Al Ebdaa Bank for Microfinance BSC (c)

FINANCIAL STATEMENTS

31 December 2010

Commercial registration	:	72533
Board of Directors	:	Ebrahim Bin Khalifa Bin Ali Al Khalifa *(Chairman)* Mona Yousif Khalil Almoayyed Khalid Mohamed Kanoo Nasser Bakr M Alkahtani Muhammad Yunus Abdulhameed Mohamed Hasan Dawani Adnan Mahmood Ali Albalooshi
Office	:	P.O. Box 18648, 3rd Floor, Exhibition tower Manama Kingdom of Bahrain
Auditors	:	KPMG Fakhro

FINANCIAL STATEMENTS
for the period from 12 August 2009 to 31 December 2010

CONTENTS Page

Chairman's report

On behalf of the founding Shareholders and the board of Directors of Ebdaa Bank, it is my pleasure to present the annual report and audited financial statements for the year ended 31 December 2010. It was the first operation year for Ebdaa Bank to operate in a highly complicated and hard credit-based environment where loan-based awareness is lacking and more importantly is that micro-financing is a new practice in the banking business. Needless to say, the Bank has accomplished tremendous progress in various areas including effective institutional building and recruitment of local young employees that have become the backbone in supporting the microfinance market.

The Bank has served 1,927 clients with a total amount of BD 2,239,948 which creates many job opportunities and secures the future of our beneficiaries and their children which will lead to economical development and political stabilities. We have developed the business of microfinance worldwide concept to cope with Bahrain's socio-economical strategies, and came up with a "Bahraini Microfinance System". The Bank has developed, as a source of finance, several financial portfolios agreements with Tamkeen. Some of them as a loans provider and others as a portfolio's administrator generating administration fees for more loans.

Ebdaa Bank will remain a promoter firm and a vital implementer of Bahrain Economic Vision 2030 through empowering our clients economically and culturally by providing them with loans, consultancies, and training to enhance them on developing themselves to become an entrepreneurs and potential customers for all conventional and Islamic banks, which will lead to expanding the middle class people in the kingdom.

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the wise leadership of the Kingdom of Bahrain, who saw in the rendition of their conviction to invest in Bahraini citizens, diversification of their income and expansion of the scope of the middle class in the society, HRH Prince Talal Bin Abdul Aziz Al Saud, the special envoy of UNICEF and President of the Arab Gulf Program For The United Nations Development Organizations and HRH Princes Sabeeka bint Ibrahim Al Khalifa, Wife of His Majesty the King of Bahrain and President of the Supreme Council for Women; the Central Bank of Bahrain and other Government institutions for their continued guidance and cooperation, Tamkeen and UNIDO for their constant support to transform the Bank's vision and message into a reality in a way that would realize the objectives sought, our shareholders and clients for their loyalty and support; to our Sharia'a Supervisory Board for their advice and supervision; and to the Bank's management and staff for their highly-valued dedication and professionalism.

Ebrahim Bin Khalifa Bin Ali Al Khalifa
Chairman

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
Al Ebdaa Bank for Microfinance BSC (c)
Kingdom of Bahrain

31 March 2011

Report on the financial statements
We have audited the accompanying financial statements of Al Ebdaa Bank for Microfinance BSC (c) ("the Bank"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the period from 12 August 2009 to 31 December 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the financial statements
The board of directors of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2010, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements
As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain Law, we report that the Bank has maintained proper accounting records and the financial statements are in agreement therewith; the financial information contained in the chairman's report is consistent with the financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain Law, the terms of the Bank's license or the terms of the Bank's memorandum and articles of association having occurred during the year that might have had a material adverse effect on the business of the Bank or on its financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

Al Ebdaa Bank for Microfinance BSC (c)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

Bahraini Dinars

	Note	31 December 2010
ASSETS		
Cash and cash equivalents	3	571,707
Deposits with bank		816,500
Loans and advances	4	1,107,595
Equipment	5	65,776
Other assets		46,707
Total assets		**2,608,285**
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other payables		10,733
Deposit from semi-government entity		1,000,000
Total liabilities		**1,010,733**
Equity		
Share capital		1,885,000
Accumulated losses		(287,448)
Total equity (page 5)		**1,597,552**
Total liabilities and equity		**2,608,285**

The Board of Directors approved the financial statements consisting of pages 3 to 15 on 31 March 2011.

