

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

Financial statements for the  
year ended 31 December 2024

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**Ebdaa Microfinance Company B.S.C. (c)**  
**Administration and contact details as at 31 December 2024**

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<b>Commercial registration no.</b>	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
<b>CBB Licence no.</b>	MFI/001 obtained on 04 February 2009
<b>Shareholders</b>	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
<b>Board of Directors</b>	<div><div>Mona Yousuf Khalil Almoayyed Abdulhameed Mohamed Hasan Dawani Bader Eldin Abdelrahim Ibrahim Abdelmagid Dalal Ahmed Abdulla Yusuf Alqais Nasser Bakr M Alkahtani Adil Mohamed Ali Balla (Resigned on 12 January 2025) Samar Wissa Agaiby (Resigned on 12 January 2025) Khaled Ali Salem Ahaj Abdulla (Joined on 12 January 2025) Abeer Adel Ali Mohamed Albinali (Joined on 12 January 2025)</div><div>- Chairwoman - Director - Director - Director - Director  - Director  - Director  - Director  - Director</div></div>
<b>Registered office</b>	Flat No. 602 Building No. 614 Road No. 1011 Sanabis 410 Kingdom of Bahrain
<b>Bankers</b>	Ahli United Bank Bank of Bahrain and Kuwait Ithmaar Bank Al Salam Bank National Bank of Bahrain Khaleeji Commercial Bank Bahrain Islamic Bank Bahrain Development Bank
<b>Auditors</b>	BDO 17 <sup>th</sup> 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 honored to present the annual report and audited financial statements for the year ended 31 December 2024.

Throughout 2024, Ebdaa Microfinance Company achieved a total profit of BD31,165, which represents a decrease compared to BD94,840 in 2023. This decline, however, is not a true reflection of reduced revenue, but also a consequence of the modification in the calculation of Loan Loss reserves to comply with the Central Bank of Bahrain's (CBB) approved Expected Credit Loss (ECL) Calculation policy introduced last year (2023).

The net portfolio outstanding experienced significant growth of 43% to BD1,703,226 (2023: BD1,192,455). As expected, this portfolio expansion contributed to a 50% decrease in cash and cash equivalents, totalling BD997,986. Provisions also witnessed a slight decrease of 0.02% to BD157,816 (2023: BD161,523). Consequently, total assets increased by 8% to BD3,612,342 (2023: BD3,354,353). On the expenditure side, staff costs rose moderately by 7% to BD542,721 (2023: BD506,887), demonstrating the company's commitment to adhering to the revised minimum wage guidelines, which saw another increase in 2024. In line with the overall rise in operational costs, total expenses grew by 6% to BD738,157 (2023: BD691,564).

Looking ahead, Ebdaa is structuring its growth strategy around two primary pillars: First, the complete utilization of its newly acquired digital banking software, which aims to transform Ebdaa into the first fully digitalized microfinance institution in the region. The initial phase of this transformation is scheduled to begin in early 2025, starting with the migration from the existing core banking system to the new one. This phase will be followed by the launch of a mobile application, to be tested under the CBB's Regulatory Sandbox, and subsequently made available to the public. This digital platform will empower clients to apply for and receive loans digitally while independently managing their loan accounts.

The second pillar involves revising the company's hiring strategy and cost structure to eliminate redundant roles that will be absorbed by the enhanced digital core-banking system.

Upon successful implementation of the new system, Ebdaa will actively explore expansion opportunities within Saudi Arabia and other regional markets. Should the findings support this expansion, the company will seek necessary approvals from the Central Bank of Bahrain and the relevant authorities in potential markets, relying entirely on digital operations instead of costly physical infrastructures.

In light of these strategic initiatives, the shareholders will remain steadfast in supporting the Board and management in navigating current and potential challenges. With this support, we are confident that the company will continue its progress towards a stronger position and successfully realization of its growth objectives.

