATIVES AND HEDGING

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments.

The notional amount is that of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of either market or credit risk.

At 31 December 2024 interest rate risk attributable to the term loans of BD 35.8 million (USD 95 million) (2023: BD 39.6 million, USD 105 million) has been hedged. The fair value of this hedge instruments is BD 582 thousand asset (2023: BD 1,277 thousand, asset).

At 31 December 2024 foreign exchange forwards attributable to the term loans of BD 18.2 million (2023: BD 25.2 million) has been hedged. The negative fair value of this hedge instruments are BD 23 thousand, liability (2023: BD 33 thousand, liability).

Derivatives are carried at fair value using valuation techniques based on observable market inputs.

### ***Derivative product types***

Foreign exchange forwards are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Interest rate swaps are contractual agreements between two parties to exchange interest based on a specific notional amount. Counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

### ***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 fair value of instruments that are favourable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions and there is no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty at the date of the consolidated statement of financial position.

### ***Derivatives held or issued for hedging purposes***

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates (currency risk) and interest rates through asset and liability management. It is the Group's policy to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors. The Board has established levels of currency risk by setting limits on currency position exposures. Positions are monitored on an ongoing basis and hedging strategies used to ensure positions are maintained within established limits. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies are used to reduce the interest rate gaps within the limits established by the Board of Directors.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified borrowings bearing floating interest rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as hedges.

**6 DERIVATIVES AND HEDGING (continued)**

***Derivatives held or issued for hedging purposes (continued)***

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 swap contracts to convert floating rate of interest on bank term loans and other borrowings to fixed rate of interest.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the fixed rate loans and advances arising solely from changes in floating rate benchmark. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a cash flow hedge and its effectiveness is assessed by hypothetical derivative method and comparing the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the bank term loans and other borrowings (i.e., notional amount, maturity, payment and reset dates). The Group has established a portfolio hedge for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. Possible sources of ineffectiveness are as follows:

- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument; and
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

The hedge relationships have been assessed to be fully effective, accordingly, fair value changes of the interest rate swaps and forward contracts are recognised in equity.

The following table sets out the maturity profile of the hedging instruments used in the Group's hedging strategies:

	<i>Within 1 month BD'000</i>	<i>1 - 3 months BD'000</i>	<i>3 - 6 months BD'000</i>	<i>6 - 12 months BD'000</i>	<i>1 - 5 years BD'000</i>	<i>Total BD'000</i>
Notional						
<b>2024</b>	-	<b>7,540</b>	<b>13,740</b>	<b>21,425</b>	<b>11,310</b>	<b>54,015</b>
2023	-	3,770	12,200	13,000	35,815	64,785

**7 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, fraud 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 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.

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 8 MATURITY PROFILE

The maturity profile of the Group's financial assets and liabilities based on the contractual maturities.

At 31 December	<i>Within 1 Year</i>		<i>1 year to 5 years</i>		<i>5 year to 10 years</i>		<i>More than 10 years</i>		<i>Total</i>	
	<b>2024</b>	2023	<b>2024</b>	2023	<b>2024</b>	2023	<b>2024</b>	2023	<b>2024</b>	2023
	<b>BD '000</b>	BD '000	<b>BD '000</b>	BD '000	<b>BD '000</b>	BD '000	<b>BD '000</b>	BD '000	<b>BD '000</b>	BD '000
<b>ASSETS</b>										
Cash and balances with banks	15,232	13,244	-	-	-	-	-	-	<b>15,232</b>	13,244
Loans and advances to customers	40,668	39,826	71,890	71,394	19,448	25,843	5,314	6,981	<b>137,320</b>	144,044
Trade receivables	3,927	2,509	-	-	-	-	-	-	<b>3,927</b>	2,509
Other assets	2,256	1,705	268	1,245	-	-	-	-	<b>2,524</b>	2,950
	<b>62,083</b>	57,284	<b>72,158</b>	72,639	<b>19,448</b>	25,843	<b>5,314</b>	6,981	<b>159,003</b>	162,747
<b>LIABILITIES</b>										
Trade and other payables	16,502	14,327	-	-	-	-	-	-	<b>16,502</b>	14,327
Derivative financial instruments	23	33	-	-	-	-	-	-	<b>23</b>	33
Lease liabilities	546	472	326	604	10	4	30	38	<b>912</b>	1,118
Bank term loans and other borrowings	32,771	41,936	60,960	58,419	-	-	-	-	<b>93,731</b>	100,355
	<b>49,842</b>	56,768	<b>61,286</b>	59,023	<b>10</b>	4	<b>30</b>	38	<b>111,168</b>	115,833

