

ANNUAL REPORT

20 22



للتقوِيل
ش.م.ح
SIRAJ FINANCE
PJSC



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



**The late Sheikh
Zayed Bin Sultan Al Nahyan**



**The Late Sheikh
Khalifa Bin Zayed Al Nahyan**



**His Highness Sheikh
Mohammed bin Zayed Al Nahyan**
President of the United Arab Emirates
Ruler of Abu Dhabi



ANNUAL REPORT 2022

TABLE OF CONTENTS

Vision and Mission & Objectives	06
Chairman Review	07
CEO Message	08
Our Goal	09
Our History	10
Awards and Recognition	12
Key Financial Highlights	16
Our Presence	17
About Siraj Finance	18
Corporate Information	20
BOD	
ISSC	
Management	
Auditors	
Registered Office	
What We Offer – Product and Services	26
Financial Analysis	29
Key Figures at a Glance	29
Directors' Report	30
ISSC Annual Report	31
Independent Auditor Report	33
Financial Statements	36
Notes to the Accounts	40

VISION, MISSION & OBJECTIVES



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Chairman Review

Dear Siraj's Family,

السلام عليكم ورحمة الله وبركاته

It gives me pleasure to inform you all that I have gone through the Annual Report for the year 2022 of Siraj Finance and it is comforting to observe that the company outlook is stable. As the chairman of BOD - Siraj Finance, this truly is reassuring that our company's performance is aligned with the vision statement and we are heading towards the right direction, with the right people in place.

Let's not forget, with the fast-changing world, our future success would depend on our willingness and ability to wholeheartedly embrace the digital transformation and adopting of innovative new technologies in order to maintain our competitive advantage and striving to continuously improve our customer experiences.

Now, more than ever, it is our responsibility to protect our brand and build on our achievements. Let's all renew our pledge to play our part as the proud employees of Siraj Finance and act as ambassadors for Islamic Finance in our professional and personal lives.

May the Almighty continue to bless us all. Ameen.

AHMED KHALAF AL OTAIBA

Chairman
Board of Directors

Our Vision

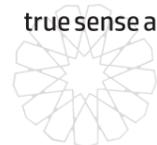
To be the number one Non-Banking Islamic Financial Institution (NBFII) in the UAE.

Our Mission

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

Objectives

Maximize profits ethically for both owners and customers, and provide a professional and rewarding working environment for staff.





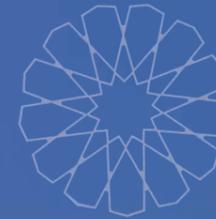
MOHAMED RUSAN FYROZE
Chief Executive Officer



MESSAGE FROM THE CEO

It gives me immense pleasure to share with you our Annual Report for the year 2022. We are filled with gratitude and awe at the accomplishments we have achieved together for the cause of Islamic banking and finance. From humble beginnings, Siraj Finance has grown to become a progressive institution in the financial industry, which is evident by the recognitions we get at the various platforms every year, Alhamdulillah.

We are humbled by what we have achieved until now, but even more excited. As we look towards the future, we are optimistic, confident, and committed to driving positive change for our stakeholders and our communities. We look forward to your continued support in future, with even higher hopes to achieve excellence, growth, and prosperity, Insha'Allah!



OUR GOAL

Provide an array of diversified 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, successfully gained a controlling stake in the company. The company underwent a name change in December 2007, to its current name, Siraj Finance PJSC.
- Waha Capital, an Abu Dhabi based company, showed interest in purchasing Siraj Finance and started acquiring shares in Siraj Finance and subsequently held a majority stake in 2012. Trizac Holding, LLC which is part of the Al Otaiba Group of Companies, acquired the stakes from Waha Capital and other prominent shareholders of Siraj Finance, in the last quarter of 2015.
- Since then, Siraj Finance has been undertaking major initiatives to expand its product and business portfolio all over across UAE. Fulfilling to its vision to be the number one Non-Banking Islamic Financial Institution in the UAE, Siraj Finance has developed and offered various tailor-made products to the potential and existing customers.



- Keeping the spirits high, now days, Siraj Finance is one of the fastest growing 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 clientele.

SOARING HIGH & STRONG!



