



ANNUAL REPORT 2023



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Invitation to the Annual General Assembly Meeting of Tamweel PSC

Dear Shareholder,

The Board of Directors of Tamweel P.S.C are pleased to inform the Company's Shareholders that the annual meeting of the Company's General Assembly will be held remotely/online at **11:00 am on Thursday, 18 April 2024** and in case the quorum for the meeting is not met on that date, then the second meeting shall be held on **Thursday, 25 April 2024** in the same manner and at the same time to discuss the following agenda:

- 1** Review and ratification of the report of the Board of Directors on the Company's activities and its financial position during the financial year ended 31/12/2023.
- 2** Review and ratification of the Report from the Internal Sharia Supervision Committee for the financial year ended 31/12/2023.
- 3** Review and ratification of the Auditors' Report for the financial year ended 31/12/2023.
- 4** Discussion and approval of the Balance Sheet and the Profit and Loss Statement for the financial year ended 31/12/2023.
- 5** Absolve the Board of Directors from liability for the financial year ended 31/12/2023.
- 6** Absolve the Auditors from liability for the financial year ended 31/12/2023.
- 7** Appointment / Reappointment of members of the Internal Sharia Supervision Committee for the year 2024.
- 8** Appointment / Reappointment of External Auditors for the year 2024 and determine their remuneration.
- 9** Proposal from the Board of Directors for not distributing the dividends for the financial year 2023.
- 10** Considering no remuneration of the members of the Board of Directors for the financial year 2023.
- 11** Electing a new Board of Directors for the period from 2024 to 2027.

Board of Directors' Report

The Board of Directors of Tamweel P.S.C. has pleasure in submitting the statement of financial position of Tamweel P.S.C. (the “Company”) as of 31 December 2023, and the related statements of income, cash flows and changes in equity for the year ended 31 December 2023.

Principal activities

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia’a compliant financing and investment activities predominantly in the area of residential mortgages. The activities of the Company are conducted in accordance with Islamic Sharia’a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. Additionally, the Company also generates leasing income from its investment properties. The Company is a subsidiary of Dubai Islamic Bank PJSC (DIB) which holds 92% of the equity of the Company.

Directors

The current Board of Directors consists of:

Abdulla Ali AlHamli	(Chairman)
Mohammed Saeed AlSharif	(Vice Chairman)
Nasser Al Suwaidi	(Director)
Mohammed Al Falasi	(Director)
Musabbah Al Qaizi	(Director)

Financial results

The Company has recorded a net profit of AED 73 million in 2023 as compared to a profit of AED 52 million in 2022. The operating income for year 2023 is AED 161 million compared to AED 139 million in 2022.

Islamic financing and investing assets in 2023 decreased to AED 683 million compared to AED 988 million in 2022. Total equity as at 31 December 2023 amounts to AED 2,907 million (December 2022: 2,837 million).

Financial results - continued

In accordance with the Articles of Association of the Company and the UAE Commercial Companies Law, an appropriation of AED 7.3 million is made to statutory reserve. Further, no transfer is proposed to general reserve as the reserve is in excess of 50% of the paid up capital of the Company. In accordance with Articles of Association of the Company, this is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

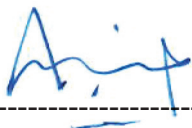
Proposed dividend

The Board of Directors has proposed not to pay any dividend for year 2023 (2022: Nil), which is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

Auditors

Deloitte & Touche (M.E.) were appointed as external auditors of the Company for the year ended 31 December 2023. Deloitte & Touche (M.E.) is eligible for appointment as auditor for 2024.

On behalf of the Board



Abdullah Ali Al Hamli

Chairman

Internal Shari'ah Supervision Committee's Report of Tamweel PJSC Submitted to the General Assembly for the Financial Year 2023

Issued on: 14 February 2024

To: Shareholders of Tamweel PSC ("Company")

After greetings,

In accordance with the exception obtained from the Central Bank of the United Arab Emirates ("CBUAE"), the Internal Sharia Supervisory Committee of Dubai Islamic Bank ("DIB") (Parent Company of Tamweel) ("ISSC") is responsible for internal Sharia control related matters of Company. Therefore, and pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the ISSC presents its Annual Report for the financial year ending on 31 December 2023 ("Financial Year").