Ebrahim Bin Khalifa Bin Ali Al Khalifa
Chairman

Dr. Waheed A. Al Qassim
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
for the period from 12 August 2009 to 31 December 2010

Bahraini Dinars

	Note	12 August 2009 to 31 December 2010
Interest on loans and advances		242,626
Interest on deposits with banks		23,289
Interest expense		(2,186)
Net interest income		**263,729**
Non-reciprocal contribution		18,850
Administration fee		154,145
Other income		38,000
Total income		**474,724**
Staff cost		435,589
Impairment allowance on loans and advances	5	78,937
Other operating expenses		236,790
Depreciation	6	10,856
Total expenses		**762,172**
Loss for the period		**(287,448)**
Other comprehensive income		-
Total comprehensive income for the period		**(287,448)**

The Board of Directors approved the financial statements consisting of pages 3 to 15 on 31 March 2011

Ebrahim Bin Khalifa Bin Ali Al Khalifa
Chairman

Dr. Waheed A. Al Qassim
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
for the period from 12 August 2009 to 31 December 2010 Bahraini Dinars

	Share capital	Accumulated losses	Total equity
Capital introduced	1,885,000	-	1,885,000
Total comprehensive income for the period	-	(287,448)	(287,448)
Balance at 31 December 2010	**1,885,000**	**(287,448)**	**1,597,552**

The financial statement consists of pages 3 to 15.

STATEMENT OF CASH FLOWS
for the period from 12 August 2009 to 31 December 2010 Bahraini Dinars

	Note	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period		(287,448)
Adjustments for:		
- Depreciation		10,856
- Impairment allowance on loans and advances		78,937
Loss for the period after adjustments		**(197,655)**
Change in assets and liabilities:		
- Deposits with banks		(816,500)
- Loans and advances		(1,186,532)
- Other assets		(46,707)
- Other liabilities		10,733
Net cash used in operating activities		**(2,039,006)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment		(76,632)
Net cash used in investing activities		**(76,632)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary share capital		1,885,000
Deposit from non-bank		1,000,000
Net cash generated from financing activities		**2,885,000**
Net increase in cash and cash equivalents		571,707
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	4	**571,707**

The financial statement consists of pages 3 to 15.

1 STATUS AND PRINCIPAL ACTIVITIES

Al Ebdaa Bank for Microfinance BSC (c) (the "Bank") was incorporated in the Kingdom of Bahrain on 12 August 2009 as a closed shareholding company under commercial registration (CR) number 72533 issued by the Ministry of Industry and Commerce. The Bank is licensed as a Retail bank by the Central Bank of Bahrain ("CBB") and is subject to the regulations and supervision of the CBB.

The principal activities of the Bank comprise microfinance and related advisory services. The Bank 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 window activities.

The financial statement has been prepared for the first time for the period from 12 August 2009 to 31 December 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Bank.

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements of the Bank are presented in Bahraini Dinar (BHD) being the functional currency of the Bank. The financial statements have been prepared on the historical cost basis.

The preparation of financial statement requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in note 2 f (ii).

i) New Standards, amendments and interpretations effective on or after 1 January 2010

The following standards, amendments and interpretations, which became effective in 2010, are relevant to the Bank:

- **Improvements to IFRSs (2009)**
  Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' 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 standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the Bank as a result of these amendments.

ii) New Standards, amendments and interpretations issued but not yet effective

The following standards and interpretations have been issued and are expected to be relevant to the Bank but not yet effective for the period ended 31 December 2010.

2 *Significant accounting policies (continued)*

- **IFRS 9 'Financial Instruments'**

  Standard issued November 2009 (IFRS 9(2009))
  IFRS 9 (2009) "Financial Instruments" is the first standard issued as part of a wider project to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

  Standard issued October 2010 (IFRS 9 (2010))

  IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 *"reassessment of Embedded Derivatives"*

  The Bank is yet to assess IFRS 9's full impact. Given the nature of the Bank's operations, this standard is not expected to have a pervasive impact on the Bank's financial statements.

  While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

- **Improvements to IFRSs(2010)**
  Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' 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 standards. The amendments are effective for the Bank's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

iii) Early adoption of standards
The Bank did not early adopt new or amended standards in 2010.

(c) Revenues

Interest income and expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Fee income arises on financial services provided by the Bank and is recognised when the corresponding services are provided. Fees earned as services are provided are taken to income over the period of service rendered.