10th INTERNATIONAL FINANCE ANNUAL AWARDS - 2022

**SIRAJ FINANCE
PROUDLY WON THE MOST INNOVATIVE
NON-BANKING ISLAMIC FINANCE
COMPANY – UAE**



AWARDS AND RECOGNITION



2022

**MOST INNOVATIVE
NON-BANKING
ISLAMIC FINANCE
COMPANY
UAE 2022**
INTERNATIONAL
FINANCE AWARDS - 2022

**BEST NON-BANK
ISLAMIC FINANCE
INSTITUTION
2022**
GLOBAL ISLAMIC
FINANCE AWARDS - 2022

2021

**BEST ISLAMIC
RETAIL FINANCE
INSTITUTION IN
THE UAE 2021**
INTERNATIONAL
FINANCE UAE AWARDS - 2021

**MOST INNOVATIVE
ISLAMIC FINANCIAL
PRODUCT 2021-
BID BOND**
GLOBAL ISLAMIC
FINANCE AWARDS - 2021

**BEST NON-BANK
ISLAMIC FINANCE
INSTITUTION
2021**
GLOBAL ISLAMIC
FINANCE AWARDS - 2021

**MOST INNOVATIVE
BEST NON-BANK
ISLAMIC FINANCE
COMPANY 2021**
INTERNATIONAL
FINANCE UAE AWARDS - 2021

2020

**BEST
EMERGING CEO**
INTERNATIONAL
FINANCE UAE AWARDS - 2020

**MOST INNOVATIVE
NON-BANKING
ISLAMIC FINANCE
COMPANY
UAE 2020**
INTERNATIONAL
FINANCE UAE AWARDS - 2020

**BEST NON-
BANK ISLAMIC
RETAIL FINANCE
INSTITUTION**
ISLAMIC RETAILS BANKING
AWARDS (CAMBRIDGE) - 2020

2019

**BEST ISLAMIC
FINANCE
COMPANY -
UAE**
INTERNATIONAL
BUSINESS MAGAZINE - 2019

**BEST ISLAMIC
FINANCIAL
INSTITUTION
OF THE YEAR**
GLOBAL BUSINESS
OUTLOOK - 2019

**UAE - ISLAMIC/
SHARIAH FINANCE
COMPANY OF
THE YEAR**
ACQ5 GLOBAL
AWARDS - 2019

**BEST NON
BANK ISLAMIC
RETAIL FINANCE
INSTITUTION**
ISLAMIC RETAIL BANKING
AWARDS (CAMBRIDGE) - 2019

**BEST NON-BANK
ISLAMIC FINANCIAL
INSTITUTION
OF THE YEAR**
GLOBAL ISLAMIC
FINANCE AWARDS - 2019

**MOST INNOVATIVE
NON-BANKING
ISLAMIC FINANCE
COMPANY UAE**
INTERNATIONAL
FINANCE AWARDS - 2019

**UAE -
GAME CHANGER
OF THE YEAR**
ACQ5 GLOBAL
AWARDS 2019

2018

**BEST NON-
BANKING ISLAMIC
RETAIL FINANCE
INSTITUTION**
ISLAMIC RETAIL BANKING
AWARDS (CAMBRIDGE) - 2018

**BEST
UPCOMING
ISLAMIC FINANCE
INSTITUTION**
GLOBAL ISLAMIC
FINANCE AWARDS - 2018

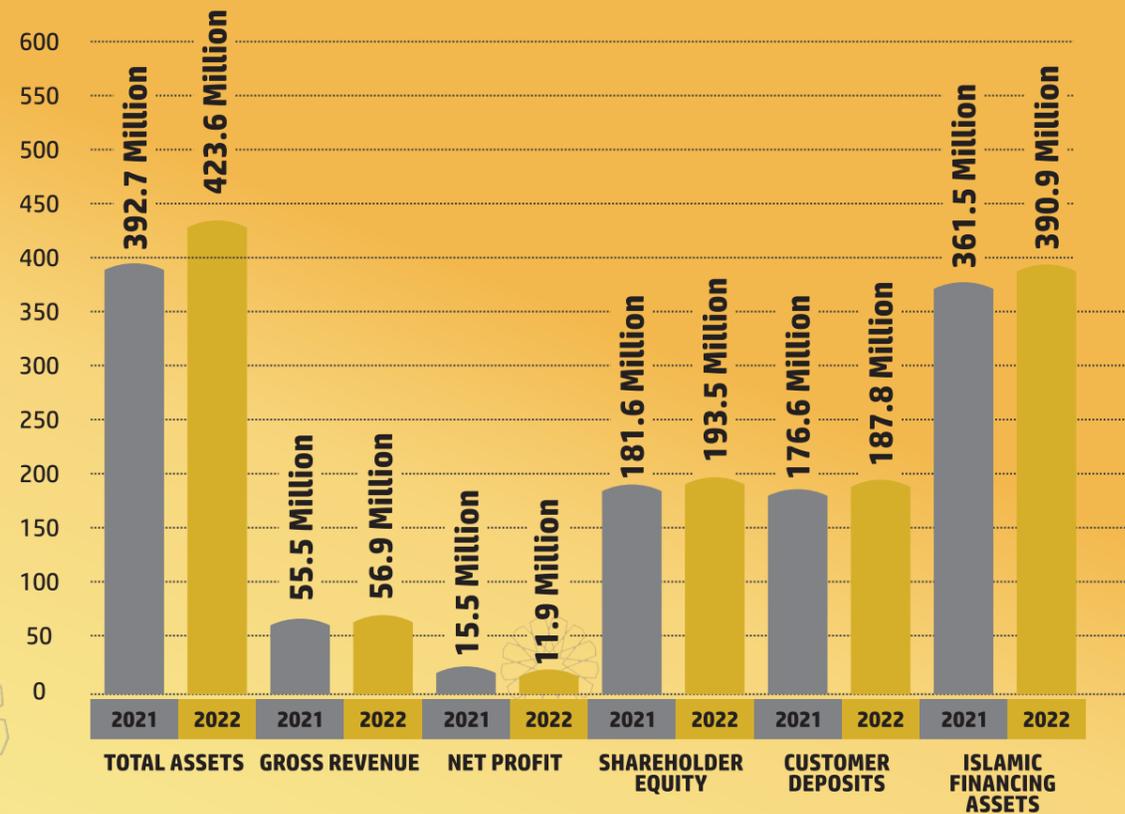
**BEST
LABOUR
GUARANTEE
PRODUCT**
INTERNATIONAL
FINANCE AWARDS - 2018

