

**Family Mircofinance House B.S.C. (c)**

**SHARI'A SUPERVISORY BOARD REPORT,  
REPORT OF THE BOARD OF DIRECTORS,  
INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS (AUIDTED) AND  
SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)**

**31 DECEMBER 2022**



الحمد لله رب العالمين، والصلاة والسلام على رسوله الأمين، نبينا محمد وعلى آله وصحبه أجمعين...

**Sharia'a Supervisory Board ("SSB") Report for the fiscal year ended 31 December 2022**

To the shareholders of Family Bank BSC (C)

Asslam Alaikum Wa Rahmat Allah Wa Barakatuh

We have reviewed the principles and contracts relating to the transactions and applications conducted by Family Microfinance House BSC (C) during the financial year ended December 31, 2022. Our review was conducted in order to judge whether Family Microfinance House followed the principle of the Islamic *Sharia'a*, specific *Fatwas* and guidelines issued by *Sharia'a* Supervisory Board.

Family Microfinance House Management is responsible for ensuring that its operations are carried out in compliance with the rules and principles of the Islamic *Sharia'a*. Our responsibility is to present an independent view of Family Microfinance House operations and to communicate it to the shareholders.

We have established controls, which include the examination of documentation and procedures of Family Microfinance House by testing all types of transactions, directly or through the *Sharia'a* function of Family Microfinance House.

The review was planned and performed so as to obtain the necessary information and explanations to provide sufficient evidence confirming that Family Microfinance House has not violated the rules and principles of Islamic *Sharia'a*.

**In our opinion:**

- 1- Contracts, operations and transactions executed by Family Microfinance House during the financial year ended December 31, 2022 were on the whole in accordance with the rules and principles of Islamic *Sharia'a* law.
- 2-The management has committed itself to segregate all the unintended gains, obtained during the year from sources or means prohibited by the provisions and principles of Islamic *Sharia'a* and disburse of it towards charitable causes under the supervision of the *Sharia'a* Supervisory Board.
- 3- Family Microfinance House calculation of *Zakat* is in compliance with the rules and principles of the Islamic *Sharia'a* and according to *Zakat* standard issued by AAOIFI.

We ask Allah almighty his continued guidance & blessings.

Wasslam Alaikum Wa Rahmat Allah Wa Barakatuh

Date: 19/03/2023

SH. ESAM MOHAMMED ISHAQ

Chairman of the Shariah Supervisory Board

SH. DR. OSAMA MOHAMMED BAHAR

Member of the Shariah Supervisory Board

ABDUL-RAHMAN AHMED AL-MOOSA

Member of the Shariah Supervisory Board



بسم الله الرحمن الرحيم

الحمد لله رب العالمين، والصلاة والسلام على رسوله الأمين، نبينا محمد وعلى آله وصحبه أجمعين...

### الموضوع: تقرير هيئة الرقابة الشرعية عن السنة المالية المنتهية 2022م

إلى مساهمي بيت الأسرة للتمويل المتناهي الصغر

السلام عليكم ورحمة الله وبركاته،،

لقد قمنا بمراجعة المبادئ والعقود المتعلقة بالمعاملات والتطبيقات التي أجراها بيت الأسرة للتمويل المتناهي الصغر ش.م.ب (مقفلة) خلال السنة المالية المنتهية بتاريخ 31 ديسمبر 2022م . ولقد أجرينا مراجعتنا لإبداء رأينا عما إذا كان بيت الأسرة للتمويل المتناهي الصغر التزم بأحكام ومبادئ الشريعة الإسلامية وفق الفتاوى والقرارات والإرشادات المحددة الصادرة عن هيئة الرقابة الشرعية.

إن إدارة بيت الأسرة للتمويل المتناهي الصغر هي المسؤولة عن ضمان تنفيذ عملياتها وفقا لأحكام ومبادئ الشريعة الإسلامية. ومن مسؤوليتنا نحن بيان الحكم الشرعي عن العمليات وإبلاغه للمساهمين.

ولقد قمنا بالمراقبة التي اشتملت على فحص الإجراءات المتبعة على أساس اختبار كل نوع من أنواع العمليات، وذلك مباشرة أو عن طريق إدارة الرقابة الشرعية الداخلية.

كما قمنا بطلب المعلومات والتفسيرات التي رأيناها ضرورية لإعطاء تأكيد مقبول بأن بيت الأسرة للتمويل المتناهي الصغر لم يخالف أحكام ومبادئ الشريعة الإسلامية.

**وعليه فقد تبين لنا الآتي:**

- 1- أن العقود والعمليات والمعاملات التي أبرمها بيت الأسرة للتمويل المتناهي الصغر خلال السنة المالية المنتهية بتاريخ 31 ديسمبر 2022 كانت في جملتها متوافقة مع أحكام الشريعة الإسلامية.
- 2- أن جميع المكاسب غير المقصودة والتي تحققت خلال السنة من مصادر أو طرق تحرمها أحكام ومبادئ الشريعة الإسلامية (إن وجدت) التزمت الإدارة بتجنيبها وصرفها في وجوه الخير تحت إشراف الهيئة.
- 3- أن بيت الأسرة للتمويل المتناهي الصغر قام بحساب مقدار الزكاة وفق أحكام ومبادئ الشريعة الإسلامية وبما يتفق مع معيار الزكاة الصادر من هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية.

نسأل الله العليّ القدير أن يحقق لنا الرشاد والسداد

والسلام عليكم ورحمة الله وبركاته

التاريخ: 19/03/2023

المكان: مملكة البحرين

عبدالرحمن أحمد موسى  
عضو الهيئة

فضيلة الشيخة د. أسامة محمد بحر  
عضو الهيئة

فضيلة الشيخ/ عصام محمد إسحق  
رئيس هيئة الرقابة الشرعية



بيت الأسرة للتمويل المتناهي الصغر  
Family Microfinance House (FMH)

## REPORT OF THE BOARD OF DIRECTORS For the year ended 31 December 2022

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In the name of Allah, the most Beneficent, the most Merciful. Prayers and Peace be upon the Last Apostle Messenger, Our Prophet Mohammed.

### Dear Shareholders,

The Board of Directors is pleased to submit its report, together with the Financial Statements of Family Microfinance House B.S.C. (c) (“the company”), for the year ended 31 December 2022.

### Principal Activities

The company was established in the Kingdom of Bahrain on 5<sup>th</sup> October 2009, under commercial registration number 72929, as a Bahrain Joint Stock Company (closed). The company operates under an Islamic Microfinance Institution License issued by the Central Bank of Bahrain (the “CBB”). The company commenced commercial operations on 1<sup>st</sup> January 2010. The principal activities of the company include providing microfinance and other services that are in conformity with Islamic Shari’a.

In 2022, the company continued to disburse finances under Home Business and Micro Enterprise Finance. The company also offered non-financial services to its customers by providing advice and training. These principal activities conformed to the Islamic Shari’a and were performed with guidance from the company’s Shari’a Supervisory Board.



## Performance during 2022

During the year 2022, Family Microfinance House's total income is BD 1,044,254. The total expense for the year 2022 were at BD 854,567. The year-end profit reaches to BD 125,351 compared to year-end profit of BD 86,446 for the year 2021.

Disbursements during the year 2022 were at BD 1,636,300 to 349 customers compared to BD 1,369,836 to 329 customers for 2021. Cumulative number of Accounts as on 31<sup>st</sup> December 2022 stood as 5,807 and cumulative amounts disbursed were at BD 15,425,205.

The repayments received from customers are BD 1,213,625 in 2022. The Portfolio at Risk (PAR) position, which was 12.63% as on 31<sup>st</sup> December 2021, was maintained at 12.16% by the end of December 2022.

## Financial Position and Results:

The detailed financial position of the company as 31<sup>st</sup> December 2022, and the results for the year then ended, are set out in the accompanying financial statements.

Financial highlights	In Bahraini Dinars	
	2022	2021
Total Assets	5,288,167	5,207,659
Total equity	2,080,220	1,954,869
Profit /Loss for the year	125,351	86,446



Movement in accumulated deficit	2022	2021
Balance at 1 <sup>st</sup> January	(191,454)	(277,900)
Profit / Loss for the period	125,351	86,446
Balance at 31 December	(66,103)	(191,454)

## Dividends

The Board of Directors has not made any appropriations for dividends for the year ended 31 December 2022 (2021: Nil).

## Board of Directors and executive management remuneration

As part of Family Microfinance House obligations and ongoing efforts for increased transparency, the following tables provide remuneration disclosures in relation to the Directors and selective executive management for the year ended 31 December 2022.

**Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors**

**First: Board of directors' remuneration details:**

Name	Fixed remunerations					Variable remunerations				End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman	Total allowance for attending Board and committee	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**			
<b>First: Independent Directors:</b>												
1- Mr. Masood Ahmed Al Bastaki	-	900	-	-	-	-	-	-	-	-	-	-
2- Mrs. Kubra Ali Merza	-	900	-	-	-	-	-	-	-	-	-	-
3- Mr. Bader Ahmed Al Hammadi	-	500	-	-	-	-	-	-	-	-	-	-
<b>Second: Non-Executive Directors:</b>												
1-Mr. Jameel Bin Mohameed Ali Humidan	-	100	-	-	-	-	-	-	-	-	-	-
2- Mr. Osama Bin Ahmed Khalaf Al Asfoor	-	200	-	-	-	-	-	-	-	-	-	-
3- Dr. Mustafa Ali Al Sayed	-	500	-	-	-	-	-	-	-	-	-	-
<b>Third: Executive Directors:</b>												

1- Mr. Maysan Faisal Al Maskati	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2- Mr. Redha Ali Mohammed	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3- Mrs. Amal Othman Al Rayes	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4- Mrs. Latiffa Abdulla Al Sadeh	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5- Mrs. Emma Ismail Al Mansoori	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6- Dr. Khalid Abdulla Ateeq	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: All amounts must be stated in Bahraini Dinars.

Other remunerations:

\* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

\*\* It includes the board member's share of the profits - Granted shares (insert the value) (if any).



