Bahrain Commercial Facilities Company B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Bahrain Commercial Facilities Company B.S.C. ("the Company") and its subsidiaries (collectively, "the Group") as at 30 June 2022 comprising of the interim consolidated statement of financial position as at 30 June 2022 and the related interim consolidated statements of profit or loss and other comprehensive income for the three and six month periods then ended and the interim consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. The Board of Directors of the Group is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst + Young

2 August 2022
Manama, Kingdom of Bahrain

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	*(Reviewed)* ***30 June 2022 BD '000***	*(Audited) 31 December 2021 BD '000*
ASSETS			
Cash and balances with banks		26,331	28,354
Loans and advances to customers	6	216,727	229,325
Trade receivables	7	3,000	3,569
Inventories	8	15,283	11,479
Investment properties		10,646	10,787
Property and equipment		24,437	24,945
Other assets		5,035	2,442
TOTAL ASSETS		**301,459**	310,901
LIABILTIES AND EQUITY			
Liabilities			
Trade and other payables		19,007	19,484
Bank term loans		145,643	156,497
TOTAL LIABILITIES		**164,650**	175,981
Equity			
Share capital		20,419	20,419
Treasury shares		(599)	(599)
Statutory reserve		10,210	10,210
Share premium		25,292	25,292
Other reserves		28,386	25,190
Retained earnings		53,101	54,408
TOTAL EQUITY		**136,809**	134,920
TOTAL LIABILITIES AND EQUITY		**301,459**	310,901

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

The attached notes 1 to 13 form part of these interim condensed financial statements.

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	(Reviewed)	*(Reviewed)*	***(Reviewed)***	*(Reviewed)*
	Six months ended 30 June		*Three months ended 30 June*	
	2022	*2021*	***2022***	*2021*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Interest income	13,277	14,832	6,521	7,382
Interest expense	(3,658)	(4,689)	(1,877)	(2,219)
Net interest income	**9,619**	10,143	**4,644**	5,163
Automotive revenue	18,203	19,213	10,236	9,354
Cost of sales	(15,058)	(16,699)	(8,523)	(8,118)
Gross profit on automotive revenue	**3,145**	2,514	**1,713**	1,236
Fee and commission income	2,615	2,983	1,350	1,531
Profit from sale of real estate inventory	41	113	-	16
Rental and evaluation income	265	314	128	125
Total operating income	**15,685**	16,067	**7,835**	8,071
Other income	251	392	184	330
Salaries and related costs	(3,785)	(3,822)	(1,874)	(1,898)
Operating expenses	(5,420)	(4,825)	(2,862)	(2,584)
Profit before allowance on financial instruments	**6,731**	7,812	**3,283**	3,919
Allowance on loans and receivables, net of recoveries	(2,352)	(5,404)	(571)	(2,657)
Profit for the period	**4,379**	2,408	**2,712**	1,262
Basic and diluted earnings per 100 fils share	**22 fils**	12 fils	**13 fils**	6 fils

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

The attached notes 1 to 13 form part of these interim condensed financial statements.

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022

	(Reviewed)	*(Reviewed)*	***(Reviewed)***	*(Reviewed)*
	Six months ended 30 June		*Three months ended 30 June*	
	2022	*2021*	***2022***	*2021*
	BD ’000	*BD ’000*	***BD ’000***	*BD ’000*
Profit for the period	**4,379**	2,408	**2,712**	1,262
Other comprehensive income:				
Items that are or may be reclassified to profit or loss				
Net change in cash flow hedge reserve	2,730	1,943	695	362
Total comprehensive income for the period	**7,109**	4,351	**3,407**	1,624

The attached notes 1 to 13 form part of these interim condensed financial statements.

