Ebdaa Microfinance Company B.S.C. (c)

Financial statements for the
year ended 31 December 2023

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Ebdaa Microfinance Company B.S.C. (c)
Administration and contact details as at 31 December 2023

Commercial registration no.	72533-1 obtained on 12 August 2009 72533-2 obtained on 26 May 2010 72533-3 obtained on 30 July 2016 72533-4 obtained on 09 August 2018	
CBB Licence no.	MFI/001 obtained on 04 February 2009	
Shareholders	Arab Gulf Programme For United Nations Development Organizations Bahrain Development Bank B.S.C. (c) Eskan Bank B.S.C. (c) Abdulhameed Mohamed Hasan Dawani Khalid Mohamed Jassim Kanoo Mona Yousuf Khalil Almoayyed	
Board of Directors	Mona Yousuf Khalil Almoayyed	- Chairwoman
	Abdulhameed Mohamed Hasan Dawani	- Director
	Adil Mohamed Ali Balla	- Director
	Bader Eldin Abdelrahim Ibrahim Abdelmagid	- Director
	Dalal Ahmed Abdulla Yusuf Alqais	- Director
	Nasser Bakr M Alkahtani	- Director
	Samar Wissa Agaiby	- Director
Registered office	Flat No. 602 Building No. 614 Road No. 1011 Sanabis 410 Kingdom of Bahrain	
Bankers	Ahli United Bank Bank of Bahrain and Kuwait Ithmaar Bank Al Salam Bank National Bank of Bahrain Kuwait Credit Bank Bahrain Islamic Bank Bahrain Development Bank	
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

On behalf of the founding shareholders and the Board of Directors of Ebdaa Microfinance Company B.S.C. (c), I am pleased to present the annual report and audited financial statements for the year ended 31 December 2023.

In 2023, Ebdaa for Microfinance Company has achieved a total profit of BD 94,840 (2022: 13,122).

The net portfolio outstanding dropped by 34% to stand at BD 1,192,455 (2022: BD 1,809,424). The main reason behind this drop is (a) the intentional focus of the management on micro loans (i.e., loans below BD 1,000) due to the defaults many of the lending companies in Bahrain faced during 2022 and 2023, and (b) the increase in the micro lending competition due to the new licenses being granted by the Central Bank of Bahrain to few online lending companies. As a result, the cash and cash equivalents increased by 63% to reach BD 1,983,518 (2022: 1,219,635). Provisions also decreased by 43% to reach BD 161,523 (2022: 284,025) due to the adoption of the revised Loan Provisioning Policies disclosed by the CBB (risk module) and due to drop in loan portfolio. In light of all of these facts, the total assets increased by 4% to stand at BD 3,354,353 (2022: 3,219,591), due to the increase in the right of use assets.

In terms of expenses, the staff costs only grew by 7% to reach BD 506,887 (2022: 473,297), mainly because the company commenced hiring staff in 2023. Overall, total expenses decreased by 15% to BD 691,564 (2022: 814,783). The reason for this significant decrease is mainly related to the reversal in the Loan Loss Provisions Ebdaa had to build during 2022.

I take this opportunity to confirm that shareholders continue to be committed to support the board and management's leadership of the team in addressing the current and potential challenges the company is or might face. With this support, the shareholders are confident that the Company will be able to progress to a stronger position to meet its growth potentials.

I am also proud to share that Ebdaa has recently signed an agreement with MF-SYS; a Canadian company operating out of Toronto and Karachi, to adopt a new Core Banking system that will introduce a paperless lending environment completely managed by the client through a simple-to-use mobile application. The new system is expected to be fully functional by the 1st Quarter of 2025.

Ebdaa is also carefully studying expansion to the Saudi and other regional markets and is now conducting a full research on the Saudi and Lebanese Markets and the potentials vs. Ebdaa's Capacity to lend. Ebdaa will seek the approvals of the Central Bank of Bahrain, the Central Bank of Saudi Arabia, and the Central Bank of Lebanon, if the study proves the expected potentials of such expansion.

Ebdaa is the first financial institution of its kind in the Gulf region. The company is the result of a fruitful partnership between the Arab Gulf Program for Development (AGFUND), three Socially Responsible Bahraini Business leaders, and the Bahraini Government, represented by the Eskan Bank and the Bahrain Development Bank. The Company is registered as a traditional microfinance institution and operates under the regulations of Volume (5) of the regulations of the Central Bank of Bahrain.

Board of Directors and Management Remunerations

The table below shows the remuneration of the members of the Board of Directors and the Executive Management for the fiscal year ended 31st December 2023.

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	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			
First: Independent Directors:													
1-Mona Yousif Al-Moayyed	-	-	-	-	-	-	-	-	-	-	-	-	-
2-Prof. Badr Eldin Abdulrahim Ibrahim	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1-Abdulhameed Mohamed Hasan Dawani	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1-Naser Bakr Al-Kahtani	-	-	-	-	-	-	-	-	-	-	-	-	-
2-Adel Mohamed Ali Balla	-	-	-	-	-	-	-	-	-	-	-	-	-
3-Samar Wissa Agaiby	-	-	-	-	-	-	-	-	-	-	-	-	-
4-Dalal Ahmed AlQais	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives	106,280	-	-	106,280

On behalf of the founding shareholders and the Board of Directors, I would like to convey our utmost gratitude to the wise leadership of the Kingdom of Bahrain, Tamkeen, the Supreme Counsel of Women, other government agencies, the Central Bank of Bahrain, and stakeholders, for their invaluable assistance and guidance. I also need to specifically thank AGFUND for the application of their Microfinance Model and their continuous support and technical contributions, all of which has heavily contributed to the positive direction the company took starting in 2014.

