

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

**SHARI'A SUPERVISORY BOARD REPORT,
REPORT OF THE BOARD OF DIRECTORS,
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2023



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 2023م

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 2023م . 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 وفقاً 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 2023 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 وصرافها 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: 19/03/2024

المكان: مملكة البحرين

عبد الرحمن أحمد موسى
عضو الهيئة

فضيلة الشيخة د. أسامة محمد بحر
عضو الهيئة

فضيلة الشيخة/ عصام محمد إسحق
رئيس هيئة الرقابة الشرعية



بسم الله الرحمن الرحيم

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 2023

To the shareholders of Family Microfinance House 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, 2023. 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, 2023 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: 19/03/2024

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



بيت الأسرة للتمويل المتناهي الصغر
Family Microfinance House (FMH)

REPORT OF THE BOARD OF DIRECTORS For the year ended 31 December 2023

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 2023.

Principal Activities

The company was established in the Kingdom of Bahrain on 5th 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 1st January 2010. The principal activities of the company include providing microfinance and other services that are in conformity with Islamic Shari’a.

In 2023, 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 Advisory Board.



Performance during 2023

During the year 2023, Family Microfinance House's total income is BD 1,028,469 compared to BD 1,044,254 for the year 2022 a decrease of 1.51%. Also, the total expense for the year 2023 were at BD 927,811 compared to BD 854,567 for the year 2022 an increase of 8.57%. The net of provision at the end of year 2023 is BD 77,380 compared to BD 64,336 for the year 2022 an increase of 20.27%. Due to this performance, the year-end profit reaches to BD 23,278 compared to year-end profit of BD 125,351 for the year 2022.

Disbursements during the year 2023 were at BD 1,812,650 to 328 customers compared to BD 1,636,300 to 349 customers for 2022. Cumulative number of Accounts as on 31st December 2023 stood as 6,135 and cumulative amounts disbursed were at BD 17,237,855.

The repayments received from customers are BD 1,206,108 in 2023. The Portfolio at Risk (PAR) position, which was 12.16% as on 31st December 2022, was maintained at 10.58% by the end of December 2023.

Financial Position and Results:

The detailed financial position of the company as 31st December 2023, and the results for the year then ended, are set out in the accompanying financial statements.

Financial highlights	In Bahraini Dinars	
	2023	2022
Total Assets	5,338,560	5,288,167
Total equity	2,103,498	2,080,220
Profit /Loss for the year	23,278	125,351



Movement in accumulated deficit	2023	2022
Balance at 1 st January	(66,103)	(191,454)
Profit / Loss for the period	23,278	125,351
Balance at 31 December	(42,825)	(66,103)

Dividends

The Board of Directors has not made any appropriations for dividends for the year ended 31 December 2023 (2022: 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 2023.



2- Dr. Mustafa Ali Al Sayed	-	600	-	-	-	-	-	-	-	-	-	-	-
3- Mr. Khalid Jameel Al Bayat	-	100	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1-Mr. Maysan Faisal Al Maskati	-	300	-	-	-	-	-	-	-	-	-	-	-
2- Mr. Redha Ali Mohammed		400											
3- Mrs. Amal Othman Al Rays	-	600	-	-	-	-	-	-	-	-	-	-	-
4- Mrs. Latiffa Abdulla Al Sadeh	-	700	-	-	-	-	-	-	-	-	-	-	-
5- Mrs. Emma Ismail Al Mansoori	-	200	-	-	-	-	-	-	-	-	-	-	-
6- Dr. Khalid Abdulla Ateeq	-	300	-	-	-	-	-	-	-	-	-	-	-
Total	-	6,300	-	-	-	-	-	-	-	-	-	-	-

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 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	261,532.090	39,536.335	-	301,068.425

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)



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 2024; 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. Mustafa Ali Al
Sayed

Deputy Chairman

Mr. Adel Ahmed
Abdulmalek

CEO

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 2023 and the 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 2023, and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institution ("AAOIFI") ("FAS issued by 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 the AAOIFI's Code of Ethics for Islamic Finance Professionals 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 Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Board of Directors' report set out on pages 3 to 9.

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 2023 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.