1 Responsibility of the ISSC

In accordance with the Regulatory Requirements, the ISSC's charter and the Sharia Governance Standard ("SGS"); the ISSC is responsible to undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and charters of Company; as well as Company's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profit & loss between holders of investment accounts and shareholders ("Company's Activities") and issue Shari'ah resolutions in this regard, and determine the Shari'ah controls necessary for Company's Activities, and Company's compliance with Shari'ah within the context of the rules, principles, and standards set by the Higher Sharia Authority ("HSA") to ascertain compliance of Company with Shari'ah.

The Senior Management will be responsible for ensuring that all business conducted by Company is compliant with Sharia in accordance with the HSA's decisions, fatwas, guidance, and the resolutions issued by the ISSC, in line with the standards, resolutions and principles stipulated by the HSA ("Sharia Compliance"). The Board will hold the ultimate responsibility in this regard.

2 Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), the ISSC has adhered to 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 Company's Activities for the financial year 2021 without exception.

3 ISSC's output during the Financial Year

The ISSC conducted Shari'ah supervision of Company's activities by reviewing those activities, and monitoring them through the internal Shari'ah Control Department and Internal Shari'ah Audit Department of DIB (the Parent Company), in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's output included the following:

- a. Convening (12) meetings during the financial year.
- b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to Company's Activities.
- c. Reviewing policies, procedures, accounting standards, product structures, contracts, documentation, charters, and other documentation submitted by Company to the ISSC for approval.
- d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
- e. Supervision, through the Internal Shari'ah Control Department and the Internal Shari'ah Audit Department of DIB, on Company's Activities including supervision of executed transactions and implemented procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- f. Providing guidance to relevant departments in Company – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah Control Department and Internal Shari'ah Audit Department of DIB – and issuing resolutions with regard to forfeited income, from transactions where instances of non-compliance were identified, to be applied in charitable purposes.

- g. Approving corrective and preventive measures related to identified incidents to preclude their recurrence in the future.
- h. In line with the Company's Articles of Association, the ISSC reviewed the Zakat calculation to be paid against shareholders' funds retained with the Bank, in accordance with Islamic Shari'ah guidance. Payment of Zakat on the remaining net Zakat-able assets, shall be the Shareholders' responsibility. The ISSC also calculated the value of Zakat per share of the Company, in order to convey it to the shareholders.
- i. Communicating and meeting with the Board and its subcommittees, and the Senior Management of Company, as and when needed, concerning Company's compliance with Shari'ah.

The ISSC obtained all information and clarifications it deemed necessary in order to reach a reasonable degree of certainty that Company is compliant with Shari'ah.

4 Independence of the ISSC

The ISSC acknowledges that it has carried out all its duties independently and with the support and cooperation of the Senior Management and the Board of Company. 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 Company

Based on information and explanations provided to us for the purpose of ascertaining compliance with Shari'ah, the ISSC has concluded with a reasonable level of confidence, that Company's Activities during the Financial Year, are compliant with Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measures in this regard.

The ISSC formed its opinion, as outlined above, exclusively, based on information and explanations provided to us for the purpose of ascertaining compliance with Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Company's activities during the Financial Year, are in compliance with Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measures in this regard.

We pray to Allah, to bless you all with wisdom and righteousness

Signatures of members of the Internal Shari'ah Supervision Committee

Dr. Mohamed Ali Ibrahim ElGari BinEid

Chairman



Dr. Mohammad AbdulRahim Sultan Al Olama

Vice Chairman



Dr. Ibrahim Ali Abdalla Hamad AlMansoori

Member



Dr. Mohamed Akram Bin Laldin

Member



Dr. Muhammad Qaseem Muhammad Ismail

Executive Member



Zakat due on Tamweel Shares for the Year 2023

Calculation of Zakat payable on your shares is as follows:

- 1 The Zakat due on shares, purchased for the purpose of trading (i.e. for selling them when their prices increase), is:**

Zakat pool per share = the market value of the share (in addition to) distributed dividend, if applicable.