## 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 31<sup>st</sup> December 2024.

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 2024	Aggregate Amount
Top 6 remunerations for executives	112,533	10,812	1,027	124,372

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

  
Dalal Ahmed Abdulla Yusuf Alqais  
Board Member

## **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 2024, 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 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 2024, 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 (IASB).

#### **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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of financial statements. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 issued by IASB and 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.

## **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.

**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 2024 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.



Manama, Kingdom of Bahrain  
26 March 2025





**Ebdaa Microfinance Company B.S.C. (c)**  
**Statement of financial position as at 31 December 2024**  
**(Expressed in Bahrain Dinars)**

See Auditor's Report dated 26/3/25  
Signed by BDO, CR No. 10201-04  
Partner: Samson Kattuvattil  
Reg. No. 239  
Signature: 

	<u>Notes</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
<b>ASSETS</b>			
Loans and advances to customers	5	1,703,226	1,192,455
Cash and cash equivalents	6	997,986	1,983,518
Bank deposits	7	695,292	-
Equipment, furniture and leasehold improvements	8	110,054	95,812
Prepayments and other receivables	9	82,197	28,531
Right-of-use assets	10	23,587	54,037
		<u>3,612,342</u>	<u>3,354,353</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	2,209,720	2,209,720
Statutory reserve	12	88,302	85,185
Accumulated losses		<u>(296,431)</u>	<u>(324,479)</u>
		<u>2,001,591</u>	<u>1,970,426</u>
<b>Liabilities</b>			
Borrowings	13	1,400,000	1,100,000
Accruals and other payables	15	72,879	115,753
Deferred income	14	65,230	65,342
Employees' terminal benefits	17	48,112	47,063
Lease liabilities	16	24,530	55,769
		<u>1,610,751</u>	<u>1,383,927</u>
<b>Total equity and liabilities</b>		<u>3,612,342</u>	<u>3,354,353</u>

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

  
Dalal Ahmed Abdulla Yusuf Alqais  
Board Member

  
Khaled Walid Mohammad Algazawi  
Chief Executive Officer


**Ebdaa Microfinance Company B.S.C. (c)**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2024**  
**(Expressed in Bahrain Dinars)**

See Auditor's Report dated 26/3/25  
Signed by BDO, CR No. 10201-04  
Partner: Samson Kattuvattil  
Reg. No. 239  
Signature: 

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Interest income		464,751	552,939
Interest expense		<u>(15,322)</u>	<u>(6,762)</u>
<b>Net interest income</b>		<b>449,429</b>	<b>546,177</b>
Fee income	18	215,791	177,585
Other income	19	<u>104,102</u>	<u>62,642</u>
<b>Total income</b>		<b>769,322</b>	<b>786,404</b>
<b>Expenses</b>			
Staff costs	20	(542,721)	(506,887)
Depreciation on equipment, furniture and leasehold improvements	8	(30,240)	(23,016)
Expected credit loss provision	22	4,614	38,080
General and administrative expenses	21	<u>(169,810)</u>	<u>(199,741)</u>
<b>Total expenses</b>		<b>(738,157)</b>	<b>(691,564)</b>
<b>Net profit and other comprehensive income for the year</b>		<b><u>31,165</u></b>	<b><u>94,840</u></b>

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

  
Dalal Ahmed Abdulla Yusuf Alqais  
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 2024**  
**(Expressed in Bahrain Dinars)**

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
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	-	<u>9,484</u>	<u>(9,484)</u>	-
At 31 December 2023	2,209,720	85,185	(324,479)	1,970,426
Total comprehensive income for the year	-	-	31,165	31,165
Transfer on statutory reserve	-	<u>3,117</u>	<u>(3,117)</u>	-
At 31 December 2024	<u>2,209,720</u>	<u>88,302</u>	<u>(296,431)</u>	<u>2,001,591</u>