**BEST NEW
ISLAMIC FINANCE
COMPANY - UAE**
GLOBAL BANKING
& FINANCE AWARDS - 2018

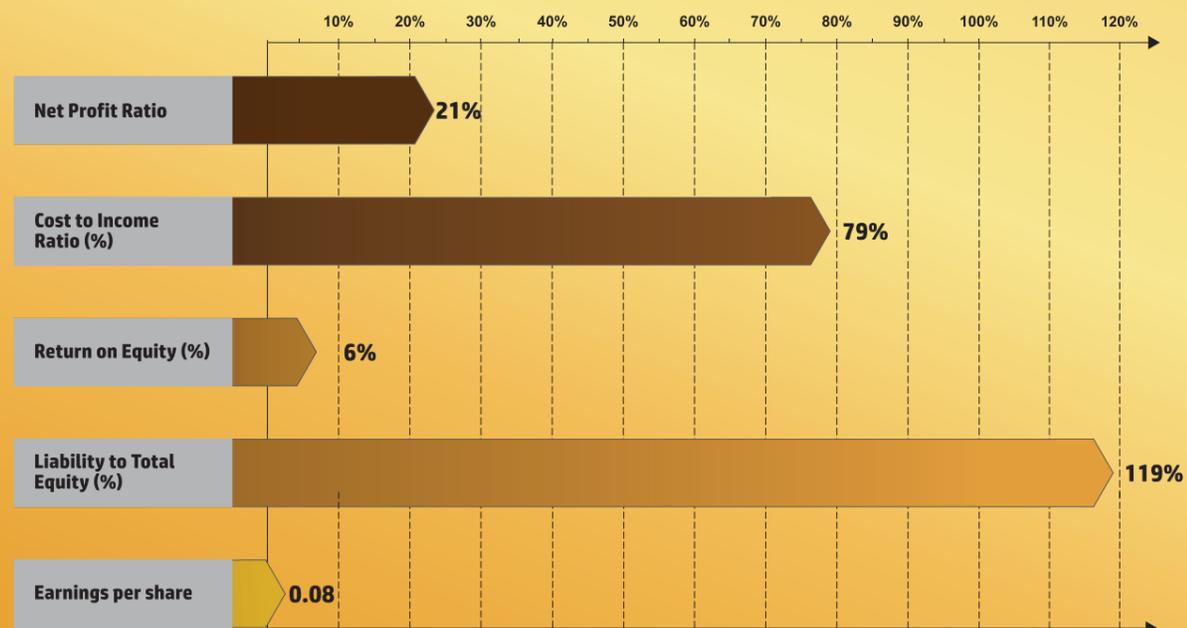
**INDUSTRY:
FINANCE
INSTITUTION
CATEGORY:
FINANCIAL
SERVICES**
ASIA ONE: WORLD'S
GREATEST BRANDS - 2018/19

**BEST NON-BANK
ISLAMIC FINANCIAL
INSTITUTION
OF THE YEAR**
GLOBAL ISLAMIC
FINANCE AWARDS - 2018

KEY FINANCIAL HIGHLIGHTS



KEY FINANCIAL RATIOS



OUR PRESENCE



ABOUT SIRAJ FINANCE

Siraj Finance PJSC is a private joint stock company based in Abu Dhabi and regulated by the Central Bank of the UAE. Siraj Finance is a part of Trizac Holding LLC, which is an integral entity of the Al-Otaiba Group of Companies.

Siraj Finance proudly offers a multitude of financial products, designed in compliance with the Sharia 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 their aspirations and needs.

Our core aim is to become one of the most progressive Islamic financial institution facilitating businesses in the region. We value our clients' business requirements and accordingly allow them to choose from a wide range of Sharia compliant product offerings.





AHMED BIN KHALAF AL OTAIBA
CHAIRMAN

Mr. 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, Mr. 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, Mr. Ahmed was instrumental in development of various social welfare projects, green community initiatives, Emiratization 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. Mr. 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, Mr. 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, Mr. 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), Mr. Saad is the 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. Mr. 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 Digecon Solutions), FinQor Technologies and Ta3molat Holdings.

Mr. David is a Board Member of Siraj Finance.



**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).



**MOHD BAHRODDIN
BIN BADRI**
VICE CHAIRMAN

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.



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.



**ABDULNASER AHMED
EBRAHIM ALMANNAE
ALTAMIMI**
MEMBER



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.



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.



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.



MOHAMED RUSAN FYROZE
CHIEF EXECUTIVE OFFICER



LATIFA AL ZAABI
CHIEF HUMAN CAPITAL AND
ADMIN OFFICER



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



**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, Islamic Mortgages 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.