Zakat per share = Zakat pool per share x 2.5770*

Total Zakat due on your shares = number of shares x (Zakat per share – 4.956 Fils**)

- 2 Zakat payable against shareholder's shares purchased for the purpose of benefiting from its annual return and not for the purpose of trading, is 2.427 Fils per share***.**

* Amount of Zakat for Hijri year is 2.50% and for Gregorian year is 2.5770%

** (4.956 Fils) Represents portion of a share's Zakat which is paid by Tamweel in respect of the shareholders' funds retained with Tamweel, therefore it should be deducted from the Zakat per share payable by a shareholder.

*** (2.427 Fils) represents the balance in a share's zakat calculated by Tamweel (being 7.383 Fils) after deducting 4.956 Fils already paid by Tamweel in respect of shareholders' funds retained with Tamweel.

Tamweel P.S.C.

**Reports and financial statements
for the year ended 31 December 2023**

Report and financial statements
for the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders
Tamweel P.S.C.
Dubai
United Arab Emirates**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **Tamweel P.S.C** (the “Company”), which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”). 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”) together with the other ethical requirements that are relevant to our audit of the Company’s financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information, which comprises the Board of Directors’ 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tamweel P.S.C. (continued)

Responsibilities of 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 International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Degree 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 ISA 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 ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal controls.
- 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tamweel P.S.C. (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Company's books of account;
- note 8 to the financial statements of the Company discloses its investments in shares during the financial year ended 31 December 2023;
- note 26 to the financial statements of the Company discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or in respect of the company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- note 12 to the financial statements discloses social contributions made during the financial year ended 31 December 2023.

Further, as required by Article (114) of the Decretal 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.

Deloitte & Touche (M.E)



Firas Anabtawi
Registration No: 5482
08 February 2024
Dubai
United Arab Emirates



Statement of financial position
as at 31 December 2023

	<i>Note</i>	2023 AED'000	2022 AED'000
ASSETS			
Bank balances	6	1,620,012	1,128,768
Islamic financing and investing assets, net	7	683,272	988,217
Other investments carried at FVTOCI	8	68,423	68,184
Investment properties	9	525,729	583,675
Advances, prepayments and other receivables	10	84,516	141,365
Property and equipment	11	495	515
Total assets		2,982,447	2,910,724
LIABILITIES AND EQUITY			
LIABILITIES			
Zakat payable	12	3,967	3,827
Accounts payable, accruals and other liabilities	13	71,909	70,055
Total liabilities		75,876	73,882
EQUITY			
Share capital	14	1,000,000	1,000,000
Statutory reserve	15	294,286	286,941
General reserve	16	538,980	538,980
Special reserve	17	102,951	102,951
Investment fair value reserve		40,462	40,223
Retained earnings		929,892	867,747
Total equity		2,906,571	2,836,842
Total liabilities and equity		2,982,447	2,910,724



Varun Sood
Acting Chief Executive Officer



Abdullah Ali Al Hamli
Chairman

The notes on pages 9 to 42 form an integral part of these financial statements.

Statement of profit or loss
for the year ended 31 December 2023

	Note	2023 AED'000	2022 AED'000
NET INCOME			
Income from Islamic financing and investing assets	18	61,864	62,417
Other income	19	98,757	76,998
Total income		160,621	139,415
OPERATING EXPENSES			
Personnel expenses		(52,069)	(45,704)
General and administrative expenses		(26,058)	(16,573)
Depreciation of investment properties	9	(16,551)	(18,384)
Depreciation of property and equipment	11	(20)	(21)
Total operating expenses		(94,698)	(80,682)
Net operating income before impairment charges		65,923	58,733
Impairment reversal /(charges), net	20	7,525	(6,353)
Profit for the year		73,448	52,380

The notes on pages 9 to 42 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2023

	2023 AED'000	2022 AED'000
Profit for the year	73,448	52,380
Other comprehensive income items		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value gain on other investments carried at FVTOCI	<u>239</u>	<u>3,828</u>
Total comprehensive income for the year	<u>73,687</u>	<u>56,208</u>

The notes on pages 9 to 42 form an integral part of these financial statements.

