



سراج  
للتقوِيل  
ش.م.خ  
**SIRAJ** FINANCE  
PJSC

# A Progressive Islamic Finance Company



[www.sirajfinance.com](http://www.sirajfinance.com)

## ANNUAL REPORT

# 2023



**HIS HIGHNESS SHEIKH  
MOHAMMED BIN ZAYED AL NAHYAN**  
President of the United Arab Emirates  
Ruler of Abu Dhabi

“ Today, the UAE economy is thriving and continues to grow at an impressive rate. We are blessed with many resources, especially our high-skilled human capital, as the UAE possesses a distinguished wealth of young manpower. In addition, more than 200 nationalities are actively participating in the growth and development of our economy.

Brothers and sisters, further diversifying our economy is a key strategic focus of our future plans. It is therefore necessary to accelerate economic development efforts to continue building a leading global economy, to enhance our competitiveness, and to achieve the highest global rankings.

Our priorities also include further strengthening our people’s capabilities in science and technology, and develop it further to benefit all economic areas and the society. The role of the private sector is pivotal and it must be further activated through constant collaboration and diverse opportunities to increase its contribution to the growth of the economy. ”

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**SIRAJ FINANCE  
WINS  
BEST NON-BANK ISLAMIC  
FINANCE INSTITUTION  
GIFA AWARD  
FOR THE FIVE CONSECUTIVE YEAR!**





# VISION & MISSION

## Our Vision

To be the number one Non-Banking Islamic Financial Institution (NBFi) in the UAE.

## Our Mission

Provide Islamic Financial Services, in its true sense and value.



## CHAIRMAN REVIEW

Dear Siraj Finance's Family,

السلام عليكم ورحمة الله وبركاته

Since 1999, we have come a long way Alhamdulillah. The performance and recognitions that Siraj Finance has received during these years are outstanding. While we conclude the figures of the year 2023, I extend my heartfelt congratulations and gratitude to each and every member of the Siraj Finance's Team whose passionate commitment to our values has led to these remarkable achievements.

Siraj Finance had an exceptional year of 2023 in terms of its total assets rising by 13.2% to AED 479.7 million, and as the total revenues reached over AED 60 million.

As Siraj Finance further elevates its strategic ambitions for the coming years, I am confident that we have the right plan of actions to continue generating substantial value for our diverse stakeholders.

**AHMED BIN KHALAF AL-OTAIBA**  
Chairman, BOD





## CEO MESSAGE

It is with immense pleasure to present the audited financial statements of Siraj Finance PJSC for the year ended December 31, 2023.

Siraj Finance's financial achievements stand as an evidence to the wise strategic directions which have been implemented. Sustained profits, significant growth in assets, and a robust risk management framework have positioned Siraj Finance as a committed entity, amongst its competitors. This success is a result of thorough planning, and staying attuned to the dynamic market landscape. Diverse range of products and services, with innovative approach have been Siraj Finance's driving forces, which is evident from the awards and recognitions that Siraj Finance has received from the industry during 2023, Alhamdulillah.

At the heart of Siraj Finance, our employees are undeniably considered as valuable assets as they are the representatives of our company, and their respective professional and personal growths has been a testimony of our success. Siraj Finance remains committed to nurturing people-first culture by investing significantly in staff's training and upscaling their financial and operational skill sets, along with the Shariah compliant modern practices.

As the CEO of Siraj Finance, I thank all shareholders for their support, the Board of Directors and the Internal Sharia Supervisory Committee (ISSC) for their guidance, the fellow Executive members and employees for their extensive contributions, and above all our esteemed customers for their trust in Siraj Finance. In 2024, we are even more committed to face and overcome new challenges and deliver our best for a brighter future.

**MOHAMED RUSAN FYROZE**  
Chief Executive Officer

## OUR GOAL

Provide an array of diversified Islamic Financial Products and Services via channels that are innovatively created utilizing latest technology that will keep Siraj Finance current with the industry standards that will be customer centric and regulatory compliant.

# OUR HISTORY

Siraj Finance PJSC (formerly known as National Finance Company) was established in the year 1999.

In early 2007, Addax Bank, an investment bank based in Bahrain, gained a controlling stake in the company through a Private Placement Memorandum. Later in 2012, Waha Capital, an Abu Dhabi based company, acquired the majority percentage of shares in Siraj Finance.

As part of its internal corporate restructuring, in 2015, Waha Capital transferred the control of Siraj Finance to Trizac Holding LLC (part of the Al Otaiba Group of Companies).

Since then, Siraj Finance has been undertaking major initiatives to expand its products offerings and business portfolio across UAE.

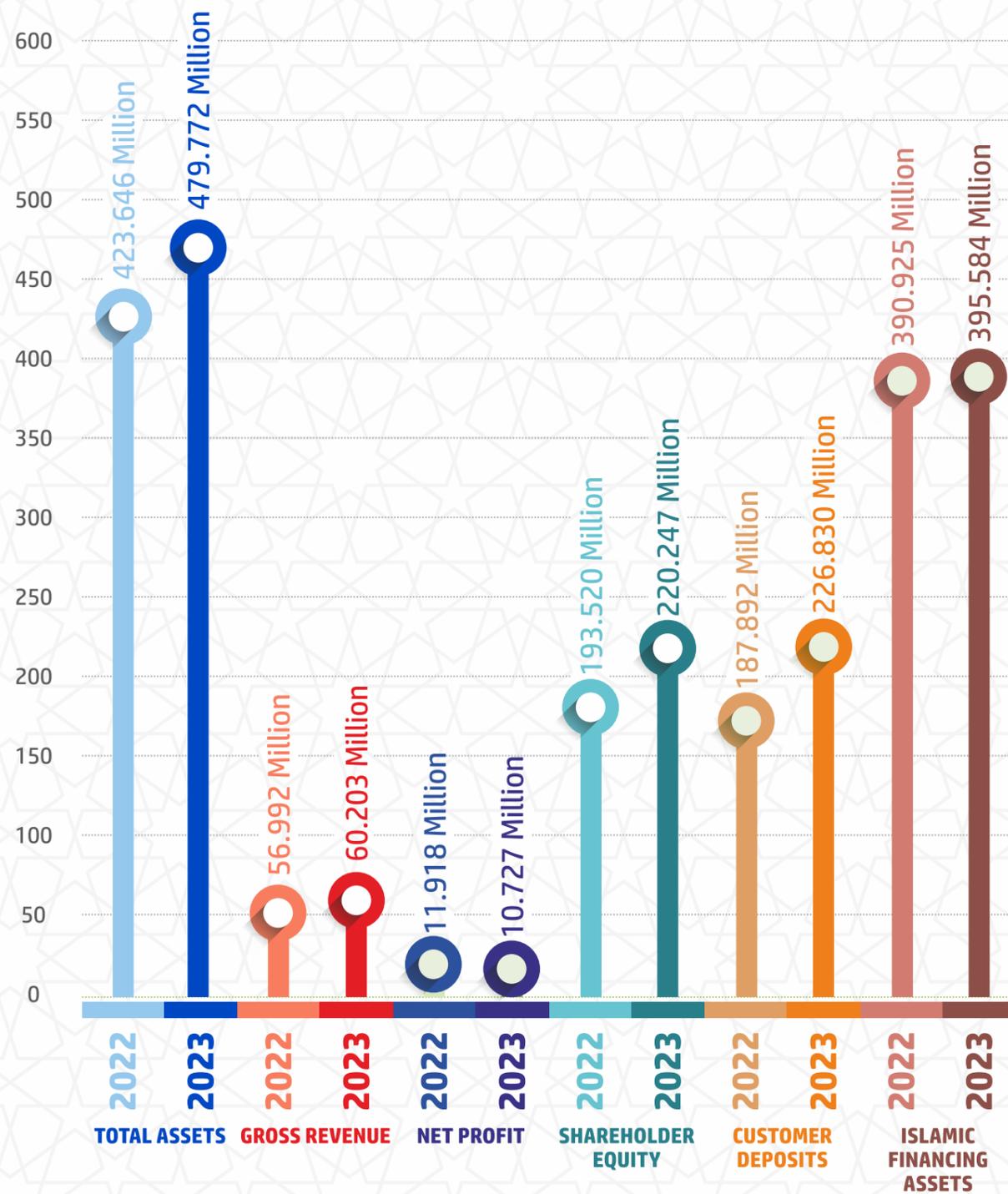
Siraj Finance is one of the leading Islamic Finance Companies in the UAE, which continues to reaffirm its long-term commitment by aggressively expanding its footprint in its endeavour of providing Sharia Compliant products and services to its esteemed clientele.

# OUR PRESENCE BRANCH NETWORK

- Abu Dhabi
- Sharjah
- Al Ain



# KEY FINANCIAL HIGHLIGHTS



# WHO WE ARE

Siraj Finance PJSC is a private joint stock company based in Abu Dhabi and regulated by the Central Bank of the UAE.

Siraj Finance proudly offers a multitude of financial products, designed in compliance with the Shariah principles. We cater to individuals, small and medium enterprises (SMEs) and Corporates, with the objective of providing them a variety of product options that best fit to their aspirations and needs.



# AWARDS AND RECOGNITION

2024



2023



2019



2022



2018



2021



2020



# WHAT WE OFFER



## SME/ CORPORATE PRODUCT OFFERING

With the aim to offer a range of customized solutions to assist SMEs and Corporates for meeting their financial needs. We have been catering to companies owing to our wide reach to both local and international businesses.

Distinguished clients can choose a specific scheme of solutions from our extensive range of financial products and services. With our optimized and smooth financing & trade facilities we have the key to make your enterprise succeed.

### FINANCING & INVESTMENT PRODUCTS



**CORPORATE WAKALA DEPOSIT**



**BUSINESS FINANCE / TERM FINANCE**



**FLEET FINANCE**



**PROPERTY MORTGAGE FINANCE**

### TRADE FINANCE PRODUCTS



**LETTER OF GUARANTEES**



**LETTER OF CREDITS**

## RETAIL PRODUCTS OFFERING

Siraj Finance offers tailored Shariah-compliant products for individual financial needs. Individuals can avail from a wide range of Islamic products, such as, personal finance (Salam), vehicle finance, home finance and cards.

### FINANCING PRODUCTS



**PERSONAL FINANCE (SALAM)**



**VEHICLE FINANCE**



**HOME FINANCE**

### CARD PRODUCTS



**WPS CARDS**



**PREPAID CARDS**



**GIFT CARDS**

## CORPORATE INFORMATION

### BOARD MEMBERS



**AHMED BIN KHALAF  
AL OTAIBA**  
CHAIRMAN, BOD

Ahmed Bin Khalaf is a self-made business entrepreneur, who started his career in the oil and gas industry from its inception project roots to regional diversification and advancement. As a varied business influencer, Ahmed is the Chairman of Siraj Finance since its acquisition by the Trizac Holding LLC- a group entity under the AL Otaiba Group of Companies. A UAE local philanthropist in the community wellbeing, Ahmed was instrumental in development of various social welfare projects, green community initiatives, Emiratisation platforms for the younger local breed, children's welfare projects and has taken personal interest in the well-being of senior citizens and development of old age community Ahmed's business interests includes some of the leading home grown UAE products and has also ventures associated with multiple franchisees that are successful in local and regional markets.



**RASHED KHALAF AHMED  
KHALAF AL OTAIBA**  
DIRECTOR

A leader in the professional stature of Siraj Finance and being the Board of Director, Rashed Khalaf oversees the family business ventures of the Al Otaiba Group and has an unwavering responsibility towards streamlining the business operations within the group framework. In his personal capacity, Rashed owns the United Security Group- an established security service provider in the UAE. With the extended reach of the digitalization, scope of investment in technology footprint has also taken a mounting leap within the umbrella of the group business activity that is overseen by Rashed.



**SAAD AL JNEIBI**  
DIRECTOR

CEO & MD of Al Saad Printing Works LLC, Manager in Oloom Al Shabaka (Kingdom of Saudi Arabia) Board Member of Siraj Finance since its takeover.



**BIKASH RANJAN GIRI**  
DIRECTOR

MD of Intelligent Telecommunication Systems (ITS), MD of Scott Power Corporation LLC & Jazeera Emirates Power (JEP.) Business expertise of 30+ years in the field of Power, Manufacturing and Telecom sectors. Bikash is a Board Member of Siraj Finance since its takeover.