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	(Reviewed)								
	Share capital		*Reserves and retained earnings*						
					Other reserves				
	Share Capital BD '000	*Treasury shares BD '000*	*Statutory reserve BD '000*	*Share Premium BD '000*	*Cash flow hedge reserve BD '000*	*Donation reserve BD '000*	*General reserve BD '000*	*Retained earnings BD '000*	*Total equity BD '000*
As at 1 January 2022	20,419	(599)	10,210	25,292	(2,113)	303	27,000	54,408	134,920
2021 appropriations (approved by shareholders):									
- Donations approved (note 10)	-	-	-	-	-	150	-	(150)	-
- Dividend to equity holders declared (note 10)	-	-	-	-	-	-	-	(5,036)	(5,036)
- Transfer to general reserve (note 10)	-	-	-	-	-	-	500	(500)	-
Balance after 2021 appropriations	**20,419**	**(599)**	**10,210**	**25,292**	**(2,113)**	**453**	**27,500**	**48,722**	**129,884**
Comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	4,379	4,379
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	2,730	-	-	-	2,730
	20,419	(599)	10,210	25,292	617	453	27,500	53,101	136,993
Utilisation of donation reserve	-	-	-	-	-	(184)	-	-	(184)
At 30 June 2022	**20,419**	**(599)**	**10,210**	**25,292**	**617**	**269**	**27,500**	**53,101**	**136,809**

The attached notes 1 to 13 form part of these interim condensed financial statements.

Bahrain Commercial Facilities Company B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Reviewed)

	Share capital		*Reserves and retained earnings*						
					Other reserves				
	Share Capital BD '000	*Treasury shares BD '000*	*Statutory reserve BD '000*	*Share Premium BD '000*	*Cash flow hedge reserve BD '000*	*Donation reserve BD '000*	*General reserve BD '000*	*Retained earnings BD '000*	*Total equity BD '000*
As at 1 January 2021	20,419	(599)	10,210	25,292	(5,445)	529	27,000	48,227	125,633
Comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	2,408	2,408
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	1,943	-	-	-	1,943
	20,419	(599)	10,210	25,292	(3,502)	529	27,000	50,635	129,984
Utilisation of donation reserve	-	-	-	-	-	(213)	-	-	(213)
As at 30 June 2021	20,419	(599)	10,210	25,292	(3,502)	316	27,000	50,635	129,771

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	(Reviewed) Six months ended 30 June **2022** **BD '000**	*(Reviewed)* *2021* *BD '000*
OPERATING ACTIVITIES		
Loan repayments, interest received and other credit related receipts	108,028	111,701
Cash receipts from automotive sales	18,567	20,153
Insurance commission received	270	256
Proceeds from sale of real estate inventory	902	1,389
Rental and evaluation income received	345	386
Loans and advances to customers	(82,135)	(78,630)
Payments to suppliers	(17,210)	(19,478)
Payments for operating expenses	(9,608)	(7,838)
Directors' remunerations paid	(330)	(219)
Interest paid	(3,754)	(4,532)
Net cash generated from operating activities	**15,075**	23,188
INVESTING ACTIVITIES		
Capital expenditure on property and equipment	(1,517)	(1,054)
Proceeds from sale of property and equipment	589	868
Net cash used in investing activities	**(928)**	(186)
FINANCING ACTIVITIES		
Bank term loans availed	21,007	-
Bank term loans paid	(31,981)	(30,486)
Dividends paid	(5,036)	-
Government grant received	-	174
Donations paid	(184)	(213)
Net cash used in financing activities	**(16,194)**	(30,525)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,047)**	(7,523)
Cash and cash equivalents at 1 January	28,301	25,435
CASH AND CASH EQUIVALENTS AT 30 June	**26,254**	17,912
Cash and cash equivalents comprise:		
Cash and balances with banks	26,331	18,033
Less:		
Restricted cash	(77)	(121)
	26,254	17,912

The attached notes 1 to 13 form part of these interim condensed financial statements.