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

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2022	1,000,000	281,703	538,980	102,951	36,395	824,431	2,784,460
Profit for the year	-	-	-	-	-	52,380	52,380
Other comprehensive income for the year	-	-	-	-	3,828	-	3,828
Total comprehensive income for the year	-	-	-	-	3,828	52,380	56,208
Transfer to statutory reserve	-	5,238	-	-	-	(5,238)	-
Zakat (Note 12)	-	-	-	-	-	(3,826)	(3,826)
Balance at 31 December 2022	1,000,000	286,941	538,980	102,951	40,223	867,747	2,836,842
Balance at 1 January 2023	1,000,000	286,941	538,980	102,951	40,223	867,747	2,836,842
Profit for the year	-	-	-	-	-	73,448	73,448
Other comprehensive income for the year	-	-	-	-	239	-	239
Total comprehensive income for the year	-	-	-	-	239	73,448	73,687
Transfer to statutory reserve	-	7,345	-	-	-	(7,345)	-
Zakat (Note 12)	-	-	-	-	-	(3,958)	(3,958)
Balance at 31 December 2023	1,000,000	294,286	538,980	102,951	40,462	929,892	2,906,571

The notes on pages 9 to 42 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2023

	2023 AED'000	2022 AED'000
Operating activities		
Profit for the year	73,448	52,380
Adjustments for:		
Depreciation of property and equipment	20	21
Depreciation of investment properties	16,551	18,384
Provision for employees' end of service benefits	2,460	1,716
Income on Mudaraba deposits and Wakala investments	(3,208)	(1,987)
Dividend income	(3,589)	(2,900)
Impairment (reversal)/charge for the year, net	(7,525)	6,353
Gain on disposal of property, equipment and investment property	(37,607)	(17,739)
Operating cash flows before changes in operating assets and liabilities	40,550	56,228
Decrease in Islamic financing and investing assets, net	273,274	240,014
Decrease/(increase) in advances, prepayments and other receivables	56,998	(67,340)
Increase in accounts payable, accruals and other liabilities	532	8,613
Cash generated from operations	371,354	237,515
Employees' end of service benefits paid	(1,147)	(1,388)
Zakat paid	(3,818)	(3,711)
Net cash generated from operating activities	366,389	232,416
Investing activities		
Dividend income	3,589	2,900
Income received on Mudaraba deposits and Wakala investments	3,059	1,575
Proceeds from sale of investment property	118,207	234,126
Net cash generated from investing activities	124,855	238,601
Net increase in cash and cash equivalents	491,244	471,017
Cash and cash equivalents at beginning of the year	1,062,654	591,637
Cash and cash equivalents at end of the year (note 6)	1,553,898	1,062,654

The notes on pages 9 to 42 form an integral part of these financial statements.

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

1. General information

Tamweel P.S.C. (the “Company”) was registered on 3 June 2006 as a Public Joint Stock Company and converted from Public to Private Joint Stock Company with effect from 27 August 2014. The parent and ultimate holding Company is Dubai Islamic Bank P.J.S.C. (“DIB” or the “Parent Company”). The share capital of the Company comprises 1,000,000,000 shares of AED 1 each.

The Company is licensed by the U.A.E. Central Bank as a finance company and is primarily engaged in Sharia compliant financing and investment activities such as Ijara, Murabaha, Istisna’a etc. The activities of the Company are conducted in accordance with Sharia, which prohibits Riba in all its forms, and within the provisions of its Articles and Memorandum of Association. The Company also generates leasing income from its investment properties.

The registered head office of the Company is at P.O. Box: 1080, Dubai, United Arab Emirates (“U.A.E.”).

The Parent Company owns 92% of the Company and since 2015 has been operating on a run off basis and not writing any new business in accordance with guidance from CBUAE.

2.1 New and revised IFRSs applied on the financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 8 Accounting policies, Changes in accounting estimates and errors;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 relating to disclosure of material accounting policies; and
- Amendment to IFRS 12 Income Taxes relating to deferred taxes related to assets and liabilities arising from a single transaction.

2.2 New and revised IFRSs in issue but not yet effective

The Company has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2 Climate Related Disclosures	1 January 2024
Amendments to IFRS 16 Leases relating to lease liability in a sale and leaseback transaction	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements relating to classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

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

3. Definitions of significant terms

The following terms are used in these financial statements with the meaning specified hereunder:

Sharia

Sharia is the body of Islamic law and is essentially derived from The Quran, Sunna'h, Ijma'a and Qiyas. The Company, being an Islamic Financial Institution, complies with the principles of Sharia in all its activities, as set out in the Sharia Standards issued by Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), Internal Sharia Supervision Committee and Higher Sharia Authority of UAECB.