Partner's registration no: 115
24 March 2024
Manama, Kingdom of Bahrain

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 BD	2022 BD
ASSETS			
Cash and balances with banks	7	223,736	493,317
Mudaraba investments	8	2,474,323	2,299,827
Murabaha receivables	9	2,289,308	2,276,098
Equipment, furniture and right-of-use assets	12	93,015	74,114
Other assets	11	258,178	144,811
TOTAL ASSETS		5,338,560	5,288,167
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Wakala financing	14	3,000,000	3,000,000
Accounts payable and other liabilities	13	235,062	207,947
		3,235,062	3,207,947
Owners' equity			
Share capital	15	2,000,000	2,000,000
Contributed surplus	15	141,762	141,762
Statutory reserve	15	4,561	4,561
Accumulated losses		(42,825)	(66,103)
		2,103,498	2,080,220
TOTAL LIABILITIES AND OWNERS' EQUITY		5,338,560	5,288,167


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


Mr. Adel Ahmed Abdulmalek
CEO


Dr. Mustafa Ali Al Sayed
Deputy Chairman

The attached notes 1 to 27 form part of these financial statements.

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

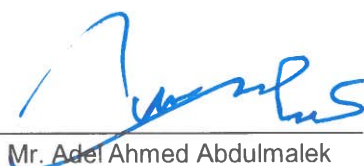
STATEMENT OF INCOME

For the year ended 31 December 2023

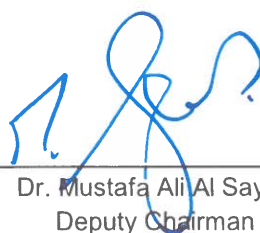
	Notes	2023 BD	2022 BD
INCOME			
Income from financing assets	16	956,228	976,755
Fee income	17	72,201	67,349
Other income		40	150
		<u>1,028,469</u>	<u>1,044,254</u>
EXPENSES			
Staff costs	18	702,870	654,796
General and administration expenses	19	126,359	112,142
Wakala financing expense	14	15,000	15,000
Depreciation and amortisation	12	83,582	72,629
		<u>927,811</u>	<u>854,567</u>
NET PROFIT FOR THE YEAR BEFORE ALLOWANCE FOR CREDIT LOSSES			
		<u>100,658</u>	<u>189,687</u>
Allowance for credit losses - net	10	(77,380)	(64,336)
NET PROFIT FOR THE YEAR			
		<u><u>23,278</u></u>	<u><u>125,351</u></u>



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



Mr. Adel Ahmed Abdulmalek
CEO



Dr. Mustafa Ali Al Sayed
Deputy Chairman

The attached notes 1 to 27 form part of these financial statements.

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	<i>Notes</i>	2023 BD	2022 BD
OPERATING ACTIVITIES			
Net profit for the year		23,278	125,351
Adjustments for:			
Depreciation and amortisation	12	83,582	72,629
Amortisation of deferred cost on ijarah liability		2,344	1,070
Provision for end-of-service benefits		12,525	17,686
Allowance for credit losses	10	100,202	80,720
Wakala financing expense	14	15,000	15,000
Income from Mudaraba investments		135,161	72,408
Operating profit before changes in operating assets and liabilities		372,092	384,864
Changes in operating assets and liabilities:			
Murabaha receivables		(114,240)	64,659
Other assets		(113,367)	205,310
Accounts payable and other liabilities		(28,236)	7,117
Cash from operations		116,249	661,950
Ijarah payment		(61,149)	(44,880)
Net cash flows from operating activities		55,100	617,070
FINANCING ACTIVITIES			
Wakala financing		(15,000)	(40,835)
Mudaraba investments		(1,113,252)	(401,385)
Net cash used in financing activities		(1,128,252)	(442,220)
INVESTING ACTIVITY			
Purchase of equipment, furniture and fixtures	12	(852)	(3,475)
Net cash used in investing activity		(852)	(3,475)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,074,004)	171,375
Cash and cash equivalents at 1 January		1,786,646	1,615,271
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		712,642	1,786,646
CASH AND CASH EQUIVALENTS COMPRISE:			
		2,023 BD	2022 BD
Cash in hand	7	6,351	2,974
Balances with banks	7	218,908	493,814
Mudaraba investments with Islamic financial institutions with original maturity of 90 days or less		487,383	1,289,858
		712,642	1,786,646

The attached notes 1 to 27 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 2023

	<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>
At 1 January 2023	2,000,000	141,762	4,561	(66,103)	2,080,220
Net profit for the year	-	-	-	23,278	23,278
At 31 December 2023	2,000,000	141,762	4,561	(42,825)	2,103,498
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
At 31 December 2022	2,000,000	141,762	4,561	(66,103)	2,080,220

The attached notes 1 to 27 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

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 13 March 2024.