**MOHAMED MUSTAFA
OMAR**
CHIEF FINANCIAL
OFFICER

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.



HANEEN AL AHMAD
CHIEF OF FINANCIAL
MARKETS & TREASURY

Haneen Al Ahmed is the Chief of Financial Markets & Treasury of Siraj Finance PJSC with a 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.

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.



YASSER KUNHI
CHIEF RISK 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.

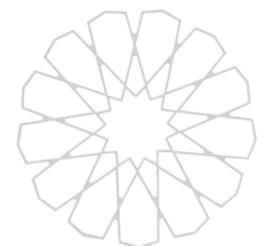


**FAZAL MOHAMED
NASSIM**
CHIEF GOVERNANCE
OFFICER



AUDITOR
BDO Chartered Accountants & Advisors
Abu Dhabi
Yunus Yusuf Saifee
Reg. No. 418

REGISTERED OFFICE
The registered head office of Siraj Finance PJSC is Suit 1003, Al Otaiba Tower, Hamdan Street, P O Box: 63622, Abu Dhabi, UAE.



WHAT WE OFFER

RETAIL PRODUCTS

Now you can experience the tailored Shariah-compliant products for individual financial needs. Individuals can now enjoy a range of Islamic products at Siraj, such as, personal finance (Salam), vehicle finance, home finance.

FINANCING PRODUCTS

PERSONAL FINANCE (SALAM)



VEHICLE FINANCE



HOME FINANCE



CARD PRODUCTS

WPS CARDS



PREPAID CARDS



TRAVEL CARDS



GIFT CARDS



SME/ CORPORATE PRODUCT OFFERINGS

It is our aim to take our client's business to the next level. We ensure a range of customized solutions to help grow SMEs and Large Corporates. We have been catering to companies owing to our wide reach of both local and international businesses.

Discerned 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 making 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



FINANCIAL ANALYSIS

Total asset recorded for the period ending December 31, 2022, is AED 423.6 million which has been increased by 7.8% compared to previous year 2021. The major earning assets of Siraj Finance, i.e., Islamic financing assets, has increased to AED 390.9 million. The remaining assets mainly comprise of secured deposits, short term advances and prepayments totalling AED 22.0 million along with AED 3.8 million representing fixed assets.

Total liabilities recorded as of end of year 2022 was 230.1 million – consists mainly of depositors' accounts of amount AED 187.8 million as well as trade payables and other liabilities of amount AED 41.0 million. The total shareholders' equity has increased to AED 193.5 million.

On the Income statement, total revenues recorded for year 2022 is AED 56.9 million – a increases from last year's AED 55.5 million which is increased by 2.5% from previous year.

KEYS FIGURES AT A GLANCE

Years	2022	2021	2020	2019
Revenue from funds (AED '000')	37,027	34,411	39,082	37,205
Non funding revenues (AED '000')	19,963	21,150	22,652	22,880
Revenues (AED '000')	56,991	55,565	61,734	60,085
Expenses (AED '000')	45,073	39,975	44,972	34,959
Net profit (AED '000')	11,918	15,590	16,762	25,126
Total assets (AED '000')	423,646	392,799	416,640	430,430
Total liabilities (AED '000')	230,126	211,197	250,629	311,181
Total equity (AED '000')	193,519	181,601	166,011	119,249
Cost to income ratio (%)	79%	71%	64%	58%
Return on equity (%)	6%	9%	10%	21%
liability to total equity (%)	119%	116%	151%	261%
Earnings per share	0.08	0.10	0.11	0.20

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, 2022.

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 56,991,720 as against AED 55,565,825 in the previous year. Profit for the year was AED 11,918,155 as against AED 15,590,284 in the previous year.

Release

The Board releases from liability the external auditor in connection with their duties for the year ended December 31, 2022.

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 29, 2023

ISSC ANNUAL REPORT

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

Issued on: 24th February 2023

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

Assalam Alaikum Wa Rahamtoolah 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 2022 (the "**Financial Year**").

1. Responsibility of the ISSC

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

- a. 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 (to the extent of what was presented to the ISSC), 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
- b. 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.

3. 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:

- A. Convening four (3) meetings during the year.
- b. Issuing Fatawa, resolutions and opinions on matters presented to the ISSC in relation to the Siraj Activities.
- c. 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.
- d. 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.

- e. Supervision through internal Shari'ah governance function of Siraj Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- f. 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 governance function, and issuance of resolutions to set aside revenue derived from transactions in which non-compliance were identified to be disposed towards charitable purposes.
- g. Approving remedial rectification and preventive measures related to identified errors to prevent their reoccurrence in the future.
- h. Specifying the amount of Zakat due on each of Siraj's share, if applicable.
- i. 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.

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



Shaikh Dr. Fazal Rahim Abdul Rahim
ISSC Chairman & Executive Member



Shaikh Mohammad Bahroddin Bin Badri
ISSC Vice Chairman



Shaikh Abdul Nasser Ahmed Ibrahim Al Mannaie
ISSC Member

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, 2022, 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 a summary of significant accounting policies.