**Ebdaa Microfinance Company B.S.C. (c)**  
**Statement of cash flows for the year ended 31 December 2024**  
**(Expressed in Bahrain Dinars)**

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
<b>Operating activities</b>			
Net profit for the year		31,165	94,840
Adjustments for:			
Depreciation on equipment, furniture and leasehold improvements	8	30,240	23,016
Amortisation on right-of-use assets	10	47,721	43,189
Expected credit loss provision	22	(4,614)	(38,080)
Interest on lease liabilities	16	1,862	1,488
Gain on sale of equipment, furniture and leasehold improvements		(193)	(10)
Changes in operating assets and liabilities:			
Loan and advances to customers		(501,449)	655,049
Prepayments and other receivables		(53,666)	27,033
Deferred income		(112)	(6,680)
Accruals and other payables		(42,874)	33,611
Employees' terminal benefits, net		1,049	6,422
Net cash (used in)/provided by operating activities		<u>(490,871)</u>	<u>839,878</u>
<b>Investing activities</b>			
Purchase of equipment, furniture and leasehold improvements	8	(45,089)	(11,810)
Additions in bank deposits		(700,000)	-
Proceeds from sale of equipment, furniture and leasehold improvements		800	75
Net cash used in investing activities		<u>(744,289)</u>	<u>(11,735)</u>
<b>Financing activities</b>			
Principal and interest paid on lease liabilities	16	(50,372)	(44,260)
Borrowings obtained/(repaid) during the year		300,000	(20,000)
Net cash provided by/(used in) financing activities		<u>249,628</u>	<u>(64,260)</u>
Net (decrease)/increase in cash and cash equivalents		(985,532)	763,883
Cash and cash equivalents, beginning of the year		1,983,518	1,219,635
Cash and cash equivalents, end of the year	6	<u>997,986</u>	<u>1,983,518</u>

## **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 8 to 38 were approved and authorised for issue by the Board of Directors on 26 March 2025.

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:

<u>Description</u>	<u>Activity</u>	<u>Commercial registration number</u>	<u>Date of registration</u>
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 Accounting Standards 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 issued and effective in 2024 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 2024 or subsequent years, but is not relevant to the Company's operations:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	Presentation of financial statements	1 January 2024
IAS 7	Statement of Cash Flows	1 January 2024
IFRS 7	Financial Instruments: Disclosures	1 January 2024
IFRS 16	Leases	1 January 2024

### *Standards, amendments and interpretations issued but not yet effective in 2024*

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2024. They have not been adopted in preparing the financial statements for the year ended 31 December 2024 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:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 2025
IFRS 9	Financial Instruments	1 January 2026
IFRS 7	Financial Instruments: Disclosures	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

### *Early adoption of amendments or standards in 2024*

The Company did not early-adopt any new or amended standards in 2024. There would have been no change in the operational results of the Company for the year ended 31 December 2024 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 or 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. The Company accrues for its liability in this respect on an annual basis until 29 February 2024, thereafter the Company contributes to the leaving indemnity for expatriate employees administered by the Social Insurance Organisation in the Kingdom of Bahrain.

#### *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, normally signified by actual receipt.

#### *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;
- impairment of asset;
- 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 2024 is shown in Note 24.

##### *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**

##### ***Impairment of assets***

###### **(a) Financial assets**

The Company assesses on a forward-looking basis the expected credit losses associated with its trade receivables is carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 2024, impairment required for impaired Loans and advances to customers amounted to BD157,816 (2023: BD161,523). Impairment 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 Loans and advances to customers

	31 December 2024	31 December 2023
Gross loans and advances	1,861,042	1,353,978
Less: Provision for credit losses (Note 22)	(157,816)	(161,523)
	<u>1,703,226</u>	<u>1,192,455</u>