1 REPORTING ENTITY

Bahrain Commercial Facilities Company B.S.C. (the "Company") is a public shareholding company incorporated and registered in the Kingdom of Bahrain. It provides short-term, medium-term, long-term loans and issue credit cards. Effective 26 June 2005, the Company became licensed and regulated by the Central Bank of Bahrain ("CBB"). This financial information is the reviewed interim condensed consolidated financial statements (the "interim condensed consolidated financial statements") of the Company and its subsidiaries (together referred to as the "Group") for the six-month period ended 30 June 2022.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"). The consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with IFRS as modified by CBB as the comparative information included in these consolidated financial statements were reported in accordance with the framework. The transition from "IFRS modified by CBB" to IAS 34 and IFRS as issued by IASB has not resulted in any material changes to the previously reported numbers in the consolidated balance sheet as of 1 January 2020, 31 December 2020 and 2021, and the consolidated income statement for the year ended 31 December 2021.

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

The interim condensed consolidated financial statements are reviewed, not audited. They do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the Group's last audited consolidated financial statements for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for adoption of new standards or certain amendments to existing standards that have become applicable to the Group effective from 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have any impact on the interim condensed consolidated financial statements of the Group.

3.1.1 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.1.1 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

3.1.2 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and was applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

3.1.3 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments did not have any impact on the consolidated financial statements of the Group.

3.1.4 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.1.5 IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group has applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the amendment is applied.

The amendments did not have any impact on the interim condensed consolidated financial statements of the Group.

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

3.2.1 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. This standard is not applicable to the Group.

3.2.2 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

4 USE OF JUDGEMENTS AND ESTIMATES

Preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the last audited consolidated financial statements as at and for the year ended 31 December 2021. However, the process of making the required estimates and assumptions involved further challenges due to the prevailing uncertainties arising from COVID-19 and required use of management judgements.

Expected credit Losses
The economic uncertainties caused by COVID-19, and the volatility in oil prices impacting the Middle East economic forecasts have required the Group to use the same inputs and assumptions used for the determination of expected credit losses ("ECLs").

Scenario analysis has been conducted taking into consideration various expected changes as a result of COVID-19 that can impact all model parameters i.e. probability weighting of economic scenarios, macroeconomic factors, probability of default, loss given default, exposure of default, rating downgrades, staging migrations and period of exposure. Management judgement is used in determining the probability weighting assigned to each scenario.

In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Group's ECL estimates are based on judgement and, as a result, actual results may differ from these estimates.

Significant increase in credit risk (SICR)
Judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a financing facility, which would result in the financial asset moving from 'stage 1' to 'stage 2'. The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or longer term.

During the period, and in accordance with the CBB relief measures, the Group has granted a total of 6 months loan deferral to its eligible customers, with fees and interest. The Group considers both qualitative and quantitative information in the assessment of significant increase in credit risk. The utilisation of a payment deferral program was considered for affected customer segments due to the pandemic as a trigger for a significant increase in credit risk ("SICR") or a staging migration for the purposes of calculating ECL.

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

4 USE OF JUDGEMENTS AND ESTIMATES (continued)

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

Probability weights
Management Judgement is involved in determining the probability weighting of each scenario considering the risks and uncertainties surrounding the base case scenario. Considering the current uncertain economic environment, the Group has continued the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the period ended 30 June 2022.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the last audited consolidated financial statements for the year ended 31 December 2021 with emphasis on those described below:

Credit Risk
The uncertainties due to COVID-19 and resultant economic volatility has impacted the Group's financing operations and is expected to affect most of the customers and sectors to some degree. Although it is difficult to assess at this stage the degree of impact faced by each sector, the main industries impacted are hospitality, tourism, leisure, airlines/transportation and retailers. In addition, some other industries are expected to be indirectly impacted such as contracting, real estate and wholesale trading.

Considering this evolving situation, the Group has taken pre-emptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors. Payment deferral have been extended to customers, including private and SME sector, in line with the instructions of the CBB. These measures may lead to lower disbursement of financing facilities, resulting in lower net financing income and decrease in other revenue.