Ijarah

Ijarah (Ijarah Muntahia Bittamleek) is an agreement whereby the Company (in its capacity as a lessor,) leases a specific asset to the customer (as lessee), after acquiring the asset according to the customer's request, against certain rental payments for a specified lease term. The duration of the lease term, as well as the basis for rental, are set and agreed in advance and stipulated in the lease agreement. The Company retains ownership of the asset throughout the lease term. At the successful end of the lease term, the ownership of the asset is transferred to the lessee by sale of the asset to the lessee through an independent sale agreement for this purpose.

Istisna'a

Istisna'a is a sale contract whereby the Company undertakes to manufacture or construct for the customer, a fully described asset or property according to the agreed upon specifications and deliver the same at a pre-determined price on a fixed date. The work undertaken is not restricted to be accomplished by the Company alone, and consequently, the whole or part of the construction can be undertaken by third parties under the Company's control and responsibility to deliver the asset or property on the agreed upon time.

Murabaha

Murabaha is a sale agreement whereby the Company sells an asset to a customer that has been acquired principally based on a promise received from the customer to buy, at cost plus an agreed profit, the relevant asset according to the relevant specific terms and conditions. In the Murabaha agreement, the Company expressly discloses the costs incurred on the asset that are sold and the profit thereon, to the customer.

Forward Ijarah

Forward Ijarah (Ijarah Mausoofa Fiz Zimma) is an agreement whereby the Company agrees to provide, on a specified future date, certain described property on lease to the customer. The property is delivered to the customer upon its completion and delivery by the developer, from whom the Company has purchased the property. The lease rental under Forward Ijarah commences only upon the customer having received possession of the property from the Company. At the successful end of the lease term, the ownership of the asset is transferred to the lessee through executing an independent sale agreement for this purpose.

Mudaraba

A contract between two parties whereby one party is a fund provider (the "Rabb-ul-Maal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity using its experience and expertise for a specific pre-agreed share in the resultant profit, if any.

Wakala

An agreement whereby the Company provides a certain sum of money to an investment agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. The agent is obliged to return the invested amount in case of misconduct, negligence or violation of the terms and conditions of the Wakala.

Notes to the financial statements

for the year ended 31 December 2023

3. Definitions of significant terms (continued)*Sukuk*

Sukuk is defined as "investment certificates of equal denomination representing undivided ownership interests in a portfolio of eligible assets. Sukuk commonly refers to the Islamic alternative of bonds. Sukuk represents ownership of the underlying assets by the holder with all the rights and obligations of ownership.

4. Significant accounting policies**4.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the U.A.E., including the UAE Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") which was issued on 20 September 2021 and has come into effect on 02 January 2022 and the Decretal Federal Law No. (14) of 2018.

4.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for other investments at FVTOCI, which are measured at fair value.

The financial statements are presented in Arab Emirates Dirham (AED) which is also the functional currency of the Company and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies are set out below.

4.3 Revenue recognition

Revenue is recognised in the statement of profit or loss as follows:

Ijarah income

Ijarah income is recognised on an effective variable rent element basis over the lease term based on the fixed rental amount outstanding.

Murabaha income

Murabaha income is recognised on an effective profit rate basis over the period of the contract based on the net Murabaha amount outstanding.

Istisna'a income

Istisna'a associated profit margin (difference between the cash price of al-masnoo to the customer and the Company's total Istisna'a cost) is accounted for on an effective profit rate basis over the construction period.

Forward Ijarah income

Forward Ijarah income during the construction period of the properties is accounted for on an effective variable rent element basis over the construction period on account of rentals. Upon completion of the properties, income is recognised on an effective variable rent element basis over the period of the contract based on the fixed rental amount outstanding.

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

4. Significant accounting policies (continued)

4.3 Revenue recognition (continued)

Processing fees

Processing fees are recognised when the related services are provided.

Other income

Income earned on Mudaraba deposits and Wakala investments is recognised on an effective profit rate basis. Dividend income is recognised when the right to receive the income is established.

4.4 Financial instruments

Financial assets and liabilities are recognised when a Company's entity becomes a party to the contractual provisions of the instrument.