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

	31 December 2024			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit- impaired	Stage 3: Lifetime ECL credit- impaired	Total
Loans and advances	1,692,192	1,575	167,275	1,861,042
Less: Impairment for credit losses	(2,294)	(281)	(155,241)	(157,816)
Carrying amount	<u>1,689,898</u>	<u>1,294</u>	<u>12,034</u>	<u>1,703,226</u>

	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: Impairment for credit losses	(3,884)	(1,594)	(156,045)	(161,523)
Carrying amount	<u>1,181,901</u>	<u>2,238</u>	<u>8,316</u>	<u>1,192,455</u>

During the year, the Company has not rescheduled any loans (2023: BDNil). Also, during the year, the Company has also recovered BD10,706 against loans previously written-off (2023: BD6,738). Refer Note 19.

## 6 Cash and cash equivalents

	31 December 2024	31 December 2023
Balances with banks	1,005,276	1,596,423
Short-term deposits	-	400,000
Less: Provision for credit losses (Note 22)	(7,290)	(12,905)
	<u>997,986</u>	<u>1,983,518</u>

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

As at 31 December 2024 and 2023, the balances with banks are classified under stage 1 of the ECL model.

As at 31 December 2023, short-term deposits represent amounts placed with financial institutions, which have maturity periods up to 90 days, and earn interest ranging of 6.2%.

**7 Bank deposits**

	31 December 2024	31 December 2023
Term deposits	700,000	-
Less: Provision for credit losses (Note 22)	<u>(4,708)</u>	<u>-</u>
	<u>695,292</u>	<u>-</u>

As at 31 December 2024 and 2023, the bank deposits are classified under stage 1 of the ECL model.

Bank deposits represent amounts placed with financial institutions, which have maturity periods of more than three months but less than a year and earn interest ranging from 6.1% to 6.3%.

**8 Equipment, furniture and leasehold improvements**

	Furniture	Computer and equipment	Software	Vehicles	Office improvements	Total
<b>Cost</b>						
At 31 December 2022	55,922	114,953	91,758	29,850	49,847	342,330
Disposals	-	(3,148)	-	-	-	(3,148)
Additions	<u>2,051</u>	<u>924</u>	<u>-</u>	<u>7,635</u>	<u>1,200</u>	<u>11,810</u>
At 31 December 2023	57,973	112,729	91,758	37,485	51,047	350,992
Disposals	-	-	-	(4,950)	-	(4,950)
Additions	<u>170</u>	<u>11,492</u>	<u>-</u>	<u>33,427</u>	<u>-</u>	<u>45,089</u>
At 31 December 2024	<u>58,143</u>	<u>124,221</u>	<u>91,758</u>	<u>65,962</u>	<u>51,047</u>	<u>391,131</u>
<b>Accumulated depreciation</b>						
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	<u>2,694</u>	<u>6,183</u>	<u>4,215</u>	<u>4,912</u>	<u>5,012</u>	<u>23,016</u>
At 31 December 2023	44,727	84,635	70,049	22,344	33,425	255,180
On disposals	-	-	-	(4,343)	-	(4,343)
Charge for the year	<u>2,744</u>	<u>8,210</u>	<u>4,226</u>	<u>9,915</u>	<u>5,145</u>	<u>30,240</u>
At 31 December 2024	<u>47,471</u>	<u>92,845</u>	<u>74,275</u>	<u>27,916</u>	<u>38,570</u>	<u>281,077</u>
<b>Carrying value</b>						
31 December 2024	<u>10,672</u>	<u>31,376</u>	<u>17,483</u>	<u>38,046</u>	<u>12,477</u>	<u>110,054</u>
31 December 2023	<u>13,246</u>	<u>28,094</u>	<u>21,709</u>	<u>15,141</u>	<u>17,622</u>	<u>95,812</u>

**9 Prepayments and other receivables**

	31 December 2024	31 December 2023
Advances to suppliers	34,853	-
Interest receivable	16,745	6,773
Prepayments	3,980	6,863
VAT receivables	614	659
Other receivables	<u>26,005</u>	<u>14,236</u>
	<u>82,197</u>	<u>28,531</u>