Finally, all of this could have not been achieved without the dedication, hard work, and loyalty of the Ebdaa team. I would like to thank the top management for their leadership and mentoring of the staff which groomed everyone to become real microfinance practitioners and experts.

Mona Yousif Khalil Almoayyed
Chairperson

Abdulhameed Mohamed Hasan Dawani
Board Member

BDO

Tel : +973 1753 0077
Fax: +973 1791 9091
www.bdo.bh

17th Floor
Diplomat Commercial Office Tower
PO Box 787
Manama
Kingdom of Bahrain

Independent auditor's report to the shareholders of Ebdaa Microfinance Company B.S.C. (c)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ebdaa Microfinance Company B.S.C. (c) ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information. In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for opinion

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

Other information

Management is responsible for the other information. The other information comprises the information included in the Chairperson's statement but does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 management and Those Charged With Governance ("TCWG") for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as modified by CBB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those Charged With Governance are responsible for overseeing the Company's financial reporting process.

Tel : +973 1753 0077
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Independent auditor's report to the shareholders of Ebdaa Microfinance Company B.S.C. (c) (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and TCWG 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.

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Independent auditor's report to the shareholders of Ebdaa Microfinance Company B.S.C. (c) (continued)

Report on other legal and regulatory requirements

Further, as required by the Bahrain Commercial Companies Law of 2001 and Volume 5 of the Central Bank of Bahrain ("the CBB") rule book, we report that:

(1) The Company has maintained proper accounting records and the financial statements are in agreement therewith;

(2) the financial information included in the Chairperson's statement is consistent with the books of account of the Company.

(3) 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 the CBB directives and regulations (as contained in the Volume 5 of the CBB rule book)) and the CBB directives or the terms of the Company's memorandum and articles of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the company or on its financial position; and

(4) satisfactory explanations and information have been provided to us by the management in response to all our requests.

BDO

Manama, Kingdom of Bahrain
7 March 2024

سامسون كاتوفاتل
رقم القيد ٢٣٩
BDO
Public Accountants
Reg. No. 239
Samson Kattuvattil

See Auditor's Report dated 7/3/24
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature:

Ebdaa Microfinance Company B.S.C. (c)
Statement of financial position as at 31 December 2023
(Expressed in Bahrain Dinars)

	Notes	31 December 2023	31 December 2022
ASSETS			
Loans and advances to customers	8	1,192,455	1,809,424
Cash and cash equivalents	7	1,983,518	1,219,635
Equipment, furniture and leasehold improvements	5	95,812	107,083
Prepayments and other receivables	9	28,531	55,564
Right-of-use assets	6	54,037	27,885
		3,354,353	3,219,591
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	2,209,720	2,209,720
Statutory reserve	11	85,185	75,701
Accumulated losses		(324,479)	(409,835)
		1,970,426	1,875,586
Liabilities			
Borrowings	12	1,100,000	1,120,000
Accruals and other payables	14	115,753	82,142
Deferred income	13	65,342	72,022
Employees' terminal benefits	16	47,063	40,641
Lease liabilities	15	55,769	29,200
		1,383,927	1,344,005
Total equity and liabilities		3,354,353	3,219,591

The financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Mona Yousuf Khalil Almoayyed
Chairperson

Abdulhameed Mohamed Hasan Dawani
Board Member

Khaled Walid Mohammad Algazawi
Chief Executive Officer

See Auditor's Report dated 7/3/24
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature:

Ebdaa Microfinance Company B.S.C. (c)
Statement of profit or loss and other comprehensive income for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Interest income		552,939	558,017
Interest expense		(6,762)	(7,035)
Net interest income		546,177	550,982
Fee income	17	177,585	205,638
Other income	18	62,642	71,285
Total income		786,404	827,905
Expenses			
Staff costs	19	(506,887)	(473,297)
Depreciation on equipment, furniture and leasehold improvements	5	(23,016)	(23,070)
Expected credit loss provision	21	38,080	(123,344)
General and administrative expenses	20	(199,741)	(195,072)
Total expenses		(691,564)	(814,783)
Net profit and other comprehensive income for the year		94,840	13,122

The financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Mona Yousuf Khalil Almoayyed
Chairperson

Abdulhameed Mohamed Hasan Dawani
Board Member

Khaled Walid Mohammad Algazawi
Chief Executive Officer

Ebdaa Microfinance Company B.S.C. (c)
Statement of changes in shareholders' equity for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

	Share capital	Statutory reserve	Accumulated losses	Total
At 31 December 2021	2,209,720	74,389	(421,645)	1,862,464
Total comprehensive income for the year	-	-	13,122	13,122
Transfer on statutory reserve	-	1,312	(1,312)	-
At 31 December 2022	2,209,720	75,701	(409,835)	1,875,586
Total comprehensive income for the year	-	-	94,840	94,840
Transfer on statutory reserve	-	9,484	(9,484)	-
At 31 December 2023	2,209,720	85,185	(324,479)	1,970,426