**Second: Executive management remuneration details:**

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	255,967/200	37,541/-	-	293,508/-

Note: All amounts must be stated in Bahraini Dinars.

\* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director... etc).

\*\* The company's highest financial officer (CFO, Finance Director, ...etc)



بيت الأسرة للتمويل المتناهي الصغر  
Family Microfinance House (FMH)

## Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the company for the year ending 31 December 2023; will be submitted to the Annual General Meeting.

## Appreciation

We express our gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, the King of the Kingdom of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, as well as the Central Bank of Bahrain, and to the Ministry of Industry and Commerce.

We also express our gratitude to the Shari'a Supervisory Board for their support and valuable guidance, to our executives and employees for their support in adding value to the Company.

**H.E. Osama Bin Ahmed Khalaf Al Asfoor**  
Chairman

**Dr. Khalid Ateeq**  
CEO & Board Member

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAMILY MICROFINANCE HOUSE B.S.C. (c)**

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of Family Microfinance House B.S.C. ("the Company") which comprise the statement of financial position as at 31 December 2022 and the related statements of income, cash flows and changes in owner's equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and the results of its operations, cash flows, and changes in owner's equity for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Company has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Company during the year under audit.

#### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFI") issued by AAOIFI. 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 AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions ("the AAOIFI Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the AAOIFI Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

Other information consists of the Report of the Board of Directors and other information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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 the fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAMILY MICROFINANCE HOUSE B.S.C. (c) (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### *Responsibilities of the Board of Directors for the financial statements*

These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles are the responsibility of the Company's Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with FAS issued by AAOIFI 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.

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *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 ASIFI issued by AAOIFI 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 ASIFI issued by AAOIFI, we exercise professional judgement and maintain professional skepticism 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAMILY MICROFINANCE HOUSE B.S.C. (c) (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### *Auditor's responsibilities for the audit of the financial statements (continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 audit committee 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.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Regulatory Requirements**

As required by the Bahrain Commercial Companies Law and Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements;

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
FAMILY Microfinance House B.S.C. (c) (continued)**

**Report on Other Regulatory Requirement (continued)**

- c) 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 applicable provisions of Volume 6) and CBB directives, or the terms of the Company's memorandum and articles of association during the year ended 31 December 2022 that might have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



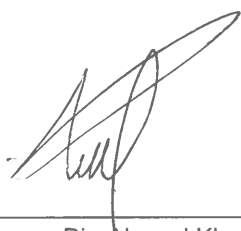
Auditor's Registration No: 115  
26 March 2023  
Manama, Kingdom of Bahrain

# Family Microfinance House B.S.C. (c)

## STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>BD</b>	2021 <b>BD</b>
<b>ASSETS</b>			
Cash and balances with banks	7	<b>493,317</b>	459,556
Mudaraba investments	8	<b>2,299,827</b>	1,827,711
Murabaha receivables	9	<b>2,276,098</b>	2,427,003
Equipment, furniture and fixtures and right-of-use assets	12	<b>74,114</b>	143,268
Other assets	11	<b>144,811</b>	350,121
<b>TOTAL ASSETS</b>		<b>5,288,167</b>	5,207,659
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Wakala financing	14	<b>3,000,000</b>	3,000,000
Accounts payable, accruals and other liabilities	13	<b>207,947</b>	252,790
		<b>3,207,947</b>	3,252,790
<b>Owners' equity</b>			
Share capital	15	<b>2,000,000</b>	2,000,000
Contributed surplus	15	<b>141,762</b>	141,762
Statutory reserve	15	<b>4,561</b>	4,561
Accumulated losses		<b>(66,103)</b>	(191,454)
		<b>2,080,220</b>	1,954,869
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>5,288,167</b>	5,207,659



H.E. Mr. Osama Bin Ahmed Khalaf Alasfoor  
Chairman



Dr. Khalid Ateeq  
CEO & Board Member

The attached notes 1 to 28 form part of these financial statements.

## Family Microfinance House B.S.C. (c)

### STATEMENT OF INCOME

For the year ended 31 December 2022

	Notes	2022 BD	2021 BD
<b>INCOME</b>			
Income from financing assets	16	976,755	986,217
Fee income		67,349	47,918
Other income	17	150	35,210
		<u>1,044,254</u>	<u>1,069,345</u>
<b>EXPENSES</b>			
Staff costs	18	654,796	650,184
General and administration expenses	19	112,142	111,934
Wakala financing expense	14	15,000	15,000
Depreciation and amortisation	12	72,629	71,786
		<u>854,567</u>	<u>848,904</u>
<b>NET PROFIT FOR THE YEAR BEFORE PROVISION FOR CREDIT LOSSES</b>		<b>189,687</b>	220,441
Allowance for credit losses - net	10	(64,336)	(133,995)
<b>NET PROFIT FOR THE YEAR</b>		<u><b>125,351</b></u>	<u>86,446</u>

  
H.E. Mr. Osama Bin Ahmed Khalaf Alasfoor  
Chairman

  
Dr. Khalid Ateeq  
CEO & Board Member

The attached notes 1 to 28 form part of these financial statements.



# Family Microfinance House B.S.C. (c)

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022 BD</b>	<b>2021 BD</b>
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		<b>125,351</b>	86,446
Adjustments for:			
Depreciation and amortisation	12	<b>72,629</b>	71,786
Amortisation of deferred cost on ijarah liability		<b>1,070</b>	2,150
Provision for end-of-service benefits		<b>17,686</b>	8,237
Allowance for credit losses	10	<b>80,720</b>	166,941
Wakala financing expense	14	<b>15,000</b>	15,000
Income from Mudaraba		<b>72,408</b>	70,498
Operating profit before changes in operating assets and liabilities		<b>384,864</b>	421,058
Changes in operating assets and liabilities:			
Murabaha receivables		<b>64,659</b>	187,326
Other assets		<b>205,310</b>	(302,321)
Accounts payable, accruals and other liabilities		<b>7,117</b>	(18,681)
Cash from operations		<b>661,950</b>	287,382
Ijarah payment		<b>(44,880)</b>	(44,881)
Net cash flows from operating activities		<b>617,070</b>	242,501
<b>FINANCING ACTIVITIES</b>			
Wakala financing		<b>(40,835)</b>	-
Mudaraba investments		<b>(401,385)</b>	(241,868)
Net cash used in financing activities		<b>(442,220)</b>	(241,868)
<b>INVESTING ACTIVITY</b>			
Purchase of equipment, furniture and fixtures	12	<b>(3,475)</b>	(4,626)
Net cash used in investing activity		<b>(3,475)</b>	(4,626)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>171,375</b>	(3,993)
Cash and cash equivalents at 1 January		<b>1,615,271</b>	1,619,264
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>1,786,646</b>	1,615,271
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
		<b>2022 BD</b>	<b>2021 BD</b>
Cash in hand	7	<b>2,974</b>	5,409
Balances with banks	7	<b>493,814</b>	460,483
Mudaraba with Islamic financial institutions with original maturity of 90 days or less		<b>1,289,858</b>	1,149,379
		<b>1,786,646</b>	1,615,271

The attached notes 1 to 28 form part of these financial statements.

Family Microfinance House B.S.C. (c)

STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2022

	<i>Share capital BD</i>	<i>Contributed surplus BD</i>	<i>Statutory reserve BD</i>	<i>Accumulated losses BD</i>	<i>Total owners' equity BD</i>
Balance at 1 January 2022	2,000,000	141,762	4,561	(191,454)	1,954,869
Net profit for the year	-	-	-	125,351	125,351
<b>Balance at 31 December 2022</b>	<b>2,000,000</b>	<b>141,762</b>	<b>4,561</b>	<b>(66,103)</b>	<b>2,080,220</b>
Balance at 1 January 2021	2,000,000	141,762	4,561	(277,900)	1,868,423
Net profit for the year	-	-	-	86,446	86,446
Balance at 31 December 2021	2,000,000	141,762	4,561	(191,454)	1,954,869

The attached notes 1 to 28 form part of these financial statements.

## 1 INCORPORATION AND ACTIVITIES

### Introduction

Family Microfinance House B.S.C (c) (the "Company") was incorporated on 5 October 2009, under commercial registration number 72929 as a Bahraini Joint Stock Company (closed). The Company's registered office is Flat/shop 703, Building 247, Road 1704, Block 317, Diplomatic Area, Kingdom of Bahrain. The Company operates under an Islamic Microfinance Institution License issued by the Central Bank of Bahrain (the "CBB"). The Company formally started its operations from 1 January 2010. The Company's Shari'a Supervisory Board is entrusted to ensure the Company's adherence to Shari'a Rules and Principles in its transactions and activities.

The principal activities of the Company include providing microfinance lending, taking funds from financial institutions and engaging in any other activities that are agreed on a case-by-case basis with the CBB, and services that are in conformity with Islamic Shari'a.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 12 March 2023.

## 2 BASIS OF PREPERATION

The financial statements have been prepared on a historical cost basis and presented in Bahraini Dinars ["BD"], being the functional currency of the Company.

### 2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book and CBB directives. For matters not covered by FAS, the Company uses the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial statements for the year ended 31 December 2021 were prepared in accordance with FAS issued by AAOIFI as modified by CBB. The transition from "FAS as issued by AAOIFI as modified by CBB" to "FAS issued by AAOIFI" has not resulted in any changes to the previously reported numbers in the statement of financial position as of 1 January 2021 and 31 December 2021, and the statements of income, cash flows, changes in owners' equity, for the year ended 31 December 2021.

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying the Company's accounting policies, management has made estimates and judgments in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

### Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

### Provisions for credit losses

In determining Provisions for credit losses on receivables, judgment is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contract has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of credit losses.

**3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)**

**Useful life of equipment, furniture and fixtures**

The Company's management determines the estimated useful lives of its equipment, furniture and fixtures for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimate.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the financial statements are set out below:

**a Financial assets and impairment assessment**

**Financial assets**

Financial assets consist of balances with banks, mudaraba and murabaha receivables. Balances relating to these contracts are stated net of allowance for credit losses.