**10 Right-of-use assets**

	<u>Buildings</u>
<b>Cost</b>	
At 31 December 2022	98,685
Lease additions	69,341
Retirement	<u>(49,648)</u>
At 31 December 2023	118,378
Lease additions	17,271
Retirement	<u>(49,236)</u>
At 31 December 2024	<u>86,413</u>
<b>Amortisation</b>	
At 31 December 2022	70,800
On lease retirement	(49,648)
Charge for the year (Note 21)	<u>43,189</u>
At 31 December 2023	64,341
On lease retirement	(49,236)
Charge for the year (Note 21)	<u>47,721</u>
At 31 December 2024	<u>62,826</u>
<b>Carrying value</b>	
At 31 December 2024	<u>23,587</u>
At 31 December 2023	<u>54,037</u>

## **11 Share capital**

	31 December 2024	31 December 2023
<b>Authorised</b>		
5,861,326 (2023: 5,861,326) ordinary shares of USD 1 each (equivalent to BD 0.377 each)	<u>2,209,720</u>	<u>2,209,720</u>
<b>Issued and fully paid-up</b>		
5,861,326 (2023: 5,861,326) ordinary shares of USD 1 each (equivalent to BD 0.377 each)	<u>2,209,720</u>	<u>2,209,720</u>

The Shareholders of the Company as at 31 December 2024 and 2023 are as follows:

<u>Name of the shareholders</u>	<u>Number of shares</u>	<u>Percentage of ownership interest</u>
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	<u>247,745</u>	<u>4.24%</u>
	<u>5,861,326</u>	<u>100.00%</u>

## **12 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 2024 amounting to BD3,117 (2023: BD9,484). The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law.

## **13 Borrowings**

Borrowings mainly comprise BD1,000,000 of loan from the Supreme Council for Women repayable unless renewed annually (2023: BD1,000,000). This loan carries a subsidised interest rate of 1% (2023: 0.5%).

During the current year, the Company has received BD300,000 from the Labour Fund ("Tamkeen") for Youth and Innovation financing scheme to support young entrepreneurs in availing financing facilities. This loan carries an interest rate of 1% and the interest is payable in the form of bi-annual payments to be paid in the months of June and December per year. The loan is for a period of five years unless mutually agreed by both parties to extend the duration.

In 2018, the Company had received BD100,000 from Fawaz Al Gosaibi Holding W.L.L. 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.

As of 31 December 2024, other than above, no other lenders demand any repayment.

**14 Deferred income**

	<u>31 December 2024</u>	<u>31 December 2023</u>
Deferred grant	65,230	65,230
Administration fees	<u>-</u>	<u>112</u>
Closing balance	<u>65,230</u>	<u>65,342</u>

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

	<u>31 December 2024</u>	<u>31 December 2023</u>
Opening balance	65,342	72,022
Additions	-	896
Recognised in the statement of profit or loss and other comprehensive income	<u>(112)</u>	<u>(7,576)</u>
Closing balance	<u>65,230</u>	<u>65,342</u>

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

**15 Accruals and other payables**

	<u>31 December 2024</u>	<u>31 December 2023</u>
Accrued expenses	7,783	42,643
Reserve for insurance on client life	15,000	29,669
Leave and airfare provisions	9,663	9,439
Interest payable	7,434	5,000
Other liabilities	<u>32,999</u>	<u>29,002</u>
	<u>72,879</u>	<u>115,753</u>

**16 Lease liabilities**

	31 December 2024	31 December 2023
Opening balance	55,769	29,200
Additions during the year	17,271	69,341
Interest expense on lease liabilities	1,862	1,488
Lease payments	<u>(50,372)</u>	<u>(44,260)</u>
Closing Balance	<u>24,530</u>	<u>55,769</u>
Maturity analysis - contractual undiscounted cash flows:		
	31 December 2024	31 December 2023
Less than one year	24,466	37,343
One to five years	<u>366</u>	<u>20,070</u>
Total undiscounted lease liabilities	<u>24,832</u>	<u>57,413</u>