Ebdaa Microfinance Company B.S.C. (c)
Statement of cash flows for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Operating activities			
Net profit for the year		94,840	13,122
Adjustments for:			
Depreciation on equipment, furniture and leasehold improvements	5	23,016	23,070
Amortisation on right-of-use assets	6	43,189	39,514
Expected credit loss provision	21	(38,080)	123,344
Interest on Lease liability	15	1,488	1,853
Adjustment for right of use and lease liability		-	113
Gain on sale of vehicle		(10)	-
Changes in operating assets and liabilities:			
Loan and advances to customers		655,049	292,446
Prepayments and other receivables		27,033	(9,408)
Deferred income		(6,680)	(25,884)
Accruals and other payables		33,611	(74,241)
Employees' terminal benefits, net		6,422	3,531
Net cash provided by operating activities		839,878	387,460
Investing activities			
Purchase of equipment, furniture and leasehold Improvements	5	(11,810)	(870)
Proceeds from sale of equipment, furniture and leasehold improvements		75	-
Net cash used in investing activities		(11,735)	(870)
Financing activities			
Principal and interest paid on lease liabilities	15	(44,260)	(41,648)
Repayment of borrowings		(20,000)	-
Net cash used in financing activities		(64,260)	(41,648)
Net increase in cash and cash equivalents		763,883	344,942
Cash and cash equivalents, beginning of the year		1,219,635	874,693
Cash and cash equivalents, end of the year	7	1,983,518	1,219,635

1 Organisation and activities

Ebdaa Microfinance Company B.S.C. (c) ("the Company") is a closed shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 72533 obtained on 12 August 2009.

The Company is licensed as a microfinance institution under Volume 5 issued by the Central Bank of Bahrain ("CBB") and accordingly is subject to the regulations and supervision of the CBB.

The principal activity of the Company is providing microfinance loans to customers and related advisory services. The company is permitted to conduct its activities in compliance with both conventional banking rules for its conventional banking activities and in compliance with Islamic Shari'a rules for its Islamic banking activities.

The financial statements, set out on pages 9 to 38 were approved and authorised for issue by the Board of Directors on 7 March 2024.

The registered office of the Company is in the Kingdom of Bahrain.

The Company's financial statements include the results of operations, assets and liabilities of the following divisions:

Description	Activity	Commercial registration number	Date of registration
Ebdaa Microfinance Company B.S.C. (c)	Other credit granting activities - Microfinance Institutions	72533-1	12 August 2009
Ebdaa Microfinance Company B.S.C. (c)	Other credit granting activities - Microfinance Institutions	72533-2	26 May 2010
Ebdaa Microfinance Company B.S.C. (c)	Other credit granting activities - Microfinance Institutions	72533-3	30 July 2016
Ebdaa Microfinance Company B.S.C. (c)	Other credit granting activities - Microfinance Institutions	72533-4	9 August 2018

The registered office of the Company is in the Kingdom of Bahrain.

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") as modified by the CBB and in conformity with the Bahrain Commercial Companies Law ("BCCL") and the CBB and Financial Institutions Law, the CBB Rule Book (Volume 5) and the relevant CBB directives.

2 Basis of preparation (continued)

Basis of presentation

The financial statements have been prepared using going concern assumption under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas requiring exercise of judgment in applying Company's accounting policies are disclosed in Note 4 to the financial statements.

The functional and presentation currency of the Company is Bahrain Dinars (BD).

Improvements/amendments to IFRS Accounting Standards

Improvements/amendments to IFRS Accounting Standards contained numerous amendments to IFRS Accounting Standards that the IASB considers non-urgent but necessary. 'Improvements to IFRS Accounting Standards' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual 'IFRS Accounting Standards'. The amendments are effective for the Company's future accounting year with earlier adoption.

Standards, amendments and interpretations effective and adopted in 2023

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2023 and has been adopted in the preparation of these financial statements:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of financial statements	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023

IAS 1 Presentation of financial statements

In February 2021, the International Accounting Standard Board ("IASB") has issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The Company has adopted the amendments of IAS 1 and had no significant impact on the financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the International Accounting Standard Board ("IASB") issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

The Company has adopted the amendments of IAS 8 and had no significant impact on the financial statements.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2023 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting year beginning on or after 1 January 2023 or subsequent years, but is not relevant to the Company's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income Taxes	1 January 2023
IFRS 17	Insurance contracts	1 January 2023

Standards, amendments and interpretations issued but not yet effective in 2023

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2023. They have not been adopted in preparing the financial statements for the year ended 31 December 2023 and will or may have an effect on the entity's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of financial statements	1 January 2024
IFRS 16	Leases	1 January 2024
IAS 7	Statement of Cash Flows	1 January 2024
IFRS 7	Financial Instruments: Disclosures	1 January 2024
IAS 21	The effects of changes in foreign exchange rates	1 January 2025

Early adoption of amendments or standards in 2023

The Company did not early-adopt any new or amended standards in 2023. There would have been no change in the operational results of the Company for the year ended 31 December 2023 had the Company early adopted any of the above standards applicable to the Company.