2 BASIS OF PREPERATION

2.1 Accounting Convention

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

2.2 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 Company, 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. For matters not covered by FAS, the Company uses the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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.

Allowance for credit losses

In determining allowance for credit losses on the Company's financial assets, considerable judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such allowances.

Useful life of equipment and furniture

The Company's management determines the estimated useful lives of its equipment and furniture 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

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

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.

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) Balances with banks

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

(ii) Mudaraba investments

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

(iii) Murabaha receivables

Murabaha receivables are deferred sales transactions (Murabaha) which are stated net of deferred profits and allowance for impairment, 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 instalments by the Murabeh over the agreed period.

Impairment assessment

The Company recognises credit loss allowance 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 impairment allowance will be recorded based on life time ECL.
- **Stage 3** – Impaired assets: For assets that are impaired, the Company will recognise 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a Financial assets (continued)

Impairment assessment (continued)

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 ;
- Loss given default; and
- Exposure at default.

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

Definition of default

The Company's definition of default is aligned with regulatory guidelines and internal credit risk management practices. Defaulted facilities are under Stage 3 and a specific allowance is recognised 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 reflects 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.

At 31 December 2023

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a Financial assets (continued)

Impairment assessment (continued)

Significant increase in credit risk

When determining whether the risk of default on 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.

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 Significant Increase in Credit Risk ("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 recognises impairment losses on all investment assets and exposures subject to risks other than investments carried at fair value through income statement.

Derecognition of financial assets

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

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

When the Company has transferred its rights to receive cash flows from a asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

b Financial liabilities

Financial liabilities consist of wakala financing and certain accounts payable and other 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)

Wakala financing

This represents financing received on principles of wakala contracts.

Derecognition of financial liabilities

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.

c 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.

d Equipment and furniture

Equipment and furniture are stated at cost less accumulated depreciation and impairment losses, if any. Repairs and maintenance, other than major modifications, are expensed as incurred.

The cost of equipment and vehicle is depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Equipment	5 years
Furniture and fixtures	3-5 years
Software	3-5 years

An item of equipment and furniture is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of equipment and furniture is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in statement of income.

e Ijarah – the Company as a lessee

The Company classifies the Ijarah of the premises in which the Company operates as an operating Ijarah in the financial statements. The Company recognises the Ijarah liability to make lease payments and a right-of-use asset representing the right to use the underlying asset.

a) Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Company amortises the right-of-use asset from the commencement date of the lease to the end of the useful economic life of the right-of-use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilisation of benefits from the right-of-use asset. Right-of-use assets are also subject to impairment in line with FAS 30 requirements. The carrying value of right-of-use assets are recognised under 'equipment, furniture and right-of-use assets' in the statement of financial position.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e Ijarah – the Company as a lessee (continued)

b) Ijarah liability

At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Company recognises an Ijarah liability measured at the fair value of total rentals payable for the Ijarah term. After the commencement date, the amount of Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortisation of deferred Ijarah costs and reduced to reflect the Ijarah rentals paid. In addition, the carrying amount of Ijarah liability is remeasured if there is a modification, a change in the Ijarah term or a change in the in-substance fixed lease payments. The carrying value of the Ijarah liability is recognised under 'accounts payable and other liabilities' in the statement of financial position.

f Employees' end-of-service benefits

Bahraini employees of the Company are covered by contributions made to the Social Insurance Organisation 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.

g Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset only if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

h Revenue recognition

Mudaraba investments

Income on Mudaraba investments 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.

I 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J Cash and cash equivalents

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

k Zakah

The responsibility of payment of Zakah is on individual shareholders of the Company. The Zakah due for the financial year ended 31 December 2023 according to Zakat standard issued by AAOIFI is BD 0.002608 (2022: BD 0.002609) per share.

l 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 accounting policies adopted are consistent with those of the previous financial year, except for AAOIFI's following new and amended standards and interpretations which are effective as of 1 January 2023. The adoption of these standards and interpretations did not have any effect on the Company's financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

FAS 39 Financial Reporting for Zakah

AAOIFI issued FAS 39 "Financial Reporting for Zakah" in 2021. The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution and provides guidance on two main categories of institutions namely "institutions obliged to pay Zakah" and "institutions not obliged to pay Zakah". This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic Financial Institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as applicable. The new accounting standard does not have any significant impact on the financial statements of the Company as it is neither required by the Law nor by its constitution documents to pay Zakah.