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

4.4.1 Financial assets

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, except for those financial assets measured subsequently at fair value through profit or loss, which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

An instrument is classified as an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are classified as 'financial instruments'.

Financial assets measured at amortised cost

The Company's financial assets measured at amortised cost include Bank balances and cash, Islamic financing and investing assets and advances and other receivables. Financial assets (other than equity instruments) are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial assets (other than equity instruments) meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss - FVTPL). They are subsequently measured at amortised cost using the effective profit method less any impairment, with profit revenue recognised on an effective profit method in the statement of profit or loss.

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

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

4.4.1 Financial assets (continued)

Financial assets measured at amortised cost (continued)

Subsequent to initial recognition, the Company is required to reclassify financial instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Company may irrevocably elect at initial recognition to classify a financial instrument that meets the amortised cost criteria above as FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchases financial assets going forward.

Financial assets that are held for sale or managed and whose performance is evaluated on a fair value basis are measured at FVTOCI because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic financing arrangement. Contractual cash flows are consistent with a basic financing arrangement if they represent cash flows that are solely payments of principal and profit on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit rate margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

4.4.1 Financial assets (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in sharia compliant equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is an Islamic derivative that is not designated and effective as an Islamic hedging instrument or a financial guarantee.

Investments in sharia compliant equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve, within equity. Where the asset is disposed of, the cumulative gain or loss previously accumulated is not transferred to the statement of profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the statement of profit or loss when the Company's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective profit rate basis for financial instruments other than those financial assets designated as at FVTPL.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Islamic financing and investing assets

Islamic financing and investing assets include outstanding Ijarah fixed rentals, Murabaha sales receivables net of deferred profits, Istisna'a costs incurred to date measured at cash equivalent value and forward Ijarah at costs incurred to date. Also included in the Islamic financing and investing assets are Ijarah and Forward Ijarah variable rental (profit) accruals in addition to Istisna'a and Murabaha amortised profits. These assets are stated at amortised cost net of provisions for impairment and profit suspension, if any.

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

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

4.4.1 Financial assets (continued)

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 interest 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 the statement of profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve in equity is not reclassified to the statement of profit or loss, but is transferred to retained earnings within equity.

4.4.2 Financial liabilities and equity instruments

Classification as liability or equity

An equity instrument is any contract that evidences a residual interest 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.

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method.

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit rate method. The Company's financial liabilities at amortised cost include the wakala financing and payable and other liabilities.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss.

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

4. Significant accounting policies (continued)

4.5 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at each reporting date.

The Company applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are not measured at FVTPL:

- Financial assets that are financing instruments and balances due from banks;
- Other assets; and
- Off-balance sheet instruments issued.

Financial assets migrate through three stages based on the change in credit risk since initial recognition.

No impairment loss is recognised on equity investments.

Expected credit loss impairment model

The Expected Credit Loss (ECL) model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. The 12 months ECL is calculated as the portion of life time ECL that represents the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12 month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective profit rate.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. The PD and LGD are estimated over the lifetime of the instrument and the expected cash shortfalls are discounted by an approximation to the original effective profit rate.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets, with the PD set at 100%.

When estimating ECL for undrawn commitments, the Company estimates the expected portion of the commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective profit rate on the financing.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

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

4. Significant accounting policies (continued)

4.5 Impairment of financial assets (continued)

Excepted credit loss impairment model (continued)

Measurement of ECL

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective profit rate. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive. IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Company has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios.

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

Details of these statistical parameters/inputs are as follows:

- The probability of default (PD) is an estimate of the likelihood of default over a given time horizon;
- The exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date; and

The loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Macroeconomic factors, forward looking information and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

When estimating the ECLs, the Company considers three scenarios (a base case, an upside and a downside) with a weightage of 40%, 30% and 30% respectively. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted financing are expected to be recovered, including the probability that the financing will cure and the value of collateral or the amount that might be received for selling the asset.

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as real government consumption, real imports of goods and services, house price index, residential properties – Abu Dhabi and Dubai, consumer price index, real gross domestic product, general government finance expenditure and national accounts: real export of goods and services

Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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

4. Significant accounting policies (continued)

4.5 Impairment of financial assets (continued)

Measurement of ECL (continued)

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk rating and risk management processes. At each reporting date, the assessment of a change in credit risk is assessed individually for those considered individually significant and at the segment level for retail exposures.