**Financial assets - Date of recognition**

A financial asset is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial assets are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument.

**Financial assets - initial and subsequent measurement**

The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. All financial assets are measured initially at their fair value plus transaction costs, except in the case of financial assets recorded at fair value through statement of income.

**(i) Financing contracts**

*Murabaha*

Murabaha represents the sale of goods at cost plus an agreed profit. Murabaha receivables are stated net of deferred profits, any amounts written off and provision for impairment, if any. Promise made in the murabaha to the purchase orderer is not obligatory upon the customer.

**(ii) Investments**

The Company classifies its investments at either (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both the Company's business model for managing investments and the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic contracts.

*Recognition and Initial measurement*

All investment are initially recognized at cost plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the statement of income when incurred.

*Subsequent measurement*

*Investments at amortised cost*

Investments carried at amortised cost are re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the statement of income. Investment carried at amortised cost is tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a Financial assets and impairment assessment (continued)**

**(ii) Investments (continued)**

*Reclassification*

When, and only when, the Company changes its business model for managing investments, it reclassifies all affected financial assets prospectively from the reclassification date. In case of reclassification, the Company does not restate any previously recognized gains, losses (including impairment gains or losses) or returns/ profits.

**Impairment assessment**

The Company recognises credit loss provisions based on a forward looking Expected Credit Loss (ECL) approach on all established receivables and off-balance sheet exposures including guarantees, letters of credit and other similar positions which are subject to credit risk.

The Company applies a three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

- **Stage 1** – Performing assets: assets that have not significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on 12 months ECL.
- **Stage 2** – Underperforming assets: assets that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time ECL.
- **Stage 3** – Impaired assets: For assets that are impaired, the Company will recognize the impairment allowance based on life time ECL.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information include macroeconomic factors (e.g., fiscal deficit, GDP growth, inflation, government spending, profit rates and oil prices) and economic forecasts obtained through internal and external sources.

To evaluate a range of possible outcomes, the Company formulates various scenarios. For each scenario, the Company derives an ECL and apply a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

**Measurement of ECL**

Following are the key inputs into the measurement of ECL:

- 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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a Financial assets and impairment assessment (continued)**

**Impairment assessment (continued)**

***Definition of default***

The Company's definition of default is aligned with regulatory guidelines and internal credit risk management practices. Defaulted facilities are under Stage 3 and a specific provision is recognized against all such assets.

The Company uses 90+ Days Past Due on principal and profit repayments as a hard stop default definition along with certain other unlikeliness-to-pay indicators defined in risk management policies (if any).

***Probability of default***

Probability of default (PD) is a key risk parameter in the ECL calculations. It is defined as the likelihood that a counterparty will not be able to meet its debt obligations in the future. A 12 months marginal PD will be applied for all Stage 1 assets and a lifetime PD will be applied for all Stage 2 assets. PD reflect the Company's view of the future asset quality and is an unbiased estimate so as to not include any optimism or conservatism. A "point-in-time" PD (PiT PD) estimate which reflects forecasted macroeconomic conditions is used for ECL calculation purposes, as required under FAS 30.

***Loss Given Default***

Loss given default (LGD) is defined as the forecasted economic loss in case of default. LGD computation is based on the Company's losses on defaulted accounts after the consideration of recovery percentages. LGD computation is independent of the assessment of credit quality and thus applied uniformly across all stages.

***Exposure At Default***

Exposure at default (EAD) is an estimation of the extent that the Company may be exposed to an obligor in the event of default. The estimation of EAD should take into account any expected changes in the exposure after the assessment date, including expected drawdowns on committed facilities (if any) through the application of a credit conversion factor (CCF). This is of particular importance in the case of Stage 2 assets where the point of default may be several years in the future.

***Period of exposure***

The period of exposure limits the period over which possible defaults are considered, and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 assets for which lifetime ECLs are to be calculated).

The maximum period over which ECL is computed correspond to the maximum contractual period of a facility commitment. However, for certain financial instruments, the maximum period over which ECL is computed over a period that the Company is exposed to credit risk even if that period extends beyond the maximum contractual period.

***Significant Increase in Credit Risk***

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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a Financial assets and impairment assessment (continued)**

**Impairment assessment (continued)**

***Backward transition***

FAS 30 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2 and Stage 3) to 12 month ECL measurement (Stage 1). However, movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1.

***Impairment approach***

The Company recognizes impairment losses on all investment assets and exposures subject to risks other than investments carried at fair value through income statement.

The impairment losses are measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use.

**(i) Balances with banks**

This consists of cash in hand and deposits with banks carried at amortized cost.

**(ii) Mudaraba**

Mudaraba is a partnership in which the Company contributes capital. These contracts are stated at the fair value of consideration given less any amounts written off and impairment, if any.

**(iii) Murabaha receivables**

Murabaha receivables are deferred sales transactions (Murabaha) which are stated net of deferred profits and allowance for ECL, if any.

The Company arranges a murabaha transaction by buying a commodity (which represents the object of the Murabaha) and then resells this commodity to the Murabeh (beneficiary) after computing a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period.

**(iv) Equipment, furniture and fixtures and right-of-use assets**

Equipment, furniture and fixtures are initially recognised at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the statement of income as incurred. Depreciation is provided on a straight line basis at rates intended to write-off the cost of the assets over their estimated useful life.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Equipment	5 years
Furniture and fixtures	3-5 years

**b Financial liabilities**

**Financial liabilities - initial and subsequent measurement**

Financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective profit method, with profit recognised on an effective yield basis.

**Effective profit method**

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b Financial liabilities (continued)**

**(i) Wakala financing**

This represents financing received on principles of wakala contracts. Refer to note 4 (d) *Grant* for details.

**(ii) Employees' end-of-service benefits**

Bahraini employees of the Company are covered by contributions made to the Social Insurance Organisation (SIO) calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

The Company also provides for end-of-service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

**c Derecognition of financial instruments**

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

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in the statement of income.

**d Revenue recognition**

*Mudaraba*

Income on Mudaraba is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the statement of income on declaration by the Mudarib.

*Murabaha*

Profit from murabaha receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised using the effective yield method. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the statement of income.

*Grant*

The benefit of a government loan at a below-market rate of profit is treated as a government grant. The loan is recognised and measured at fair value using market rates of profit for loans with similar terms and characteristics. The benefit of the below-market rate of profit, being the difference between the initial carrying value of the loan and the proceeds received, is recognised as deferred government grant and recognised in the statement of income over the period of the loan.

Grants which are gratuitous and therefore do not warrant compliance with any conditions or obligations are recognised in the statement of income in the year in which such grant is received.

Grants received as compensation for any expenditure, are recognised in the statement of income over the period such expenses are incurred.

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



**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d Revenue recognition (continued)**

*Fee income*

i. Administration fees

Administration fees earned for the provision of services over a period of time are accrued over that period.

ii. Application fees

Loan processing fees are recognised upon receipt.

**e Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**f Cash and cash equivalents**

For the purpose of the cash flows statement, "cash and cash equivalents" consist of cash in hand, balances with banks and mudaraba and wakala with financial institutions, with original maturities of 90 days

**g Offsetting**

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable or religious right (as determined by Shari'a) to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**h Zakah**

The responsibility of payment of Zakah is on individual shareholders of the Company. The Zakah due for the financial year ended 31 December 2022 according to Zakat standard issued by AAOIFI is BD 0.002609 (2021: BD 0.002346) per share.

**i Earnings prohibited by Shari'a**

The Company is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Company uses these funds for charitable means.

**5 ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

The significant accounting policies adopted in the preparation of the financial statements are set out below:

**FAS 37 Financial Reporting by Waqf Institutions**

AAOIFI issued FAS 37 "Financial Reporting by Waqf Institutions" in 2020. The objective of the standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules. This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

The Board of Directors does not expect the above accounting standard to have an impact on the financial statements of the Company.

**FAS 38 Wa'ad, Khiyar and Tahawwut**

The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions (the institutions). This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

This standard applies to accounting and financial reporting for all transactions involving Wa'ad, Khiyar or Tahawwut arrangements carried out under Shari'ah principles and rules. The standard categorises Wa'ad and Khiyar into the following types:

**5 ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)**

**FAS 38 Wa'ad, Khiyar and Tahawwut (continued)**

- a) ancillary Wa'ad or Khiyar—where the Wa'ad or Khiyar is associated with a Shari'ah compliant arrangement, and is related to the structure of the transaction, e.g. a promise by the purchase orderer (potential buyer) attached to a Murabaha transaction, or a promise to purchase after the end of the Ijarah term in an Ijarah Muntahia Bittamleek transaction, or the option of seeing (i.e. inspecting) in a sale transaction; and
- b) product Wa'ad or Khiyar—where the Wa'ad or Khiyar is used as a stand-alone Shari'ah compliant arrangement in itself e.g. foreign exchange forward promise or an option of cancellation of sale with Arboun.

For ancillary Wa'ad or Khiyar, at the end of each financial reporting period, the Company assesses whether any of the ancillary Wa'ad or Khiyar, in either capacity of a promisor or promisee, has turned into an onerous contract or commitment. Onerous contract or commitment is accounted for in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments".

For product Wa'ad or Khiyar, the Company is required to account for any obligation or rights arising from such arrangement and subsequently, at each reporting period, the carrying amount of the recognized constructive obligation or rights shall be reviewed and necessary adjustments shall be made. Any gains or losses shall be taken to the statement of income unless these pertain to a Tahawwut (hedging) arrangement.

The adoption of the above accounting standard did not have a material impact on the financial statements.

**6 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

**FAS 39 Financial Reporting for Zakah**

AAOIFI issued FAS 39 "Financial Reporting for Zakah" in 2021. The objective of the standard is to establish principles of financial reporting of Zakah, attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Board of Directors does not expect the above accounting standard to have an impact on the financial statements of the Company.

