

**Bahrain Commercial Facilities
Company BSC**

30 September 2018

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

Bahrain Commercial Facilities Company BSC

Condensed consolidated interim financial information for the nine months ended 30 September 2018

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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Bahrain Commercial Facilities Company BSC
Manama, Kingdom of Bahrain

30 October 2018

Introduction

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial information of Bahrain Commercial Facilities Company BSC (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2018; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 30 September 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2018


Bahraini Dinars Thousands

	Note	30 September 2018 (reviewed)	31 December 2017 (audited)
ASSETS			
Cash and balances with banks		4,725	5,637
Loans and advances to customers	4	304,913	294,718
Trade receivables	5	8,361	7,111
Inventories	6	28,981	29,716
Investment properties		7,837	6,939
Property and equipment		25,148	25,343
Other assets		5,349	3,608
Total assets		385,314	373,072
LIABILITIES AND EQUITY			
Liabilities			
Bank overdrafts		959	73
Trade and other payables		19,452	17,988
Bank term loans		184,118	177,703
Bonds issued		39,953	39,900
Total liabilities		244,482	235,664
Equity			
Share capital		16,335	16,335
Treasury shares		(599)	(599)
Statutory reserve		33,542	33,542
Other reserves		28,556	25,112
Retained earnings		62,998	63,018
Total equity (page 5-6)		140,832	137,408
Total liabilities and equity		385,314	373,072

The condensed consolidated interim financial information consisting of pages 2 to 16 have been approved by the Board of Directors on 30 October 2018 and signed on its behalf by:


Abdulrahman Yusuf Fakhro
Chairman


Reyadh Yusuf Hasan Sater
Vice Chairman


Dr. Adel Hubail
Chief Executive Officer


CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

	Nine months ended		Three months ended	
	30 September 2018 (reviewed)	30 September 2017 (reviewed)	30 September 2018 (reviewed)	30 September 2017 (reviewed)
Interest income	27,384	25,320	9,492	8,849
Interest expense	(8,644)	(7,643)	(3,054)	(2,695)
Net interest income	18,740	17,677	6,438	6,154
Automotive revenue	42,862	39,606	14,964	11,318
Cost of sales	(37,453)	(34,733)	(13,121)	(9,757)
Gross profit on automotive revenue	5,409	4,873	1,843	1,561
Fee and commission income	8,786	7,842	3,118	2,824
Profit from sale of land inventory	512	473	70	222
Rental and evaluation income	517	498	169	141
Total operating income	33,964	31,363	11,638	10,902
Operating expenses	(15,797)	(14,270)	(5,344)	(5,001)
Impairment allowance on loans and receivables, net of recoveries	(2,739)	(3,496)	(791)	(1,310)
Other income	659	820	171	347
Profit for the period	16,087	14,417	5,674	4,938
Basic and diluted earnings per 100 fils share	100 fils	89 fils	35 fils	31 fils


Abdulrahman Yusuf Fakhro
Chairman


Reyadh Yusuf Hasan Sater
Vice Chairman


Dr. Adel Hubail
Chief Executive Officer

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

	Nine months ended		Three months ended	
	30 September 2018 (reviewed)	30 September 2017 (reviewed)	30 September 2018 (reviewed)	30 September 2017 (reviewed)
Profit for the period	16,087	14,417	5,674	4,938
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Fair value gain on cash flow hedge reserve	1,714	227	298	271
Total comprehensive income for the period	17,801	14,644	5,972	5,209

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

	Share capital		Reserves and retained earnings				Total equity	
	Share capital	Treasury shares	Statutory reserve*	Other reserves		Retained earnings		
				Cash flow hedge reserve	Donation reserve			General reserve
2018 (reviewed)								
As at 31 December 2017 (as previously reported)	16,335	(599)	33,542	1,182	680	23,250	63,018	137,408
Impact of adopting IFRS 9 as at 1 January 2018 (note 3)	-	-	-	-	-	-	(6,250)	(6,250)
Restated balance as at 1 January 2018	16,335	(599)	33,542	1,182	680	23,250	56,768	131,158
2017 appropriations (approved by shareholders):								
- Donations approved	-	-	-	-	300	-	(300)	-
- Dividend to equity holders declared	-	-	-	-	-	-	(8,057)	(8,057)
- Transfer to general reserve	-	-	-	-	-	1,500	(1,500)	-
Balance after 2017 appropriations	16,335	(599)	33,542	1,182	980	24,750	46,911	123,101
Comprehensive income for the period:								
Profit for the period	-	-	-	-	-	-	16,087	16,087
Other comprehensive income:								
- Fair value gain on cash flow hedge reserve	-	-	-	1,714	-	-	-	1,714
Total comprehensive income for the period	-	-	-	1,714	-	-	16,087	17,801
Utilisation of donation reserve	-	-	-	-	(70)	-	-	(70)
At 30 September 2018	16,335	(599)	33,542	2,896	910	24,750	62,998	140,832

*Includes BD 25,292 of share premium.