3 Material accounting policy information

A summary of the material accounting policies adopted in the preparation of these financial statements is set out below. The policies have been consistently applied to all the years presented, unless stated otherwise.

Equipment, furniture and leasehold improvements

All equipment, furniture and leasehold improvements are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the equipment, furniture and leasehold improvements to their present location and condition for their intended use.

Depreciation is calculated on the straight-line method to write-off the cost of equipment, furniture and leasehold improvements to estimated residual values over their expected useful lives as follows:

Furniture	10 years
Computer and equipment	4 to 10 years
Software	10 years
Vehicle	7 years
Office improvements	10 years

Gains and losses on disposal of equipment, furniture and leasehold improvements are determined by reference to their carrying amount and are taken into account in determining net profit. Repairs and renewals are charged to the statement of profit or loss and other comprehensive income when the expenditure is incurred.

Financial instruments - initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.
Financial assets and financial liabilities carried on the statement of financial position mainly include cash and cash equivalents, Company deposits, loans and advances and interest and other receivables. Financial liabilities include borrowings, interest payables, other payables and lease liabilities.

I. Initial recognition and measurement of financial instruments
IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

II. Classification
On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Material accounting policy information (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and current account balances with locally incorporated banks.

Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these are subsequently measured at amortised cost using the effective interest rate method, less impairment charge for credit losses and any amounts written off. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income under 'expected credit loss provision'. Any subsequent recoveries are recognised in the statement of profit or loss and other comprehensive income as 'recoveries from loans written off'.

Derecognition of financial assets and financial liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of financial assets

Impairment

The Company assesses on a forward-looking basis, the ECL associated with its debt instruments carried at amortised cost and against the exposure arising from loan commitments and financial guarantee contracts. The Company recognises an ECL for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3 Material accounting policy information (continued)

Impairment of financial assets (continued)

Measurement of the expected credit loss provision (ECL)
The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances, as described below:

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD); and
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Loans and advances together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to recoveries of credit losses in the other income.

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

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

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

Definition of default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as liquidating collateral; or the borrower is past due more than 90 days or any credit obligation to the Company. In assessing whether a borrower is in default, the Company considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Company.

3 Material accounting policy information (continued)

Probability of default (PD)

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Company employs statistical models for analysing 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, across various geographies in which the Company has taken exposures. For most exposures, the key macro-economic indicators include gross domestic product (GDP) growth, inflation, real interest rates, unemployment, domestic credit growth, oil prices, central government revenue as a percentage to GDP and central government expenditure as a percentage to GDP.

Incorporation of forward - looking information

The Company employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. The LGD is estimated using below factors:

Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

Exposure At Default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD is converted to statement of financial position equivalents.

Significant Increase in Credit Risk (SICR)

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Company 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 Company's historical experience and expert credit assessment including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary on a portfolio level and include quantitative and qualitative factors, including days past due and risk rating.

3 Material accounting policy information (continued)

Restructured loans and advances

Where possible, the Company seeks to restructure loans and advances rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate before the modification of terms of the financing contract and is no longer considered past due. Management continuously reviews renegotiated financing contracts to ensure that all criteria are met and that future payments are likely to occur. Financing contracts continue to be subject to an individual or collective impairment assessment, calculated using the original effective interest rate.

Write-offs

The Company's accounting policy for write offs under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Bank deposits

Bank deposits mainly comprise of inter-bank deposits, which have a maturity of more than 90 days and are stated at their amortised cost less impairment.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the statement of financial position when a legally enforceable right to set-off such amounts exists and when the Company intends to settle on a net benefits basis or to realise the assets and settle the liabilities simultaneously.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and are, accordingly, not included in the statement of financial position.

3 Material accounting policy information (continued)

Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Company obtains substantially all the economic benefits from use of the asset; and
(c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

3 Material accounting policy information (continued)

Leases (continued)

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Based on the exemptions available in IFRS 16, low value and short-term leases are not capitalised in the statement of financial position. All payments made towards such leases are charged to the statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease.

Provisions

The Company recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and a reasonable estimate of the obligation can be made.

Employees' terminal benefits

a. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3 Material accounting policy information (continued)

Employees' terminal benefits (continued)

b. Post-employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Company's contributions are charged to the statement of profit or loss and other comprehensive income in the year to which they relate. In respect of this plan, the Company has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

Fee income

I. Administration fees earned in connection with granting of loans are recognised over the tenor of the loan.

II. Processing fees in respect of the loans granted are recognised as fee income on completion of loan processing.

III. Penalty fees are earned on overdue loans ranging between BD 1 to BD 6 on each overdue day. These fees are recognized only upon receipt when earned, normaly signified by actual reciept.

Deferred income

I. Administration fees

II. Grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

3 Material accounting policy information (continued)

Deferred income (continued)

Grant which are gratuitous and therefore do not warrant compliance with any conditions or obligations are recognised in the statement of profit or loss and other comprehensive income in the year in which such grant is received. Where conditions or obligations are attached to grants, they are recognised in the statement of profit or loss and other comprehensive income as such conditions are satisfied.