**DAVID WILKINS**  
DIRECTOR

Mr. David is the founder and CEO of T3 Technologies. Prior he was the Head of Global Markets E-Commerce at The National Bank of Abu Dhabi.

He is also the founder and CEO of T3PS (formerly known as Digecom Solutions), FinQor Technologies and Ta3molat Holdings.

Mr. David is a Board Member of Siraj Finance.

## CORPORATE INFORMATION

### INTERNAL SHARIA SUPERVISORY COMMITTEE



**Dr. FAZAL RAHIM ABDUL RAHIM**  
CHAIRMAN AND EXECUTIVE MEMBER

Dr. Fazal is an accomplished Shari'ah scholar advising in the field of Islamic banking and finance with more than 22 years of experience in international, regional and local organizations. He has vast experience in rendering Sharia advisory in relation to Islamic products, services and transactions across the Islamic banking and finance industry and continues to collaborate closely with regional Sharia scholars.

Dr. Fazal successfully completed his PhD in Economics and Muamalat from University Sains Islam Malaysia (USIM). He has been certified as a Sharia Adviser and Auditor (CSAA) by AAOIFI, Bahrain. He holds an M.A. in Economics from University of Karachi, Pakistan, a B.A. in Islamic Studies & Arabic from the University of Karachi, Pakistan and a PGD in Islamic Banking and Insurance from IIBI, London.

He has undertaken and produced extensive research on many contemporary Islamic finance and banking topics. He is a member of the Sharia Board of numerous Islamic Investment and Financing companies. He is a member of Islamic Banking Committee of the UAE Banking Federation (the UAEBF).



**ABDULNASER AHMED EBRAHIM  
ALMANNAEE ALTAMIMI**  
MEMBER

A Sharia scholar with over twenty-eight years of Islamic banking experience. He has extensive knowledge in Sharia consultancy, Sharia Audit, Sharia Compliance, Sharia Training, Sharia Research and Development. Adept at implementing innovative Sharia practices and procedures to improve efficiency. He has versatile skill set with experience in mediating between the Internal Sharia Supervision Committee and the Management of the IFI's.



**MOHD BAHRODDIN BIN BADRI**  
MEMBER

A proficient sharia scholar with more than 15 years of experience in the field of Islamic banking and finance. He is chairman of the shariah advisory committee of MBSB Bank Berhad and shariah committee member of Swiss re & exco of association of shariah advisors in Islamic finance (ASAS). Previously, he had served as a deputy chairman of the shariah committee of Citibank Malaysia and shariah committee member of Citibank Labuan.

He holds master's degree in shariah (economics) from university of Malaya and bachelor of Islamic revealed knowledge and heritage (fiqh and usul al-fiqh) from the iium. He is also fellow of certified shariah adviser and auditor (CSAA) of AAOIFI, Bahrain.

His significant contribution to Islamic finance industry includes involvement in developing shariah-related policy guidelines (shariah standards) and shariah-compliant schemes issued by the central bank of Malaysia and companies commission, respectively. As a shariah consultant, he has extensive experience in the development of Islamic financial industry globally and currently ISSC member of Siraj finance.

## CORPORATE INFORMATION MANAGEMENT TEAM

Senior thought leader with over 29 years of experience in Retail Banking, SME, Corporate, Wealth Management, Insurance Management and P&L in Mid-size Corporations, Entrepreneur, public speaker, and people's person, with quick decision-making and crisp communication skills. Recipient of several awards for excellence in financial planning, product development, business leadership and people management. Significant contributor in Business Transformation and Profitability across several key positions. Expert in creating an environment of profitability, coupled with long-term benefits for clients and team members.



**MOHAMED RUSAN FYROZE**  
CHIEF EXECUTIVE OFFICER

A seasoned Islamic banker, Moosa Kaleem brings wealth of experience and expertise to the group after having worked in leadership roles for leading Islamic banks in GCC for 30 years. As an international banker he was instrumental in launching numerous cross border transactions, pioneered innovative products across various domains especially in trade finance, wholesale, retail and investment banking space. Before joining Siraj Finance he worked as CEO of Islamic Bank of Afghanistan for 3 years, prior to which he worked in senior roles with prominent Islamic banks such as Noor Bank, Dubai Islamic Bank and Qatar Islamic Bank. Mr. Moosa Kaleem is an expert Islamic banker through his academic qualification and training in banking as well as in sharia. He has successfully originated, structured and distributed corporate, FI and sovereign Islamic capital market transactions.



**SYED MOOSA KALEEM AL-FALAH**  
CHIEF BUSINESS DEVELOPMENT  
& INVESTMENT OFFICER



**LATIFA AL ZAABI**  
CHIEF HUMAN CAPITAL AND  
ADMIN OFFICER

An accomplished Human Resource Leader in the Financial Industry, with expertise in handling Admin, Operations, Sales, Marketing, Customer Relationship Management, and the Technical Team of Experts towards strategic positioning of the business deliverables. A highly motivated and connected personnel within the UAE cultural community, with over 20 years of experience in dealing with the affluent customer segment and the related negotiations with the Senior Leadership team and the Board. A strategic thinker with excellence accredited through operational competence on driving profit growth, policy adherence, market outreach programs, team building activities, performance management appraisal and succession planning within the scope of the organization's key objectives.



**TUAN SHAHNAZ HAJIREEN**  
CHIEF OPERATING OFFICER

Tuan Shahnaz is a senior banking professional counting over 25 years of experience having worked previously with several multinational as well as local banks and FI's in the UAE. He has held senior positions in Credit Policy & Credit Risk Management, Retail & SME Business, Credit Administration and Operations, Finance Against Property etc. with major exposure to Islamic Banking for the last 18 years. Having been instrumental in setting up an end-to-end Retail & SME Islamic business vertical in a prominent FI and helped establish the Islamic Window of one of the biggest banks in the UAE, he has been able to bring on board a wealth of experience and knowledge across different banking verticals, contributing to the development of various policies and procedures, improving internal controls, and implementing best practices in the organization.

## CORPORATE INFORMATION MANAGEMENT TEAM

As the Company's chief financial officer, Mohamed Mustafa Omar works closely with the executive management as well as being responsible for all the company's financial functions, including accounting, IT, internal control, treasury, corporate finance, and regulatory reporting. His career spans more than 20 years of varied experience in financial management, IT business solutions and corporate strategy.

Mohamed holds a bachelor's degree in financial management from Southeastern University based in Washington, D.C. Prior to joining Siraj Finance, Mohamed served as Financial Manager in Doha Islamic – an Islamic branch of Doha Bank Group in Qatar – from 2005 to 2010. Prior to that, he worked as senior accounting officer in Abu Dhabi Islamic Bank.



**MOHAMED MUSTAFA OMAR**  
CHIEF FINANCIAL OFFICER

Senior banker with over 30 years' experience in Corporate & Retail banking spreading over 3 countries, covering conventional and Islamic banking. Attained 'Chartered Banker' status from the prestigious Banker's Institute from United Kingdom. Leadership practitioner and highly people's-oriented person who has turned many young talents into high performing individuals through coaching and mentoring skills.

Fazal, is a consumer banking specialist with risk management and controls background. Throughout the career held various leadership roles and steered many successful projects in multinational banks like, building risk operational functions, delivering strategic solutions to reduce cost of credit and championed control governance model for entire risk management operations etc.

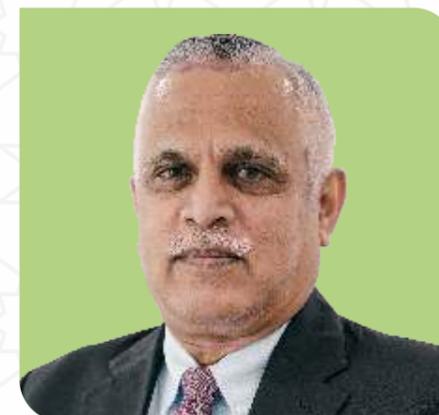


**FAZAL MOHAMED NASSIM**  
CHIEF RISK OFFICER



**YASSER KUNHI**  
CHIEF COMPLIANCE OFFICER

A Banker and Payments professional, holding an MBA in Finance with over 25 years of experience in driving and securing business propositions by handling Risk Management, Fraud Investigations/ Interrogation, Compliance, Forensic Investigation, Cyber offences, Internal and External Audits, Corporate Trainings, Payment Industry presenter cum Senior Management Advisory in the banking community for the Middle East region.



**J. S. DANIEL**  
CHIEF BUSINESS INTELLIGENCE AND  
STRATEGY OFFICER

Joseph S Daniel counts 39 years of expertise in the banking industry (a Practitioner, Theoretician, Thought-Leader, Trainer and Strategist) with international exposure as a professional Banker, Advisor, Consultant, and an Entrepreneur. A Competent Leader with Dynamic leadership qualities and Assertiveness coupled with a passion for accomplishment and eye for detail and excellence.

He has been holding senior management roles as Group Head, Vice President, Advisory and Consultative roles in Banks he has served with. The Banks he has served in are the largest banks in their respective regions (such as The National Bank of Abu Dhabi, The Gulf International Bank Bahrain, The Commercial Bank of Qatar, The Hatton National Bank Ltd. and affiliation with ABN AMRO). In his impressive career Daniel has had the good fortune of interacting successfully with 14 different international regulators, multitudes of other banks and financial organizations covering Asia, Middle East and Europe.

Haneen Al Ahmed is the Head of Financial Markets & Treasury of Siraj Finance PJSC with master's in business administration and background experience in the field of financial management and audit.

During her 15 years of experience, she has executed financial strategies pertaining to businesses of group companies and formulated policies and procedures in accordance with the overall corporate objectives set by stakeholders, in addition to overseeing compliance with the regulatory authorities.



**HANEEN AL AHMAD**  
CHIEF OF FINANCIAL MARKETS & TREASURY

Daniel is a versatile financial professional with an exceptional and unique ability of having mastered the entire spectrum of the banking domain spanning Retail, SME, Corporate and Investment Banking. He is also a dedicated professional with a proven track record and specialization in a number of vital areas in Banking, including setting up and starting new and highly regulated business lines, Business Planning & Strategy, Operations, Risk Management, Business Continuity Management, Compliance, IT and Digital Banking. A respected and much sought after leader to deliver challenging, creative and innovative initiatives / projects.

Amongst, Daniel's many accomplishments including a world's first, namely the Automated Cheque Clearing Function, the following standout too, strategic projects both complex, Business and IT related, Central Bank Projects, Business Process Reengineering, adopting new disciplines seamlessly, the Middle East Region's one of the first successful shared services concept in the Banking Industry and numerous others along the way.

# SIRAJ FINANCE RISK MANAGEMENT FRAMEWORK AND COMPLIANCE ROADMAP



Siraj Finance PJSC efficiently manages its portfolio wide risk indicators through its internal governance framework that enumerates varied risk management strategies alongside its adoption methodologies.

The Board of Directors ensures strict oversight on the business continuity and the risk profiling of different business segments. The Board Risk and Compliance Committee (BRCC) oversees such areas of operations; that prodominantly represents its operational effectiveness and business transparency within the Corporate Governance policy and guidelines.

Additionally, the Senior Management and the Risk Committee's, guide the strategy and implementation; while day-to-day risk management process is embedded within each area of operations and accordingly cascaded down from a top down approach.

Siraj Finance adopts a centralized risk management approach, contrasting with banks that use decentralized structures with staff spread across various operational areas. Our model is built on a Risk-Based Approach, tailored with specific thresholds and segments to suit our unique business operations.

It's important to acknowledge that in the dynamic and complex world of banking and finance industry, with a diverse product range and extensive financial leverage across different regions, a one-size-fits-all solution is not feasible.

Siraj Finance risk management strategy aims to protect its financial health, strategic goals, and reputation by identifying and assessing key risks, including Sharia, credit, market, liquidity, reputational, and operational risks, to minimize their impact.

Siraj Finance is dedicated to developing its workforce and accordingly equipping them with necessary tools and skills amidst an evolving external landscape. An awareness training session; with a face to face and or virtual interaction is duly accomodated in internally aligning towards adopting a uniform approach on the credit risk identification, assessment, and mitigation roadmap.