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2018 (continued)

Bahraini Dinars Thousands

	Share capital		Reserves and retained earnings				Total equity	
	Share capital	Treasury shares	Statutory Reserve*	Other reserves		Retained earnings		
				Cash flow hedge reserve	Donation reserve			General reserve
30 September 2017 (reviewed)								
As at 1 January 2017	16,335	(599)	33,542	313	791	21,750	52,161	124,293
2016 appropriations (approved by shareholders):								
- Donations declared	-	-	-	-	300	-	(300)	-
- Dividend declared	-	-	-	-	-	-	(8,057)	(8,057)
- Transfer to general reserve	-	-	-	-	-	1,500	(1,500)	-
Balance after 2016 appropriations	16,335	(599)	33,542	313	1,091	23,250	42,304	116,236
Comprehensive income for the period:								
Profit for the period	-	-	-	-	-	-	14,417	14,417
Other comprehensive income:								
- Net changes in cash flow hedge reserve	-	-	-	227	-	-	-	227
Total comprehensive income for the period	-	-	-	227	-	-	14,417	14,644
Utilisation of donation reserve	-	-	-	-	(412)	-	-	(412)
At 30 September 2017	16,335	(599)	33,542	540	679	23,250	56,721	130,468

*Includes BD 25,292 of share premium.

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

	30 September 2018 (reviewed)	30 September 2017 (reviewed)
Operating activities		
Loan repayments, interest received and other credit related receipts	233,328	206,830
Cash receipts from automotive sales	41,413	41,223
Insurance commission received	1,161	951
Sale of land inventory	3,695	2,019
Rental income received	503	540
Loans and advances to customers disbursed	(216,579)	(198,476)
Payments to suppliers	(37,545)	(30,443)
Payments for operating expenses	(15,347)	(12,590)
Payment for purchase of land inventory	-	(4,904)
Directors' fees paid	(464)	(393)
Interest paid	(8,207)	(8,148)
Net cash generated from / (used in) operating activities	1,958	(3,391)
Investing activities		
Capital expenditure on property and equipment	(1,346)	(3,448)
Addition to investment properties	(1,145)	(66)
Proceeds from sale of property and equipment	610	717
Net cash used in investing activities	(1,881)	(2,797)
Financing activities		
Bank term loans availed	27,745	76,551
Bank term loans paid	(21,584)	(61,877)
Dividends paid	(7,991)	(7,974)
Donations paid	(70)	(412)
Net cash (used in) / generated from financing activities	(1,900)	6,288
Net (decrease) / increase in cash and cash equivalents	(1,823)	100
Cash and cash equivalents at 1 January	5,356	917
Cash and cash equivalents at 30 September	3,533	1,017
Cash and cash equivalents comprise:		
Cash and balances with banks	4,725	2,868
Less:		
Restricted cash	(233)	(253)
Bank overdrafts	(959)	(1,598)
	3,533	1,017

The condensed consolidated interim financial information consists of pages 2 to 16.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

1. REPORTING ENTITY

Bahrain Commercial Facilities Company BSC (the "Company") is a public shareholding company incorporated and registered in Kingdom of Bahrain. It provides short-term, medium-term, long-term loans and issue of credit card. Effective 26 June 2005, the Company became licensed and regulated by the Central Bank of Bahrain ("CBB"). This financial information is the reviewed condensed consolidated interim financial information (the "condensed consolidated interim financial information") of the Company and its subsidiaries (together referred to as the "Group") for the nine month period ended 30 September 2018.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The accompanying interim condensed consolidated financial information is prepared in accordance with IAS 34 - "Interim Financial Reporting" which permits the condensed consolidated interim financial information to be in summarised form.

The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2017. 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 financial statements as at and for the year ended 31 December 2017.

The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2017 and the comparatives for the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed consolidated interim financial information for the nine month period ended 30 September 2017.