FAS 44 Determining Control of Assets and Business

AAOIFI issued FAS 44 "Determining Control of Assets and Business" in 2023. The objective of this standard is to establish the principles of assessing as to whether and when an institution controls an asset or a business, both in case of underlying assets of a participatory structure, as well as, for the purpose of consolidation of financial statements of subsidiaries. This standard is immediately effective. The new accounting standard does not have any significant impact on the financial statements of the Company.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

6 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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 2024. Early adoption of the standard is permitted. The Board is currently assessing the impact of this accounting standard on the financial statements of the Company.

FAS 45 Quasi - Equity (Including Investment Accounts)

AAOIFI issued FAS 45 "Quasi - Equity (Including Investment Accounts)" in 2023. The objective of this standard is to establish the principles of financial reporting related to instruments classified as Quasi - Equity, such as investment accounts and similar instruments invested with Islamic financial institutions. Quasi - Equity is an element of financial statements of an institution in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Board is currently assessing the impact of this accounting standard on the financial statements of the Company.

FAS 46 Off - Balance - Sheet Assets Under Management

AAOIFI issued FAS 46 "Off - Balance - Sheet Assets Under Management" in 2023. The objective of this standard is to establish the principles of financial reporting related off - balance - sheet assets under management in line with the "AAOIFI Conceptual Framework for Financial Reporting". This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Board is currently assessing the impact of this accounting standard on the financial statements of the Company.

FAS 47 Transfer of Assets between Investment Pools

AAOIFI issued FAS 47 "Transfer of Assets between Investment Pools" in 2023. The objective of this standard is to establish the principles that apply in respect of transfer of assets between various investment pools of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2026 with early adoption permitted. The Board is currently assessing the impact of this accounting standard on the financial statements of the Company.

7 CASH AND BALANCES WITH BANKS

	2023	2022
	BD	BD
Cash in hand	6,351	2,974
Balances with banks (note 20)	218,908	493,814
Allowance for credit losses	(1,523)	(3,471)
	223,736	493,317

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

8 MUDARABA INVESTMENTS

	2023	2022
	BD	BD
Mudaraba investments with Islamic financial institution (note 20)	2,482,060	2,306,444
Allowance for credit losses	(7,737)	(6,617)
	2,474,323	2,299,827

9 MURABAHA RECEIVABLES

	2023	2022
	BD	BD
Gross murabaha receivables	4,167,935	3,961,387
Deferred profits	(1,407,830)	(1,240,902)
	2,760,105	2,720,485
Allowance for credit losses	(470,797)	(444,387)
Net murabaha receivables	2,289,308	2,276,098

At 31 December 2023, the restructured facilities amounted to BD 3,550 (2022: BD 22,736).

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

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	BD	BD	BD	BD
Not past due	1,411,170	565,916	34,251	2,011,337
1 to 89 days past due	-	393,149	28,133	421,282
90 days or more past due	-	-	327,486	327,486
	1,411,170	959,065	389,870	2,760,105
Allowance for credit losses	(53,244)	(163,941)	(253,612)	(470,797)
	1,357,926	795,124	136,258	2,289,308
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	BD	BD	BD	BD
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
	1,598,766	678,346	443,373	2,720,485
Allowance for credit losses	(63,260)	(137,954)	(243,173)	(444,387)
	1,535,506	540,392	200,200	2,276,098

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

10 ALLOWANCE FOR CREDIT LOSSES - NET

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

	2023	2022
	BD	BD
Balances with banks	1,948	2,865
Mudaraba investments	(1,120)	2,661
Murabaha receivables (note 9)	(101,030)	(86,246)
Recoveries from Murabaha receivables previously written off	27,534	21,097
Other assets	(4,712)	(4,713)
	(77,380)	(64,336)

11 OTHER ASSETS

	2023	2022
	BD	BD
Profit receivables from Tamkeen	194,493	117,191
Others	63,685	27,620
	258,178	144,811

12 EQUIPMENT, FURNITURE AND RIGHT OF USE ASSETS

	<i>Right of Use Assets</i>	<i>Software and equipment</i>	<i>Furniture and fixtures</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Cost:				
At 1 January 2023	105,502	136,128	67,775	309,405
Additions during the year	101,631	852	-	102,483
At 31 December 2023	207,133	136,980	67,775	411,888
Depreciation and Amortisation:				
At 1 January 2023	87,002	111,966	36,323	235,291
Charge for the year	59,354	10,673	13,555	83,582
At 31 December 2023	146,356	122,639	49,878	318,873
Net carrying values:				
At 31 December 2023	60,777	14,341	17,897	93,015