Accordingly, the Risk Register captures the level of risk indicators within a broader scope of functional dependancies- thus quantifying and qualifying the risk appetite and tolerance levels. In this way, the future risk triggers is encompassed within the scope of reviewing the historical data records and its governance journey.

Siraj Finance regularly reviews market and liquidity risks through its Asset and liability Management Committee (ALCO), maintaining a structured approach to stay within the market risk limits and the regulatory reforms.

Operational Risk Management was a key focus, with established policies and procedures for systematic control. A re-visit on the Key Risk Indicators and Operational Loss Data Management is being pursued to re-assess the residual risks. Discussions on the Siraj Finance operational and fraud risks occur frequently in senior management meetings and at the BRCC.



Siraj Finance management has closely monitored the market stability requirements within its own space of outreach and have accordingly identified certain target segments that predominantly addressed the emerging local challenges with respect to facilitating the revival of Small and Medium Enterprises (SME) / Large Corporates and its way forward in the emerging and dynamic economy.

At Siraj Finance PJSC, the Risk Department plays a vital role in materializing the strategic approach of the institution that focusses on new opportunities and product positioning. Our primary goal is to protect our clients' funds from fraud and mis-use and to deter any unforeseen challenges upon strict adherence to the Sharia, Legal and Regulatory standards. We are committed to enhancing risk management through technological innovation, improving tools, and data quality for more efficient operations.

The strategic interest and roadmap on the forward-looking path of Siraj Finance and its partnering associates is broadly determined with the confidence level of the end users in executing transactions with convenience, ease and multi layered security.

On this momentum, the product drive, product classification, market penetration strategy on the consumer segmentation was based on the level of personalized requirements that potentially set to preside on the cost factor propositions with the embedded risk mitigation roadmap and accordingly the relevant decision makers take a call- thereon neutralizing on the end user demands upon surpassing any unforeseen implications.

Embracing digital transformation, we lead in upskilling our team and enhancing fraud prevention across the company. Our strategy aims for skilled risk management, better data governance, and solid executive support, ensuring a cohesive approach to tackling financial crime.

In the face of intense competition within rapidly evolving market, the products often have shorter lifespans than anticipated. This dynamic landscape leads to frequent product updates and replacements, altering risk profiles over time. In response, we adopt a risk-based approach that continuously helps in reviewing and adjusting the risk triggers for better management of the risk appetite from a portfolio stance.

Siraj Finance risk management is enhanced by the Enterprise Risk Management Framework (ERMF), which applies to all areas of Siraj Finance operations and functional dependencies. This framework defines risk management principles, governance structure, standards, objectives, and responsibilities and guides us in overseeing and managing potential risks, aligned with our Risk Appetite Statement.

An integrated Risk management framework is implemented across Siraj Finance to comprehensively identify, assess, monitor, and mitigate risks.

The objective of risk assessment is to align the resources to those processes that pose the highest risk to the Company's ability to achieve its objectives. Additionally, it is designed to give the Board of Directors a comprehensive risk profile of the Company which could aid in strategic decision making and allocation of resources.

Risk Types	Risk Appetite Statement
<b>Sharia Risk</b>	Siraj Finance strictly avoids any violations of the Sharia.
<b>Credit Risk</b>	Siraj Finance mitigates credit risk by diversifying its investments across different products, regions, client groups, and industries.
<b>Liquidity Risk</b>	Siraj Finance must ensure it has enough capital, liquidity, and funding for its operations.
<b>Operational and Technology Risk</b>	Siraj Finance strives to manage operational and technology risks to prevent substantial financial or reputational losses, especially from business conduct issues, from harming the Siraj Finance reputation and operations.
<b>Financial Crime Risk</b>	Siraj Finance strictly avoids any violations of laws and regulations concerning Financial Crime, understanding that while incidents are undesirable, they are not completely preventable.
<b>Compliance Risk</b>	Siraj Finance is committed to full compliance with regulatory laws and rules, acknowledging that while breaches are unwelcome, they cannot be entirely eliminated.
<b>Information and Cyber Security Risk</b>	Siraj Finance focuses on managing Information and Cyber Security (ICS) risks to prevent significant harm, disruptions, financial losses, or reputational damage, while acknowledging that incidents, though undesirable, are inevitable.
<b>Reputational and Sustainability Risk</b>	Siraj Finance seeks to safeguard its reputation by thoroughly assessing and managing all business activities with proper oversight and accordingly strict adherence on the Complaint Management System. This effort includes avoiding significant environmental and social harm and ensuring responsible business conduct.



With the adoption of a risk based approach, Siraj Finance strategically manages the reputation risk over the long term, integrating it with other risk considerations.

Siraj Finance prioritizes in maintaining and improving its reputation while committing to environmental sustainability, for which it willingly accepts certain risks to achieve broader sustainability objectives.

Board ensures that Siraj Finance follows the compliance rules and oversees the compliance regulations in handling ethics and whistle-blowing complaints in a diligent manner.

Siraj Finance whistle-blowing program encourages employees to report misconduct, like fraud or harassment, to protect the Siraj Finance integrity. Investigations of these reports are managed by the Board Audit Committee (BAC), and any disciplinary measures are reviewed by the Board.

The Risk Management department ensures conformity to the adherence on compliance regulations and investigating financial crimes.

Siraj Finance has established a strong regulatory risk management framework to ensure the effectiveness of regulatory controls.

On an ongoing basis the Central Bank of UAE validates the compliance readiness of Siraj Finance as part of its annual examination.

This year, Siraj Finance has completed a thorough evaluation of its Risk and Compliance function and accordingly the CB UAE has acknowledged the efforts and readiness of Siraj Finance and thereby qualifying a compliance rating of 95%.

As a feather in the cap on the risk profiling and the continued gap assessment being performed, Siraj Finance stands out on its impeccable achievement and has potentially been well placed to attract a wider prospect of Investor led initiatives and further leveraging in enhancing the risk appetite and tolerance level.

Currently, Siraj Finance is on the pursuit of securing a higher capital gearing ratio- upon focusing on its core deliverables and commitments with a long standing 25 years of company's operations- since its inception.

Siraj Finance focuses on safeguarding its customers and their data against cyber threats and continued monitoring of Information Security protocols within the helm of a diversified team of internal and external assessors.

Technological advancements significantly improve our customers' experiences with Siraj Finance offering them a smoother and more convenient interaction with our services. However, it's crucial to monitor our virtual services closely, ensuring data security, maintaining our reputation, and minimizing operational disruptions.

These advancements also enable Siraj Finance to reach a broader customer base and focus our resources on specific business opportunities.

Siraj Finance has kept no stones unturned with respect to reducing carbon emissions through a phased approach by enriching the operating model on automated business-driven processes that reduce the Customer footfall within the office premise, reduced dependency on the scope of utilizing printers and servers within the organization. An automated mechanism to connect with the Customers in an efficient manner that potentially dissuades the Customer to walk in; thus, reducing commuting/ transport and enabling artificial intelligence to process product applications, digital verification, signature and accordingly securing the due consent within the digital landscape.

While Artificial Intelligence (AI) and the Robotics Technology is a key determinant to surpass any unforeseen human errors and to bring in consistency towards a revolving nature of cyclical balance that presides over generation to follow with ease, comfort and transparency- Siraj Finance has taken precedence in deploying necessary human capital and talent pool to enrich the deliverables within its secured platform.

Siraj Finance reviews the ongoing information security awareness sessions for Customers and employees in general and runs specialized security awareness campaigns for customers across various business and social platforms.

Lately, from an international standpoint and upon ensuring system readiness- Siraj Finance meets the SWIFT Customer Security Program, the Consumer Protection Program and Standards and also emphasizes on its commitment to strong risk management reviewing mechanism. PCI DSS is a key determinat for any system level operations and functional pcesses in handling data.

With the enhanced progress on the automation of the Anti-Money Laundering and Sanction Screening system, a cutting-edge technology was being embedded in countering financial threats and or limitations.

UAE currently sliiping out of the grey list from a Compliance standpoint; creates a better outfit for future product positioning and the scope of refined due diligence within an automated monitoring system.

Siraj Finance stays committed in its Risk and Compliance operations that raises the bar for better adherence and secured Customer journey.

# SIRAJ FINANCE CORPORATE GOVERNANCE STATEMENT

## Governance Background

Siraj Finance maintains and delivers Corporate Governance within Sharia Principal guidance through its Board of Directors. The board ensures company's integrity, professional and regulatory conduct are continuously upheld to support Siraj Finance pursuit of achieving shareholder's goals and values. A well-defined organizational structure is maintained that manifests accountabilities, responsibilities, and robust internal control & risk management mechanisms that are executed through an able and seasoned CEO.

Siraj Finance long term success relies on prudent corporate governance practices that can enhance shareholder and stakeholder values. Siraj Finance organization culture fully support the corporate governance practices to adhere and comply with all regulations such as UAE laws, Central bank affairs and Higher Sharia Authority, Internal Sharia Supervisory Committee etc.... The Board continuously explores improvement opportunities to the Company's governance processes. Current governance framework laid down by the board meets Siraj Finance ambitious expansion program thus ensuring long-term goals and sustainable values are consistently upheld.

## Corporate Governance Policy Framework

The framework for governance is designed to allow the board of directors and management to pursue objectives that are placed in company's' interest and facilitate all stakeholders to monitor effectively.

Siraj Finance governance policy designed on guiding principles and pillars of corporate governance. Following are Siraj finance traits articulated on day to day operations.

## BOARD OF DIRECTORS

### Responsibility

Board has given clear segregation of operations between CEO, Management & Board so that organization can be run effectively.

### Accountability

Board as well as CEO & Management at all times have to adhere to all policy frameworks and exercise diligence in serving various stakeholders and accept accountability.

### Awareness

Risk & Compliance are key components hence at all times Board is vigilant and share details and information to avert or mitigate any issues. Also continuously enhance risk function to changing needs as per expansion or environmental changes.

### Impartiality & Fairness

At all times board ensure there are no conflicts in treating any stakeholder and this culture is also fully embedded within the firm. All staff are equally treated and top talents are identified and rewarded including UAE nationals.

### Leadership & Transparency

Board has formulated well defined policies to ensure transparency is maintained through disclosures. Leadership through CEO discourage bad culture and encourages harmonious work practices. Policy rules are effective through various models like code of conduct, hiring policies & conflict resolving methodology and etc..



### Roles and Responsibilities of the Board

Siraj Finance has developed a Corporate Governance Policy which outlines key corporate governance principles adopted by the Board of the Company. It defines responsibilities of the Board, Chairperson, Directors and the Chief Executive Officer. The company seeks to specify the role of each party enabling clear segregation of duties in everyday management of Siraj Finance business and operations.

The role of the Board is to direct the Company both as to strategy and to ensure that the Company has adequate resources, systems of internal controls, both operational and financial.

The Board has the following key responsibilities:

- integrity places first at all times when exercising their Duty coupled with Loyalty to put company interest at forefront.
- To review and approve implementation of the strategic objectives and changes of the Company and its risk management function, compliance function and internal and external audit in Compliance with Islamic Sharia.
- Establish Board Committees as appropriate, including their members, and define such Committee's authorities, roles and responsibilities, and compensation, if any. The Board shall review the performance of any such Committees at least annually.
- Time to time define the role and responsibilities of delegate authority of CEO and support with required guidance and utmost support to achieve the overall goals.
- Review and approve the Company's vision, mission statement, corporate strategy, business plan(s), and annual budget, which shall be proposed and presented by the Company's CEO & CFO. Review and propose the Company's dividend and reserves to AGM.
- Review and approve the annual audited financial statements of the Company.
- The Board of Directors holds the ultimate responsibility, first and foremost, to the compliance of Siraj Finance with Islamic Sharia, and supervise and monitor management of Sharia non-compliance risk and set controls in relation to this type of risk, in consultation with ISSC and through the ISCD.

### Delegation and Segregation of duties from Chairman to CEO

The roles of the Chairman and the Chief Executive Officer are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all directors.