**FAS 40 Financial Reporting for Islamic Finance Windows**

AAOIFI issued FAS 40 "Financial Reporting for Islamic Finance Windows" in 2021. The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in form of Islamic finance window). This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted. The Board of Directors does not expect the above accounting standard to have an impact on the financial statements of the Company.

**FAS 1 (Revised) General Presentation and Disclosures in the Financial Statements**

The revised FAS 1 "General Presentation and Disclosures in the Financial Statements" describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. The Islamic financial institutions are required to publish periodic financial statements to satisfy the common information needs of the users, as described in the conceptual framework. This standard sets out the overall requirements for presentation of financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari'ah principles and rules and comparability with the institution's financial statements of previous periods, and the financial statements of other institutions. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2023. Early adoption of the standard is permitted. The Board of Directors does not expect the above accounting standard to have a significant impact on the financial statements of the Company.

Family Microfinance House B.S.C. (c)  
**NOTES TO THE FINANCIAL STATEMENTS**  
 At 31 December 2022

**7 CASH AND BALANCES WITH BANKS**

	<b>2022</b>	2021
	<b>BD</b>	<b>BD</b>
Cash in hand	<b>2,974</b>	5,409
Balances with banks (note 20)	<b>493,814</b>	460,483
Allowance for credit losses	<b>(3,471)</b>	(6,336)
	<b>493,317</b>	459,556

**8 MUDARABA INVESTMENTS**

	<b>2022</b>	2021
	<b>BD</b>	<b>BD</b>
Mudaraba with Islamic financial institution (note 20)	<b>2,306,444</b>	1,836,988
Allowance for credit losses	<b>(6,617)</b>	(9,277)
	<b>2,299,827</b>	1,827,711

**9 MURABAHA RECEIVABLES**

	<b>2022</b>	2021
	<b>BD</b>	<b>BD</b>
Gross murabaha receivables	<b>3,961,387</b>	4,267,305
Deferred profits	<b>(1,240,902)</b>	(1,393,031)
	<b>2,720,485</b>	2,874,274
Allowance for credit losses	<b>(444,387)</b>	(447,271)
Net murabaha receivables	<b>2,276,098</b>	2,427,003

At 31 December 2022, the restructured facilities amounted to BD 22,736 (31 December 2021: BD 43,205).

The table below shows the credit quality based on the stage classification:

	<b>31 December 2022 (Audited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Not past due	1,598,766	217,999	13,216	1,829,981
1 to 89 days past due	-	460,347	31,886	492,233
90 days or more past due	-	-	398,271	398,271
	<b>1,598,766</b>	<b>678,346</b>	<b>443,373</b>	<b>2,720,485</b>
Allowance for credit losses	<b>(63,260)</b>	<b>(137,954)</b>	<b>(243,173)</b>	<b>(444,387)</b>
	<b>1,535,506</b>	<b>540,392</b>	<b>200,200</b>	<b>2,276,098</b>

# Family Microfinance House B.S.C. (c)

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

### 9 MURABAHA RECEIVABLES (continued)

	31 December 2021 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
	BD	BD	BD	BD
Not past due	1,839,876	270,455	26,243	2,136,574
1 to 89 days past due	-	340,178	12,338	352,516
90 days or more past due	-	-	385,184	385,184
	1,839,876	610,633	423,765	2,874,274
Allowance for credit losses	(69,556)	(138,251)	(239,464)	(447,271)
	1,770,320	472,382	184,301	2,427,003

The below table shows the movement in allowance for credit losses by stage:

	31 December 2022 (Audited)			
	Stage 1: 12 months ECL BD	Stage 2 Lifetime ECL not credit impaired BD	Stage 3 Lifetime ECL credit impaired BD	Total ECL BD
Balance at 1 January	69,556	138,251	239,464	447,271
Changes during the year:				
- transferred to Stage 1: 12 month ECL	43,322	(22,918)	(20,404)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(41,297)	45,389	(4,092)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(2,025)	(22,472)	24,497	-
Net remeasurement of loss allowance	(6,296)	(296)	92,838	86,246
Allowances for credit losses (note 10)	(6,296)	(297)	92,839	86,246
Amounts written off during the year	-	-	(89,130)	(89,130)
	<b>63,260</b>	<b>137,954</b>	<b>243,173</b>	<b>444,387</b>

	31 December 2021 (Audited)			
	Stage 1: 12 months ECL BD	Stage 2 Lifetime ECL not credit impaired BD	Stage 3 Lifetime ECL credit impaired BD	Total ECL BD
Balance at 1 January	34,999	109,174	162,226	306,399
Changes during the year:				
- transferred to Stage 1: 12 month ECL	22,726	(21,030)	(1,696)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(47,446)	49,930	(2,484)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(47,770)	(9,687)	57,457	-
Net remeasurement of loss allowance	107,047	9,864	50,560	167,471
Allowances for credit losses (note 10)	34,557	29,077	103,837	167,471
Amounts written off during the year	-	-	(26,599)	(26,599)
	<b>69,556</b>	<b>138,251</b>	<b>239,464</b>	<b>447,271</b>

The contractual amount outstanding on financial assets that were written off by the Bank as at 31 December 2022 and that were still subject to enforcement activity was BD 456,365 (2021: BD 327,020).

Family Microfinance House B.S.C. (c)  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

**10 ALLOWANCE FOR CREDIT LOSSES - NET**

The provision (charge) write back against financial assets comprise of:

	<b>2022</b>	2021
	<b>BD</b>	<b>BD</b>
Balances with banks	<b>2,865</b>	175
Mudaraba investment	<b>2,661</b>	355
Murabaha receivables	<b>(86,246)</b>	(167,471)
Recoveries from Murabaha receivables previously written off	<b>21,097</b>	32,946
Other Assets	<b>(4,713)</b>	-
	<b>(64,336)</b>	(133,995)

**11 OTHER ASSETS**

	<b>2022</b>	2021
	<b>BD</b>	<b>BD</b>
Profit receivables from Tamkeen	<b>117,191</b>	302,753
Others	<b>22,909</b>	37,944
Advance paid for ITS	<b>4,711</b>	9,424
	<b>144,811</b>	350,121

**12 EQUIPMENT, FURNITURE AND FIXTURES AND RIGHT OF USE ASSETS**

	<i>Right of Use Assets</i>	<i>Software and equipment</i>	<i>Furniture and fixtures</i>	<i>Total</i>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Cost:				
At 1 January 2022	105,502	132,653	67,775	<b>305,930</b>
Additions during the year	-	3,475	-	<b>3,475</b>
At 31 December 2022	<b>105,502</b>	<b>136,128</b>	<b>67,775</b>	<b>309,405</b>
Depreciation and Amortisation:				
At 1 January 2022	43,501	96,393	22,768	<b>162,662</b>
Charge for the year	43,501	15,573	13,555	<b>72,629</b>
At 31 December 2022	<b>87,002</b>	<b>111,966</b>	<b>36,323</b>	<b>235,291</b>
Net carrying values:				
<b>At 31 December 2022</b>	<b>18,500</b>	<b>24,162</b>	<b>31,452</b>	<b>74,114</b>

## Family Microfinance House B.S.C. (c)

### NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

#### 12 EQUIPMENT, FURNITURE AND FIXTURES AND RIGHT OF USE ASSETS (continued)

	<i>Right of Use Assets BD</i>	<i>Software and equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:				
At 1 January 2021	-	128,027	67,775	195,802
Additions during the year	105,502	4,626	-	110,128
At 31 December 2021	105,502	132,653	67,775	305,930
Depreciation and Amortisation:				
At 1 January 2021	-	81,663	9,213	90,876
Charge for the year	43,501	14,730	13,555	71,786
At 31 December 2021	43,501	96,393	22,768	162,662
Net carrying values:				
At 31 December 2021	62,001	36,260	45,007	143,268

#### 13 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>Note</i>	<b>2022 BD</b>	<i>2021 BD</i>
Accrued expenses		<b>74,288</b>	73,474
Ijarah liability	13.1	<b>18,963</b>	62,772
Employees' end-of-service benefits		<b>66,160</b>	48,474
Professional fees payable		<b>17,657</b>	7,765
Payables related to technology and communication		<b>2,072</b>	6,201
Other payables		<b>28,807</b>	54,104
		<b>207,947</b>	252,790

##### 13.1 Ijara Liability

	<b>2022 BD</b>	<i>2021 BD</i>
Gross ijarah liability	<b>62,772</b>	64,380
Deferred cost on ijarah liability	<b>(43,809)</b>	(1,608)
	<b>18,963</b>	62,772

#### 14 WAKALA FINANCING

The Company has a BD 3 million Wakala funds which are received from Tamkeen and are reinvested by the Company in its capacity as Wakeel in to Murabaha facilities. Under these Wakala agreements, the Company agreed a target rate of 0.5% with the funds provider and any income beyond that is given away to the Company. During the year, the Company paid BD 15,000 to the funds provider (2021; same).

Family Microfinance House B.S.C. (c)  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

**15 SHARE CAPITAL AND RESERVES**

**Share capital**

	<b>2022</b>	2021
	<b>BD</b>	BD
<i>Authorised :</i>		
150,000,000 ordinary shares (31 December 2021: 150,000,000) of BD 0.1 each	<b>15,000,000</b>	15,000,000
<i>Issued and fully paid up:</i>		
As at beginning and end of the year		
20,000,000 ordinary shares (31 December 2021: 20,000,000) of BD 0.1 each	<b>2,000,000</b>	2,000,000

The number and nominal value of shares as well as the shareholding percentages as at 31 December 2022 and 2021 are as follows:

<b>Shareholders</b>	<b>Number of shares</b>	<b>Nominal value BD</b>	<b>Share capital BD</b>	<b>Shareholding percentage</b>
Ministry of Labour & Social development	6,080,000	0.1	608,000	30.40%
Royal Humanitarian Foundation	6,000,000	0.1	600,000	30.00%
Ahli United Bank B.S.C.	2,400,000	0.1	240,000	12.00%
Ithmaar Holding B.S.C.	2,000,000	0.1	200,000	10.00%
Bank of Bahrain and Kuwait	2,000,000	0.1	200,000	10.00%
Kuwait Finance House (Bahrain) B.S.C.(c)	1,520,000	0.1	152,000	7.60%
	<b>20,000,000</b>		<b>2,000,000</b>	<b>100%</b>

**Contributed surplus**

The balance as at 31 December 2022 and as at 31 December 2021 represent contribution from the Shareholders, over and above the share capital, which is repayable only at the discretion of the Company and does not carry any profit.