**17 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 2024 amounted to BD48,391 (2023: BD39,612).

***Expatriate employees***

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

	31 December 2024	31 December 2023
Opening balance	47,063	40,641
Accruals for the year	1,091	6,547
Payment for the year	<u>(42)</u>	<u>(125)</u>
Closing balance	<u>48,112</u>	<u>47,063</u>
The number of staff employed by the Company	<u>63</u>	<u>53</u>

During the year ended 31 December 2024, in accordance with the change in the Social Insurance Organisation ("SIO") regulations made through resolution no. 109 of 2023, effective from 1 March 2024, the employer needs to pay the end-of-service contribution in respect of the expatriate employees registered with SIO and SIO shall disburse the contributed amount to employees on completion of the employment term. The amount accrued by the Company until 29 February 2024, shall be maintained and settled by the Company with the respective employee. The contributions made by the Company towards the end-of-service gratuity for expatriate nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2024 amounted to BD5,900 (2023: BDNil).

**18 Fee income**

	Year ended 31 December 2024	Year ended 31 December 2023
Processing fees	113,865	89,569
Penalty fees	60,865	56,946
Application and other fees	<u>41,061</u>	<u>31,070</u>
	<u>215,791</u>	<u>177,585</u>

**19 Other income**

	Year ended 31 December 2024	Year ended 31 December 2023
Recoveries from loans written-off (Note 5)	10,706	6,738
Income from bank deposits	65,776	28,192
Liabilities no longer payable written-off	13,108	12,513
Miscellaneous income	<u>14,512</u>	<u>15,199</u>
	<u>104,102</u>	<u>62,642</u>

**20 Staff cost**

	31 December 2024	31 December 2023
Salaries and allowances	429,103	383,267
Incentives	65,722	37,950
Social insurance expenses	48,586	47,628
Staff training expenses	3,977	6,571
Other benefits	42,193	65,731
Less: Tamkeen wage support	<u>(46,860)</u>	<u>(34,260)</u>
	<u>542,721</u>	<u>506,887</u>

**21 General and administrative expenses**

	Year ended 31 December 2024	Year ended 31 December 2023
Depreciation on right-of-use assets (Note 10)	47,721	43,189
Legal and professional charges	42,200	42,469
Communication expenses	14,411	11,606
Rent, utilities and maintenance expenses	12,409	14,975
Advertising expenses	9,205	12,371
Travelling expense	10,602	23,414
Other general and administrative expenses	<u>33,262</u>	<u>51,717</u>
	<u>169,810</u>	<u>199,741</u>





## 22 Expected credit loss provision (continued)

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

	31 December 2024			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit- impaired	Stage 3: Lifetime ECL credit- impaired	Total
Opening balance	16,789	1,594	156,045	174,428
Transfer to Stage 1	269	(269)	-	-
Transfer to Stage 2	(12)	3,328	(3,316)	-
Transfer to Stage 3	(48)	(1,258)	1,306	-
Net remeasurement of loss allowance	(2,706)	(3,114)	1,206	(4,614)
Recoveries / write-backs	-	-	-	-
Amount written-off	-	-	-	-
Closing balance	<u>14,292</u>	<u>281</u>	<u>155,241</u>	<u>169,814</u>

	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	<u>16,789</u>	<u>1,594</u>	<u>156,045</u>	<u>174,428</u>

## 23 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.

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

	31 December 2024	31 December 2023
Deferred grant from a shareholder	<u>65,230</u>	<u>65,230</u>

## 23 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 2024	31 December 2023
Edamah Property Management Company	Lease Payments	Common Shareholder	<u>4,396</u>	<u>4,396</u>
Eskan Bank B.S.C. (c)	Lease Payments	Common Shareholder	<u>6,653</u>	<u>6,653</u>
Yousif Khalil Almoayyed & Sons Co. B.S.C. (c)	Purchase of Vehicle	Common Director	<u>33,427</u>	<u>-</u>

### 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 2024	31 December 2023
Salaries and short-term employee benefits	124,372	106,280
Total employee's terminal benefits	<u>4,497</u>	<u>4,497</u>
	<u>128,869</u>	<u>110,777</u>

No remuneration was paid to directors during the year (2023: BDNil).