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

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 9 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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.

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.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### ***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 net exposure to derivatives, whose fair value as of 31 December 2024 is BD 559 thousand (2023: BD 1,244 thousand) are categorised under Level 2. There were no transfers between Level 1 and Level 2 during 2024.

#### ***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 analysed by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December.

<b>2024</b>	<b><i>Level 1</i></b> <b><i>BD '000</i></b>	<b><i>Level 2</i></b> <b><i>BD '000</i></b>	<b><i>Level 3</i></b> <b><i>BD '000</i></b>	<b><i>Total fair</i></b> <b><i>value</i></b> <b><i>BD '000</i></b>	<b><i>Total</i></b> <b><i>Carrying</i></b> <b><i>value</i></b> <b><i>BD '000</i></b>
Loans and advances to customers	-	-	137,320	<b>137,320</b>	<b>137,320</b>
Bank term loans and other borrowings	-	-	93,731	<b>93,731</b>	<b>93,731</b>

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 9 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

#### *Financial assets and liabilities not measured at fair value (continued)*

2023	Level 1	Level 2	Level 3	Total fair	Total
	BD '000	BD '000	BD '000	value	Carrying
				BD '000	value
					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 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.

### 10 LOANS AND ADVANCES TO CUSTOMERS

#### (a) Exposure by staging

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
	BD '000	BD '000	BD '000	BD '000
Loans and advances	103,884	12,518	60,577	176,979
Less: expected credit loss	(1,066)	(1,978)	(36,615)	(39,659)
<b>Loans and advances</b>	<b>102,818</b>	<b>10,540</b>	<b>23,962</b>	<b>137,320</b>
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	BD '000	BD '000	BD '000	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)
<b>Loans and advances</b>	<b>106,748</b>	<b>15,998</b>	<b>21,298</b>	<b>144,044</b>

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 10 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### (b) Expected credit loss movement

	<i>Stage 1</i> <i>BD '000</i>	<i>Stage 2</i> <i>BD '000</i>	<i>Stage 3</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
<b>2024</b>				
Expected credit loss				
at 1 January 2024	1,088	2,413	45,241	<b>48,742</b>
Net transfer between stages	(148)	(534)	682	-
Net charges for the year	126	99	1,029	<b>1,254</b>
Net write off during the year	-	-	(10,337)	<b>(10,337)</b>
<b>Expected credit loss</b>				
<b>at 31 December 2024</b>	<b>1,066</b>	<b>1,978</b>	<b>36,615</b>	<b>39,659</b>
	<i>Stage 1</i> <i>BD '000</i>	<i>Stage 2</i> <i>BD '000</i>	<i>Stage 3</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
<b>2023</b>				
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)
<b>Expected credit loss</b>				
<b>at 31 December 2023</b>	<b>1,088</b>	<b>2,413</b>	<b>45,241</b>	<b>48,742</b>