**Statutory reserve**

In accordance with the provisions of the Bahrain Commercial Companies Law and the Company's articles of association, an amount equivalent to 10% of the net profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. This reserve is not distributable, but can be utilised for the purposes of a distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the CBB. No such transfers have been made during the year ended 31 December 2022 and 2021, as the Company is having accumulated losses.

**16 INCOME FROM FINANCING ASSETS**

	<b>2022</b>	2021
	<b>BD</b>	BD
Income from Murabaha	<b>904,347</b>	915,719
Income from Mudaraba	<b>72,408</b>	70,498
	<b>976,755</b>	986,217

Family Microfinance House B.S.C. (c)  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2022

**17 OTHER INCOME**

	<b>2022</b>	<b>2021</b>
	<b>BD</b>	<b>BD</b>
Grant received from shareholders	-	35,000
Miscellaneous income	<b>150</b>	210
	<b>150</b>	<b>35,210</b>

**18 STAFF COSTS**

	<b>2022</b>	<b>2021</b>
	<b>BD</b>	<b>BD</b>
Salaries and benefits	<b>465,524</b>	448,442
Social security contributions	<b>68,588</b>	73,471
Medical expenses	<b>32,684</b>	34,961
Provision for end-of-service benefits	<b>17,686</b>	8,237
Other	<b>70,314</b>	85,073
	<b>654,796</b>	<b>650,184</b>

**19 GENERAL AND ADMINISTRATION EXPENSES**

	<b>2022</b>	<b>2021</b>
	<b>BD</b>	<b>BD</b>
Amortisation of deferred cost on ijarah liability	<b>1,070</b>	2,150
Utilities	<b>17,296</b>	23,490
Professional fees	<b>19,404</b>	18,701
Membership fees	<b>13,441</b>	13,320
Security charges	<b>7,987</b>	7,987
Shari'a Supervisory Board advisory and attendance allowances (note 22)	<b>9,060</b>	6,795
Communications	<b>8,112</b>	8,093
Marketing and promotional expenses	<b>1,889</b>	4,534
Training expenses	<b>300</b>	647
Other	<b>33,583</b>	26,217
	<b>112,142</b>	<b>111,934</b>

**20 RELATED PARTY TRANSACTIONS**

Related parties comprise major shareholders, Directors of the Company, Shari'a Supervisory Board members, entities owned or controlled, jointly controlled or significantly influenced by such parties.

The transactions with related parties arise from the ordinary course of business. Outstanding balances at year end are unsecured. As of 31 December 2022, none of the Company's exposures to related parties are past due or impaired (31 December 2021: nil).



Family Microfinance House B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

**20 RELATED PARTY TRANSACTIONS (continued)**

The significant balances with related parties were as follows:

	<i>Directors and key management personnel BD</i>	<i>Shareholders BD</i>	<i>Others BD</i>	<i>Total BD</i>
<b>31 December 2022</b>				
Balances with banks (note 7)	-	493,814	-	493,814
Mudaraba (note 8)	-	2,306,444	-	2,306,444
	-	<b>2,800,258</b>	-	<b>2,800,258</b>
<b>LIABILITIES</b>				
Accounts payable, accruals and other liabilities	<b>38,225</b>	-	<b>6,180</b>	<b>44,405</b>
	<i>Directors and key management personnel BD</i>	<i>Shareholders BD</i>	<i>Others BD</i>	<i>Total BD</i>
<b>31 December 2021</b>				
Balances with banks (note 7)	-	460,483	-	460,483
Mudaraba (note 8)	-	1,836,988	-	1,836,988
	-	<b>2,297,471</b>	-	<b>2,297,471</b>
<b>LIABILITIES</b>				
Accounts payable, accruals and other liabilities	44,005	-	5,500	49,505

The transactions with the related parties included in the statement of income are as follows:

	<i>Directors and key management personnel BD</i>	<i>Shareholders BD</i>	<i>Others BD</i>	<i>Total BD</i>
<b>2022</b>				
<b>Income</b>				
Income from mudaraba (note 17)	-	72,408	-	72,408
	-	<b>72,408</b>	-	<b>72,408</b>
<b>Expense</b>				
Shari'a Supervisory Board advisory and attendance allowances (note 20)	9,060	-	-	9,060
	<b>9,060</b>	-	-	<b>9,060</b>

# Family Microfinance House B.S.C. (c)

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

### 20 RELATED PARTY TRANSACTIONS (continued)

	<i>Directors and key management personnel</i>	<i>Shareholders</i>	<i>Others</i>	<i>Total</i>
<b>2021</b>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
<b>Income</b>				
Income from mudaraba (note 17)	-	70,498	-	70,498
	-	70,498	-	70,498
<b>Expense</b>				
Shari'a Supervisory Board advisory and attendance allowances (note 20)	6,795	-	-	6,795
Professional fees	-	-	3,000	3,000
	6,795	-	3,000	9,795

Key management personnel are those that possess significant decision-making and direction-setting responsibilities in each team, at different grades with the Company. The compensation of these key management personnel is as follows:

	<b>2022</b>	<b>2021</b>
	<i>BD</i>	<i>BD</i>
Salaries	<b>300,222</b>	276,901
Other benefits	<b>43,025</b>	40,140
	<b>343,247</b>	317,041

### 21 CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to ensure that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

### 22 SHARI'A SUPERVISORY BOARD

The Company's Shari'a Supervisory Board consists of three scholars who review the Company's compliance with general Shari'a principles and specific fatwa's, rulings and guidelines issued. Their review includes examination of the documentation and procedures adopted by the Company to ensure that its activities are conducted in accordance with Shari'a principles.

### 23 RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk and operational risk in its day to day operations.

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established an Executive, Remuneration & Nomination Committee (Executive Committee), which is responsible for developing and monitoring Company's operations and policies across various functions including risk management policies. The Executive Committee consists of three non-executive directors of the Company along with the Chief Executive Officer ["CEO"] as an attendee. The Executive Committee reviews and approves the CEO's recommendations for investment strategies, investment proposals, various products and services and where deemed necessary, also refers decisions to the Board of Directors.

**23 RISK MANAGEMENT (continued)**

The Company's Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by an outsourced Internal Audit function.

**23.1 Credit risk**

Credit risk is the risk that a counterparty to a financial transaction does not discharge its obligations on due date and causes the other party to incur a financial loss.

The Company's credit risk arises mainly from balances with banks, mudaraba and murabaha receivables. The Company manages its credit risk by placing funds with reputable banks having good credit ratings and by a process of credit evaluation and monitoring of credit worthiness of the counterparties.

**(a) Maximum exposure to credit risk**

	<b>2022</b>	<i>2021</i>
	<b>BD</b>	<i>BD</i>
Balances with banks (note 7)	<b>490,343</b>	454,147
Mudaraba (note 8)	<b>2,299,827</b>	1,827,711
Murabaha receivables (note 9)	<b>2,276,098</b>	2,427,003
	<b>5,066,268</b>	4,708,861

**(b) Credit quality by class of financial asset**

	<b>2022</b>			
	<i>Balances with banks</i>	<i>Mudaraba</i>	<i>Murabaha receivables</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Stage 1	490,343	2,299,827	1,535,506	<b>4,325,676</b>
Stage 2	-	-	540,392	<b>540,392</b>
Stage 3	-	-	200,200	<b>200,200</b>
<b>Net exposure to credit risk</b>	<b>490,343</b>	<b>2,299,827</b>	<b>2,276,098</b>	<b>5,066,268</b>

	<i>2021</i>			
	<i>Balances with banks</i>	<i>Mudaraba</i>	<i>Murabaha receivables</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Stage 1	454,147	1,827,711	1,770,320	4,052,178
Stage 2	-	-	472,382	472,382
Stage 3	-	-	184,301	184,301
<b>Net exposure to credit risk</b>	<b>454,147</b>	<b>1,827,711</b>	<b>2,427,003</b>	<b>4,708,861</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

**23 RISK MANAGEMENT (continued)****23.1 Credit risk (continued)****(c) Concentration of maximum exposure to credit risk**

The Company's assets and liabilities are distributed over the following industry sectors and geographical areas:

	<b>2022</b>					<b>Total BD</b>
	<b>Banks and financial institutions BD</b>	<b>Trade BD</b>	<b>Service BD</b>	<b>Food Processing BD</b>	<b>Others BD</b>	
<b>Assets</b>						
Balances						
with banks	490,343	-	-	-	-	<b>490,343</b>
Mudaraba	2,299,827	-	-	-	-	<b>2,299,827</b>
Murabaha receivables	-	891,564	821,444	345,375	217,715	<b>2,276,098</b>
	<b>2,790,170</b>	<b>891,564</b>	<b>821,444</b>	<b>345,375</b>	<b>217,715</b>	<b>5,066,268</b>
	<b>2021</b>					
	<b>Banks and financial institutions BD</b>	<b>Trade BD</b>	<b>Service BD</b>	<b>Food Processing BD</b>	<b>Others BD</b>	<b>Total BD</b>
<b>Assets</b>						
Balances						
with banks	454,147	-	-	-	-	454,147
Mudaraba	1,827,711	-	-	-	-	1,827,711
Murabaha receivables	-	1,020,029	918,457	376,240	112,277	2,427,003
	<b>2,281,858</b>	<b>1,020,029</b>	<b>918,457</b>	<b>376,240</b>	<b>112,277</b>	<b>4,708,861</b>

**Geographical concentration**

Assets and liabilities of the Company as at 31 December 2022 and 31 December 2021 are concentrated in the Kingdom of Bahrain.