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

12 EQUIPMENT, FURNITURE 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 2022	105,502	132,653	67,775	305,930
Additions during the year		3,475	-	3,475
At 31 December 2022	<u>105,502</u>	<u>136,128</u>	<u>67,775</u>	<u>309,405</u>
Depreciation and Amortisation:				
At 1 January 2022	43,501	96,393	22,768	162,662
Charge for the year	43,501	15,573	13,555	72,629
At 31 December 2022	<u>87,002</u>	<u>111,966</u>	<u>36,323</u>	<u>235,291</u>
Net carrying values:				
At 31 December 2022	<u>18,500</u>	<u>24,162</u>	<u>31,452</u>	<u>74,114</u>

13 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2023 BD	2022 BD
Accrued expenses	78,756	74,288
Ijarah liability (note 13.1)	61,789	18,963
Employees' end-of-service benefits	30,995	66,160
Professional fees payable	17,825	17,657
Payables related to technology and communication	2,349	2,072
Other payables	43,348	28,807
	<u>235,062</u>	<u>207,947</u>

13.1 Ijara liability

	2023 BD	2022 BD
Gross ijarah liability	62,650	19,500
Deferred cost on ijarah liability	(861)	(537)
	<u>61,789</u>	<u>18,963</u>

The movement in ijarah liability during the year is as follows:

	2023 BD	2022 BD
At 1 January	18,963	62,773
Addition	101,631	-
Amortisation of deferred cost during the year (note 19)	2,344	1,070
Paid during the year	(61,149)	(44,880)
	<u>61,789</u>	<u>18,963</u>

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

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 into Murabaha facilities. Under these Wakala agreements, the Company agreed a target rate of 0.5% (2022: same) with the funds provider and any income beyond that is given away to the Company. During the year ended 31 December 2023, the Company paid BD 15,000 to the funds provider (2022: same).

15 SHARE CAPITAL AND RESERVES

Share capital

	2023	2022
	BD	BD
<i>Authorised :</i>		
150,000,000 ordinary shares of BD 0.1 each (2022: same)	15,000,000	15,000,000
<i>Issued and fully paid up:</i>		
As at beginning and end of the year		
20,000,000 ordinary shares of BD 0.1 each (2022: same)	2,000,000	2,000,000

The number and nominal value of shares as well as the shareholding percentages as at 31 December 2023 and 2022 are as follows:

Shareholders	Number of shares	Nominal value BD	Share capital BD	Shareholdin g percentage
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%
	20,000,000		2,000,000	100%

Contributed surplus

The balance as at 31 December 2023 and as at 31 December 2022 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. During the current year and prior year, no such transfer had been made as the Company was having accumulated losses.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

16 INCOME FROM FINANCING ASSETS

	2023 <i>BD</i>	2022 <i>BD</i>
Income from Murabaha receivables	819,223	904,347
Income from Mudaraba investments (note 20)	135,161	72,408
Income from bank balances (note 20)	1,844	-
	<u>956,228</u>	<u>976,755</u>

17 FEE INCOME

	2023 <i>BD</i>	2022 <i>BD</i>
Administration fees	53,035	47,095
Application fees	5,175	5,670
Other fees	13,991	14,584
	<u>72,201</u>	<u>67,349</u>

18 STAFF COSTS

	2023 <i>BD</i>	2022 <i>BD</i>
Salaries and benefits	477,355	465,524
Social security contributions	87,275	68,588
Medical expenses	31,937	32,684
Provision for end-of-service benefits	12,525	17,686
Other	93,778	70,314
	<u>702,870</u>	<u>654,796</u>

19 GENERAL AND ADMINISTRATION EXPENSES

	2023 <i>BD</i>	2022 <i>BD</i>
Others	33,775	33,583
Professional fee	23,605	19,404
Utilities	21,336	17,296
Membership fee	13,574	13,441
Shari'a Supervisory Board advisory and attendance allowances (note 20)	9,060	9,060
Communication	8,711	8,112
Security charges	7,994	7,987
Marketing and promotional expenses	5,660	1,889
Amortisation of deferred cost on ijarah liability (note 13.1)	2,344	1,070
Training expenses	300	300
	<u>126,359</u>	<u>112,142</u>

20 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Company, Shari'a Supervisory Board members and entities owned or controlled, jointly controlled or significantly influenced by such parties as well as external auditors.