Non-reciprocal contributions without conditions attached to them are recognised as income once the right to receive is established.

2 Significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks. Cash and cash equivalents are carried at amortized cost.

(e) Deposits with bank

Deposits with banks mainly comprise inter-bank deposits, which are for short-term and are stated at their amortised cost less impairment.

(f) Loans and advances

(i) Initial recognition and subsequent measurement

Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances are recognised when cash is advanced to a borrower. The Bank derecognises loans and advances when the contractual rights to the cash flows from the loans and advances expire, or when it transfer the loans and advances or in which the Bank neither transfer nor retains substantially all the risks and reward of ownership and it does not retain control of the loans and advances. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Impairment of loans and advances

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on s of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans in the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

The Bank considers evidence of impairment, for loans and other financial assets carried at amortised cost, at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant loans found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. The Bank considers expected cash flows from the portfolio, timing of recoveries, the amount of loss incurred etc in assessing collective impairment allowance.

(g) Equipment

Equipments are stated at cost less depreciation and impairment losses. Depreciation is calculated on original cost on a straight-line basis using rates that will reduce the assets to their residual values over their estimated useful lives as follows:

Computer and software	-	4 years
Office equipments	-	10 years

All depreciation is charged to income statement.

2 Significant accounting policies (continued)

(h) Provision for other liabilities

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities, which include certain guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial information but are disclosed unless the probability of settlement is remote.

(i) Statutory reserve

In accordance with the Bank's Articles of Association and in compliance with the Bahrain Commercial Companies Law 2001, a minimum of 10% of the profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Bahrain Commercial Companies Law 2001.

(j) Retirement benefits cost

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organization scheme to which employees and the Bank contribute monthly on a fixed-percentage-of salaries basis. The Bank's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

3 CASH AND CASH EQUIVALENTS

	2010
Cash on hand	80
Balances with banks	571,627
	571,707

4 LOANS AND ADVANCES

	2010
- Current portion	964,734
- Non-current portion	221,798
Gross loans and advances	**1,186,532**
Less: collective impairment allowance	(78,937)
Net loans and advances	**1,107,595**

5 EQUIPMENT

	Furniture	Computers	Equipments	Software	Total
Cost					
Additions during the period	16,716	21,176	18,816	19,924	76,632
At 31 December 2010	**16,716**	**21,176**	**18,816**	**19,924**	**76,632**
Depreciation					
Charge for the period	(664)	(5,381)	(1,176)	(3,635)	(10,856)
At 31 December 2010	**(664)**	**(5,381)**	**(1,176)**	**(3,635)**	**(10,856)**
Net book value					
At 31 December 2010	**16,052**	**15,796**	**17,640**	**16,289**	**65,776**

6 SHARE CAPITAL

	2010
Authorised and issued: 5,000,000 shares of BD 377fils each	1,885,000
At 31 December	**1,885,000**

The Bank has only one class of equity shares and the holders of these shares have equal voting rights.

7 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 entities over which the Bank exercises significant influence, major shareholders, directors and executive management of the Bank.

The significant related party balances and transactions included in the financial statement are as follows:

	2010
Bank balances held with a shareholder	169,814
	169,814

Transactions with key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. The key management personnel comprise members of the Board of Directors, the Chief Executive Officer, and the executive management of the Bank.

	2010
Salaries and short term employee benefits	119,245
	119,245

8 RETIREMENT BENEFITS COST

The Bank's obligations to defined contribution pension plans for employees who are covered by the social insurance pension scheme is recognized as an expense in the income statement. The Bank's contribution for 2010 amounted to BD 8,453.

9 ASSETS UNDER MANAGEMENT

The Bank provides administrative services for a fixed fee to certain government entities, which involve the Bank making decisions on behalf of such persons. The funds managed by the Bank in its capacity as an administrator are not included in these financial statements. At the reporting date, the Bank had assets under management of BD 29,133.

10 COMMITMENTS AND CONTINGENCIES

The Bank in its normal course of business has issued performance guarantees for BD 16,500.

11 FINANCIAL RISK MANAGEMENT

a. Introduction and overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework. The audit committee is assisted in these functions by the Internal Audit, which undertakes both regular and adhoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee and to management.

b. Credit risk

Credit risk represents the potential financial loss as a consequence of a customer's inability to honour the terms and conditions of a credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items.

Management of credit risk

The Bank's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers.