The risk management department has also enhanced its monitoring of financing portfolio by reviewing the performance of exposures to sectors expected to be directly or indirectly impacted by COVID-19 to identify potential SICR on a qualitative basis.

Liquidity risk and capital management
The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and are subject to ongoing monitoring and evaluation. The CBB has announced various measures to combat the effects of COVID-19 and to ease liquidity in banking sector. The payment deferral for 6 months in 2022 to eligible customers as per the CBB instructions have an impact on the liquidity risk of the Group.

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

5 FINANCIAL RISK MANAGEMENT (continued)

Operational risk management

In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, digital modes of payment and settlement, customer acquisition and executing contracts and carrying out transactions with the customers. The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted. As of 30 June 2022, the Group did not have any significant issues relating to operational risks.

6 LOANS AND ADVANCES TO CUSTOMERS

(a) Exposure by staging

	30 June 2022 (Reviewed)			
	Stage 1 BD '000	***Stage 2 BD '000***	***Stage 3 BD '000***	***Total BD '000***
Loans and advances	113,065	93,567	43,158	249,790
Less: expected credit loss	(3,397)	(8,381)	(21,285)	(33,063)
Loans and advances	**109,668**	**85,186**	**21,873**	**216,727**

	31 December 2021 (Audited)			
	Stage 1 BD '000	*Stage 2 BD '000*	*Stage 3 BD '000*	*Total BD '000*
Loans and advances	130,236	88,248	44,631	263,115
Less: expected credit loss	(3,912)	(7,201)	(22,677)	(33,790)
Loans and advances	126,324	81,047	21,954	229,325

During the period, the Group has recorded total recoveries of BD 1,295 thousand (2021: BD 946 thousand) from the loans previously written off.

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Expected credit loss movement

			(Reviewed)		
2022	***Stage 1 BD '000***	***Stage 2 BD '000***	***Stage 3 Collectively assessed BD '000***	***Stage 3 Specifically assessed BD '000***	***Total BD '000***
Expected credit loss at 1 January 2022	3,912	7,201	18,843	3,834	**33,790**
Net transfer between stages	229	(184)	(45)	-	**-**
Net (reversal) / charge for the period	(744)	1,364	2,896	106	**3,622**
Write off during the period	-	-	(3,937)	(412)	**(4,349)**
Expected credit loss at 30 June 2022	**3,397**	**8,381**	**17,757**	**3,528**	**33,063**

			(Audited)		
2021	*Stage 1 BD '000*	*Stage 2 BD '000*	*Stage 3 Collectively assessed BD '000*	*Stage 3 Specifically assessed BD '000*	*Total BD '000*
Expected credit loss at 1 January 2021	5,668	5,522	20,404	3,103	34,697
Net transfer between stages	(1,000)	627	(176)	549	-
Net (reversal) / charge for the year	(756)	1,052	12,149	395	12,840
Write off during the year	-	-	(13,534)	(213)	(13,747)
Expected credit loss at 31 December 2021	3,912	7,201	18,843	3,834	33,790

7 TRADE RECEIVABLES

	(Reviewed) 30 June 2022 BD '000	*(Audited) 31 December 2021 BD '000*
Trade receivables	5,020	5,608
Less: expected credit loss	(2,020)	(2,039)
	3,000	3,569

Expected credit loss movement

	(Reviewed) 30 June 2022 BD '000	*(Audited) 31 December 2021 BD '000*
At beginning of the period / year	2,039	1,726
Charge for the period / year	24	391
Write off during the period / year	(43)	(78)
At end of the period / year	**2,020**	2,039

8 INVENTORIES

	(Reviewed) *30 June* *2022* *BD '000*	*(Audited)* *31 December* *2021* *BD '000*
Automotive stock:		
-Vehicles	7,458	3,030
-Spare parts	5,966	5,875
Real Estate inventory	2,565	3,325
	15,989	12,230
Provision on vehicles and spare parts	(706)	(751)
	15,283	11,479