Grants received as compensation for any expenditure, are recognised in the statement of profit or loss and other comprehensive income over the period such expenses are incurred. Except for financial assistance received from the government and / or regulators in response to its COVID-19 support measures that meets the government grant requirement, recognised directly in equity, instead of statement of profit or loss and other comprehensive income. This is only to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognised in statement of profit or loss and other comprehensive income. Any other financial assistance, if any, is recognised in accordance with the requirements of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20").

Grants related to assets are accounted for by deducting such grant from the carrying amount of the assets.

Interest expense

Interest expense is recognised using the effective yield method.

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing on the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss and other comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4 Critical accounting estimates and judgments

Preparation of the financial statements in accordance with IFRS Accounting Standards requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- economic useful lives of equipment, furniture and leasehold improvements;
- fair value measurement;
- economic life of right-of-use assets;
- determination of lease term and the borrowing rates for leases;
- provisions;
- going concern;
- legal proceedings; and
- contingencies.

4 Critical accounting estimates and judgments

Economic useful lives of equipment, furniture and leasehold improvements

The equipment, furniture and leasehold improvements are depreciated on a straight-line basis over their economic useful lives.

The economic useful economic lives of equipment, furniture and leasehold improvements are reviewed by management annually. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the company.

Fair value measurement

The Company assesses on a forward looking basis the expected credit losses associated with its investments in financial assets at fair value through other comprehensive income.

The fair value measurement of the Company's investments in FVOCI utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Company that either require fair value measurements or only fair value disclosures as at 31 December 2023 is shown in Note 23.

Economic life of right-of-use assets

Right-of-use assets are amortised over their economic useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of profit or loss in specific periods.

The Company's right-of-use assets are amortised on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Economic useful lives of right-of-use assets are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

Determination of lease term and the borrowing rates for leases

The management of the Company exercises judgment while determining if it is reasonably certain while exercising the lease options at the commencement as well as during the lease term. The carrying value of lease liabilities are revised based on certain the variable elements of the future lease payments like rates or index. Determination of incremental borrowing rates used to determine the carrying value of lease liabilities and the discount rates used to determine the carrying value of right-of-use of lease rights involve, to certain extent, management estimates. Any changes to management estimate may have an impact on the term as well as the carrying values of the lease assets and liabilities.

4 Critical accounting estimates and judgments

Provisions

The Company creates provisions for impaired loans and advances to customers to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2023, the provision for impaired Loans and advances to customers amounted to BD161,523 (2022: BD284,025). IFRS 9 has fundamentally changed the receivable loss impairment methodology. The standard has replaced IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

Going concern

The management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Company ensure that they provide adequate financial support to fund the requirements of the Company to ensure the going concern status of the Company.

Legal proceedings

The Company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5 Equipment, furniture and leasehold improvements

	Furniture	Computer and equipment	Software	Vehicles	Office improvements	Total
Cost						
At 31 December 2021	55,922	114,083	91,758	29,850	49,847	341,460
Additions	-	870	-	-	-	870
At 31 December 2022	55,922	114,953	91,758	29,850	49,847	342,330
Disposals	-	(3,148)	-	-	-	(3,148)
Additions	2,051	924	-	7,635	1,200	11,810
At 31 December 2023	57,973	112,729	91,758	37,485	51,047	350,992
Accumulated depreciation						
At 31 December 2021	39,334	74,722	61,546	13,106	23,469	212,177
Charge for the year	2,699	6,813	4,288	4,326	4,944	23,070
At 31 December 2022	42,033	81,535	65,834	17,432	28,413	235,247
On disposals	-	(3,083)	-	-	-	(3,083)
Charge for the year	2,694	6,183	4,215	4,912	5,012	23,016
At 31 December 2023	44,727	84,635	70,049	22,344	33,425	255,180
Carrying value						
31 December 2023	13,246	28,094	21,709	15,141	17,622	95,812
31 December 2022	13,889	33,418	25,924	12,418	21,434	107,083

6 Right-of-use assets

	Buildings
Cost	
At 31 December 2021	54,381
Lease additions	45,098
Adjustments	(794)
At 31 December 2022	98,685
Lease additions	69,341
Retirement	(49,648)
At 31 December 2023	118,378
Amortisation	
At 31 December 2021	31,286
Charge for the year (Note 20)	39,514
At 31 December 2022	70,800
On lease retirement	(49,648)
Charge for the year (Note 20)	43,189
At 31 December 2023	64,341
Carrying value	
At 31 December 2023	54,037
At 31 December 2022	27,885

7 Cash and cash equivalents

	31 December 2023	31 December 2022
Balances with banks	1,596,423	1,236,032
Short-term deposits	400,000	-
Less: Provision for credit losses (Note 21)	(12,905)	(16,397)
	1,983,518	1,219,635

The current account balances with banks are non-interest bearing.

As at 31 December 2023 and 2022, the balances with banks are classified under stage 1 of the ECL model.

Short-term deposits represent amounts placed with financial institutions, which have maturity periods up to 90 days, and earn interest ranging of 6.2%.