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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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.

Report on Other Legal and Regulatory Requirements

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

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) 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;
- iii) The Company has maintained proper books of account;
- iv) The financial information included in the report of the Directors is consistent with the books of account of the Company;
- v) Note 15 to the financial statements discloses material related party transactions and balances; and
- vi) 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, 2022, 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, 2022.
 - a) For the year ended December 31, 2022, 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 to a company where a member of the Board hold over 20% of the capital of that Company.
 - b) as at December 31, 2022, the Company is in process of amending its Memorandum of Association to update the increase of AED 30 million in its share capital and changes as per the requirements of 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
Yunus Yusuf Saifee
Reg. No. 418
March 29, 2023

FINANCIAL STATEMENTS

Statement of financial position at December 31, 2022

	Notes	2022 AED	2021 AED
ASSETS			
Cash and cash equivalents	6	6,839,120	4,808,623
Islamic financing assets, net	7	390,924,928	361,570,025
Deposits, prepayments and other receivables	8	22,023,512	21,874,122
Furniture, fixtures and office equipment	9	3,858,550	4,546,654
TOTAL ASSETS		423,646,110	392,799,424
EQUITY AND LIABILITIES			
Liabilities			
Depositors' accounts	10	187,892,402	176,658,838
Trade payables and other liabilities	11	41,093,125	33,653,823
Employees' end of service benefits	12	1,140,669	885,004
Total liabilities		230,126,196	211,197,665
Equity			
Share capital	13	156,500,000	156,500,000
Legal reserve	14	8,794,708	7,602,892
Retained earnings		28,225,206	17,498,867
Total equity		193,519,914	181,601,759
TOTAL EQUITY AND LIABILITIES		423,646,110	392,799,424

The financial statements were approved by the Board of Directors on March 29, 2023, and are signed on their behalf by:



Ahmed Khalaf Al Otaiba
Chairman of the Board



Mohamed Rusan Fyroze
Chief Executive Officer

The notes on pages 40 to 63 form part of these financial statements

Statement of profit or loss and other comprehensive income for the year ended December 31, 2022

	Notes	2022 AED	2021 AED
Revenue			
Income from Islamic financing	16	37,027,773	34,411,525
Fees and commission income		19,963,947	21,150,019
Other income		-	4,281
Total revenue		56,991,720	55,565,825
Operating expenses			
Administrative expenses	17	(38,654,063)	(36,201,446)
Net impairment (charge) reversal on Islamic financing assets	7	(3,073,761)	341,500
Impairment loss on other receivables	8	(2,452,448)	(3,408,598)
Islamic financing assets, written off		(77,546)	(112,501)
Commission and fee expenses		(334,405)	(149,586)
Distribution to depositors		(395,711)	(399,248)
Bank charges		(85,631)	(45,662)
Total operating expenses		(45,073,565)	(39,975,541)
Profit and total comprehensive income for the year		11,918,155	15,590,284

The notes on pages 40 to 63 form part of these financial statements

FINANCIAL STATEMENTS

Statement of changes in equity for the year ended December 31, 2022

	Share capital AED	Legal reserve AED	Retained earning AED	Total AED
At 1 January 2021	156,500,000	6,043,864	3,467,611	166,011,475
Profit for the year	-	-	15,590,284	15,590,284
Transfer to legal reserve (note 14)	-	1,559,028	(1,559,028)	-
At 31 December 2021	156,500,000	7,602,892	17,498,867	181,601,759
Profit for the year	-	-	11,918,155	11,918,155
Transfer to legal reserve (note 14)	-	1,191,816	(1,191,816)	-
At 31 December 2022	156,500,000	8,794,708	28,225,206	193,519,914

Statement of cash flows for the year ended December 31, 2022

	Notes	2022 AED	2021 AED
Operating activities			
Profit for the year		11,918,155	15,590,284
Adjustments for:			
Depreciation of furniture, fixtures and office equipment	9	874,516	690,612
Provision on employees' end of service benefits	12	296,891	366,893
Net impairment charge (reversal) on Islamic financing assets	7	3,073,761	(341,500)
Provision for legal claims		646,828	-
Impairment loss on other receivables	8	2,452,448	3,408,598
		19,262,599	19,714,887
Working capital adjustments			
Increase in Islamic financing assets	7	(32,428,664)	(5,911,177)
Increase in deposits, prepayments and other receivables	8	(2,601,838)	(5,690,946)
Increase (decrease) in depositors' accounts	10	11,233,563	(51,211,434)
Increase in trade payables and other liabilities	11	6,792,475	11,429,524
		2,258,135	(31,669,146)
Cash used in operations		2,258,135	(31,669,146)
Payment for employees' end of service benefits	12	(41,226)	(15,871)
Net cash flows from (used in) operating activities		2,216,909	(31,685,017)
Investing activities			
Proceeds from disposal of furniture, fixtures and office equipment		-	20,175
Purchase of furniture, fixtures & office equipment	9	(186,412)	(1,555,021)
Net cash flows used in investing activities		(186,412)	(1,534,846)
Increase (decrease) in cash and cash equivalents		2,030,497	(33,219,863)
Cash and cash equivalents at 1 January		4,808,623	38,028,486
Cash and cash equivalents at 31 December	6	6,839,120	4,808,623

Notes to the financial statements for the year ended December 31, 2022

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, 2022, were authorised for issue by the Board of Directors on March 29, 2023.