### 11 TRADE RECEIVABLES

	<b>31 December</b> <b>2024</b> <b>BD '000</b>	<b>31 December</b> <b>2023</b> <b>BD '000</b>
Trade receivables	5,564	4,623
Less: expected credit loss	(1,637)	(2,114)
	<b>3,927</b>	<b>2,509</b>
<b>Expected credit loss movement</b>		
	<b>2024</b> <b>BD '000</b>	<b>2023</b> <b>BD '000</b>
At beginning of the year	2,114	2,072
Net charge for the year	133	54
Write off during the year	(610)	(12)
<b>At end of the year</b>	<b>1,637</b>	<b>2,114</b>

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 12 INVENTORIES

	<i>31 December</i> <b>2024</b> <i>BD '000</i>	<i>31 December</i> <b>2023</b> <i>BD '000</i>
Vehicles	12,724	10,842
Automotive spare parts	6,210	7,306
Real estate inventory	1,351	2,105
	<b>20,285</b>	20,253
Provisions	(1,385)	(1,294)
	<b>18,900</b>	18,959

#### Movement in provisions

	<b>2024</b> <i>BD '000</i>	<b>2023</b> <i>BD '000</i>
At beginning of the year	1,294	789
Net charge for the year	195	508
Utilisation	(104)	(3)
At end of the year	<b>1,385</b>	1,294

### 13 INVESTMENT PROPERTIES

	<i>31 December</i> <b>2024</b> <i>BD '000</i>	<i>31 December</i> <b>2023</b> <i>BD '000</i>
<b>Cost</b>		
At 1 January	14,712	13,025
Additions during the year	61	2
Transfer to investment property	-	1,685
<b>Book value before depreciation and impairment</b>	<b>14,773</b>	14,712
<b>Accumulated depreciation and impairment</b>		
	<b>2024</b> <i>BD '000</i>	<b>2023</b> <i>BD '000</i>
At 1 January	4,740	2,523
Depreciation charge for the year	184	230
Impairment provision charges	-	1,987
<b>At 31 December</b>	<b>4,924</b>	4,740
<b>Net book value at 31 December</b>	<b>9,849</b>	9,972

The fair value of investment properties as at 31 December 2024 is BD 14,406 thousand (2023: BD 11,255 thousand) were determined by independent external property valuers with the appropriate recognised qualification and experience in the location and category of the property being valued. All such valuers are approved by the Bahrain Real Estate Regulatory Authority to carry out such valuations. The fair value was determined based on investment method by comparing market rental rates and vacant lands and accordingly categorised as level 3 in fair value hierarchy.

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 14 PROPERTY AND EQUIPMENT

	<i>Land and buildings</i>	<i>Furniture, fixtures &amp; equipment</i>	<i>Vehicles</i>	<i>Work in Progress</i>	<i>Right of Use</i>	<b>2024 Total BD '000</b>	<b>2023 Total BD '000</b>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>		
<b>Cost</b>							
At 1 January	26,408	12,488	8,297	344	4,319	51,856	50,276
Additions	-	118	8,769	782	612	10,281	5,863
Disposals / termination	(593)	(2,198)	(5,505)	(6)	(950)	(9,252)	(4,283)
Reclassified	-	689	-	(689)	-	-	-
<b>At 31 December</b>	<b>25,815</b>	<b>11,097</b>	<b>11,561</b>	<b>431</b>	<b>3,981</b>	<b>52,885</b>	<b>51,856</b>
<b>Depreciation</b>							
1 January	10,303	11,522	2,257	-	2,351	26,433	25,663
Charge for the year	456	669	1,519	-	561	3,205	2,788
Disposals / termination	(368)	(2,171)	(2,140)	-	(687)	(5,366)	(2,018)
<b>At 31 December</b>	<b>10,391</b>	<b>10,020</b>	<b>1,636</b>	<b>-</b>	<b>2,225</b>	<b>24,272</b>	<b>26,433</b>
<b>Net book value</b>							
<b>At 31 December 2024</b>	<b>15,424</b>	<b>1,077</b>	<b>9,925</b>	<b>431</b>	<b>1,756</b>	<b>28,613</b>	
At 31 December 2023	16,105	966	6,040	344	1,968		25,423

The cost of fully depreciated assets still in use at 31 December 2024 was BD 13,277 thousand (2023: BD 15,028 thousand).