The Chief Executive Officer has responsibility for all Siraj Finance business operations, including setting of the strategy, policy and operational management, and he acts in accordance with the authority delegated by the Board. All directors participate in discussion of Siraj Finance strategy, financial and operational performance and risk management, either in Board meetings or in the Board Committees on which they serve.

### Meetings & Communication

Siraj finance team would provide the Directors with complete information concerning financial or any other performance, updates on corporate development, business progress, risk, compliance and proposals. This enables the Board to discharge its responsibilities effectively. The minimum information provided to the Board on proposals to be deliberated includes objective, background, key issues, rationale as well as financial and non-financial impact of the proposals for the Board to make informed and effective decisions. The Directors at times communicate directly with Senior Management to seek advice and request further information as well as updates on any aspect that will lead to better decision or resolve any concerns. A formal procedure is in place to facilitate directors seeking independent professional advice and they are also supported with legal consultant internally if they require any advise.

Board meetings are generally conducted quarterly, however should there be any need to discuss any important issue they would meet whenever required.

### Board Committees

To ensure effectiveness in executing its roles and responsibilities, the Board also delegates specific authorities to the following committee.

Committee Name	Work Description
<b>Executive Committee (EXCO)</b>	Primary objective is ensuring execution and monitoring of strategic plan as delegated by Board through CEO. Exco also time to discuss and decide any activities such political, market or environmental issues that are impacting business and the organization.
<b>Board Risk &amp; Compliance Committee (BRCC)</b>	The Risk Committee is responsible for formulating and reviewing the risk management policies and risk appetite strategy for Siraj Finance. The Risk Committee will closely work with and Chief Risk Officer with a view to support business and mitigate various lines of risk defences and accountability is maintained. And The Risk Committee of the Board of Directors must supervise and monitor management of Sharia non-compliance risk and set controls in relation to this type of risk, in consultation with ISSC and through the ISCD.
<b>Credit Committee (CC)</b>	Members of this committee time to time meet and discussion various proposals and credit related operations to ensure Siraj Finance risk framework is fully adhered to in decision making. Board aim to seek feedback on market conditions that helps to formulate future strategies and serves and feedback loop.
<b>Internal Sharia Supervisory Committee (ISSC)</b>	The internal Sharia Supervisory Committee oversees and supervises all operations and activities of the company, ensuring compliance with Islamic Sharia law Members of this committee are with diverse local and international sharia experts. Time to time Board will discuss with ISSC ensures that Sharia rulings relating to Siraj Finance business model comply with the fundamental Sharia principles and resolutions as stipulated by Central Bank Higher Sharia Authority.

Each of these committees will operate within the charter of the respective committees and within the delegated authority given by the Board. The charter is reviewed periodically as per governance framework to ensure effectiveness as per changing needs. The Board will be provided with updates of respective committees on matters that require specific attention and or advise.

### Sustainability Approach

We in Siraj Finance believe and support the country's sustainability objectives included in the UAE vision 2021 and 2030 Cop28 event in UAE. The UAE Green Agenda 2015 - 2030, the Abu Dhabi Economic Vision 2030 and the United Nation's Sustainable Development Goals (SDGs) for 2030.

Siraj Finance Sustainability approach is embedded into day to day life of the organization and added to the overall strategic transition plan & corporate strategy. Sustainable Materials and Communication Campaign exemplifies a holistic approach to embracing UAE sustainability goals. By transitioning to eco-friendly paper for marketing materials, engaging in impactful social media promotions, incorporating sustainability themes in the company newsletter, and distributing eco-friendly gifts, the organization demonstrates its commitment to UAE sustainability approach.

### External Auditors

Siraj Finance has appointed BDO as external auditors who took over from Deloitte as per best practice of rotation policy of 3 years. However currently we have approvals form Central Bank to operate with same auditors for 5 years' team. Time to time Board will decide the change as appropriate of market and regulatory practices.

# SIRAJ FINANCE CUSTOMER CHARTER

At Siraj Finance, our number one priority is our customers. Our service charter sets out our commitment to deliver the highest standard of customer service to grow stronger together. Treating customers' financial needs with utmost dedication, by always being transparent, safe, and secure. We hold no barriers to address customers' requests and even grievances. Siraj Finance Our customer charter holds on to five important pillars:



# SIRAJ FINANCE'S COMMITMENT TO UAE SUSTAINABILITY GOALS

At Siraj Finance, we are deeply committed to supporting the United Arab Emirates' sustainability goals and promoting a greener, more sustainable future for our nation. We recognize the importance of environmental wardship and the critical role that businesses play in driving positive change.

## SUSTAINABLE DEVELOPMENT



# KEYS FIGURES AT A GLANCE

Years	2023	2022	2021	2020	2019
Revenue from funds (AED '000')	31,298	37,028	34,412	40,307	38,495
Non funding revenues (AED '000')	28,905	19,964	21,154	22,652	22,880
Revenues (AED '000')	60,203	56,992	55,566	62,959	61,375
Expenses (AED '000')	49,476	45,073	39,976	46,197	36,249
Net profit (AED '000')	10,727	11,918	15,590	16,762	25,126
Total assets (AED '000')	479,772	423,646	392,799	416,640	430,430
Total liabilities (AED '000')	259,525	230,126	211,198	250,629	311,181
Total equity (AED '000')	220,247	193,520	181,602	166,011	119,249
Cost to income ratio (%)	82%	79%	71%	73%	59%
Return on equity (%)	5%	6%	9%	10%	21%
Liability to total equity (%)	118%	119%	116%	151%	261%
Earnings per share	0.06	0.08	0.10	0.11	0.20

## REVIEW OF THREE YEARS' PERFORMANCE

The overall performance outlook of Siraj Finance in the year 2023 looks promising. More importantly, the growth that is seen in comparison to last two years is reassuring.

Here is the summary of the financial performance of Siraj Finance over these years:

### Total Assets

Total asset recorded as of December 31, 2023 were AED 479.7 million which was increased by 22%, compared to FY 2021. The major earning assets of Siraj Finance, i.e., Islamic financing assets, were increased to AED 395.58 million from 361.5 million, compared with FY 2021. The Cash and Cash Equivalent has also significantly increased by 981% (from AED 4.8 million to AED 51.9 million) compared with FY 2021. The remaining assets mainly comprised of short term advances and prepayments totalling AED 28.5 million increased by 31% from AED 21.8 million compared with FY 2021.



### Total Liability

Total Liability recorded as of ending December 31, 2023, was AED 259.5 million which has been increased by 23% compared to FY 2021. The major component of the liability consists of deposit accounts which was significantly increased by 28% (from AED 176.6 to 226.8 million) compared with FY 2021.



### Total Equity

Total Equity recorded as of ending December 31, 2023, was AED 220.2 million which has been increased by 21% compared to FY 2021. The major component of the Equity consists of Share Capital which was injected (increased by) 10% (from AED 156.5 million to 172.5 million) compared with FY 2021.



### Total Revenue

On the income statement, total revenue recorded for the year ended 31st December 2023 was AED 60.2 million which has been increased by 8% compared with FY 2021. The major portion of the revenue consists of Fees and Commission Income which was increased by 37% (from AED 21.1 to AED 28.9 million) compared with FY 2021.



# LAST FIVE YEARS' HORIZONTAL ANALYSIS

## STATEMENT OF FINANCIAL POSITION

Assets	2023	23 vs 22 %	2022	22 vs 21 %	2021	21 vs 20 %	2020	20 vs 19 %	2019	19 vs 18 %	2018
Cash & cash equivalent	51,965,326	660	6,839,120	42	4,808,623	(87)	38,028,486	214	12,115,911	126	5,366,389
Wakala Deposits with Fis	-	-	-	-	-	-	-	-	-	-	10,500,000
Islamic financing assets, net	395,583,786	1	390,924,928	8	361,570,025	2	355,317,348	5	338,393,735	9	311,778,577
Deposits, prepayments and other receivables	28,556,551	30	22,023,512	1	21,874,122	12	19,591,774	(75)	77,975,144	33	58,408,777
Furniture, fixture and office equipments	3,666,433	(5)	3,858,550	(15)	4,546,654	23	3,702,420	90	1,944,968	29	1,512,700
<b>Total Assets</b>	<b>479,772,096</b>	<b>13</b>	<b>423,646,110</b>	<b>8</b>	<b>392,799,424</b>	<b>(6)</b>	<b>416,640,028</b>	<b>(3)</b>	<b>430,429,758</b>	<b>11</b>	<b>387,566,443</b>
<b>Liabilities</b>											
Depositors account	226,829,993	21	187,892,402	6	176,658,838	(22)	227,870,272	(25)	305,107,698	5	290,498,542
Trade Payable and other liabilities	31,185,248	(24)	41,093,125	22	33,653,823	51	22,224,299	284	5,786,392	126	2,563,205
Employees' end of service benefits	1,509,802	32	1,140,669	29	885,004	66	533,982	86	286,550	(25)	381,096
<b>Total Liabilities</b>	<b>259,525,043</b>	<b>13</b>	<b>230,126,196</b>	<b>9</b>	<b>211,197,665</b>	<b>(16)</b>	<b>250,628,553</b>	<b>(19)</b>	<b>311,180,640</b>	<b>6</b>	<b>293,442,843</b>
<b>Net Assets</b>	<b>220,247,053</b>	<b>14</b>	<b>193,519,914</b>	<b>7</b>	<b>181,601,759</b>	<b>9</b>	<b>166,011,475</b>	<b>39</b>	<b>119,249,118</b>	<b>27</b>	<b>94,123,600</b>
<b>Equity</b>											
Share capital	126,500,000	-	126,500,000	-	126,500,000	-	126,500,000	-	126,500,000	-	126,500,000
Additional Paid-up Capital	46,000,000	53	30,000,000	-	30,000,000	-	30,000,000	-	-	-	-
Legal reserve	9,867,422	12	8,794,708	16	7,602,892	26	6,043,864	38	4,367,627	135	1,855,075
Retain earnings	37,879,631	34	28,225,206	61	17,498,867	405	3,467,611	130	(11,618,509)	66	(34,231,475)
<b>Total Equity</b>	<b>220,247,053</b>	<b>14</b>	<b>193,519,914</b>	<b>7</b>	<b>181,601,759</b>	<b>9</b>	<b>166,011,475</b>	<b>39</b>	<b>119,249,118</b>	<b>27</b>	<b>94,123,600</b>

## PROFIT AND LOSS ACCOUNT

Revenue	2023	23 vs 22 (%)	2022	22 vs 21 (%)	2021	21 vs 20 (%)	2020	20 vs 19 (%)	2019	20 vs 19 (%)	2018
Income from Islamic financing	31,297,824	(15)	37,027,773	8	34,411,525	(12)	39,081,658	5	37,205,211	72	21,591,619
Fees and commission income	28,905,076	45	19,963,947	(6)	21,150,019	(7)	22,652,353	(1)	22,879,611	85	12,374,069
Profit on Wakala Deposits with Fis	-	-	-	-	-	-	1,225,486	(5)	1,289,801	1212	98,271
Other income	-	-	-	-	4,281	-	-	-	-	-	-
<b>Total revenue</b>	<b>60,202,900</b>	<b>6</b>	<b>56,991,720</b>	<b>3</b>	<b>55,565,825</b>	<b>(12)</b>	<b>62,959,497</b>	<b>3</b>	<b>61,374,623</b>	<b>80</b>	<b>34,063,959</b>
<b>Total operating expenses</b>	<b>(49,475,761)</b>	<b>10</b>	<b>(45,073,565)</b>	<b>13</b>	<b>(39,975,541)</b>	<b>(13)</b>	<b>(46,197,140)</b>	<b>27</b>	<b>(36,249,105)</b>	<b>85</b>	<b>(19,640,482)</b>
<b>Profit and total comprehensive income for the year</b>	<b>10,727,139</b>	<b>(10)</b>	<b>11,918,155</b>	<b>(24)</b>	<b>15,590,284</b>	<b>(7)</b>	<b>16,762,357</b>	<b>(33)</b>	<b>25,125,518</b>	<b>74</b>	<b>14,423,477</b>