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 continue 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 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. 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, 2022

The Company has adopted the following new standards and amendments in the annual financial statements for the year ended 31 December 2022 which have not had a significant effect on the Company:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
 - Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
 - References to Conceptual Framework (Amendments to IFRS 3).
- b) New standards, interpretations and amendments not yet effective

Notes to the financial statements for the year ended December 31, 2022

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 2023:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- References to Conceptual Framework (Amendments to IFRS 3).
- The following amendments are effective for the period beginning 1 January 2023:
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Company is currently assessing the impact of these new accounting standards and amendments and does not believe that these amendments will have a significant impact on the annual financial statements.

Other standards

The Company does not expect the following other standards issued by IASB, but not yet effective, to have a material impact on the Company.

- IFRS 17 Insurance Contracts (effective January 1, 2023)
In June 2021, the IASB issued amendments to IFRS 17, including a deferral of its effective date to January 1, 2023.

4 Significant 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 IFRSs 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.

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 significant 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.

Notes to the financial statements for the year ended December 31, 2022

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 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.

Notes to the financial statements for the year ended December 31, 2022

(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 12month 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.

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, 5% 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.

Notes to the financial statements for the year ended December 31, 2022

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.

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

Notes to the financial statements for the year ended December 31, 2022

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.

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 cash equivalents

	2022	2021
	AED	AED
Cash in hand	-	196,411
Current account with banks	6,839,120	4,612,212
	<hr/>	<hr/>
Cash and cash equivalents	6,839,120	4,808,623

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

Current account with banks includes a balance of AED 3,197,532 which is blocked by the banks and is not available for use of the Company.

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended December 31, 2022

7. Islamic financing assets, net

	2022 AED	2021 AED
SME Murabaha	471,373,919	462,534,536
Corporate Murabaha	886,800	1,263,614
Retail Murabaha	224,650	287,060
Retail Salam	1,103,214	1,537,151
	<hr/>	<hr/>
	473,588,583	465,622,361
Less: Deferred profit on murabaha financing	(59,991,027)	(84,453,469)
	<hr/>	<hr/>
	413,597,556	381,168,892
Allowance for impairment	(22,672,628)	(19,598,867)
	<hr/>	<hr/>
	390,924,928	361,570,025

Movement in allowance for impairment for the year ended 31 December 2022 and 2021 were as follows:

	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, net	39,286	403,199	2,631,276	3,073,761
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	303,552	5,690,454	16,678,622	22,672,628
	<hr/>			
	2021			
	Stage 1 AED	Stage 2 AED	Stage 3 AED	Total AED
At 1 January	249,414	4,954,666	14,736,287	19,940,367
Charge (reversal) for the year	14,852	332,589	(688,941)	(341,500)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	264,266	5,287,255	14,047,346	19,598,867

Below is the breakdown of the Company's exposure by credit quality as of 31 December 2022 and 2021:

	2022			2021		
	Corporate and SME AED	Retail AED	Total AED	Corporate and SME AED	Retail AED	Total AED
Stage 3:						
Substandard	37,649,812	25,861	37,675,673	40,849,259	311,978	41,161,237
Doubtful	5,583,998	40,486	5,624,484	4,840,794	45,689	4,886,483
Loss	2,163,288	18,960	2,182,248	-	18,960	18,960
Allowance for impairment -	-	-	16,678,622	-	-	14,047,346
	<hr/>			<hr/>		
Carrying amount	45,397,098	85,307	28,803,783	45,690,053	376,627	32,019,334
	<hr/>			<hr/>		
Stage 2:						
Less than 60 days	16,565,787	211,247	16,777,034	22,111,258	-	22,111,258
Less than 90 days	-	-	-	-	-	-
Allowance for impairment -	-	-	(5,690,454)	-	-	(5,287,255)
	<hr/>			<hr/>		
Carrying amount	16,565,787	211,247	11,086,580	22,111,258	-	16,824,003
	<hr/>			<hr/>		
Stage 1:						
	350,340,731	997,386	351,338,117	311,589,518	1,401,436	312,990,954
Allowance for impairment -	-	-	(303,552)	-	-	(264,266)
	<hr/>			<hr/>		
Carrying amount	350,340,731	997,386	351,034,565	311,589,518	1,401,436	312,726,688
	<hr/>			<hr/>		
Total outstanding	412,303,616	1,293,940	413,597,556	379,390,829	1,778,063	381,168,892
Total allowance for impairment	-	-	(22,672,628)	-	-	19,598,867
	<hr/>			<hr/>		
Total carrying amount	412,303,616	1,293,940	390,924,928	379,390,829	1,778,063	361,570,025

All Islamic financing assets are in the United Arab Emirates.