Family Microfinance House B.S.C. (c)  
 NOTES TO THE FINANCIAL STATEMENTS  
 At 31 December 2022

**23 RISK MANAGEMENT (continued)**

**23.2 Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

**Maturity profile**

The table below summarises the maturity profile of the Company's assets and liabilities as of 31 December 2022 based on expected periods to cash conversion from the statement of financial position date:

	<b>2022</b>							<b>Total BD</b>
	<b>Up to 1 month BD</b>	<b>1 to 3 months BD</b>	<b>3 months to 1 year BD</b>	<b>Total of within 1 year BD</b>	<b>1 to 3 years BD</b>	<b>Over 3 years BD</b>	<b>No fixed maturity BD</b>	
<b>Assets</b>								
Cash and balances with banks	493,317	-	-	493,317	-	-	-	<b>493,317</b>
Mudaraba	418,613	878,326	1,002,888	2,299,827	-	-	-	<b>2,299,827</b>
Murabaha receivables	31,060	32,935	244,036	308,031	1,367,338	600,729	-	<b>2,276,098</b>
Equipment, furniture and fixtures and right-of-use assets	-	-	-	-	-	-	74,114	<b>74,114</b>
Other assets	122,973	13,937	6,201	143,111	-	1,700	-	<b>144,811</b>
<b>Total assets</b>	<b>1,065,963</b>	<b>925,198</b>	<b>1,253,125</b>	<b>3,244,286</b>	<b>1,367,338</b>	<b>602,429</b>	<b>74,114</b>	<b>5,288,167</b>
<b>Liabilities</b>								
Wakala financing	-	-	-	-	3,000,000	-	-	<b>3,000,000</b>
Deferred government grant	-	-	-	-	-	-	-	<b>-</b>
Accounts payable, accruals and other liabilities	41,107	78,950	21,730	141,787	-	66,160	-	<b>207,947</b>
<b>Total liabilities</b>	<b>41,107</b>	<b>78,950</b>	<b>21,730</b>	<b>141,787</b>	<b>3,000,000</b>	<b>66,160</b>	<b>-</b>	<b>3,207,947</b>
<b>Net gap</b>	<b>1,024,856</b>	<b>846,248</b>	<b>1,231,395</b>	<b>3,102,499</b>	<b>(1,632,662)</b>	<b>536,269</b>	<b>74,114</b>	
<b>Cumulative net gap</b>	<b>1,024,856</b>	<b>1,871,104</b>	<b>3,102,499</b>		<b>1,469,837</b>	<b>2,006,106</b>	<b>2,080,220</b>	

Family Microfinance House B.S.C. (c)  
 NOTES TO THE FINANCIAL STATEMENTS  
 At 31 December 2022

**23 RISK MANAGEMENT (continued)**

**23.2 Liquidity risk (continued)**

**Maturity profile (continued)**

The table below summarises the maturity profile of the Company's assets and liabilities as of 31 December 2021 based on expected periods to cash conversion from the statement of financial position date:

	2021							Total BD
	Up to 1 month BD	1 to 3 months BD	3 months to 1 year BD	Total of within 1 year BD	1 to 3 years BD	Over 3 years BD	No fixed maturity BD	
<b>Assets</b>								
Cash and balances with banks	459,556	-	-	459,556	-	-	-	459,556
Mudaraba	504,647	649,717	673,347	1,827,711	-	-	-	1,827,711
Murabaha receivables	27,600	19,329	272,714	319,643	1,515,316	592,044	-	2,427,003
Equipment, furniture and fixtures	-	-	-	-	-	-	143,268	143,268
Other assets	10,683	78,397	253,537	342,616	5,805	1,700	-	350,121
<b>Total assets</b>	<b>1,002,486</b>	<b>747,443</b>	<b>1,199,598</b>	<b>2,949,526</b>	<b>1,521,121</b>	<b>593,744</b>	<b>143,268</b>	<b>5,207,659</b>
<b>Liabilities</b>								
Wakala financing	3,000,000			3,000,000				3,000,000
Deferred government grant								-
Accounts payable, accruals and other liabilities	28,693	121,332	35,329	185,353	18,963	48,474	-	252,790
<b>Total liabilities</b>	<b>3,028,693</b>	<b>121,332</b>	<b>35,329</b>	<b>3,185,353</b>	<b>18,963</b>	<b>48,474</b>	<b>-</b>	<b>3,252,790</b>
<b>Net gap</b>	<b>(2,026,207)</b>	<b>626,111</b>	<b>1,164,269</b>	<b>(235,827)</b>	<b>1,502,158</b>	<b>545,270</b>	<b>143,268</b>	
<b>Cumulative net gap</b>	<b>(2,026,207)</b>	<b>(1,400,096)</b>	<b>(235,827)</b>		<b>1,266,331</b>	<b>1,811,601</b>	<b>1,954,869</b>	

At 31 December 2022

**23 RISK MANAGEMENT (continued)**

**23.3 Operational Risk**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

**24 SEGMENTAL INFORMATION**

The Company operates solely in the Kingdom of Bahrain and hence no geographic segment information has been presented.

**25 SOCIAL RESPONSIBILITY**

The Company discharges its social responsibilities through donations to charitable causes and organisations.

**26 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value of the Company's financial instruments are not significantly different from their book values as at the statement of financial position date.

**27 EARNINGS PROHIBITED BY SHARI'A**

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to BD nil (2021: BD nil).

**28 COMPARATIVE FIGURES**

Certain of the prior year figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification does not affect previously reported net income or owners' equity.

**Supplement of disclosures as required by Volume 5 – Public  
Disclosures Module PD-1.3 *Disclosures in the Annual Audited***

***Financial Statements***



**Board of Directors:**

**H.E. Mr. Osama Bin Ahmed Khalaf Al Asfoor**

**Chairman**

**Non- Independent, Non- Executive Director**

H.E .Mr. Osama Bin Ahmed Khalaf Al Asfoor is the Minister of Social Development, he holds Bachelor in Law from Beirut Arab University, Master's degree in Public Law from Kingdom University, his previous positions includes: Secretary General of Shura Council, Deputy Secretary General of the Ombudsman's office in the Ministry of Interior, a member of Prisoners and Detainees Right Commission, also he worked in the Courts of the Ministry of Justice, Islamic Affairs and Endowments. H.E.Mr. Osama Bin Ahmed Khalaf Al Asfoor hold several positions in the Public Prosecution, since it's establishment, and until he was appointed head in the Public Prosecution.

**Dr. Mustafa Ali Al Sayed**

**Deputy Chairman**

**Non- Independent, Non - Executive Director**

Dr. Mustafa Al Sayed is the Secretary General of the Royal Humanitarian Foundation. He has over 42 years of industrial experience, his previous positions include: Chief Executive, Bahrain Petroleum Co. (BAPCO) Chief Engineer with the Ministry of Works, Power & Water, Chief Executive at Middle Cables Ltd, and General Manager with Gulf Petrochemical Industries Company (GPIC). He is currently president of Bahrain Health & Safety Society and Member of Board of Trustees of the Egyptian Zakat House. Dr. Al Sayed has a Ph.D. in Projects Management, M.Sc. in Industrial Management and B.Sc. in Mechanical Engineer.

**Dr. Khalid Abdulla Ateeq**

**CEO & Board Member**

**Non- Independent, Executive Director**

Dr. Khalid is currently the Chief Executive Officer of Family Microfinance House. Dr. Khalid has over 43 years' experience in banking, finance, auditing and accounting. Prior to join VC Bank as Deputy CEO, he was Executive Director of Banking Supervision at the Central Bank of Bahrain. Where he was responsible for the licensing, inspection and supervision of financial institutions, insuring that all banks and financial institutions, either operating or incorporated in Bahrain, complied with promulgated laws and regulations. Before joining the CBB, he was Assistant Professor at Bahrain University. In addition, through his diversified experience, Dr. Ateeq served in senior posts with a number of reputable banks and firms. He holds a Ph.D. in Philosophy of Accounting from UK. Dr. Khalid is a Board Member in Al Baraka Bank and Al Baraka Banking Group.

**Mr. Redha Ali Mohamed**

**Non-Independent, Executive Director**

Mr. Redha is currently the Group Head of Corporate Banking in Ahli United Bank. He has over 33 years' experience in banking with wide knowledge in Corporate Finance, Trade Finance, Syndication and Project Finance. Prior to join AUB, he was working with BNP Paribas - Bahrain. Mr. Ali holds a Diploma in Commercial Studies from University of Bahrain (UOB), Advanced Diploma in Banking and Finance from the Bahrain Institute of Banking and Finance (BIBF), among many other local and international course. Redha is also a Director in Ahli Real Estate Company W.L.L, Al hilal Life BSC / Al Hilal Takaful BSC and Commercial Bank of Iraq-Iraq.

**Mr. Maysan Al Maskati**

**Non-Independent, Executive Director**

Mr. Almaskati is a seasoned Investment Banker with more than 24 years of experience. Throughout his career, he was involved in managing more than US\$5 billion of private equity and real estate investments. Mr. Almaskati held several c-level positions and is currently the Head of Asset Management at Ithmaar Bank, Bahrain, as well as representing his organisation on various boards. Mr. Almaskati holds a B.Sc. degree in Industrial and Manufacturing Systems Engineering from Kansas State University, USA.

**Mr. Masood Ahmed Al Bastaki**

**Independent Director**

Mr. Masood Al Bastaki is executive banker with more than 35 years of experience in banking industry. His experience varies from local commercial, wholesale and investment banking. Mr. Al Bastaki holds a post graduate diploma in business and finance and BSC in Business Administration. He undertook various banking activities across various regions including the Middle East, North Africa, USA and Latin America as well as Europe and Asia.

**Mr. Bader Ahmed Al Hammadi**

**Independent Director**

Mr. Bader is currently the Director of Finance at the Royal Humanitarian Foundation. He has over 19 years' experience in accounting. Prior to his current appointment in Royal Humanitarian Foundation he has held many senior positions at al Salam Bank and, before that, in the Court of HRH The Crown Prince.