# LAST FIVE YEARS' VERTICAL ANALYSIS

## STATEMENT OF FINANCIAL POSITION

Assets	2023	%	2022	%	2021	%	2020	%	2019	%	2018
Cash & cash equivalent	51,965,326	11	6,839,120	2	4,808,623	1	38,028,486	9	12,115,911	3	5,366,389
Wakala Deposits with Fis	-	-	-	-	-	-	-	-	-	-	10,500,000
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<b>Total Assets</b>	<b>479,772,096</b>	<b>100</b>	<b>423,646,110</b>	<b>100</b>	<b>392,799,424</b>	<b>100</b>	<b>416,640,028</b>	<b>100</b>	<b>430,429,758</b>	<b>100</b>	<b>387,566,443</b>
<b>Liabilities</b>											
Depositors account	226,829,993	47	187,892,402	44	176,658,838	45	227,870,272	55	305,107,698	71	290,498,542
Trade Payable and other liabilities	31,185,248	7	41,093,125	10	33,653,823	9	22,224,299	5	5,786,392	1	2,563,205
Employees' end of service benefits	1,509,802	0	1,140,669	0	885,004	0	533,982	0	286,550	0	381,096
<b>Total Liabilities</b>	<b>259,525,043</b>	<b>54</b>	<b>230,126,196</b>	<b>54</b>	<b>211,197,665</b>	<b>54</b>	<b>250,628,553</b>	<b>60</b>	<b>311,180,640</b>	<b>72</b>	<b>293,442,843</b>
Net Assets	220,247,053	46	193,519,914	46	181,601,759	46	166,011,475	40	119,249,118	28	94,123,600
<b>Equity</b>											
Share capital	126,500,000	26	126,500,000	30	126,500,000	32	126,500,000	30	126,500,000	29	126,500,000
Additional Paid-up Capital	46,000,000	10	30,000,000	7	30,000,000	8	30,000,000	7	-	-	-
Legal reserve	9,867,422	2	8,794,708	2	7,602,892	2	6,043,864	1	4,367,627	1	1,855,075
Retain earnings	37,879,633	8	28,225,206	7	17,498,867	4	3,467,611	1	(11,618,509)	-3	(34,231,475)
<b>Total Equity</b>	<b>220,247,055</b>	<b>46</b>	<b>193,519,914</b>	<b>46</b>	<b>181,601,759</b>	<b>46</b>	<b>166,011,475</b>	<b>40</b>	<b>119,249,118</b>	<b>28</b>	<b>94,123,600</b>

## PROFIT AND LOSS ACCOUNT

Revenue	2023	%	2022	%	2021	%	2020	%	2019	%	2018
Income from Islamic financing	31,297,824	52	37,027,773	65	34,411,525	62	39,081,658	62	37,205,211	61	21,591,619
Fees and commission income	28,905,076	48	19,963,947	35	21,150,019	38	22,652,353	36	22,879,611	37	12,374,069
Profit on Wakala Deposits with Fis	-	-	-	-	-	-	1,225,486	2	1,289,801	2	98,271
Other income	-	-	-	-	4,281	0	-	-	-	-	-
<b>Total revenue</b>	<b>60,202,900</b>	<b>100</b>	<b>56,991,720</b>	<b>100</b>	<b>55,565,825</b>	<b>100</b>	<b>62,959,497</b>	<b>100</b>	<b>61,374,623</b>	<b>100</b>	<b>34,063,959</b>
<b>Total operating expenses</b>	<b>(49,475,761)</b>	<b>(82)</b>	<b>(45,073,565)</b>	<b>(79)</b>	<b>(39,975,541)</b>	<b>(72)</b>	<b>(46,197,140)</b>	<b>(73)</b>	<b>(36,249,105)</b>	<b>(59)</b>	<b>(19,640,482)</b>
<b>Profit and total comprehensive income for the year</b>	<b>10,727,139</b>	<b>18</b>	<b>11,918,155</b>	<b>21</b>	<b>15,590,284</b>	<b>28</b>	<b>16,762,357</b>	<b>27</b>	<b>25,125,518</b>	<b>41</b>	<b>14,423,477</b>

# TERMS OF REFERENCE OF INTERNAL SHARIAH SUPERVISORY COMMITTEE (ISSC)

## DEFINITION OF ISSC

An ISSC is an independent body of specialized jurists in fiqh almu'amat (Islamic commercial jurisprudence). Siraj Finance PJSC may, in consultation with the ISSC, also seek services of or engage lawyers, accountants, economists and such other professionals to assist and advise the ISSC on banking, legal, financial, economic and other relevant matters. The engagement of such members shall however be of advisory nature and they shall not have any voting rights in the meetings of the ISSC. The ISSC is entrusted with the duty of directing, reviewing and supervising the activities of the Siraj Finance in order to ensure that they are in compliance with Islamic Shariah Rules and Principles. The fatwas, and rulings of the Shariah Board are binding on Siraj.

## COMPOSITION, SELECTION AND DISMISSAL OF SHARIAH BOARD

The composition of ISSC members must not be less than three (3). The Board shall comply with all the ISSC composition criteria, ISSC Membership criteria and tenure requirements provided for in the Standard.

The Board of Directors nominates members of the ISSC and will forward to the Higher Sharia Authority of Central Bank of UAE for the approval of the appointment of the member, before submitting the nomination to the General Assembly.

## RESPONSIBILITIES OF THE ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

1. To undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Siraj Finance; and the Siraj's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Siraj's Activities") and issue Shari'ah resolutions in this regard, and
2. To determine Shari'ah parameters necessary for the Siraj's Activities, and the Siraj's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority to ascertain compliance of the Institution with Islamic Shari'ah.

NAME OF ISSC MEMBER	NO. OF MEETINGS ATTENDED
<b>Dr. FAZAL RAHIM ABDUL RAHIM</b> CHAIRMAN & EXECUTIVE MEMBER	6
<b>ABDULNASER AHMED EBRAHIM ALMANNAEE ALTAMIMI</b> MEMBER	6
<b>MOHD BAHRODDIN BIN BADRI</b> MEMBER	6
<b>TOTAL MEETING HELDS</b>	6

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and financial statements of Siraj Finance PJSC, Abu Dhabi ("the Company") for the year ended December 31, 2023.

## Principal activities

The principal activities of the Company are financial activities according to Islamic principles.

## Results for the year

During the year, the Company earned revenue of AED 60,202,900 as against AED 56,991,720 in the previous year. Profit for the year was AED 10,727,141 as against AED 11,918,155 in the previous year.

## Release

The Board releases from liability the external auditor in connection with their duties for the year ended December 31, 2023.

## Auditors

A resolution to reappoint external auditors of the Company for the ensuing year will be put to the members at the Annual General Meeting.

## For and on behalf of the Board of Directors



**Ahmed Khalaf Al Otaiba**

Chairman

March 26, 2024

# ISSC ANNUAL REPORT - 2023

## Annual Report Of the Internal Shari'ah Supervision Committee of Siraj Finance PJSC

Issued on: 13th February 2024

To: Shareholders of Siraj Finance PJSC (the "Siraj")

Assalam Alaikum Wa Rahmatullah Wa Barakatu

Pursuant to the requirements stipulated in the relevant laws, regulations, and standards (the "Regulatory Requirements"), the Internal Shari'ah Supervision Committee of Siraj (the "ISSC") presents to you the ISSC's Annual Report regarding Shari'ah compliant businesses and operations of Siraj for the financial year ending on 31st December 2023 (the "Financial Year").

### Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated to:

- undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of Siraj; and the Siraj's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders (the "Siraj Activities") and issue Shari'ah resolutions in this regard, and
- To stipulate Shari'ah parameters necessary for the Siraj Activities, and to ensure the compliance with the Islamic Shari'ah by Siraj within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority (the "HSA") (the "Compliance with the Islamic Shari'ah") to ascertain Siraj's Compliance with the Islamic Shari'ah.

The senior management is responsible for compliance of the Institution with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah") in all Institution's Activities, and the Board bears the ultimate responsibility in this regard.

### 2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Siraj Activities without exception.

### Works undertaken by the ISSC during the Financial year

The ISSC conducted Shari'ah supervision of the Institution's Activities by reviewing those Activities and monitoring them through the internal Shari'ah control division, and Internal Sharia Audit in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

- Convening (6) meetings during the year.
- Issuing Fatawa, resolutions and opinions on matters presented to the ISSC in relation to the Siraj Activities.
- Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Siraj to the ISSC for approval.
- Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders with parameters set by the ISSC.

- Supervision internal Shari'ah control division or section, internal Shari'ah audit of Siraj Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- Providing direction to relevant parties of Siraj to rectify (where possible) findings cited in the reports submitted by division of section of the internal Shari'ah control division or section, internal Shari'ah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliance were identified to be disposed towards charitable purposes.
- Approving remedial rectification and preventive measures related to identified errors to prevent their recurrence in the future.
- Specifying the amount of Zakat due on each of Siraj's share.
- Communicating with the Board of Directors and its subcommittees, and the senior management of Siraj (as needed) concerning compliance of Siraj with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Siraj is compliant with Islamic Shari'ah.

### 4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of Directors of Siraj. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

### 5. The ISSC'S Opinion on the Shari'ah Compliance Status of Siraj

Based on the information and explanations that were provided to the ISSC with the aim of ascertaining Siraj's Compliance with the Islamic Shari'ah, the ISSC has unanimously concluded with a reasonable level of confidence that the Siraj Activities are in Compliance with the Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Signatures of Members of the Internal Shari'ah Supervision Committee of Siraj Finance



**Fazal Rahim Abdul Rahim**  
ISSC Chairman & Executive Member



**Mohammadd Bahroddin Bin Badri**  
ISSC Vice Chairman



**Abdul Nasser Ahmed Ibrahim Al Mannaie**  
ISSC Member

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of Siraj Finance PJSC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Siraj Finance PJSC, Abu Dhabi ("the Company"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including the material accounting policy information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### Basis for opinion

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

#### Other information

The Board of Directors is responsible for the other information. The other information comprises the Directors' report and Shari'ah Supervision Committee's report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the Memorandum of Association of the Company and UAE Federal Law No. (32) of 2021 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance 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.

## FINANCIAL STATEMENTS

### Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Company has maintained proper books of account;
- The financial information included in the report of the Directors is consistent with the books of account of the Company;
- Note 16 to the financial statements discloses material related party transactions and balances; and
- Based on the information that has been made available to us, except for the matter described below, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended December 31, 2023, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Memorandum of Association which would materially affect its activities or its financial position as at December 31, 2023.

b) for the year ended December 31, 2023, the Company is still in process of amending its Memorandum of Association in accordance with the UAE Federal Law No. (32) of 2021.

Further, as required by the UAE Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.



### BDO Chartered Accountants & Advisors

Abu Dhabi

Mohammed Afzal Koya Ali

Reg.No. 522

March 26, 2024

a) for the year ended December 31, 2023, the Company was not compliant with Article 153 of UAE Federal Law No. (32) of 2021, which restricts a joint stock company from providing loans (financing) to a company where a member of the Board holds over 20% of the capital of that Company.