## 24 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

## **24 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 2024	31 December 2023
Balances with banks	997,986	1,983,518
Loans and advances to customers	1,703,226	1,192,455
Bank deposits	695,292	-
Interest receivable	16,745	6,773
	<u>3,413,249</u>	<u>3,182,746</u>

**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.

## 24 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 2024 and 2023 based on contractual undiscounted payment obligation:

	31 December 2024			
	1-3 months	3 months to 1 year	More than 1 year	Total
<b>Liabilities and commitments</b>				
Borrowing and interest payable	-	1,107,434	300,000	1,407,434
Accruals and other payables	7,783	9,663	47,999	65,445
Lease liability	-	24,164	366	24,530
	<u>7,783</u>	<u>1,141,261</u>	<u>348,365</u>	<u>1,497,409</u>
	31 December 2023			
	1-3 months	3 months to 1 year	More than 1 year	Total
<b>Liabilities and commitments</b>				
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
	<u>42,643</u>	<u>1,150,341</u>	<u>78,538</u>	<u>1,271,522</u>

The table below summarises the expected maturity profile of the Company's assets and liabilities as at 31 December 2024 and 2023:

	31 December 2024					
	Up to 3 months	3 months to 1 year	Total up to 1 year	1 to 5 years	No specific maturity	Total
<b>Assets</b>						
Cash and cash equivalents	997,986	-	997,986	-	-	997,986
Bank deposits	-	695,292	695,292	-	-	695,292
Loans and advances to customers	79	359,435	359,514	1,343,712	-	1,703,226
Right-of-use assets	-	23,234	23,234	353	-	23,587
Prepayments and other receivables	78,217	3,980	82,197	-	-	82,197
Equipment, furniture & leasehold improvements	-	-	-	-	110,054	110,054
<b>Liabilities</b>						
Provision for employees' terminal benefits	-	-	-	-	48,112	48,112
Borrowing	-	1,100,000	1,100,000	300,000	-	1,400,000
Lease liability	-	24,164	24,164	366	-	24,530
Accruals and other payables	<u>7,783</u>	<u>17,097</u>	<u>24,880</u>	<u>18,575</u>	<u>29,424</u>	<u>72,879</u>
Net liquidity gap	<u>1,068,499</u>	<u>(59,320)</u>	<u>1,009,179</u>	<u>1,025,124</u>	<u>32,518</u>	<u>2,066,821</u>

24 Financial assets and liabilities and risk management (continued)

Liquidity risk (continued)

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

**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.

## 24 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 2024 and 2023.

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 accruals and other payables, lease liabilities and borrowings less cash and cash equivalents. Capital includes capital and reserves attributable to the shareholders of the Company.

	31 December 2024	31 December 2023
Accruals and other payables	72,879	115,753
Lease liabilities	24,530	55,769
Borrowings	1,400,000	1,100,000
Less: cash and cash equivalents	<u>(997,986)</u>	<u>(1,983,518)</u>
Net debt/(surplus)	<u>499,423</u>	<u>(711,996)</u>
Total capital	<u>2,001,591</u>	<u>1,970,426</u>
Capital and net (surplus)/debt	<u>2,501,014</u>	<u>1,258,430</u>
Gearing ratio	<u>19.97%</u>	<u>-</u>

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

## 25 Subsequent events

There were no significant events subsequent to 31 December 2024 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.