### 15 OTHER ASSETS

	<b>31 December 2024 BD '000</b>	<b>31 December 2023 BD '000</b>
Advance to suppliers and manufacturers incentive	3,770	2,181
VAT receivables	1,520	1,272
Prepaid expenses	669	581
Positive fair value derivative	582	1,277
Others	422	401
	<b>6,963</b>	<b>5,712</b>

### 16 TRADE AND OTHER PAYABLES

	<b>31 December 2024 BD '000</b>	<b>31 December 2023 BD '000</b>
Accounts payable	8,936	6,472
Accrued expenses	8,713	7,420
Lease liabilities (note 16.1)	23	33
Negative fair value derivative	912	1,118
Others	2,613	2,820
	<b>21,197</b>	<b>17,863</b>

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 16 TRADE AND OTHER PAYABLES (continued)

#### 16.1 Lease liabilities

	31 December 2024		31 December 2023	
	<i>Minimum lease payments BD '000</i>	<i>Present value of lease payments BD '000</i>	<i>Minimum lease payments BD '000</i>	<i>Present value of lease payments BD '000</i>
Within one year	615	546	516	472
After one year but not more than five years	349	326	648	604
More than five years and less than 10 years	30	10	15	4
More than 10 years	45	30	66	38
<b>Total minimum lease payments</b>	<b>1,039</b>	<b>912</b>	<b>1,245</b>	<b>1,118</b>
Less: finance charges	(127)	-	(127)	-
<b>Net lease liability</b>	<b>912</b>	<b>912</b>	<b>1,118</b>	<b>1,118</b>

The movement in lease liabilities is as follows:

	2024 BD '000	2023 BD '000
Lease liabilities as at 1 January	1,118	1,043
Additions	612	582
Termination	(307)	(21)
Finance cost	69	73
Payments made	(580)	(559)
<b>Lease liabilities as at 31 December</b>	<b>912</b>	<b>1,118</b>

### 17 BANK TERM LOANS AND OTHER BORROWINGS

	31 December 2024 BD '000	31 December 2023 BD '000
Within 1 year	32,771	41,936
More than 1 year	60,960	58,419
<b>Total</b>	<b>93,731</b>	<b>100,355</b>

Bank borrowings of BD 27,306 thousand have floating interest rates based on SOFR (2023: BD 24,806 thousand) and BD 19,934 thousand have floating interest rates based on BHIBOR (2023: BD 960 thousand). The Group has syndicated loans amounting to BD 46,491 thousand (2023: BD 74,589 thousand) with floating interest rates based on SOFR. All the Group's borrowing include a negative pledge requirement, with maturities disclosed in note 8 to these consolidated financial statements.



# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 18 SHARE CAPITAL (continued)

2023			% of total
Categories*	Number of Shares	Number of shareholders	issued shares
Less than 1%	46,972,854	1,241	23.01%
1% up to less than 5%**	24,115,469	7	11.81%
5% up to less than 20%	22,910,775	1	11.22%
20% up to less than 50%	110,188,402	2	53.96%
<b>Total</b>	<b>204,187,500</b>	<b>1,251</b>	<b>100.00%</b>

\* Expressed as a percentage of total issued and fully paid shares of the Company

\*\* Includes 2,759,029 treasury shares (2023: 2,759,029 shares)

### 19 AUTOMOTIVE REVENUE

	2024 BD '000	2023 BD '000
Sale of cars	24,446	20,106
Sales of parts and accessories	14,442	13,843
Car repair and maintenance services	4,246	3,994
Car leasing revenue	2,481	2,052
	<b>45,615</b>	<b>39,995</b>

### 20 NET FEE AND COMMISSION INCOME

	2024 BD '000	2023 BD '000
Loan administration and other credit card related fees	5,270	5,332
Insurance commission income	714	617
Less: fees and commission expense	(3,353)	(2,586)
	<b>2,631</b>	<b>3,363</b>