### Statement of financial position at December 31, 2023

	Notes	2023 AED	2022 AED
<b>ASSETS</b>			
Cash and bank balances	6	51,965,326	6,839,120
Islamic financing assets, net	7	395,583,786	390,924,928
Deposits, prepayments and other receivables	8	28,556,551	22,023,512
Furniture, fixtures and office equipment	9	3,666,433	3,858,550
<b>TOTAL ASSETS</b>		<b>479,772,096</b>	<b>423,646,110</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Depositors' accounts	10	226,829,993	187,892,402
Trade payables and other liabilities	11	31,185,248	41,093,125
Employees' end of service benefits	12	1,509,802	1,140,669
<b>Total liabilities</b>		<b>259,525,043</b>	<b>230,126,196</b>
<b>Equity</b>			
Share capital	13	126,500,000	126,500,000
Additional paid-up capital	14	46,000,000	30,000,000
Legal reserve	15	9,867,422	8,794,708
Retained earnings		37,879,631	28,225,206
<b>Total equity</b>		<b>220,247,053</b>	<b>193,519,914</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>479,772,096</b>	<b>423,646,110</b>

The financial statements were approved by the Board of Directors on March 26, 2024 and are signed on their behalf by:



**Ahmed Khalaf Al Otaiba**  
Chairman of the Board



**Mohamed Rusan Fyroz**  
Chief Executive Officer

The notes on pages 57 to 84 form part of these financial statements

# FINANCIAL STATEMENTS



## Statement of profit or loss and other comprehensive income for the year ended December 31, 2023

	Notes	2023 AED	2022 AED
<b>Revenue</b>			
Income from Islamic financing	17	31,297,824	37,027,773
Fees and commission income		28,905,076	19,963,947
<b>Total revenue</b>		<b>60,202,900</b>	<b>56,991,720</b>
<b>Expenses</b>			
Operating and administrative expenses	18	(43,235,038)	(38,654,063)
Impairment charge on Islamic financing assets	7	(2,918,659)	(3,073,761)
Impairment loss on other receivables	8	(2,130,800)	(2,452,448)
Islamic financing assets, written off		(87,544)	(77,546)
Commission and fee expenses		(504,523)	(334,405)
Distribution to depositors		(388,094)	(395,711)
Bank charges		(211,103)	(85,631)
<b>Total expenses</b>		<b>(49,475,761)</b>	<b>(45,073,565)</b>
<b>Profit and total comprehensive income for the year</b>		<b>10,727,139</b>	<b>11,918,155</b>

The notes on pages 57 to 84 form part of these financial statements

## Statement of changes in equity for the year ended December 31, 2023

	Share capital AED	Additional paid-up capital AED	Legal reserve AED	Retained earning AED	Total AED
At January 1, 2022	126,500,000	30,000,000	7,602,892	17,498,867	181,601,759
Total comprehensive income for the year	-	-	-	11,918,155	11,918,155
Transfer to legal reserve (note 15)	-	-	1,191,816	(1,191,816)	-
At December 31, 2022	<b>126,500,000</b>	<b>30,000,000</b>	<b>8,794,708</b>	<b>28,225,206</b>	<b>193,519,914</b>
Additional paid-up capital introduced during the year (note 14)	-	16,000,000	-	-	16,000,000
Total comprehensive income for the year	-	-	-	10,727,139	10,727,139
Transfer to legal reserve (note 15)	-	-	1,072,714	(1,072,714)	-
At December 31, 2023	<b>126,500,000</b>	<b>46,000,000</b>	<b>9,867,422</b>	<b>37,879,631</b>	<b>220,247,053</b>

The notes on pages 57 to 84 form part of these financial statements

# FINANCIAL STATEMENTS



## Statement of cash flows for the year ended December 31, 2023

	Notes	2023 AED	2022 AED
<b>Operating activities</b>			
Profit for the year		10,727,139	11,918,155
<b>Adjustments for:</b>			
Depreciation of furniture, fixtures and office equipment	9	899,369	874,516
Provision on employees' end of service benefits	12	474,307	296,891
Impairment charge on Islamic financing assets	7	2,918,659	3,073,761
Impairment loss on other receivables	8	2,130,800	2,452,448
Provision for legal claims		982,131	646,828
		<u>18,132,405</u>	<u>19,262,599</u>
<b>Working capital adjustments</b>			
Increase in Islamic financing assets	7	(7,577,516)	(32,428,664)
Decrease (increase) in restricted bank balances	6	360,098	(3,179,532)
Increase in deposits, prepayments and other receivables	8	(8,663,839)	(2,601,838)
Increase in depositors' accounts	10	38,937,591	11,233,563
(Decrease) increase in trade payables and other liabilities	11	(10,890,008)	6,792,475
Cash generated from (used in) operations		<u>30,298,731</u>	<u>(921,397)</u>
Payment for employees' end of service benefits	12	(105,174)	(41,226)
Net cash flows from (used in) operating activities		<u>30,193,557</u>	<u>(962,623)</u>
<b>Investing activities</b>			
Purchase of furniture, fixtures & office equipment	9	(707,252)	(186,412)
Net cash flows used in investing activities		<u>(707,252)</u>	<u>(186,412)</u>
<b>Financing activities</b>			
Additional paid-up capital introduced during the year	14	16,000,000	-
Net Cash flows from financing activities		<u>16,000,000</u>	<u>-</u>
Increase in cash and bank balances		<u>45,486,305</u>	<u>(1,149,035)</u>
Cash and bank balances at beginning of the year		<u>3,659,588</u>	<u>4,808,623</u>
Cash and bank balances at end of the year	6	<u>49,145,893</u>	<u>3,659,588</u>

The notes on pages 57 to 84 form part of these financial statements

## Notes to the financial statements for the year ended December 31, 2023

### 1. General information

Siraj Finance PJSC (the "Company") is a private joint stock company incorporated and registered in Abu Dhabi, United Arab Emirates (UAE). The Company is registered in accordance with the Federal Law No. (32) of 2021 concerning Commercial Companies.

The principal activities of the Company are financial activities according to Islamic principles.

The registered Head Office of the Company is at P O Box 63622, Abu Dhabi, United Arab Emirates.

These financial statements for the year ended December 31, 2023 were authorised for issue by the Board of Directors on March 26, 2024.

### 2. Definitions

The following terms are used in the financial statements with the meanings specified:

#### Murabaha

Murabaha is a sale contract whereby the Bank (the "Seller") sells Sharia compliant asset, goods, commodities to its customer (the "Purchaser"), on a deferred payment basis, after purchasing the asset and gaining possession (physical or constructive) thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

#### Ijara

Ijara is an agreement whereby the Bank (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing or acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term or periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rentals (which predominantly represent the cost of the leased assets).

#### Mudaraba

Mudaraba is a contract between two parties whereby one party is a fund provider (the "Rab Al Mal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity.

# FINANCIAL STATEMENTS

## Notes to the financial statements for the year ended December 31, 2023

In principle the Mudaraba profit is distributed on declaration or distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Bank may act either as Mudarib or as Rab Al Mal, as the case may be.

### Salam (Bai Al Salam)

Salam is a sale contract whereby the customer (seller) undertakes to deliver subject matter (a specified tangible/ fungible asset to the Company (buyer) at mutually agreed future date(s) in exchange for an advance price fully paid upfront on the spot by the Company. The seller is under an obligation to deliver the subject matter to the buyer on the due date in accordance with the terms of the contract, such as agreed specifications and quantity.

### Wakalah

Wakalah is an agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study or investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital.

The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle the Wakala profit is distributed on declaration or distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Bank may act either as Muwakkil or as Wakeel, as the case may be.

### 3 Application of new and revised Standards

a) New standards, interpretations and amendments adopted from January 1, 2023

The Company has adopted the following new standards and amendments in the financial statements for the year ended 31 December 2023 which have not had a significant effect on the Company:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and

- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect any other standards issued by IASB, but are yet to be effective, to have a material impact on the Company.

### 4 Material accounting policies

#### Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements also comply with the applicable provision of UAE Federal Law No. (32) of 2021.

The financial statements have been presented in United Arab Emirates Dirhams (AED) being the functional and reporting currency of the Company.

#### Basis of preparation

The financial statements have been prepared using the measurement bases specified by the IFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Company. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles (see note 2).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

# FINANCIAL STATEMENTS



## Notes to the financial statements for the year ended December 31, 2023

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The material accounting policies adopted are as follows:

### **Furniture, fixtures and office equipment**

Furniture, fixtures and office equipment are stated at cost less accumulated depreciation. Depreciation is calculated on straight line basis on the estimated useful lives of assets as follows:

Furniture and fixtures	7 years
Office equipment	4 years
Vehicles	5 years
Computer software and hardware	4 years

The carrying value of furniture, fixtures and office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of furniture, fixtures and office equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture, fixtures and office equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

### **Capital work in progress**

Capital work in progress is stated at cost and not depreciated until such time the assets are ready for intended use and transferred to the respective categories of furniture, fixtures and office equipment.

### **Financial instrument**

#### **Financial assets**

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification of a financial asset is made at the time it is initially recognised i.e. when the entity becomes a party to the contractual provisions of the instrument. The classification of financial assets depends on the entity's business model and cash flow characteristics of the financial assets.

A financial asset that meets the following conditions must be measured at amortised cost (net of any write down for impairment) unless the asset is irrevocably designated at FVTPL under the fair value option to eliminate any accounting mismatch. The Company has not taken any such election.

**Business model test:** The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).

**Cash flow characteristics test:** The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A financial asset that meets the following two conditions must be measured at FVTOCI unless the asset is irrevocably designated at FVTPL under the fair value option to eliminate any accounting mismatch. The Company has not taken any such election.

**Business model test:** The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

**Cash flow characteristics test:** The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets must be measured at fair value through profit or loss (FVTPL). However, for equity instruments, which are not held for trading, can be irrevocably designated at fair value through other comprehensive income (FVTOCI). The Company has no investment in equity shares.

The Company's financial assets consist of cash and cash equivalents, Islamic financing assets and deposits and other receivables.

### **Amortised cost and effective profit method**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective profit method is a method of calculating the amortised cost of a financing product and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financing product, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For financial instruments other than purchased or originated credit-impaired financial assets, profit income is calculated by applying the effective rate to the gross carrying amount of a financial asset, except for

# FINANCIAL STATEMENTS

## Notes to the financial statements for the year ended December 31, 2023

financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, profit is recognised by applying the effective rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit is recognised by applying the effective rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises profit by applying the credit-adjusted effective rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

### Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on Islamic financing assets. Other financial assets, i.e. cash and cash equivalents, Wakala deposits with financial institutions and deposits and other receivables are assessed for impairment and loss allowance is recognised if it is material. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company applies three stage approach in measuring ECL. The financial assets of the Company are migrated through the following three stages based on the change in credit quality since initial recognition.

**Stage 1 - 12 months ECL:** The Company measures the loss allowance for the financial instrument at an amount equal to 12-month ECL, when the credit risk on a financial instrument is lower and has not increased significantly since initial recognition.

**Stage 2 - Lifetime ECL (not credit impaired):** The Company measures the loss allowance for the financial instrument at an amount equal to lifetime ECL, when the credit risk on a financial instrument has increased significantly since initial recognition.

**Stage 3 - Lifetime ECL (credit impaired):** Financial assets are credit-impaired when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial asset.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

### (i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the selected macro-economic indicators, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

### (ii) Definition of default

The Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

### (iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

### (v) Measurement and recognition of expected credit losses

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a customer defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# FINANCIAL STATEMENTS

## Notes to the financial statements for the year ended December 31, 2023

### **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained profit in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised financing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### **Classification as financial liability or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **Equity instruments**

An equity instrument is any contract that evidences a residual profit in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

### **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective profit method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

### **Financial liabilities measured subsequently at amortised cost**

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective profit method.

Depositors' accounts and trade payables and other liabilities classified as 'financial liabilities', are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective profit method, with distribution to depositor recognised on an effective yield basis.

### **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

### **Share Capital**

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

### **Legal reserve**

Pursuant to the Company's Memorandum of Association, 10% of profit for the year to be withheld annually and retained in statutory reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the Company's share capital.

### **Provisions**

A provision is recognised in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### **Employees' end of service benefits**

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Company makes contributions to the relevant government pension scheme, calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

### **Foreign currencies**

#### **(a) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Arab Emirates Dirham' (AED), which is the Company's functional and the presentation currency.

#### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of profit or loss and other comprehensive income.

### **Revenue recognition**

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities.

#### **i) Profit from Islamic financing**

Profit is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding using the effective profit rate method.

#### **ii) Fees and commission income**

Fee and commission income is recognised when the related services are performed. Other fee and commission that are an integral part of financing is recognised as income as adjustment to the effective profit rate.

# FINANCIAL STATEMENTS

## Notes to the financial statements for the year ended December 31, 2023

### Leases

#### Identifying Leases

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

- There is an identified asset;
- The Company obtains substantially all the economic benefits from use of the asset; and
- The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise of the asset, not those incidental to legal ownership or other potential benefits.

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

#### Accounting for leases (as a lessee)

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

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

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

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

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

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

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

### Value added tax

VAT asset/liability is recorded in the financial statements of the Company based on the requirements of the regulations as defined by the Federal Tax Authority (FTA).

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax receivable/payable from/to the taxation authority is included as part of receivables/payables in the financial statements.