(b) Judgements and estimates

The preparation of this interim condensed consolidated financial information 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 significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, which are described in Note 3.

(c) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017 except for the impacts of adoption of IFRS 9 and IFRS 15 as set out in note 3, which has result in additional disclosures at year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

(a) Adoption of IFRS 9

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings. The Group will continue to apply the hedge accounting requirements of IAS 39, until the macro-economic hedge requirements of IFRS 9 are issued.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are the IFRS 9 transition impact disclosures for the Group.

(i) Impact of adopting IFRS 9

The impact from adoption of IFRS 9 as at 1 January 2018 has resulted in decrease in retained earnings by BHD 6,250.

	Retained earnings
Closing balance under IAS 39 at 31 December 2017	63,018
<i>Impact on recognition of Expected Credit Losses</i>	
Loans and Advances to Customers	(5,401)
Trade receivables	(849)
	(6,250)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	56,768

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

3. SIGNIFICANT ACCOUNTING POLICIES (continue)

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

	31 December 2017	Re-measurement	1 January 2018
Loans and Advances to Customers under IAS 39 / financial assets at amortised cost under IFRS 9	10,800	5,401	16,201
Trade receivable under IAS 39 / financial assets at amortised cost under IFRS 9	589	849	1,438
	11,389	6,250	17,639

(ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial assets, liabilities and derivative financial instruments.

The Group performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics.

The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 31 December 2017.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	Re-measurement	New carrying amount
Financial assets					
Loans and advances to customers	Loans and receivables	Amortised cost	294,718	(5,401)	289,317
Trade receivables	Loans and receivables	Amortised cost	7,111	(849)	6,262
Cash and balance with banks	Loans and receivables	Amortised cost	5,637	-	5,637
Other assets	Loans and receivables	Amortised cost	3,608	-	3,608
			311,074	(6,250)	304,824

There were no changes to the classification and measurement of financial liabilities.

(iii) Expected credit loss / Impairment allowances

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of loans and advances, trade receivables and cash and bank balances and other assets.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018**

Bahraini Dinars Thousands

3. SIGNIFICANT ACCOUNTING POLICIES (continue)

Under IFRS 9, loss allowances are measured on either of the following bases:

a) Loans and advances

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

Stage 1: 12 month ECL: includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2: Life time ECL - not credit impaired: includes financial assets that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 3 Life time ECL - credit impaired: includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted). However, regulatory requirements for credit impaired accounts will continue to apply under Stage 3.

b) Trade receivables

The ECL computations for the trade receivables from customers other than governments entities was modelled using the 'Flow rate (Net Flow)' approach. Flow rates are the percentage of outstanding balances which shows indications of impairment from being current or moderately past due to significantly past due.

Measurement of ECL: 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.

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

(iv) Hedge accounting

The Group will to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9, until the macro-economic hedge requirements of IFRS 9 are issued.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018**

Bahraini Dinars Thousands

3. SIGNIFICANT ACCOUNTING POLICIES (continue)**(b) Changes to Judgements and estimates**Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Significant increase in credit risk

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 and including forward-looking information.

Inputs, assumptions and techniques used for estimating impairment

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures expected credit loss using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors.

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 forecasted collateral value and the associated recovery cost.

(c) Adoption of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, implementation of IFRS 15 will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

4. LOANS AND ADVANCES TO CUSTOMERS**(a) Exposure by staging**

	30 September 2018				31 December 2017
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances	282,822	15,424	23,749	321,995	305,518
Less: expected credit loss	(3,630)	(2,620)	(10,832)	(17,082)	(10,800)
Net loans and advances	279,192	12,804	12,917	304,913	294,718

	As at 1 January 2018 (restated)			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances	272,586	11,845	21,087	305,518
Less: expected credit loss	(3,136)	(3,419)	(9,646)	(16,201)
Net loans and advances	269,450	8,426	11,441	289,317

(b) Expected credit loss movement

	Stage 1	Stage 2	Stage 3 Collectively assessed	Stage 3 Specifically assessed	Total
Expected credit loss as 1 January 2018 (restated)	3,136	3,419	9,186	460	16,201
Net transfer between stages Charge / (release) for the period	(3,533)	(94)	3,627	-	-
Write off during the period	4,027	(705)	666	128	4,116
Expected credit loss as 30 September 2018	3,630	2,620	10,301	531	17,082