### 21 RENTAL AND REAL ESTATE INCOME

	2024 BD '000	2023 BD '000
<b>Sale of real estate</b>		
Revenue	792	185
Cost of sales	(775)	(186)
<b>Profit / (loss) from sale of real estate inventory</b>	<b>17</b>	<b>(1)</b>
Rental and evaluation income	751	555
Rental and real estate income	<b>768</b>	<b>554</b>

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 22 OTHER INCOME

	<b>2024</b>	<b>2023</b>
	<b>BD '000</b>	<b>BD '000</b>
Income from fixed deposits	393	616
Automotive factory incentives	315	521
Miscellaneous income	778	899
	<b>1,486</b>	<b>2,036</b>

### 23 OTHER OPERATING EXPENSES

	<b>2024</b>	<b>2023</b>
	<b>BD '000</b>	<b>BD '000</b>
General and administration costs	6,191	5,458
Depreciation	2,214	2,069
Selling and promotion costs	1,534	1,485
Operating expenses relating to investment properties	296	187
Automotive finance cost	67	115
	<b>10,302</b>	<b>9,314</b>

### 24 NET PROVISIONS AND CREDIT LOSSES

	<b>2024</b>	<b>2023</b>
	<b>BD '000</b>	<b>BD '000</b>
Net expected credit loss charges	1,254	35,918
Impairment on investment properties	-	1,987
Allowances charged for inventory	195	508
Allowances on trade receivables, net	133	54
Provision for legal claims	644	-
	<b>2,226</b>	<b>38,467</b>
Recoveries from written off balances	<b>3,273</b>	<b>2,430</b>

A subsidiary of the Group is currently engaged in litigation involving an interim judgment of approximately BD 676 thousand against it. The subsidiary has appealed this judgment, with reasonable prospects for a reduction in the judgement amount. Conversely, the opposing party has filed a counter-appeal seeking an increase in compensation. The final outcome of these proceedings remains uncertain, and the definitive liability is indeterminate due to the discretion of the court. Based on the information available at the time of preparing the Group's consolidated financial statements for the year ended 31 December 2024, the Group recognized a contingent liability of BD 676 thousand to cover this potential financial obligation.

### 25 DISTRIBUTION OF ASSETS AND LIABILITIES

The geographic distribution of all assets and liabilities of the Group is predominantly in Bahrain. The allocation of the Group's assets are disclosed in note 26 of these consolidated financial statements.

At 31 December 2024

**26 SEGMENTAL INFORMATION**

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

- Lending - principally providing consumer, Corporate and small to medium enterprises (CSME) loans and credit card facilities;
- Automotive - trading in motor vehicles, spares and the provision of after sales services and car leasing services;
- Real estate - include buying, selling and renting of properties and providing property evaluation services; and
- Insurance - provision of insurance brokerage services.

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 26 SEGMENTAL INFORMATION (continued)

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 2024 and 2023. The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