Mr. Bader holds a Bachelor Degree in Accounting from University of Bahrain (UOB).

**Mrs. Kubra Ali Mirza**  
**Independent Director**

Mrs. Kubra Ali has over 25 years of experience in investment banking, financial regulations, corporate governance, compliance, financial crimes and anti-money laundering. Mrs. Kubra Ali held the position of Acting CEO of Bank Alkhair until February 2019. Prior to joining Bank Alkhair, she held senior positions in several banks in Bahrain. She also worked for the Central Bank of Bahrain as the Head of Policies and Central Risk Unit and was a member of several local and international regulatory working groups and task forces. Mrs. Mirza holds an Executive MBA and a Bachelor's degree in Accounting from the University of Bahrain. Mrs. Kubra completed Oxford Fintech Program, and the program of Leadership in Sustainability Management from University of Cambridge.

**Mrs. Amal Othman Al Rayes**  
**Non- Independent, Executive Director**

Mrs. Amal AlRayes is a proficient banker with over 15 years of banking experience in the fields of Wealth Management and Private Banking. Her qualifications include a Chartered Financial Analyst (CFA) certificate, a Professional Risk Manager (PRM) certificate, and a BSc in Business Information Systems from the University of Bahrain. Amal currently serves as the Unit Head, Products and Administration, in the Wealth Management department of KFH-Bahrain after having held many positions in the Priority Banking and Wealth Management departments of the bank looked after a team of relationship managers overseeing a portfolio of high net worth individuals and key corporate accounts.

**Mrs. Latifa Abdulla Al Sadeh**  
**Non- Independent, Executive Director**

Mrs. Latifa is currently the Department Head of Real Estate, Services & Trading in Corporate Banking Division. She has over 16 experience in Banking. She holds B.Sc in Accounting from University of Bahrain, a Master's degree in Finance from DePaul University and has completed Senior Executive Leadership Program of Harvard Business School

**Mrs. Emma Ismail Al Mansoori**  
**Non- Independent, Non-Executive Director**

Mrs. Emma Al Mansoori is a graduate of University of Bahrain with bachelor's degree in accounting, been working in the field of Accounting and Finance since 1999 both in Bahrain and Canada. She has professional certification in public accounting CPA and project management PMP. In the year 2013, she established an accounting and business advisory firm called Empower Business Solutions with a vision to help startup businesses in Bahrain. To complement the service provided by Empower, in 2019 she established an Audit firm in partnership with an existing audit firm operating out of India. The firm is internationally recognized and part of MGI worldwide network. Currently she is an Executive Director of Project Assessment in Tamkeen and a Board member of Nasser Vocational Training Center.

**Head of functions:**

**Mr. Abdulla Saleh**  
**Senior Manager of Micro-finance Department**

Mr. Abdulla Saleh is currently the Senior Manager of the Microfinance Department, he holds a BSc degree from Beirut Arab University majoring in business administration and is a member of the Association of Accounting Technicians, United Kingdom majoring in Accounting, finance, Audit and Taxation. He has 35 years of experience and his experience is in finance function in several organizations including the Fortune Investment House and the Gulf Air Co.

**Mrs. Sana Salim**  
**Manager of Operation Department**

Mrs. Sana Salim Abdulla holds a Diploma in Commercial Studies from the University of Bahrain. She has over 23 years of experience with Bank of Bahrain and Kuwait and Eskan Bank. During her professional career, she attended several courses, seminars and conference in banking, management, Islamic banking, economy and banking laws.

**Mrs. Heba Faraj**  
**Manager of Human Resource Department**

Mrs. Heba is currently the Human Resource Manager, she holds a BSc degree in Business Administration from University of Bahrain, she has 19 years of experience in several organization.

- **Board of Directors Responsibilities**

**Strategy**

- Participate actively in strategy development;
- Review and challenge the strategy; and
- Create a strategically adaptable organization that is able to respond quickly to changing market opportunities.

**Corporate Culture**

- Support managements organizational code of conduct; and
- Promote the use of appropriate incentives that make such codes meaningful.

**Monitoring and Evaluation**

- Ensure that the organization complies with all relevant laws and regulations as well as with accounting, human resource, and other internal policies;
- Understand organizational risks and be informed routinely about how they are managed; and
- Apply a rigorous process for evaluating the performance of the CEO.

**Stewardship**

- Uphold rigorous standards for individual member's preparedness, participation, and candor;
- Protect the organization and its stakeholders from the potential damage of conflicts of interest; and
- Safeguard stakeholder's interests, in part by ensuring that communication with various stakeholders is thorough timely, and transparent.

The Chairman of the Board of Directors is distinct from the CEO, that there will be an appropriate balance of power and greater capacity of the board for independent decision making, the Chairman is responsible for ensuring Board's effectiveness.

- **The Board Composition:**

The Board has eleven members, comprising members from the public sector and the private sector.

All the Board Members are Bahraini, and three of them are from governmental sector.

The Board Members have attended at least 75% of all Board meetings during the financial year ended 31<sup>st</sup> December 2022.

**Ownership Structure:** As at 31st December 2022, distribution schedule of shares, setting out the number and percentage of holders were as the following categories:

Name	Number of Shares	Percentage
Ministry of Social development	6,080,000	30,40%
Royal Humanitarian Foundation	6,000,000	30%
Ithmaar Holding	2,000,000	10%
Bank of Bahrain and Kuwait	2,000,000	10%
Ahli United Bank	2,400,000	12%
Kuwait Finance House	1,520,000	7,60%
Total	20,000,000	100%

#### **1. Nomination & Remuneration Committee:**

- Formalist and recommend to the Board of Directors medium and long term strategic directors for the Company with the objective of continuously enhancing value to shareholders.
- Establish appropriate policies and procedures to ensure effective implementation of the above and to achieve maximum protection for the Company assets and future growth.
- Ensures effective implementation of the Company short, medium and long term strategies and business objectives.
- Represents the Board of Directors in the management team of the Company and ensures clear understanding and effective compliance with the Board of Directors and other shareholders directions and interest.
- Candidates for Board election.
- The remuneration, and the guidelines for increments and promotions.

#### **2. Audit, Risk, and Corporate Governance Committee:**

##### **A. Audit**

Reviewing the integrity of the Company's financial reporting, overseeing the selection and compensation of the external auditor for appointment and approval at the shareholders meeting, monitoring the external auditors qualification and independence, reviewing the activities and performance of the Company internal audit function, and reviewing the compliance by the Company with legal and regulatory requirements including all relevant laws, regulations, codes and business practices.

##### **B. Risk**

Make recommendations to the Board in relation to the Company overall risk appetite and tolerance and the policies within which to manage the aforementioned, these policies are defined as credit risk, market risk, operational risk and liquidity risk in addition to any other risk categories the Company faces in carrying out its activities. The Committee also recommends and monitors the Company's overall risk management framework which involves developing across all business activities and operations policies, internal controls, methods of risk management, compliance procedures and methods of reporting to the Board.

##### **C. Corporate Governance:**

- Corporate Governance refers to the implementation of an appropriate system of directing and controlling the organization.

- A good system of corporate governance will facilitate the willing support (and therefore understanding) of all stakeholders whilst facilitating the spirit of entrepreneurship and protecting the interest of stakeholder. Corporate Governance assumes greater significance for any corporations as a result of the separation of management from shareholders.

### **3. Shari'ah Supervisory Board**

The Company has formed a Shari'ah Supervisory Board consisting of three members who ensure that the operations of the Company are in compliance with Shari'ah principles. The Shari'ah Supervisory Board is assisted by a Shari'ah Reviewer.

**All the above Committees are reported to the Board of Directors.**

#### **1. Credit Committee Responsibilities:**

- i. To exercise authority in assessing and managing the credit risk of the business and ensuring the maintenance of a good quality risk asset portfolio in line with the risk Appetite as agreed and monitored by the Board Audit, Risk & Corporate Governance Committee.
- ii. To monitor implementation of credit decisions in a manner so as to conform to credit policy as well laws and regulations stipulated by the statutory authorities.

#### **Compliance:**

The Company recognized that compliance with regulatory provisions is very important, and in compliance with the Central Bank of Bahrain requirements, we have established a compliance/AML department with the responsible for implementing the applicable local statutory and regulatory directives guidelines issued by the regulatory authorities such as Central Bank of Bahrain and the Commercial Companies laws.

The company is required to comply with High Level Controls (HC) Module Volume 5, specialized Licensees, type Microfinance Institution, of the CBB Rulebook. The HC Module contains both Rules and Guidance, Rules must be complied with, but Guidance may either be complied with or non-compliance explained by way of Corporate Governance and Transparency disclosures report to the Shareholders and to the CBB.

The company has provided the following explanations related to the guidance items and to the rule as the below:

#### **Non- Compliance with guidance:**

1. HC 1.4.6 states that "The chairman of the Board should be an independent director, so that there will be an appropriate balance of power and greater capacity of the Board for independent decision making", Since the establishment of the company, the Chairman of the Board is not an independent member.
2. HC 4.2.2 and HC 5.3.2 states that "nomination and remuneration committee must include only independent directors or, alternatively, only non- executive directors of whom a majority must b3e independent directors and the chairman must be an independent director". Since the establishment of the Company, the majority of the members of the Nomination and Remuneration Committee are independent.
3. HC 1.3.7 states that "To meet its obligations under Rule HC -1.3.3 above, the full Board should meet once every quarter to address the board's responsibilities for management oversight and performance monitoring". The Board did not meet in the second quarter for the year 2022. The meeting has been scheduled and confirmed in 29<sup>th</sup> June 2022, due to the changes in relation to the change of the Chairman of the Board of Directors of the Company.

#### **Non- Compliance with Rule:**

1. HC-1.3.3 states that "The board must meet frequently to enable it to discharge its responsibilities effectively but in no event less than four times a year. All directors must attend the meetings whenever possible and the directors must maintain informal communication between meetings". The Board meet three times during the year, due to the changes in relation to the Change of the Chairman of the Board of Directors of the Company.