8 Loans and Advances to Customers

	31 December 2023	31 December 2022
Gross loans and advances	1,353,978	2,093,449
Less: Provision for credit losses	(161,523)	(284,025)
	1,192,455	1,809,424

8 Loans and Advances to Customers (continued)

The table below shows the credit quality based on the Company's credit rating system:

	31 December 2023			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
Loans and advances	1,185,785	3,832	164,361	1,353,978
Less: Provision for credit losses	(3,884)	(1,594)	(156,045)	(161,523)
Carrying amount	1,181,901	2,238	8,316	1,192,455

	31 December 2022			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
Loans and advances	1,805,541	34,595	253,313	2,093,449
Less: Provision for credit losses	(13,415)	(17,297)	(253,313)	(284,025)
Carrying amount	1,792,126	17,298	-	1,809,424

During the year, the Company has not rescheduled any loans (2022: BDNil). Also, during the year, the Company has also recovered BD6,738 against loans previously written-off (2022: BD4,229). Refer Note 18.

9 Prepayments and other receivables

	31 December 2023	31 December 2022
Prepayments	6,863	11,022
Interest receivable	6,773	16,431
VAT receivables	659	-
Other receivables	14,236	28,111
	28,531	55,564

10 Share capital

	31 December 2023	31 December 2022
Authorised		
5,861,326 (2022: 5,861,326) ordinary shares of USD 1 each (equivalent to BD 0.377 each)	2,209,720	2,209,720
Issued and fully paid-up		
5,861,326 (2022: 5,861,326) ordinary shares of USD 1 each (equivalent to BD 0.377 each)	2,209,720	2,209,720

10 Share capital (continued)

The Shareholders of the Company as at 31 December 2023 and 2022 are as follows:

Name of the shareholders	Number of shares	Percentage of ownership interest
Arab Gulf Programme For United Nations Development Organizations	2,479,363	42.30%
Bahrain Development Bank B.S.C. (c)	1,238,727	21.13%
Eskan Bank B.S.C. (c)	1,000,000	17.06%
Abdulhameed Mohamed Hasan Dawani	495,491	8.45%
Khalid Mohamed Jassim Kanoo	400,000	6.82%
Mona Yousuf Khalil Almoayyed	247,745	4.24%
	5,861,326	100.00%

11 Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount of at least 10% of the Company's net profit should be transferred to a non-distributable statutory reserve until such time as minimum of 50% of the issued share capital is set aside. During the year, the Company has transferred to statutory reserve for the year ended 31 December 2023 amounting to BD9,484 (2022: BD1,312). The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law.

12 Borrowings

Borrowings mainly comprise BD1,000,000 of loan from the Supreme Council for Women repayable unless renewed annually. This loan carries a subsidised interest rate of 0.5% (2022: 0.5%).

In 2018, the Company had received BD100,000 from Fawaz Al Gosaibi Holding W.L.L. and BD20,000 from Ms. Mayan Jaafar as funding to support the Company's initiative to assist micro and small businesses in the Kingdom of Bahrain. These amounts are repayable after one year from any payment request made by the respective lenders. In the current year, the Company repaid the funds to Ms Mayan Jaafar amounting to BD20,000 after receiving the request for repayment from her.

As of 31 December 2023, other than above, no other lenders did not demand any repayment.

13 Deferred income

	31 December 2023	31 December 2022
Deferred grant	65,230	64,334
Administration fees	112	575
Other	-	7,113
Closing balance	65,342	72,022

Movements in the deferred income during the year is as follows:

	31 December 2023	31 December 2022
As at beginning of the year	72,022	97,906
Additions	896	-
Recognised in the statement of profit or loss and other comprehensive income	(7,576)	(25,884)
	65,342	72,022

Administration fees are collected upfront upon disbursing of the loan facility and are deferred over the loan tenor.

14 Accruals and other payables

	31 December 2023	31 December 2022
Accrued expenses	42,643	6,706
Reserve for insurance on client life	29,669	22,602
Leave and airfare provisions	9,439	11,135
Interest payable	5,000	5,000
VAT payables	-	1,291
Other liabilities	29,002	35,408
	115,753	82,142

15 Lease liabilities

	31 December 2023	31 December 2022
Opening balance	29,200	24,578
Additions during the year	69,341	45,098
Interest expense on lease liabilities	1,488	1,853
Reduction/adjustments during the year	-	(681)
Lease payments	(44,260)	(41,648)
Closing Balance	55,769	29,200

Maturity analysis - contractual undiscounted cash flows:

	31 December 2023	31 December 2022
Less than one year	37,343	29,596
One to five years	20,070	-
Total undiscounted lease liabilities	57,413	29,596

16 Employees' terminal benefits

Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2023 amounted to BD39,612 (2022: BD35,873).