Movement on provisions (vehicles and spare parts)

	(Reviewed) *2022* *BD '000*	*(Audited)* *2021* *BD '000*
At beginning of the period / year	751	1,070
Net charge for the period / year	26	123
Utilisation	(71)	(442)
At end of the period / year	**706**	751

9 TRANSACTIONS WITH RELATED PARTIES

The Company's major shareholders are Social Insurance Organisation, Bank of Bahrain and Kuwait B.S.C. and National Bank of Bahrain B.S.C with holdings of 30.9%, 23.0% and 11.2% respectively of the Company's share capital at 30 June 2022. The Company has the following transactions and balances with Bank of Bahrain and Kuwait B.S.C. and National Bank of Bahrain B.S.C:

	(Reviewed) *30 June* *2022* *BD '000*	*(Audited)* *31 December* *2021* *BD '000*
Shareholders:		
Term loans	**20,099**	29,753
Bank balance	**1,377**	1,129

	(Reviewed) *30 June* *2022* *BD '000*	*(Reviewed)* *30 June* *2021* *BD '000*
Interest expense	**514**	828

9 TRANSACTIONS WITH RELATED PARTIES (continued)

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

	(Reviewed) 30 June 2022 BD '000	*(Reviewed) 30 June 2021 BD '000*
Salaries and short-term employee benefits	**844**	880
Directors remuneration and attendance fees	**315**	319
Sales, service and lease of vehicles	**-**	53
Purchase of material and services	**-**	5
Loan and advances*	**754**	331

*The Company has allowance of BD 157 thousand (2021: BD 59 thousand) for impairment losses on balances with related parties.

10 APPROPRIATIONS

At the Annual General Meeting held on 29 March 2022, the following appropriations were approved by the shareholders for 2021 and effected the current period: transfer to general reserve of BD 500 thousand, transfer to donations reserve of BD 150 thousand and cash dividend of BD 5,036 thousand.

11 OPERATING SEGMENT INFORMATION

	Revenue		*Profit / (loss)*	
	Six months ended 30 June 2022 (Reviewed) BD '000	*Six months ended 30 June 2021 (Reviewed) BD '000*	***Six months ended 30 June 2022 (Reviewed) BD '000***	*Six months ended 30 June 2021 (Reviewed) BD '000*
Consumer finance	15,543	17,460	3,477	1,937
Automotive	18,203	19,218	1,086	383
Insurance	269	351	3	77
Real estate	1,147	1,783	(187)	11
	35,162	38,812	**4,379**	2,408

Majority of the Group's assets and liabilities are concentrated in the lending and automotive segments. Total assets as of 30 June 2022 amounted to BD 243,104 thousand and BD 44,867 thousand (31 December 2021: BD 251,926 thousand and BD 44,233 thousand) and total liabilities amounted to BD 154,953 thousand and BD 9,253 thousand (31 December 2021: BD 168,026 thousand and BD 7,300 thousand) in the lending and automotive segments respectively.

12 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

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

Fair value hierarchy

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. ask prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

(i) Financial assets and liabilities measured at fair value

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

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

The following tables set out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

30 June 2022 (Reviewed)	***Level 1***	***Level 2***	***Level 3***	***Fair value***	***Carrying value***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Loans and advances to customers	**-**	**-**	**216,727**	**216,727**	**216,727**
Bank term loans	**-**	**-**	**145,643**	**145,643**	**145,643**

31 December 2021 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Fair value*	*Carrying value*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Loans and advances to customers	-	-	229,325	229,325	229,325
Bank term loans	-	-	156,497	156,497	156,497

12 FAIR VALUE (continued)

In the case of loans and advances to customers, the average interest rate of the loan portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the carrying value would not be materially different to fair value of these assets.

The fair value of bank term loans and 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.

13 COMPARATIVES

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