The transactions with related parties arise from the ordinary course of business. Outstanding balances at year end are unsecured. As of 31 December 2023, none of the Company's exposures to related parties are past due or impaired (2022: nil).

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

At 31 December 2023

20 RELATED PARTY TRANSACTIONS (continued)

Significant balances with related parties included in the statement of financial position are as follows:

	<i>Directors and key management personnel</i>	<i>Shareholders</i>	<i>Others</i>	<i>BD</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
31 December 2023				
Assets				
Balances with banks (note 7)	-	218,908	-	218,908
Mudaraba investments (note 8)	-	2,482,060	-	2,482,060
	-	2,700,968	-	2,700,968
Liabilities				
Accounts payable and other liabilities	40,318	-	6,000	46,318

The amount of allowance for credit losses against balances with banks and Mudaraba investments amount to BD 1,523 and BD 7,737 respectively.

	<i>Directors and key management personnel</i>	<i>Shareholders</i>	<i>Others</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
31 December 2022				
Assets				
Balances with banks (note 7)	-	493,814	-	493,814
Mudaraba investments (note 8)	-	2,306,444	-	2,306,444
	-	2,800,258	-	2,800,258
Liabilities				
Accounts payable and other liabilities	38,225	-	6,180	44,405

The amount of allowance for credit losses against balances with banks and Mudaraba investments amount to BD 3,471 and BD 6,617 respectively.

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

	<i>Directors and key management personnel</i>	<i>Shareholders</i>	<i>Others</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
2023				
Income				
Income from Mudaraba investments (note 16)	-	135,161	-	135,161
Income from bank balances (note 16)	-	1,844	-	1,844
	-	137,005	-	137,005
Expense				
Shari'a Supervisory Board advisory and attendance allowances (note 19)	9,060	-	-	9,060
Professional fees	-	-	6,000	6,000
	9,060	-	6,000	15,060

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

20 RELATED PARTY TRANSACTIONS (continued)

	<i>Directors and key management personnel</i>			<i>Total BD</i>
	<i>BD</i>	<i>Shareholders BD</i>	<i>Others BD</i>	
2022				
Income				
Income from Mudaraba investments (note 16)	-	72,408	-	72,408
	-	72,408	-	72,408
Expense				
Shari'a Supervisory Board advisory and attendance allowances (note 19)	9,060	-	-	9,060
Professional fees	-	-	6,180	6,180
	9,060	-	6,180	15,240

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

	2023	2022
	BD	BD
Salaries	307,807	300,222
Other benefits	45,119	43,025
	352,926	343,247

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

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 investments, Murabaha receivables and certain other assets. 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

	2023	2022
	BD	BD
Balances with banks (note 7)	217,385	490,343
Mudaraba investments (note 8)	2,474,323	2,299,827
Murabaha receivables (note 9)	2,289,308	2,276,098
Other assets (note 11)	194,493	117,191
	5,175,509	5,183,459

(b) Credit quality by class of financial asset

	2023				Total
	Balances with banks	Mudaraba investments	Murabaha receivables	Other assets	
	BD	BD	BD	BD	BD
Stage 1	217,385	2,474,323	1,357,926	194,493	4,244,127
Stage 2	-	-	795,124	-	795,124
Stage 3	-	-	136,258	-	136,258
Net exposure to credit risk	217,385	2,474,323	2,289,308	194,493	5,175,509

	2022				Total
	Balances with banks	Mudaraba investments	Murabaha receivables	Other assets	
	BD	BD	BD	BD	BD
Stage 1	490,343	2,299,827	1,535,506	117,191	4,442,867
Stage 2	-	-	540,392	-	540,392
Stage 3	-	-	200,200	-	200,200
Net exposure to credit risk	490,343	2,299,827	2,276,098	117,191	5,183,459

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

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:

	2023					
	<i>Banks and financial institutions BD</i>	<i>Trade BD</i>	<i>Service BD</i>	<i>Food Processing BD</i>	<i>Others BD</i>	<i>Total BD</i>
Assets						
Balances						
with banks	217,385	-	-	-	-	217,385
Mudaraba						
investments	2,474,323	-	-	-	-	2,474,323
Murabaha						
receivables	-	806,378	868,880	350,995	263,055	2,289,308
Other assets	-	-	194,493	-	-	194,493
	2,691,708	806,378	1,063,373	350,995	263,055	5,175,509
	2022					
	<i>Banks and financial institutions BD</i>	<i>Trade BD</i>	<i>Service BD</i>	<i>Food Processing BD</i>	<i>Others BD</i>	<i>Total BD</i>
Assets						
Balances						
with banks	490,343	-	-	-	-	490,343
Mudaraba						
investments	2,299,827	-	-	-	-	2,299,827
Murabaha						
receivables	-	891,564	821,444	345,375	217,715	2,276,098
Other assets	-	-	117,191	-	-	117,191
	2,790,170	891,564	938,635	345,375	217,715	5,183,459