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended December 31, 2022

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

Industry sector	2022 AED	2021 AED
Professional, scientific and technical Services	104,556,448	88,634,193
Construction and real estate	91,477,640	93,786,898
Trade	85,986,997	78,689,073
Transport, storage and communication	61,906,592	60,376,219
Manufacturing	37,727,722	36,893,858
Financial and insurance activities	25,507,892	18,540,219
Electricity, gas and water	3,097,446	2,189,677
Individuals	2,042,879	281,525
	1,293,940	1,777,230
Total	413,597,556	381,168,892

8. Deposits, prepayments and other receivables

	2022 AED	2021 AED
Advances and other receivables	3,619,304	7,729,236
Prepayments	1,568,776	2,750,419
Other receivables (note 8.1)	23,992,371	16,098,958
Processing fee and commission receivable	14,317	14,317
	29,194,768	26,592,930
Allowance for impairment	(7,171,256)	(4,718,808)
	22,023,512	21,874,122

Movement in allowance for impairment for the year ended December 31, 2022 and 2021 were as follows:

	2022 AED	2021 AED
Balance at January 1	4,718,808	1,310,210
Provision during the year	2,452,448	3,408,598
	7,171,256	4,718,808

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.

9. Furniture, fixtures and office equipment

	Furniture and fixtures AED	Office equipment AED	Vehicles AED	Computer software and hardware AED	Capital Work in Progress AED	Total AED
Cost						
At 1 January 2021	1,120,381	424,277	136,190	1,176,993	2,499,337	5,357,178
Additions	58,125	111,539	-	282,596	1,102,761	1,555,021
Transfers	2,965,907	-	-	-	(2,965,907)	-
Disposals	-	-	(39,048)	-	-	(39,048)
At 31 December 2021	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 31 December 2022	4,155,163	608,365	97,142	1,562,702	636,191	7,059,563
Accumulated depreciation						
At 1 January 2021	472,612	279,341	44,571	858,234	-	1,654,758
Charge for the year	378,164	108,978	25,286	178,184	-	690,612
Disposals	-	-	(18,873)	-	-	(18,873)
At 31 December 2021	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 31 December 2022	1,443,511	465,184	70,413	1,221,905	-	3,201,013
Net carrying amount						
At 31 December 2022	2,711,652	143,181	26,729,340,797		636,191	3,858,550
At 31 December 2021	3,293,637	147,497	46,158	423,171	636,191	4,546,654

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended December 31, 2022

10. Depositors' accounts

Margin accounts
Current accounts
Wakala deposits

2022 AED	2021 AED
157,810,270	148,744,817
12,308,129	11,751,844
17,774,003	16,162,177
<u>187,892,402</u>	<u>176,658,838</u>

Industry sector

Corporates
Small and medium enterprises

5,554,591	3,272,840
182,337,811	173,385,998
<u>187,892,402</u>	<u>176,658,838</u>

All depositors' accounts are in the United Arab Emirates.

The profit rates on wakala deposits ranges from 1.00% to 4.00% (2021: 1.00% to 4.00%).

11. Trade payables and other liabilities

Trade accounts payable
Provisions
Accrued expenses and other payables
Profit payable on wakala deposits
VAT payable, net

2022 AED	2021 AED
33,053,569	25,613,360
5,951,198	5,304,371
1,259,848	1,792,830
300,171	140,381
528,339	802,881
<u>41,093,125</u>	<u>33,653,823</u>

12. Employees' end of service benefits

At 1 January
Charge for the year
Payments during the year
At 31 December

2022 AED	2021 AED
885,004	533,982
296,891	366,893
(41,226)	(15,871)
<u>1,140,669</u>	<u>885,004</u>

13. Share capital

Authorised and paid-up share capital:
156,500,000 shares (2021: 156,500,000 shares) of AED 1 each

2022 AED	2021 AED
<u>156,500,000</u>	<u>156,500,000</u>

14. Legal reserve

As required by the UAE Federal Law No. (32) of 2021 and the Company's Memorandum of Association, 5% 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.

15. 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 position and statement of profit or loss and other comprehensive income are as follows:

	Shareholders and related Parties AED	Directors and key management AED	2022 Total AED	Shareholders and related Parties AED	Directors and key management AED	2021 Total AED
Related party balances						
Islamic financing assets	5,438,684	-	5,438,684	7,245,327	-	7,245,327
Processing fee and commission receivables	13,610	-	13,610	13,610	-	13,610
Other receivable	282,267	-	282,267	5,107,058	-	5,107,058
Depositors' accounts	933,869	-	933,869	351,565	-	351,565
Other trade payables	59,666	-	59,666	34,187	-	34,187

Significant transactions with related parties:

Income from Islamic

Financing	598,967	-	598,967	1,262,064	-	1,262,064
Distribution to depositors	(1,956)	-	(1,956)	(5,455)	-	(5,455)

Remuneration to key management personnel

Short term employment

benefits	-	2,200,000	2,200,000	-	1,890,000	1,890,000
----------	---	-----------	-----------	---	-----------	-----------

Post-employment

benefits	-	239,400	239,400	-	204,400	204,400
----------	---	---------	---------	---	---------	---------

Board members'

employment benefits	-	700,000	700,000	-	4,247,083	4,247,083
---------------------	---	---------	---------	---	-----------	-----------

Commitments and contingencies as 31 December 2022 amounting to AED 312,375 were issued on behalf of related parties (2021: AED 312,375).