All loans are with local individuals. The credit risk on these loans is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The creditworthiness of each borrower is evaluated prior to lending and with a comprehensive review of information. Appropriate procedures for follow-up and recovery are in place to monitor the credit risk on loans.

11 Financial risk management (continued)

Exposure to credit risk
The Bank 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 Bank measures its exposure to credit risk by reference to the gross carrying amount of financial assets less impairment losses, if any. The maximum credit risk exposure of the loans is the carrying value amount net of the deferred income and net of impairment allowance.

Loans	**2010**
Carrying amount	**1,107,595**
Past due loans	
Overdue loans	221,877
Collective impairment allowance	78,937
Carrying amount	142,940
Neither past due nor impaired	
Gross amount	964,655
Collective impairment allowance	-
Carrying amount	964,655
Carrying amount	**1,107,595**

Impaired loans
Impaired loans are financial assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the agreements. The Bank's exposure to credit risk from loans is influenced mainly by the individual characteristics of each customer.

Allowances for impairment
The Bank establishes an allowance for collective impairment losses that represents its estimate of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Collateral
The Bank does not hold any collateral security against the loans.

Credit risk concentration
All loans are made to individuals who are Bahraini citizens.

Settlement risk
The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed.

c. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Bank.

11 *Financial risk management (continued)*

Management of liquidity risk

The Bank's approach to managing liquidity risk is to ensure that the Bank secures funding significantly larger than present and future requirements. The Bank continuously monitors the extent to which contractual receipts exceed contractual payments and the levels of new advances are correlated to the levels of liquidity.

The residual future contractual maturity of financial liabilities are summarised in the table below. The future contractual undiscounted cash flows of financial liabilities have been disclosed at the carrying value and prevailing interest rates at the reporting date until their final maturities.

	Carrying amount	Contractual undiscounted cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Liabilities					
Accrued expenses and other payables	10,733	18,233	10,733	7,500	-
Deposit from semi-government entity	1,000,000	1,000,000	-	1,000,000	-
	1,010,733	**1,018,233**	**10,733**	**1,075,000**	**-**

The Bank manages its liquidity requirements mainly with cash flows from maturities of assets and short term deposits from non bank as per requirement.

d. Market risks

Market risk is the risk that the Bank's income and / or value of a financial instrument will fluctuate because of changes in market prices such as interest rates.

Management of market risks

Market risks are closely monitored by the management and reported to the Board.

Interest rate risk

Interest rate risk is the risk that the Bank's earnings will be affected as a result of movements in interest rates. The Bank's interest rate exposures arise from its interest earning assets and interest-bearing liabilities i.e. loans and deposits. The distribution of financial instruments between interest rate categories is summarised below:

	Fixed Rate	Floating Rate	Non-interest Earning	Total
	2010	**2010**	**2010**	**2010**
ASSETS				
Cash and cash equivalents	-	-	571,707	571,707
Fixed Deposits		816,500	-	816,500
Loans	1,107,595	-	-	1,107,595
Trade and other receivables	-	-	46,707	46,707
	1,107,595	**816,500**	**618,414**	**2,542,509**
LIABILITIES				
Deposit from semi-government entity	1,000,000	-	-	1,000,000
Accrued expenses and other Payables	-	-	10,733	10,733
	1,002,502	**-**	**10,733**	**1,010,733**

11 Financial risk management (continued)

e. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank'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 Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Bank has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Bank'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.

12 DISTRIBUTION OF ASSETS AND LIABILITIES

The geographic distribution of predominantly all assets and liabilities of the Bank is in Bahrain. The assets and liabilities of the Bank are not concentrated in any particular industry sector.

13 ACCOUNTING CLASSIFICATION AND FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides disclosure of the accounting classification and estimated fair value of financial instruments, for which it is practical to estimate fair value:

Assets	Total carrying amount	Fair value
Cash and cash equivalents	571,707	571,707
Deposits with bank	816,500	816,500
Loans and advances	1,107,595	1,107,595
Equipment	65,776	65,776
Other assets & receivables	46,707	46,707
Total assets	**2,608,285**	**2,608,285**
Liabilities		
Accrued expenses and other payables	10,733	10,733
Deposit from semi-government entity	1,000,000	1,000,000
Total liabilities	**1,010,733**	**1,010,733**

All financial assets of BD 2,608,285 are categorised under 'loans and receivables' and are measured at amortised cost. All the financial liabilities of BD 1,010,733 are measured at amortised cost.