Geographical concentration

Assets and liabilities of the Company as at 31 December 2023 and 31 December 2022 are concentrated in the Kingdom of Bahrain.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

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 2023 based on expected periods to cash conversion from the statement of financial position date:

	2023							
	<i>Up to 1 month BD</i>	<i>1 to 3 months BD</i>	<i>3 months to 1 year BD</i>	<i>Total of within 1 year BD</i>	<i>1 to 3 years BD</i>	<i>Over 3 years BD</i>	<i>No fixed maturity BD</i>	<i>Total BD</i>
Assets								
Cash and balances with banks	-	-	-	-	-	-	223,736	223,736
Mudaraba Investments	487,292	-	1,987,031	2,474,323	-	-	-	2,474,323
Murabaha receivables	29,991	24,577	177,840	232,408	1,282,597	774,303	-	2,289,308
Equipment, furniture and right-of-use assets	-	-	-	-	-	-	93,015	93,015
Other assets	198,629	38,893	11,331	248,853	7,625	1,700	-	258,178
Total assets	715,912	63,470	2,176,202	2,955,584	1,290,222	776,003	316,751	5,338,560
Liabilities								
Wakala financing	-	-	-	-	3,000,000	-	-	3,000,000
Accounts payable and other liabilities	48,452	86,370	67,750	202,572	1,495	30,995	-	235,062
Total liabilities	48,452	86,370	67,750	202,572	3,001,495	30,995	-	3,235,062
Net gap	667,460	(22,900)	2,108,452	2,753,012	(1,711,273)	745,008	316,751	
Cumulative net gap	667,460	644,560	2,753,012		1,041,739	1,786,747	2,103,498	

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

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 2022 based on expected periods to cash conversion from the statement of financial position date:

	2022							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	
Assets								
Cash and balances with banks	-	-	-	-	-	-	493,317	493,317
Mudaraba investments	418,613	878,326	1,002,888	2,299,827	-	-	-	2,299,827
Murabaha receivables	31,060	32,935	244,036	308,031	1,367,338	600,729	-	2,276,098
Equipment, furniture and right-of-use assets	-	-	-	-	-	-	74,114	74,114
Other assets	122,973	13,937	6,201	143,111	-	1,700	-	144,811
Total assets	572,646	925,198	1,253,125	2,750,969	1,367,338	602,429	567,431	5,288,167
Liabilities								
Wakala financing	-	-	-	-	3,000,000	-	3,000,000	3,000,000
Accounts payable and other liabilities	41,107	78,950	21,730	141,787	-	66,160	-	207,947
Total liabilities	41,107	78,950	21,730	141,787	3,000,000	66,160	3,000,000	3,207,947
Net gap	531,539	846,248	1,231,395	2,609,182	(1,632,662)	536,269	(2,432,569)	
Cumulative net gap	531,539	1,377,787	2,609,182		976,520	1,512,789	(919,780)	

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 SOCIAL RESPONSIBILITY

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

25 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.

26 EARNINGS PROHIBITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to BD nil (2022: same).

27 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 include: 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 its 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 Vice Chairman of the Royal Humanitarian Foundation. He has over 42 years of industrial experience, his previous positions include: Secertary General, The Royal Humanitarian Foundation, 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 Engineering.

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 34 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 hital Life BSC / Al Hilal Takaful BSC and Commercial Bank of Iraq-Iraq.

Mr. Maysan Al Maskati

Non-Independent, Executive Director

Mr. Almaskati is Assistant General Manager, Business Banking Group of Ithmaar Bank with over 24 years of investment and banking experience.

Mr. Almaskati has been with the Ithmaar Bank Asset Management Department since 2019 and he represents Ithmaar Holding B.S.C. on a number of boards, including Naseej B.S.C. (Closed), Family Microfinance House B.S.C. (Closed), Cityview Real Estate Development Company B.S.C. (Closed) and Ithmaar-Dilmunia General Partner Company Limited. Prior to joining Ithmaar Bank, he held a number of positions, including Chief Investment Officer of Dux Capital (UAE), an Investment Manager in ASMA Capital Partners (Bahrain), and Head of Ithmaar Bank Asset Management Department. Mr. Almaskati holds a Bachelor of Science in Industrial Engineering from Kansas State University, USA and completed a number of professional financial certifications.