The Company assets are moved from stage 1 to stage 2 if:

- the probability of default changes beyond the Company's established threshold related to the initial recognition;
- an instrument is past due beyond 30 days; and
- an instrument's credit risk is considered higher based on qualitative criteria of the Company.

The instruments moved to stage 2 from stage 1 remain in the stage until they perform for a sustained period as per the Company's policy.

Movement from stage 2 to stage 3 are based on whether the financial assets are credit impaired at the reporting date.

Experienced credit judgement

The Company's ECL allowance methodology requires the use of experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

When measuring ECL, the Company considers the maximum contractual period over which the Company is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

Default definition followed by the Company for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions, and consistent with regulatory requirements. The policy on the write-off of financing transactions remains unchanged.

Expected life

When measuring expected credit loss, the Company considers the maximum contractual period over which the Company is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options.

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

4. Significant accounting policies (continued)

4.5 Impairment of financial assets (continued)

Measurement of ECL (continued)

Definition of default

The Company considers a financial asset to be in default when:

- it is established that due to financial or non-financial reasons the customer is unlikely to pay its credit obligations to the Company in full without recourse by the Company to actions such as realising security (if any is held); or
- the customer is past due 90 days or more on any material credit obligation to the Company.
- In assessing whether a customer is in default, the Company considers indicators that are:
 - (i) qualitative - e.g. material breaches of covenant;
 - (ii) quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
 - (iii) based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Renegotiated financing facilities

The Company sometimes makes concessions or modifications to the original terms of financing as a response to the customer's difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a financing forborne when such concessions or modifications are provided as a result of the customer's present or expected financial difficulties and the Company would not have agreed to them if the customer had been financially healthy. Indicators of financial difficulties include defaults on covenants or that the finance may not be in a position to honour contractual commitments. Forbearance may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, any impairment is measured using the original effective profit rate as calculated before the modification of terms. It is the Company's policy to monitor forborne financing to help ensure that future payments continue to be likely to occur. Classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a financing, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the financing has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk. The Company also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the financing to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of one year has passed from the date the forborne contract was considered performing; and
- Regular payments of more than an insignificant amount of principal or profit have been made during the probation period.

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

4. Significant accounting policies (continued)

4.6 Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on investment in buildings is charged on a straight-line basis over 40 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

4.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is calculated on a straight line basis over the estimated useful life of 40 years for the building. The carrying value of property and equipment is 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 values exceed the estimated recoverable amount, the asset is written down to its recoverable amount, being the higher of its fair value less costs to sell and its value in use.

Expenditure incurred to replace a component of an item of fixed assets 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 fixed assets. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

4.8 Repossessed properties

In certain circumstances, property is repossessed following the foreclosure on financing that are in default. Repossessed properties are initially recognised at fair value and included within 'Investment properties'.

4.9 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are calculated to their present value using a profit rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

4. Significant accounting policies (continued)

4.9 Impairment of tangible and intangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss.

4.10 Zakat

Zakat is computed as per the Articles and Memorandum of Association of the Company and its subsidiaries and is approved by the Internal Sharia Supervision Committee of the respective entities on the following basis:

- The portion of zakat payable by the Company on its shareholders' behalf is computed at 2.5775% of the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity. The parent company computes and pays Zakat on its financial position including its equity in Tamweel P.S.C. Accordingly no Zakat is considered in these financial statements in respect of shareholders' equity pertaining to parent company.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board and the policy approved by the Internal Sharia Supervisory Committee.
- Zakat on the paid up capital is not included in the Zakat computations and is payable by the shareholders personally.

4.11 Provisions

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

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

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

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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

4. Significant accounting policies (continued)

4.12 Employees' end-of-service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Company in accordance with Federal Law No. 2 of 2000.

The Company provides end of service benefits for its expatriate employees. Provision for employees' end of service indemnity is made in accordance with the Company's policy which meets the requirements of U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

4.13 Foreign currencies

Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets measured at FVTPL, the foreign exchange component is recognised in the statement of profit or loss. For financial assets measured at FVTOCI any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial instruments measured at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in other income in the statement of profit or loss.