At 31 December	<i>Lending</i>		<i>Automotive</i>		<i>Real estate</i>		<i>Insurance</i>		<i>Total</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Operating income</b>	12,102	13,944	8,734	7,497	1,068	554	904	810	<b>22,808</b>	22,805
Inter segment revenue	-	-	89	126	3	203	-	-	<b>92</b>	329
Operating costs	(11,259)	(10,868)	(5,818)	(5,271)	(950)	(717)	(794)	(724)	<b>(18,821)</b>	(17,580)
Net provisions and credit losses	2,019	(33,492)	(173)	(430)	(799)	(2,115)	-	-	<b>1,047</b>	(36,037)
Inter segment expenses	(84)	(317)	(8)	(12)	-	-	-	-	<b>(92)</b>	(329)
<b>Profit / (loss) for the year</b>	<b>2,778</b>	<b>(30,733)</b>	<b>2,824</b>	1,910	<b>(678)</b>	(2,075)	<b>110</b>	86	<b>5,034</b>	(30,812)
<b>Assets and (liabilities)</b>										
Cash and balances with banks	9,406	4,994	1,901	4,658	11	2	3,914	3,590	<b>15,232</b>	13,244
Loans and advances to customers	137,320	144,044	-	-	-	-	-	-	<b>137,320</b>	144,044
Trade and other receivables	819	111	2,822	2,189	150	103	136	106	<b>3,927</b>	2,509
Intercompany balances	1,371	1,557	(753)	(327)	(327)	(1,213)	(291)	(17)	-	-
Inventories	-	-	17,689	16,975	1,211	1,984	-	-	<b>18,900</b>	18,959
Investment properties	-	-	-	-	9,849	9,972	-	-	<b>9,849</b>	9,972
Property and equipment	8,784	8,925	19,829	16,498	-	-	-	-	<b>28,613</b>	25,423
Other assets	1,004	1,657	5,957	4,044	-	3	2	8	<b>6,963</b>	5,712
Trade and other payables	(11,550)	(10,244)	(8,658)	(7,384)	(879)	(157)	(110)	(78)	<b>(21,197)</b>	(17,863)
Bank term loans and other borrowings	(93,336)	(99,395)	(395)	(960)	-	-	-	-	<b>(93,731)</b>	(100,355)
<b>Equity</b>	<b>53,818</b>	51,649	<b>38,392</b>	35,693	<b>10,015</b>	10,694	<b>3,651</b>	3,609	<b>105,876</b>	101,645
Capital expenditure for property and equipment	<b>822</b>	1,135	<b>9,459</b>	4,728	-	-	-	-	<b>10,281</b>	5,863
Depreciation charge for the property and equipment	<b>871</b>	770	<b>2,334</b>	2,018	-	-	-	-	<b>3,205</b>	2,788

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 27 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.

	<b>2024</b>	<b>2023</b>
	<b>BD '000</b>	<b>BD '000</b>
<b>Major shareholders:</b>		
<b>As at 31 December</b>		
Term loans	31,034	25,260
Bank balances	1,078	913
<b>For the year ended 31 December</b>		
Interest expense	2,415	2,186
Sales of vehicles	-	99
Other Income	300	-

#### 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, the Chief Executive Officer, the Deputy Chief Executive Officer, the automotive companies' Chief Executive Officer, approved personnel by the CBB and the General Managers.

	<b>2024</b>	<b>2023</b>
	<b>BD '000</b>	<b>BD '000</b>
<b>As at 31 December</b>		
Loans and advances to customers*	865	823
<b>For the year ended 31 December</b>		
Salaries and short term and end of service employee benefits	1,852	1,822
Directors remuneration and attendance fees	511	168
Sales, service and lease of vehicles	59	105

\*The Group has allowance of BD 375 thousand (2023: BD 243 thousand) for impairment losses on loans and advances with related parties.

### 28 RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahrainis for the year amounted to BD 981 thousand (2023: BD 740 thousand). The Group's provision for expatriate employees' leaving indemnities at 31 December 2024 was BD 821 thousand (2023: BD 984 thousand). The Group employed 723 staff at 31 December 2024 (2023: 727).

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 28 RETIREMENT BENEFITS COST (continued)

The movement in the employees end of service benefits is as follows:

	<b>2024</b>	2023
	<b>BD '000</b>	BD '000
At 1 January	984	1,015
Provided during the year	87	160
Paid during the year to employees	(123)	-
Paid during the year to SIO	(77)	(191)
At 31 December	<b>871</b>	984

Effective 1 March 2024, pursuant to an Edict number 109 of 2023 issued by His Royal Highness the Prime Minister of the Kingdom of Bahrain, the end of service benefits liability have been transferred to Social Insurance Organization (SIO) monthly and SIO will settle the amounts to employees' who are not covered under SIO Law for periods commencing 1 March 2024 when they leave the Group.