Expatriate employees

The movement in leaving indemnity liability applicable to expatriate employees is as follows:

	31 December 2023	31 December 2022
Opening balance	40,641	37,110
Accruals for the year	6,547	6,617
Payment for the year	(125)	(3,086)
Closing balance	47,063	40,641
The number of staff employed by the Company	53	57

17 Fee income

	Year ended 31 December 2023	Year ended 31 December 2022
Processing fees	89,569	109,048
Penalty fees	56,946	63,452
Application and other fees	31,070	33,138
	177,585	205,638

18 Other income

	Year ended 31 December 2023	Year ended 31 December 2022
Recoveries from loans written-off	6,738	4,229
Income from bank deposits	28,192	7,105
Liabilities no longer payable written-off	12,513	44,200
Miscellaneous income	15,199	15,751
	62,642	71,285

19 Staff cost

	31 December 2023	31 December 2022
Salaries and allowances	383,267	384,672
Incentives	37,950	36,096
Social insurance expenses	47,628	38,039
Staff training expenses	6,571	7,868
Other benefits	65,731	44,446
Less: Tamkeen wage support	(34,260)	(37,824)
	506,887	473,297

20 General and administrative expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Depreciation on right-of-use assets (Note 6)	43,189	39,514
Legal and professional charges	42,469	35,188
Communication expenses	11,606	13,303
Rent, utilities and maintenance expenses	14,975	9,726
Advertising expenses	12,371	8,482
Travelling expense	23,414	4,078
Other general and administrative expenses	51,717	84,781
	199,741	195,072

21 Expected credit loss provision

An analysis of the changes in ECL allowances, is as follows:

	31 December 2023			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
Balance at 31 December 2022				
Balances with banks	16,397	-	-	16,397
Loans and advances to customers	13,415	17,297	253,313	284,025
	29,812	17,297	253,313	300,422
Reversal during the year - net				
Balances with banks	(3,492)	-	-	(3,492)
Loans and advances to customers	(9,531)	(15,703)	(9,354)	(34,588)
	(13,023)	(15,703)	(9,354)	(38,080)
Write-offs during the year				
Loans and advances to customers	-	-	(87,914)	(87,914)
Balance at 31 December 2023				
Balances with banks (Note 7)	12,905	-	-	12,905
Loans and advances to customers (Note 8)	3,884	1,594	156,045	161,523
	16,789	1,594	156,045	174,428

	31 December 2022			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
Balance at 31 December 2021				
Balances with banks	9,517	-	-	9,517
Loans and advances to customers	24,077	18,345	140,306	182,728
	33,594	18,345	140,306	192,245
Charge / (reversal) during the year - net				
Balances with banks	6,880	-	-	6,880
Loans and advances to customers	(10,662)	(1,048)	128,174	116,464
	(3,782)	(1,048)	128,174	123,344
Write-offs during the year				
Loans and advances to customers	-	-	(15,167)	(15,167)
Balance at 31 December 2022				
Balances with banks (Note 7)	16,397	-	-	16,397
Loans and advances to customers (Note 8)	13,415	17,297	253,313	284,025
	29,812	17,297	253,313	300,422

21 Expected credit loss provision (continued)

The movement in ECL on assets subject to ECL is as follows:

	31 December 2023			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
Opening balance	29,812	17,297	253,313	300,422
Transfer to Stage 1	12,193	(5,486)	(6,707)	-
Transfer to Stage 2	(36)	746	(710)	-
Transfer to Stage 3	(223)	(3,511)	3,734	-
Net remeasurement of loss allowance	(17,175)	289	108,845	91,959
Recoveries / write-backs	(7,782)	(7,741)	(114,516)	(130,039)
Amount written-off	-	-	(87,914)	(87,914)
Closing balance	16,789	1,594	156,045	174,428

	31 December 2022			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
Opening balance	33,594	18,345	140,306	192,245
Transfer to Stage 1	10,321	(10,321)	-	-
Transfer to Stage 2	(349)	349	-	-
Transfer to Stage 3	(815)	(1,321)	2,136	-
Net remeasurement of loss allowance	(47)	16,948	150,106	167,007
Recoveries / write-backs	(12,892)	(6,703)	(24,068)	(43,663)
Amount written-off	-	-	(15,167)	(15,167)
Closing balance	29,812	17,297	253,313	300,422

22 Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its shareholders, directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management and are on arm's length basis.

Amounts outstanding as of the statement of financial position date in respect of transactions entered into with related parties were as follows:

	31 December 2023	31 December 2022
Deferred grant from a shareholder	65,230	64,334

22 Transactions and balances with related parties (continued)

The income and expense in respect of related parties included in the statement of comprehensive income are as follows:

	Type of transaction	Related party relationship	31 December 2023	31 December 2022
Edamah Property Management Company	Lease Payments	Common Shareholder	4,396	4,396
Eskan Bank B.S.C. (c)	Lease Payments	Common Shareholder	6,653	6,653

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company, Chief Executive Officer and key executives of the Company.

	31 December 2023	31 December 2022
Salaries and short-term employee benefits	106,280	100,640
Provision for employee's terminal benefits	4,497	4,497
	110,777	105,137

No remuneration was paid to directors during the year (2022: BDNil).

23 Financial assets and liabilities and risk management

Financial assets and liabilities

Financial assets of the Company include cash and bank balances, loans and advances to customers, and prepayments and other receivables (excluding prepayments). Financial liabilities of the Company include borrowings, and accruals and other payables. The specific recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management is carried out by the finance department of the Company under policies approved by the directors. The Company's finance department evaluates and hedges financial risks in close co-operation with the Company's operating units. The Directors provide principles for overall risk management, as well as policies covering specific areas.