### 5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, the Company is required to make certain judgements, estimates and assumptions regarding the future. Estimates

and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Impairment loss on Islamic financing assets

As explained in note 4, expected credit loss (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

Probability of default (PD) and loss given default (LGD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Company's expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

# FINANCIAL STATEMENTS

## Notes to the financial statements for the year ended December 31, 2023

Estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Base-case, upside and downside scenarios, will be based on macroeconomic forecasts received from an external reputable source. These scenarios will be updated on a quarterly basis and more frequently if conditions warrant.

All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The Exposure at default (EAD) over lifetime of a financial asset is modelled taking into account expected repayment profile. The Company apply specific credit conversion factors (CCFs) in order to calculate an EAD value. The calibration of such parameters (CCFs) are based on internal historical data and consider counterparty and product type specifics.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions expectations of future conditions.

### **Useful lives of furniture, fixtures and office equipment**

Furniture, fixtures and office equipment are depreciated over their estimated useful lives, which is based on estimates for expected usage of the asset and expected physical wear and tear which are dependent on operational factors. Management has not considered any residual value as it is deemed immaterial.

### **Impairment of furniture, fixtures and office equipment**

The Company reviews its furniture, fixtures and office equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recorded in the statement of profit or loss and other comprehensive income, the Company makes judgment as to whether there is any observable data indicating that there is a reduction in the carrying value of furniture, fixtures and office equipment. Accordingly, provision for impairment is made when there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of furniture, fixtures and office equipment.

## 6. Cash and bank balances

	2023 AED	2022 AED
Cash in hand	91,185	-
Current account with banks	51,874,142	6,839,120
	<hr/> 51,965,327	<hr/> 6,839,120
Less: restricted current account with banks	(2,819,434)	(3,179,532)
	<hr/> 49,145,893	<hr/> 3,659,588

Bank balances are placed with financial institutions in the United Arab Emirates.

Restricted current account with banks represent funds blocked by the banks and are not available for use of the Company.

# FINANCIAL STATEMENTS



## Notes to the financial statements for the year ended December 31, 2023

### 7. Islamic financing assets, net

	2023 AED	2022 AED
SME Murabaha	481,787,733	471,373,919
Corporate Murabaha	752,263	886,800
Retail Murabaha	-	224,650
Retail Salam	877,728	1,103,214
	<u>483,417,724</u>	<u>473,588,583</u>
Less: Deferred profit on murabaha financing	(62,242,651)	(59,991,027)
	<u>421,175,073</u>	<u>413,597,556</u>
Allowance for impairment	(25,591,287)	(22,672,628)
	<u>395,583,786</u>	<u>390,924,928</u>

Movement in allowance for impairment for the year ended 31 December 2023 and 2022 were as follows:

	2023			
	Stage 1 AED	Stage 2 AED	Stage 3 AED	Total AED
At 1 January	303,552	5,690,454	16,678,622	22,672,628
Charge for the year	49,070	139,960	2,729,629	2,918,659
At 31 December	<u>352,622</u>	<u>5,830,414</u>	<u>19,408,251</u>	<u>25,591,287</u>
	2022			
	Stage 1 AED	Stage 2 AED	Stage 3 AED	Total AED
At 1 January	264,266	5,287,255	14,047,346	19,598,867
Charge for the year	39,286	403,199	2,631,276	3,073,761
At 31 December	<u>303,552</u>	<u>5,690,454</u>	<u>16,678,622</u>	<u>22,672,628</u>

Below is the breakdown of the Company's exposure by credit quality as of 31 December 2023 and 2022:

	2023			2022		
	Corporate and SME AED	Retail AED	Total AED	Corporate and SME AED	Retail AED	Total AED
<b>Stage 3:</b>						
Substandard	34,718,709	167,236	34,885,944	37,649,812	25,861	37,675,673
Doubtful	3,298,105	58,215	3,356,320	5,583,998	40,486	5,624,484
Loss	5,380,047	39,037	5,419,085	2,163,288	18,960	2,182,248
Allowance for impairment	-	-	(19,408,251)	-	-	(16,678,622)
Carrying amount	<u>43,396,861</u>	<u>264,488</u>	<u>24,253,098</u>	<u>45,397,098</u>	<u>85,307</u>	<u>28,803,783</u>
<b>Stage 2:</b>						
Less than 60 days	11,235,007	174,340	11,409,347	16,565,787	211,247	16,777,034
Less than 90 days	-	-	-	-	-	-
Allowance for impairment	-	-	(5,830,414)	-	-	(5,690,454)
Carrying amount	<u>11,235,007</u>	<u>174,340</u>	<u>5,578,933</u>	<u>16,565,787</u>	<u>211,247</u>	<u>11,086,580</u>
<b>Stage 1:</b>						
Allowance for impairment	-	-	(352,622)	-	-	(303,552)
Carrying amount	<u>365,665,479</u>	<u>438,898</u>	<u>365,751,755</u>	<u>350,340,731</u>	<u>997,386</u>	<u>351,034,565</u>

# FINANCIAL STATEMENTS



## Notes to the financial statements for the year ended December 31, 2023

Below is the breakdown of the Company's exposure by credit quality as of 31 December 2023 and 2022:

	2023			2022		
	Corporate and SME AED	Retail AED	Total AED	Corporate and SME AED	Retail AED	Total AED
Total outstanding	420,297,347	877,726	421,175,073	412,303,616	1,293,940	413,597,556
Total allowance for impairment	-	-	(25,591,287)	-	-	(22,672,628)
<b>Total carrying amount</b>	<b>420,297,347</b>	<b>877,726</b>	<b>395,583,786</b>	<b>412,303,616</b>	<b>1,293,940</b>	<b>390,924,928</b>

All Islamic financing assets are in the United Arab Emirates.

The distribution of financing by industry sector and geographic region was as follows:

### Industry sector

	2023 AED	2022 AED
Professional, scientific and technical	112,162,727	104,556,448
Construction and real estate	110,669,721	85,986,997
Services	86,634,181	91,477,640
Trade	66,100,087	61,906,592
Transport, storage and communication	25,145,772	37,727,722
Manufacturing	17,098,335	25,507,892
Electricity, gas and water	1,909,556	2,042,879
Financial and insurance activities	576,967	3,097,446
Individuals	877,727	1,293,940
<b>Total</b>	<b>421,175,073</b>	<b>413,597,556</b>

## 8. Deposits, prepayments and other receivables

	2023 AED	2022 AED
Advances and other receivables	4,083,366	3,619,304
Prepayments	2,951,565	1,568,776
Other receivables (note 8.1)	30,809,359	23,992,371
Processing fee and commission receivable	14,317	14,317
	<b>37,858,607</b>	<b>29,194,768</b>
Allowance for impairment	(9,302,056)	(7,171,256)
	<b>28,556,551</b>	<b>22,023,512</b>

Movement in allowance for impairment for the year ended December 31, 2023 and 2022 were as follows:

	2023 AED	2022 AED
Balance at January 1	7,171,256	4,718,808
Provision during the year	2,130,800	2,452,448
<b>Balance at December 31</b>	<b>9,302,056</b>	<b>7,171,256</b>

8.1 Other receivables represent liquidation of the guarantees issued by the Company. These amounts have been paid by the Company to third parties on account of liquidation of the guarantees which were issued on behalf of the customers.

# FINANCIAL STATEMENTS



## Notes to the financial statements for the year ended December 31, 2023

### 9. Furniture, fixtures and office equipment

	Furniture and fixtures	Office equipment	Vehicles	Computer software and hardware	Capital Work in Progress	Total
	AED	AED	AED	AED	AED	AED
Cost						
At January 1, 2022	4,144,413	535,816	97,142	1,459,589	636,191	6,873,151
Additions	10,750	72,549	-	103,113	-	186,412
At December 31, 2022	4,155,163	608,365	97,142	1,562,702	636,191	7,059,563
Additions	382,313	142,730	-	182,209	-	707,252
At December 31, 2023	4,537,476	751,095	97,142	1,744,911	636,191	7,766,815
Accumulated depreciation						
At January 1, 2022	850,776	388,319	50,984	1,036,418	-	2,326,497
Charge for the year	592,735	76,865	19,429	185,487	-	874,516
At December 31, 2022	1,443,511	465,184	70,413	1,221,905	-	3,201,013
Charge for the year	609,755	78,931	19,429	191,254	-	899,369
At December 31, 2023	2,053,266	544,115	89,842	1,413,159	-	4,100,382
Net carrying amount						
At December 31, 2023	2,484,210	206,980	7,300	331,752	636,191	3,666,433
At December 31, 2022	2,711,652	143,181	26,729	340,797	636,191	3,858,550

Capital work in progress represent expenditures incurred to develop new software to be used in the operations of the Company and is expected to be completed in 2025.

### 10. Depositors' accounts

	2023 AED	2022 AED
Margin accounts	193,431,742	157,810,270
Current accounts	23,937,767	12,308,129
Wakala deposits	9,460,484	17,774,003
	<u>226,829,993</u>	<u>187,892,402</u>
<b>Industry sector</b>		
Corporates	5,147,577	5,554,591
Small and medium enterprises	221,682,416	182,337,811
	<u>226,829,993</u>	<u>187,892,402</u>

All depositors' accounts are in the United Arab Emirates.

The profit rates on wakala deposits ranges from 1.00% to 4.00% (2022: 1.00% to 4.00%).

### 11. Trade payables and other liabilities

	2023 AED	2022 AED
Trade accounts payable	22,195,801	33,053,569
Provisions	6,933,329	5,951,198
Accrued expenses and other payables	1,197,380	1,259,848
Profit payable on wakala deposits	133,120	300,171
VAT payable, net	725,618	528,339
	<u>31,185,248</u>	<u>41,093,125</u>

# FINANCIAL STATEMENTS



## Notes to the financial statements for the year ended December 31, 2023

### 12. Employees' end of service benefits

	2023 AED	2022 AED
At 1 January	1,140,669	885,004
Charge for the year	474,307	296,891
Payments during the year	(105,174)	(41,226)
At 31 December	1,509,802	1,140,669

### 13. Share capital

	2023 AED	2022 AED
Authorised and issued share capital:		
126,500,000 shares (2022: 126,500,000 shares) of AED 1 each	126,500,000	126,500,000

The additional paid-up capital of AED 46,000,000 introduced by a shareholder is to be updated in the share register mentioned in the Memorandum of Association of the Company.

### 14. Additional paid-up capital

This represents the additional paid-up capital introduced by a shareholder to meet the capital requirements of the Company set by the Central Bank of UAE.

### 15. Legal reserve

As required by the UAE Federal Law No. (32) of 2021 and the Company's Memorandum of Association, 10% of the Company's profit for the year is required to be transferred to a statutory reserve. The reserve is not available for distribution to the shareholders. Transfers to statutory reserves are required to be made until such time as it equals at least 50% of the paid-up share capital of the Company.

### 16. Related parties

The Company considers any other entities or companies which are owned by the shareholders, either wholly or in partnership with others, as related parties. Balances with related parties arise generally from commercial transactions in the normal course of business. Related parties represent major shareholders, directors, and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Balances and transactions with related parties disclosed in the statement of financial position and statement of profit or loss and other comprehensive income are as follows:

	Shareholders and related parties AED	Directors and key management AED	2023 Total AED	Shareholders and related parties AED	Directors and key management AED	2022 Total AED
<b>Related party balances</b>						
Islamic financing assets	4,082,637	-	4,082,637	5,438,684	-	5,438,684
Processing fee and commission receivables	13,610	-	13,610	13,610	-	13,610
Other receivable	448,987	-	448,987	282,267	-	282,267
Depositors' accounts	8,745,635	-	8,745,635	933,869	-	933,869
Other trade payables	40,792	-	40,792	59,666	-	59,666

#### Significant transactions with related parties:

Income from Islamic Financing	487,717	-	487,717	598,967	-	598,967
Distribution to depositors	(1,919)	-	(1,919)	(1,956)	-	(1,956)

#### Remuneration to key management personnel

Short term employment benefits	-	1,700,000	1,700,000	-	2,200,000	2,200,000
Post-employment benefits	-	343,000	343,000	-	239,400	239,400
Board members' employment benefits	-	1,150,000	1,150,000	-	700,000	700,000

Commitments and contingencies as at December 31, 2023 amounting to AED 312,375 were issued on behalf of related parties (2022: AED 312,375).