### 29 STAFF SAVING SCHEME

The scheme is contribution saving fund between the Company and the employees of the Company. The objective is to provide employees with cash benefit upon resignation, retirement or death. Participation is discretionary and employees can contribute any amount up to 10% of the salary. The Company contributes the same percentage. Since the cash is held under fiduciary capacity on behalf of employees, it is accounted as asset under management.

The employee becomes eligible for the full amount of the Company's contribution once the employee has completed 10 years of service. Otherwise, it will be calculated proportionately based on number of year of services.

As at 31 December 2024, the Group saving plan funds stand at BD 3,316 thousand (2023: BD 2,760 thousand). The fund is invested within reputable bank in Bahrain.

### 30 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss 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:

	<b>2024</b>	2023
	<b>BD '000</b>	BD '000
Profit / (loss) for the year	5,034	(30,812)
Weighted average number of equity shares (in 000's) (note 18)	201,429	201,429
Basic earnings / (loss) per share	<b>25 fils</b>	(153 fils)

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

### 31 OUTSTANDING COMMITMENTS

As at 31 December 2024, the Group has standby letters of credit issued on its behalf in the normal course of business amounting to BD 9,246 thousand (2023: BD 6,533 thousand) and unutilised credit cards limits of BD 19,066 thousand (2023: BD 19,109 thousand) to its customers.

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 32 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	<i>Liabilities</i>		<i>Derivatives liabilities borrowings</i>	<i>Equity</i>				<i>Total BD '000</i>
	<i>Trade and other payables BD '000</i>	<i>Bank Term loans and other borrowings BD '000</i>	<i>Interest rate swap and forward exchange contracts used for hedging – liabilities BD '000</i>	<i>Share capital BD '000</i>	<i>Treasury shares BD '000</i>	<i>Reserves BD '000</i>	<i>Retained earnings BD '000</i>	
<b>Balance at 1 January 2024</b>	17,830	100,355	33	20,419	(599)	64,279	17,546	219,863
Proceeds from loans and borrowings	-	27,617	-	-	-	-	-	27,617
Repayment of borrowings	-	(33,716)	-	-	-	-	-	(33,716)
Dividend paid	-	-	-	-	-	-	-	-
Donation paid	-	-	-	-	-	(118)	-	(118)
<b>Total changes from financing cash flows</b>	-	<b>(6,099)</b>	-	-	-	<b>(118)</b>	-	<b>(6,217)</b>
Changes in fair value	-	-	(10)	-	-	(685)	-	(695)
Profit for the year	-	-	-	-	-	-	5,034	5,034
Liability-related changes	3,566	-	-	-	-	-	-	3,566
Donation declared	-	-	-	-	-	100	(100)	-
Dividend declared	-	-	-	-	-	-	-	-
Borrowing upfront cost	-	(525)	-	-	-	-	-	(525)
Interest expense	7,115	-	-	-	-	-	-	7,115
Interest paid	(7,337)	-	-	-	-	-	-	(7,337)
<b>Total liability-related other changes</b>	<b>3,344</b>	<b>(525)</b>	<b>(10)</b>	-	-	-	-	<b>2,809</b>
<b>Total equity-related other changes</b>	-	-	-	-	-	<b>(585)</b>	<b>4,934</b>	<b>4,349</b>
<b>Balance at 31 December 2024</b>	<b>21,174</b>	<b>93,731</b>	<b>23</b>	<b>20,419</b>	<b>(599)</b>	<b>63,576</b>	<b>22,480</b>	<b>220,804</b>

# Bahrain Commercial Facilities Company B.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 33 PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2024. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	<b>2024</b>	<b>2023</b>
	<b>BD '000</b>	<b>BD '000</b>
Cash dividends	3,021	-
Donations	150	100
	<u><b>3,171</b></u>	<u><b>100</b></u>

### 34 COMPARATIVES

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