5. TRADE RECEIVABLES

	30 September 2018	31 December 2017
Trade receivables	9,755	7,700
Less: expected credit loss	(1,394)	(589)
	8,361	7,111

Expected credit loss movement

As at the beginning of the period under IAS 39
 Impact of adopting IFRS 9 as at 1 January 2018 (note 3)

Balance as at 1 January 2018 under IFRS 9

Charge for the period
 Reversal for the period for settled accounts
 Write off during the period

Expected credit loss at the end of the period

	30 September 2018	31 December 2017
	589	494
	849	-
	1,438	494
	56	95
	(60)	-
	(40)	-
	1,394	589

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

6. INVENTORIES

	30 September 2018 (reviewed)	31 December 2017 (audited)
Automotive stock:		
-Vehicles	15,130	13,427
-Spare parts	4,689	3,855
Land inventory	9,501	12,739
	29,320	30,021
Provision on vehicles and spare parts	(339)	(305)
	28,981	29,716

Movement on provisions (vehicle and spare parts)

	2018	2017
At 1 January	305	350
Net charge for the period	34	50
Written off	-	(95)
	339	305

7. TRANSACTIONS WITH RELATED PARTIES

The Company's major shareholders are Social Insurance Organisation, BBK BSC and National Bank of Bahrain with holding of 30.9%, 23.0% and 11.2% respectively of the Company's share capital at 30 September 2018. The Company has the following transactions with these related parties:

	30 September 2018 (reviewed)	31 December 2017 (audited)
Shareholders:		
Term loans	37,505	39,005
Bank overdrafts	5	71
Bank balance	1,196	1,468
	30 September 2018 (reviewed)	30 September 2017 (reviewed)
Interest Expense	1,585	813

Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel comprise members of the Board of Directors, the Chief Executive Officer, the Senior Vice President and the General Managers.

	30 September 2018 (reviewed)	30 September 2017 (reviewed)
Salaries and short term employee benefits	1,135	1,038
Directors remuneration and attendance fees	581	502
Credit card receivable	33	-
Sale of land plot	99	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018

Bahraini Dinars Thousands

7. TRANSACTIONS WITH RELATED PARTIES (continue)

No impairment losses have been recorded against balances outstanding during the period with related parties, and no specific allowance has been made for impairment losses on balances with related parties at the year end.

8. APPROPRIATIONS

At the Annual General Meeting held on 27 March 2018, the following appropriations were approved by the shareholders for 2017 and effected during the current period: transfer to general reserve of BD 1,500; transfer to donations reserve of BD 300 and cash dividend of BD 8,057.

9. OPERATING SEGMENT INFORMATION

	Revenue		Profit	
	Nine months ended 30 September 2018 (reviewed)	Nine months ended 30 September 2017 (reviewed)	Nine months ended 30 September 2018 (reviewed)	Nine months ended 30 September 2017 (reviewed)
Consumer finance	35,068	32,303	13,372	12,340
Automotive	42,872	39,615	1,941	1,674
Insurance	1,091	850	573	490
Real estate	4,267	2,169	201	(87)
	83,298	74,937	16,087	14,417

Majority of the Group's assets and liabilities are concentrated in the lending and automotive segments. Total assets as of 30 September 2018 amounted to BD 320,448 and BD 46,856 (31 December 2017: BD 308,236 and BD 44,205) and total liabilities amounted to of BD 228,132 and BD 15,763 (31 December 2017: BD 226,993 and BD 7,993) in the lending and automotive segments respectively.

10. FAIR VALUE

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

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

All financial assets of BD 318,705 (2017: BD 308,092) are classified and measured at amortised cost. All financial liabilities of BD 241,031 (2017: BD 231,718) are classified and measured at amortised cost except derivatives which are classified and measured at fair value through profit or loss.

Fair value hierarchy

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

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for the nine months ended 30 September 2018

Bahraini Dinars Thousands

10. FAIR VALUE (continue)

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 September 2018 (reviewed)	Level 1	Level 2	Level 3	Fair value	Carrying value
Loans and advances to customers	-	-	304,913	304,913	304,913
Bank term loans	-	184,118	-	184,118	184,118
Bonds issued	-	39,953	-	39,953	39,953

31 December 2017 (audited)	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Loans and advances to customers	-	-	294,718	294,718	294,718
Bank term loans	-	177,703	-	177,703	177,703
Bonds issued	-	39,900	-	39,900	39,900

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.

11. 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.