# FINANCIAL STATEMENTS



## Notes to the financial statements for the year ended December 31, 2023

### 17. Income from Islamic financing

	2023 AED	2022 AED
Income from SME Murabaha	31,204,011	36,465,409
Income from Corporate Murabaha	35,039	86,374
Income from Retail Murabaha	33	12,224
Income from Salam Finance	58,741	463,766
	31,297,824	37,027,773

Murabaha income is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding. Profit rates earned on Murabaha financing facilities during the year ranged from 3% to 18% (2022: 3% to 18%) per annum.

### 18. Operating and administrative expenses

	2023 AED	2022 AED
Staff cost	29,145,531	30,443,141
Legal and professional fees	4,314,275	1,833,061
Sales commission	4,012,519	1,728,308
Provision for legal claims	982,131	646,828
Depreciation (note 9)	899,369	874,516
Subscriptions	737,829	433,939
Utilities	529,952	485,053
Sharia fees	362,267	362,315
Advertisement and business promotion	362,105	403,531
Rent	149,037	50,400
Travelling	144,470	179,537
Others	1,595,553	1,213,434
	43,235,038	38,654,063

### 19. Commitments and contingencies

The Company provided the following financial guarantees and bonds on behalf of its customers:

	2023 AED	2022 AED
Performance bonds	314,414,666	182,418,051
Advance payment guarantees	122,960,463	87,409,637
Labor guarantees	92,087,039	101,213,375
Financial guarantees	65,156,053	64,967,795
Bid/tender bonds	36,615,394	47,509,871
Letter of credit	11,925,596	18,967,684
	643,159,211	502,486,413

The Company has been notified of certain legal claims for which liability may arise but for which it is not possible to quantify the amounts payable or the likelihood that any individual claim against the Company may be successful.

# FINANCIAL STATEMENTS

## Notes to the financial statements for the year ended December 31, 2023

### 20 Risk management

#### Financial risk management objectives

#### Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices.

#### Foreign currency risk

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has no significant exposure to foreign currency risk.

#### Profit rate risk

The Company is exposed to profit rate risk on its profit-bearing assets and liabilities.

The sensitivity of the statement of profit or loss and other comprehensive income is the effect of the assumed changes in profit rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2023. 1% increase/(decrease) in profit rate or rate of return on profit based on financial instruments will result in increase/(decrease) in profit for the year by AED 3,773,029 (Previous year: AED 3,731,509).

#### Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and arises principally from the Company's deposits and certain other receivables, Islamic financing assets and cash and cash equivalents.

Balances with banks are assessed to have low risk of default since these banks are among the major banks operating in the United Arab Emirates and are highly regulated by the Central Bank.

Deposits and certain other receivables, Islamic financing assets and balances with banks are not secured by any collateral. The amounts that best represent the maximum credit risk exposure on financial assets at the reporting date, in the event counterparties fail to perform their obligations, are the carrying values.

#### Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The maturity profile of financial assets and liabilities is monitored by management to ensure adequate liquidity is maintained. The table below summarizes the maturity profile of financial assets and liabilities as at 31 December 2023 and 31 December 2022 based on contractual maturities.

### 2023

	less than 3 months AED	3 months to 1 year AED	1 year to 5 years AED	over 5 years AED	Total AED
<b>Financial Assets</b>					
Islamic financing asset	59,117,386	144,247,813	191,901,868	316,719	395,583,786
Deposits and other receivables	2,962,804	22,537,728	-	104,453	25,604,985
Cash and cash equivalents	51,965,326	-	-	-	51,965,326
	114,045,516	166,785,541	191,901,868	421,172	473,154,097
<b>Financial Liabilities</b>					
Depositors' accounts	221,725,993	5,104,000	-	-	226,829,993
Accounts payable and other liabilities	24,251,919	-	-	-	24,251,919
	245,977,912	5,104,000	-	-	251,081,912

### 2022

	less than 3 months AED	3 months to 1 year AED	1 year to 5 years AED	over 5 years AED	Total AED
<b>Financial Assets</b>					
Islamic financing	79,284,203	125,774,117	183,597,140	2,269,468	390,924,928
Deposits and other receivables	1,296,840	18,938,138	110,955	108,803	20,454,736
Cash and cash equivalents	6,839,120	-	-	-	6,839,120
	87,420,163	144,712,255	183,708,095	2,378,271	418,218,784
<b>Financial Liabilities</b>					
Depositor's accounts	174,367,131	13,482,629	42,642	-	187,892,402
Accounts payable and other liabilities	35,141,927	-	-	-	35,141,927
	209,509,058	13,482,629	42,642	-	223,034,329

#### Capital risk management

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022. Capital comprises share capital, legal reserve and retained earnings.

# FINANCIAL STATEMENTS



## Notes to the financial statements for the year ended December 31, 2023

### 21. Capital adequacy

The Company is licensed and regulated by the Central Bank of UAE. The Company's capital adequacy ratio as at 31 December 2023 is 30.12% (2022: 29.81%) which is in line with the Company's policy of maintaining a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's regulatory capital base comprises of share capital, statutory reserves and retained earnings. The Company's risk management policy stipulates that total capital base should be a minimum of 15% of total risk weighted assets.

Risk weighted assets are determined accordingly to specified requirements that seek to reflect the varying levels of risk attached assets and off-balance sheet exposures.

The Company's capital adequacy position at the end of the reporting year was as follows:

	2023 AED	2022 AED
Total capital base	220,247,053	193,519,914
Total risk-weighted assets	731,278,805	649,220,870
Capital adequacy (total capital base/total risk-weighted assets)	30.12%	29.81%

### 22. Fair value of financial instruments

Financial assets include deposits and certain other receivables, Islamic financing assets and cash and cash equivalents. Financial liabilities included depositors' accounts, trade payables and certain other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

### 23. Maturity analysis of assets and liabilities

As at December 31, 2023	Within 12 months AED	After 12 months AED	Unspecified maturity AED	Total AED
<b>ASSETS</b>				
Cash and cash equivalents	51,965,326	-	-	51,965,326
Islamic financing asset, net	203,365,200	192,218,586	-	395,583,786
Deposits, prepayments and other receivables	28,452,098	104,453	-	28,556,551
Furniture, fixtures and office equipment	-	-	3,666,433	3,666,433
<b>TOTAL ASSETS</b>	<b>283,782,624</b>	<b>192,323,039</b>	<b>3,666,433</b>	<b>479,772,096</b>
<b>LIABILITIES</b>				
Depositor's accounts	226,829,993	-	-	226,829,993
Trade payables and other liabilities	31,185,248	-	-	31,185,248
Employee's end of service benefits	-	-	1,509,802	1,509,802
<b>TOTAL LIABILITIES</b>	<b>258,015,241</b>	<b>-</b>	<b>1,509,802</b>	<b>259,525,043</b>

### 24. Maturity analysis of assets and liabilities

As at December 31, 2022	Within 12 months AED	After 12 months AED	Unspecified maturity AED	Total AED
<b>ASSETS</b>				
Cash and cash equivalents	6,839,120	-	-	6,839,120
Islamic financing asset, net	205,058,320	185,866,608	-	390,924,928
Deposits, prepayments and other receivables	21,803,754	219,758	-	22,023,512
Furniture, fixtures and office equipment	-	-	3,858,550	3,858,550
<b>TOTAL ASSETS</b>	<b>233,701,194</b>	<b>186,086,366</b>	<b>3,858,550</b>	<b>423,646,110</b>
<b>LIABILITIES</b>				
Depositor's accounts	187,892,402	-	-	187,892,402
Trade payables and other liabilities	41,093,125	-	-	41,093,125
Employee's end of service benefits	-	-	1,140,669	1,140,669
<b>TOTAL LIABILITIES</b>	<b>228,985,527</b>	<b>-</b>	<b>1,140,669</b>	<b>230,126,196</b>

# FINANCIAL STATEMENTS

## Notes to the financial statements for the year ended December 31, 2023

### 25. Corporate Tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax ("CT") regime in the UAE. The CT regime is effective for annual periods beginning on or after 1 June 2023 and the Company will be subject to CT for its financial year commencing 1 January 2024. A business in UAE will be subject to a 9% tax rate or a possible higher rate as may be published in the future for the taxable income exceeding AED 375,000. There are other possible reliefs and/or exemptions that could be availed depending on locational presence and/or operations of the business in the UAE.

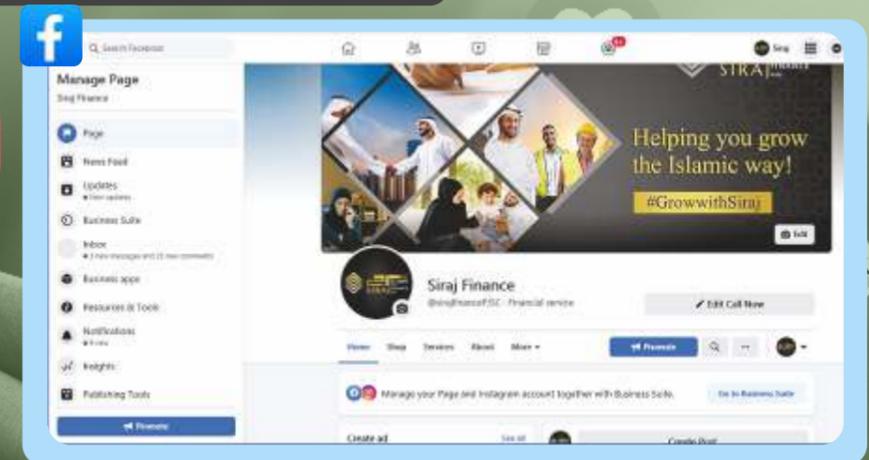
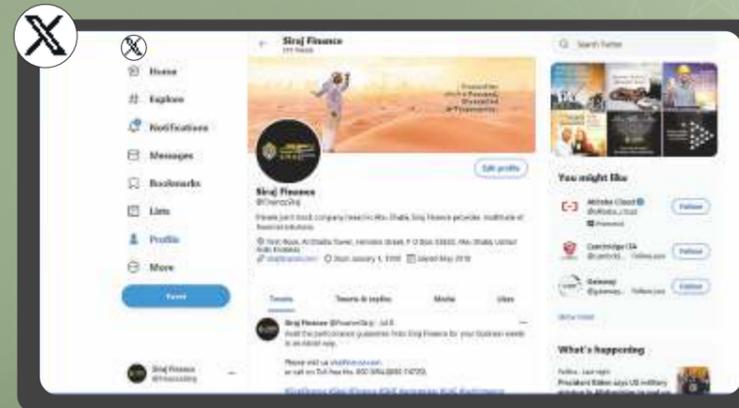
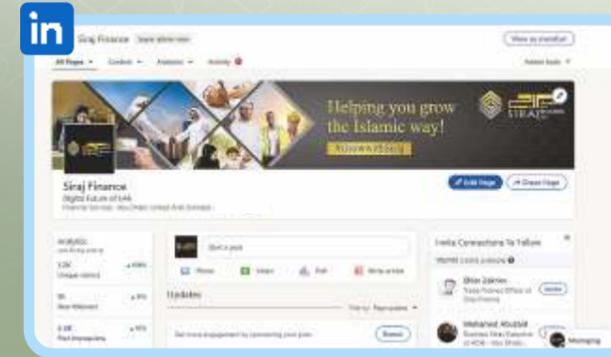
As a result of the transitional rules published in Article 61 of Federal Decree Law No 47 of 2022 and Ministerial Decision No 120 of 2023 on the Adjustments Under the Transitional Rules for the Purposes of Federal Decree Law No 47 of 2022 on the Taxation of Corporations and Businesses, the Company will have an opening tax basis in their assets and liabilities equal to their financial statement carrying value as at the end of the prior period. Based on the assessment of facts and circumstances as at this reporting date and considering the transitional rules, the management has not identified any deferred tax implication which requires any adjustment in these financial statements.

### 26. Comparative figures

Previous year's figures have been regrouped or reclassified wherever necessary to make them comparable with those of the current year. These regroupings or reclassifications are not material.



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