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

- credit risk;
- market risk:
- foreign exchange risk.
- Interest rate risk.
- Operational risk; and
- liquidity risk

23 Financial assets and liabilities and risk management (continued)

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company 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. The geographic distribution of predominantly all assets and liabilities of the Company is in the Kingdom of Bahrain. The assets and liabilities of the Company are not concentrated in any particular industry sector.

There is no significant concentration of credit risk at the reporting date. The credit risk on liquid funds is limited because the counterparties are banks with good financial standing. The Company's maximum exposure to credit risk is as follows:

	31 December 2023	31 December 2022
Balances with banks	1,983,518	1,219,635
Loans and advances to customers	1,192,455	1,809,424
Interest receivable	6,773	16,431
	3,182,746	3,045,490

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise interest rate risk and currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As the Company's financial assets and financial liabilities are denominated in Bahraini Dinars, the management does not perceive the Company to be exposed to significant currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on Company's term deposits and borrowings are fixed. Hence, the Company is not exposed to interest rate risk.

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected.

Management monitors the liquidity requirements on a monthly basis and ensures that sufficient funds are available to meet the Company's future commitments.

23 Financial assets and liabilities and risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2023 and 2022 based on contractual undiscounted payment obligation:

	31 December 2023			
	1-3 months	3 months to 1 year	More than 1 year	Total
Liabilities and commitments				
Borrowing and interest payable	-	1,105,000	-	1,105,000
Accruals and other payables	42,643	9,439	58,671	110,753
Lease liability	-	35,902	19,867	55,769
	42,643	1,150,341	78,538	1,271,522

	31 December 2022			
	1-3 months	3 months to 1 year	More than 1 year	Total
Liabilities and commitments				
Borrowing and interest payable	-	1,125,000	-	1,125,000
Accruals and other payables	6,706	11,135	59,301	77,142
Lease liability	-	29,200	-	29,200
	6,706	1,165,335	59,301	1,231,342

The table below summarises the expected maturity profile of the Company's assets and liabilities as at 31 December 2023 and 2022:

	31 December 2023					
	Up to 3 months	3 months to 1 year	Total up to 1 year	1 to 5 years	No specific maturity	Total
Assets						
Cash and cash Equivalents	1,983,518	-	1,983,518	-	-	1,983,518
Loans and advances to customers	70,700	439,434	510,134	682,321	-	1,192,455
Right-of-use assets	-	35,024	35,024	19,013	-	54,037
Prepayments and other receivables	21,668	6,863	28,531	-	-	28,531
Equipment, furniture & leasehold improvements	-	-	-	-	95,812	95,812
Liabilities						
Provision for employees' terminal benefits	-	-	-	-	47,063	47,063
Borrowing	-	1,100,000	1,100,000	-	-	1,100,000
Lease liability	-	35,902	35,902	19,867	-	55,769
Accruals and other payables	42,643	14,439	57,082	32,070	26,601	115,753
Net liquidity gap	2,033,243	(669,020)	1,364,223	649,397	22,148	2,035,768

23 Financial assets and liabilities and risk management (continued)

Liquidity risk (continued)

	31 December 2022					
	Up to 3 months	3 months to 1 year	Total up to 1 year	1 to 5 years	No specific maturity	Total
Assets						
Cash and cash equivalents	1,219,635	-	1,219,635	-	-	1,219,635
Loans and advances to customers	333,675	562,456	896,131	913,293	-	1,809,424
Right of use assets	-	27,885	27,885	-	-	27,885
Prepayments and other receivables	44,542	11,022	55,564	-	-	55,564
Equipment, furniture & leasehold improvements	-	-	-	-	107,083	107,083
Liabilities						
Provision for employees' end of service benefits	-	-	-	-	40,641	40,641
Borrowing	-	1,120,000	1,120,000	-	-	1,120,000
Lease liability	-	29,200	29,200	-	-	29,200
Trade and other payables	6,706	16,135	22,841	35,919	23,382	82,142
Net liquidity gap	1,591,146	(563,972)	1,027,174	877,374	43,060	1,947,608

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, 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 Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Company has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Company's management employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

Fair value is the amount 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.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Board of Directors considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximated to their fair values as at the reporting dates. There are no financial assets or financial liabilities carried at fair value as at the reporting dates.

23 Financial assets and liabilities and risk management (continued)

Capital management

Capital comprises ordinary shares and reserves attributable to the shareholders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder's value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2023 and 2022.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt trade and other payables less cash and cash equivalents. Capital includes capital and reserves attributable to the shareholders of the Company.

	31 December 2023	31 December 2022
Accruals and other payables	115,753	82,142
Lease liabilities	55,769	29,200
Borrowings	1,100,000	1,120,000
Less: cash and cash equivalents	(1,983,518)	(1,219,635)
Net (surplus)/debt	(711,996)	11,707
Total capital	1,970,426	1,875,586
Capital and net (surplus)/debt	1,258,430	1,887,293
Gearing ratio	-	0.62%

At 31 December 2023, gearing ratio has not been calculated, as the Company has net surplus.

24 Subsequent events

There were no significant events subsequent to 31 December 2023 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.

25 Comparative figures

Certain comparative figures have been regrouped or reclassified, wherever necessary, to confirm with current year balances.