## رسوم المعاملات ورسوم الخدمة

## Transactions Fees and service Charges

Our rate, fees and service charges are detailed in this section.

معدل الربح و دليل الخدمات والأسعار مفصلة في هذا القسم.

### Dear Customers

عملائنا الكرام...

Islamic financing is available at Family Microfinance House (FMH) at annual profit rate of 3% for Home Business and 5% for MEF (in cooperation with Tamkeen at annual profit rate of 14% ).

التمويل الإسلامي متوفر في بيت الأسرة للتمويل المتناهي الصغر بمعدل ربح سنويًا بنسبة 3% للمشاريع المنزلية و 5% لبرنامج تمويل المشاريع الصغيرة (بالتعاون مع تمكين بمعدل ربح سنويًا بنسبة 14%).

FEES & SERVICES CHARGES*	(Bahraini Dinar)	دب/BD	(دينار بحريني)	دليل الخدمات والأسعار*
Application Fees (Non-Refundable)		16.500		رسوم تقديم الطلب (غير مرتجعة)
Admin Fees (in advance, calculated from the profit)		5% من مبلغ التمويل أو BD200 أيهما أقل		الرسوم الإدارية (تدفع مقدّمًا، وتحسب من الربح)
Monthly Rescheduling Fees (As per CBB instructions and subject to the Shari'ah Board resolutions)		لا تتجاوز 1.5% من الأقساط المؤجلة		رسوم إعادة الجدولة الشهرية (بحسب تعليمات مصرف البحرين المركزي، وعلى أن تخضع لقرارات الهيئة الشرعية).
Outstanding Letter (stating of outstanding liabilities with the company)		11.000		شهادة مديونية بالرصيد المتبقي (تذكر المديونيات لدى الشركة)
No liability/Release letter		5.500		شهادة عدم مديونية (براءة ذمة)
Confirmation of Financing		11.000		شهادة تأكيد بالتمويل
Case Withdrawal from court		22.000		سحب قضية من المحكمة
Tawarruq Fees for Islamic Financial Consultants (Itqan)		33.000		رسوم معاملة التورق لشركة الاستشارات المصرفية الإسلامية (إتقان)
Early Settlement Charges (As per Central Bank of Bahrain instructions)		1% من مبلغ التمويل المستحق أو BD100 أيهما أقل		رسوم السداد المبكر (حسب تعليمات مصرف البحرين المركزي)

\* All fees and charges are inclusive of 10% Value Added Tax (VAT), where applicable.

\* تشمل جميع الرسوم و الأجر ضريبة القيمة المضافة بنسبة 10%، حيثما ينطبق ذلك.

Takaful Insurance Rate**		0.160		نسبة التأمين التكافلي**
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\*\* Takaful Insurance Rate will add 10% Value Added Tax (VAT).

\*\* نسبة التأمين التكافلي يضاف إليه ضريبة القيمة المضافة بنسبة 10%.

\*\*\* Letters addressed to supreme council for women or ministries or for Social Housing purposes will be offered without charge.

\*\*\* الشهادات التي تطلب للمجلس الأعلى للمرأة والوزارات أو طلبات الإسكان تكون مجانية.

Communication Strategy:

## 1. Objective

The objective of this document is to clarify the necessary steps and give an overview of the procedure and the process to be followed by the Family Microfinance House.

## 2. Organizational Structure

CEO → Public Relation Department

## 3. Responsibilities of PR Department

- Preparation and issuance of financial reports;
- Organizing events and conferences for marketing purposes;
- Managing the Press releases by the Company including Press releases by all members of the Management;
- Updating the official website of the Company;
- Any other responsibilities assigned by the CEO of the Company.

## 4. Corporate Marketing Plan

The Annual Corporate Marketing Plan shall at a minimum contain:

- Details of recurring Departmental responsibilities e.g. Publications of Annual Reports, Conferences, other events etc.. ;
- Budgets for major events planned for the following financial year;
- Details of events such as the date and month; and
- Plans and Preparation of ideas for the following financial year.

PRD reviews the actual spending of its department against its budgeted spending on a quarterly basis.

## 5. Annual Audited Financial Statement

The Company must submit the Annual Audited financial statements to the CBB within 3 months of the end of Company financial year (as per Central Bank of Bahrain Rulebook section PD-1.2.1). The Annual Audited financial statements must be edited by their external auditor.

## 6. Year End Financial Statement

- Public Relation Department has the responsibility to obtain deadlines for the publications of the year end financials from the Financial Controller and the compliance Department.
- The Company required publishing the Annual Audited Financial statements on their website within seven days of submission to the CBB.
- Public Relation Department should notify all relevant members of staff about the details of advertisement one day before publishing the Financials so that they are aware of the contents of the Financials when approached by any third parties

## 7. Events

- To facilitate the activities of an event, the PRD will coordinate with the Head of the relevant department.
- PRD should act as the main point of contact between the Company and Event invitees.
- The PRD should identify the purpose of the event, the target audience and any other relevant targets which need to be achieved.
- PRD is responsible that special invitation cards are made and sent to all relevant guests and VIP guests.
- The PRD shall identify the performance measurement criteria for events and agents as per the relevant guidelines of CBB on monitoring performance.

- If the Company hosting a luncheon, PRD should organize a reception line consisting of the Functional Departments and CEO/Senior Management.
- The offices of the CEO/Senior Management should draft any speeches or Presentations to be given by the CEO/ Senior Management at an event. The PRD should ensure that copies are circulated to the Media immediately following the presentation or speech.
- PRD should arrange for a private photographer and video operator to cover activities at the event.
- All Press releases and photographs that are subsequently used for media publicity should be approved by the CEO/Senior Management.

## **8. Conferences**

1. Conferences may be held at any geographical location and are classified into the following types:

- Conferences sponsored by
- Conferences attended by

2. The PRD should act as the main point of contact between the Company and Conference organizers.

3. PRD should ensure that they are aware of all the dates and formalities of the conference, including the theme and nature of the conference.

4. The offices of the CEO/Senior Management should draft any speeches or presentations to be given by the CEO/Senior Management at an event. The staff members should be allowed to attend the conference based on the following criteria by the Heads of each Department:

- Topic of the conference
- Relevance of the conference to the staff member's job and department activities;
- What value the staff will bring to the Company by attending the conference.

5. Any information for sponsorship should be sent to the PRD by the Heads of Departments along with the reasons why to sponsor the conference.

6. PRD will make sure that all the expenditure related to a conference is as per the approved budget.

7. PRD should collect all the photographs and interviews taken regarding during the conference and should be filed.

## **9. Press Release**

- PRD is responsible to coordinate all Press releases
- Separate Procedures will be devised for compulsory and own initiated Press releases
- Press releases should be drafted either for specific Projects or when there is a need for public information about the activities.
- Press releases should be made for positive publicity of and to curtail the effects of any negative publicity as well.
- The CEO/Senior Management has the authority to issue Press releases.
- No staff member is allowed to make any public statement under any circumstances except the CEO approval.
- PRD should ensure that separate versions of the same Press releases are drafted, one in English and one in Arabic, if necessary.
- PRD is responsible to distribute the Press Release one day before the Press release date to all relevant members of staff through the email. This is to ensure that all relevant members of staff are aware of the Press release in case they are approached by a third party and questioned about the topic.

## **10. Eid and Seasons Greeting Cards**

- PRD is responsible to ensure that Eid and seasons greeting cards are available when requested.
- PRD is responsible to place all orders for both types of Cards from the advertising agency.
- While designing any cards, the PRD should obtain rates and samples from the advertising agency.
- PRD orders Eid cards prior to the specified number of days.
- PRD should distribute Eid and Seasons greetings cards to the relevant Heads of Department, CEO/Senior Management's office that require them for business usage.



- The mode of distribution e.g. courier, regular mail should be decided and communicated to the PRD by the relevant Department Heads.

#### **11. Website Update**

- PRD is responsible to ensure that the website content and design is constantly updated and maintained on a regular basis.
- PRD shall not be responsible for the technical maintenance of the website.
- PRD should collect all changes required to the website and submit them to the website developer at the end of every month or as and when required.
- Any change in the business activity or product offerings must be updated immediately on the website.
- All Press releases submitted by PRD to the website developers, and should be updated immediately after the press release.
- PRD is responsible to submit the Annual Audited Financial statements to the website developers for updating within seven days of submission to the CBB's.

#### **12. Directory Advertising**

- The PRD is responsible to contact the CEO/Senior Management and obtain approval when renewing any advertising listings.
- The PRD has the responsibility to act as the liaison between the Company and the publishing company.
- PRD is responsible to collect all new updated information for advertising from the relevant Heads of Departments, at the time of renewal of the advertisement.

#### **13. Selection of Advertising Agency**

- PRD should request for quotations and sample for the tendering of advertising activities from at least three advertising agencies.
- Selection of the advertising agency should be driven by the quality of the samples and by cost.
- When selection the advertising agency, PRD should also take into consideration the level of exposure the advertising agency can offer.

#### **14. Selection of Quotations**

PRD should request for at least two quotations of suppliers/service Providers for any type of service required.

#### **15. Standard Stationery Items**

All requests for publication of corporate stationery, including business cards, must be approved by the Head of PR/CEO/Senior Management.

The following are the Company's standard stationery items that are routinely printed with the Company's logo:

- Letterhead
- Continuation paper
- Compliment slips
- Corporate Gift bags
- Corporate Wrapping paper
- Brown mailing envelopes (A5, A4 and larger)
- White mailing envelopes (DL, A4 and larger)
- Window envelopes (DL,A4 and Arabic and English Package size)

#### **16. Payments**

- PRD Staff must ensure that all invoices received are in line with the payment terms agreed with the service vendor prior to provision of such services.
- All invoices relating to PRD expenses must be reviewed and initialed by the PRD and should be approved by the authorized signatories of the Company as per the Delegated Approval Authority Limits.