Mr. Masood Ahmed Al Bastaki

Independent Director

Mr. Masood Ahmed Al Bastaki is an executive banker with more than 35 years of experience in Banking and International Business ranging from Conventional Banking, Islamic Banking and International Investment Banking. He undertook various banking activities across multiple regions including the Middle East, North Africa, USA and Latin America as well as Europe and Asia. He previously worked in several banks, the most important of which are Bank of Bahrain and Kuwait, ABC Islamic Bank, JPMorgan Chase Bank, BMI Bank and Venture Capital Bank, and held several positions, most notably Head of Financial Institutions at JPMorgan Chase Bank, Head of Islamic Banking Department at BMI Bank and Chief Placement Officer at Venture Capital Bank. He is currently a Board Member of Al Baraka Group, as well as Al Baraka Islamic Bank, and Board Member of Family Microfinance House.

Mr. Al Bastaki's experience extends through the aviation industry where he held the position of founding partner and CEO of Aerolease Aircraft and Equipment Leasing Company. He was also the founding partner and managing director of Two Seas Equity Consulting Company.

He holds a Bachelor's Degree in Business Administration and Postgraduate Diploma in Business and Finance from University of Bahrain.

Mr. Bader Ahmed Al Hammadi

Independent Director

Mr. Bader is currently the Director of Finance at the Royal Humanitarian Foundation. He has over 20 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 senior positions in several banks in Bahrain and served on the board of several financial institutions. She's 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 and completed Oxford Fintech Program, the program of Leadership in Sustainability Management from University of Cambridge and Investment Representative Program (Series 7). Mrs. Mirza is a Certified Compliance Officer and is a Certified Anti-Money Laundering Specialist (CAMS).

Mrs. Amal Othman Al Rayes

Non- Independent, Executive Director

Mrs. Amal AlRayes is a proficient banker with over 17 years of banking experience in the fields of Wealth Management and Private Banking. She 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 developing business and overseeing a portfolio of strategic client accounts. Mrs. Amal AlRayes is a Chartered Financial Analyst (CFA), a Professional Risk Manager (PRM) and also holds an MSc in Strategic Financial Technology from the University of Strathclyde – Scotland and a BSc in Business Information Systems from the University of Bahrain.

Mrs. Latifa Abdulla Al Sadeh

Non- Independent, Executive Director

Mrs. Latifa is currently Department Head of Real Estate, Services & Trading in Corporate Banking Division BBK . She enjoys over 17 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 at Harvard Business School.

Mr. Khalid Jameel Al Bayat

Non- Independent, Non-Executive Director

Khalid Al Bayat is a seasoned business development and banking professional with 17+ years of experience in managing complex portfolios of private and public companies as well as financial institutions across the GCC region.

Khalid currently holds the position of Chief Growth Officer at Tamkeen, where he leverages his client origination and deal execution expertise. He leads a team that drives enterprise and human capital market engagement to support private sector development and drives the upskilling and reskilling of nationals to make them the employees of choice. In driving support programs, Khalid works closely with the boards of private sector institutions to effectively direct government support and set strategic objectives.

Prior to joining Tamkeen, Khalid held several roles in the Banking industry within Bank ABC, Alpen Capital and BBK B.S.C. specializing in Corporate Banking & Financial Institutions with a focus on Client Coverage & Origination, Relationship Management, Deal Structuring, Trade Finance and Corporate Credit Risk with a managed portfolio of over USD 1 billion across GCC markets in various industries, booking assets and liabilities, structuring deals while managing credit and operational risks, helping companies report revenue growth and improved profitability. Khalid currently serves as a member on the executive advisory board of HH Shaikh Nasser Artificial Intelligence Research and Development Center. Khalid is a recipient of the Fulbright scholarship and holds an MBA with a concentration in Technology Management from Rochester Institute of Technology, USA.

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 36 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 24 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 and Administrative Department

Mrs. Heba is currently the Human Resource Manager and Administrative Department, she holds a BSc degree in Business Administration from University of Bahrain, she has 20 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 ten 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 31st December 2023.

Ownership Structure: As at 31st December 2023, 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:

- 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.
- 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 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 be 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.

Transactions Fees and service Charges		رسوم المعاملات ورسوم الخدمة	
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	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 مقدمًا، 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**	0.216	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.