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended December 31, 2022

16. Income from Islamic financing

Income from SME Murabaha
Income from Corporate Murabaha
Income from Retail Murabaha
Income from Salam Finance

2022	2021
AED	AED
36,465,409	34,108,900
86,374	136,604
12,224	12,422
463,766	153,599
37,027,773	34,411,525

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% (2021: 2.5% to 18%) per annum.

17. Administrative expenses

Staff cost
Legal and professional fees
Sales commission
Provision for legal claims
Depreciation (note 9)
Utilities
Subscriptions
Advertisement and business promotion
Sharia fees
Travelling
Rent
Others

2022	2021
AED	AED
30,443,141	28,115,130
1,833,061	2,265,686
1,728,308	2,225,459
646,828	-
874,516	690,612
485,053	444,458
433,939	489,885
403,531	314,691
362,315	362,843
179,537	236,534
50,400	-
1,213,434	1,056,148
38,654,063	36,201,446

18. Commitments and contingencies

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

	2022	2021
	AED	AED
Performance bonds	182,418,051	140,565,851
Labor guarantees	101,213,375	109,042,707
Advance payment guarantees	87,409,637	82,997,322
Financial guarantees	64,967,795	38,245,995
Bid/tender bonds	47,509,871	31,779,001
Letter of credit	18,967,684	25,621,834
	502,486,413	428,252,710

18.1 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.

19. 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 2022. 1% increase/(decrease) in interest rate or rate of return on interest based on financial instruments will result in increase/(decrease) in profit for the year by AED 3,731,509 (Previous year: AED 3,454,079).

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended December 31, 2022

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 2022 and 31 December 2021 based on contractual maturities.

2022	less than 3 months	3 months to 1 year	1 year to 5 years	over 5 years	Total
	AED	AED	AED	AED	AED
Financial Assets					
Islamic financing asset	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
Financial Liabilities					
Depositors' 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

2021	less than 3 months	3 months to 1 year	1 year to 5 years	over 5 years	Total
	AED	AED	AED	AED	AED
Financial Assets					
Islamic financing	64,580,276	105,242,756	190,234,337	1,512,656	361,570,025
Deposits and other receivables	1,302,934	17,442,324	278,042	100,403	19,123,703
Cash and cash equivalents	4,808,623	-	-	-	4,808,623
	70,691,833	122,685,080	190,512,379	1,613,059	385,502,351
Financial Liabilities					
Depositor's accounts	163,943,130	7,153,065	5,562,643	-	176,658,838
Accounts payable and other liabilities	28,349,452	-	-	-	28,349,452
	192,292,582	7,153,065	5,562,643	-	205,008,290

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 2022 and 2021. Capital comprises share capital, legal reserve and retained earnings.

Capital adequacy

The Company is licensed and regulated by the Central Bank of UAE. The Company's capital adequacy ratio as at 31 December 2022 is 30.32% (2021: 31.62%) 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:

	2022	2021
	AED	AED
Total capital base	196,812,246	181,601,759
Total risk-weighted assets	649,220,870	574,403,803
Capital adequacy (total capital base/total risk-weighted assets)	30.32%	31.62%

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended December 31, 2022

21. 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.

22. Maturity analysis of assets and liabilities

As at December 31, 2022	Within 12 months	After 12 months	Unspecified maturity	Total
ASSETS				
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
TOTAL ASSETS	233,701,194	186,086,366	3,858,550	423,646,110
LIABILITIES				
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
TOTAL LIABILITIES	228,985,527	-	1,140,669	230,126,196

As at December 31, 2021	Within 12 months	After 12 months	Unspecified maturity	Total
ASSETS				
Cash and cash equivalents	4,808,623	-	-	4,808,623
Islamic financing asset, net	169,835,032	191,734,993	-	361,570,025
Deposits, prepayments and other receivables	21,495,677	378,445	-	21,874,122
Furniture, fixtures and office equipment	-	-	4,546,654	4,546,654
TOTAL ASSETS	196,139,332	192,113,438	4,546,654	392,799,424

LIABILITIES

Depositor's accounts	176,658,838	-	-	176,658,838
Trade payables and other liabilities	33,653,823	-	-	33,653,823
Employee's end of service benefits	-	-	885,004	885,004
TOTAL LIABILITIES	210,312,661	-	885,004	211,197,665

23. 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 will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% CT rate and a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision. Further, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. The Company shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes. The Company is in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective.

24. 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.



للتقوى
ش.م.خ
SIRAJ FINANCE
PJSC

SIRAJ FINANCE PJSC: First Floor, Al Otaiba Tower, Hamdan Street
P O Box: 63622, Abu Dhabi, United Arab Emirates, Phone: +971 2 401 4999

www.sirajfinance.com

Toll Free: **800 SIRAJ (800-74725)** | Email: info@sirajfinance.com