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into Arab Emirates Dirhams at the rate of exchange ruling at the statement of financial position date and, their statement of comprehensive incomes are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the statement of profit or loss.

4.14 Leases

The Company initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Company initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Company has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Company recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

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

4. Significant accounting policies (continued)

4.15 Fair values

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 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.

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the statement of financial position date. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted securities fair value is determined by reference to brokers' quotes, recent transaction(s), the market value of similar securities, or based on the expected cash flows calculated at current rates applicable for items with similar terms and risk characteristics.

For investments in properties, fair value is determined periodically on the basis of independent professional valuations.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumption are required to reflect differences between the instruments.

4.16 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to settle on a net basis.

5. Critical accounting judgments and key sources of estimation of uncertainty

In the application of the Company's accounting policies, which are described in Note 4, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

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

5. Critical accounting judgments and key sources of estimation of uncertainty (continued)

5.1 Significant increase in credit risk

As explained in note 4.6, 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.

5.2 Models and assumptions used

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 4.6 for more details on ECL.

5.3 Valuation of investment properties

The Company determines the fair value of its investment properties on the basis of market valuations prepared by independent professional valuers. The valuations are carried out on assumptions which are based on the market conditions existing at the reporting date. Therefore, any future change in the market conditions can have an impact on the fair values.

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

6. Bank balances

	31 December 2023 AED'000	31 December 2022 AED'000
Cash at bank	1,553,898	1,062,654
Deposit with bank	66,114	66,114
Total	<u>1,620,012</u>	<u>1,128,768</u>

Bank balances are held with banks within the U.A.E. and are profit generating at an average profit rate of 0.23% (31 December 2022: 0.22%).

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2023 AED'000	31 December 2022 AED'000
Bank balances	1,620,012	1,128,768
Less: Deposits with original maturity over three months	(66,114)	(66,114)
Cash and cash equivalents	<u>1,553,898</u>	<u>1,062,654</u>

7. Islamic financing and investing assets, net

	31 December 2023 AED'000	31 December 2022 AED'000
Ijarah	762,101	1,127,553
Istina'a and forward Ijarah	203,040	182,326
Total Islamic financing and investing assets	<u>965,141</u>	<u>1,309,879</u>
Less: provisions for impairment	(281,869)	(321,662)
Total Islamic financing and investing assets, net	<u>683,272</u>	<u>988,217</u>

All Islamic financing and investing assets financed by the Company are within the United Arab Emirates.

7.1 Carrying value of exposure and expected credit loss by stage

	As at 31 December 2023		As at 31 December 2022	
	Gross book value AED '000	Expected credit loss AED '000	Gross book value AED '000	Expected credit loss AED '000
Stage 1	410,096	100,613	774,426	111,923
Stage 2	388,131	88,577	302,319	77,267
Stage 3	166,914	92,679	233,134	132,472
Total	<u>965,141</u>	<u>281,869</u>	<u>1,309,879</u>	<u>321,662</u>

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

7. Islamic financing and investing assets, net (continued)

7.2 Provision for impairment

	<i>Note</i>	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance at 1 January 2023		111,923	77,267	132,472	321,662
Impairment reversal during the year	20	-	-	(7,525)	(7,525)
Transfer to other stage		(11,310)	11,310	-	-
Write off		-	-	(32,268)	(32,268)
Balance at 31 December 2023		100,613	88,577	92,679	281,869
Balance at 1 January 2022		107,045	82,145	163,574	352,764
Impairment charge during the year	20	-	-	6,353	6,353
Transfer to other stage		4,878	(4,878)	-	-
Write off		-	-	(37,455)	(37,455)
Balance at 31 December 2022		111,923	77,267	132,472	321,662

The impairment allowance as per IFRS 9 for all financial assets of the Company meets the regulatory provision requirements of the Central Bank of the UAE. Therefore, no regulatory credit risk reserve has been accounted for.

7.3 Collateral

The Company enters into collateral arrangements with counter parties in appropriate circumstances to limit credit exposure. Under Ijarah financing structure, the legal ownership of the finance property is maintained with the Company until the customer (lessee) has fulfilled all his obligations under the relevant Ijarah agreement.

The fair value of the collaterals that the Company holds relating to facilities individually determined to be impaired at 31 December 2023 amounts to AED 232 million (2022: AED 254 million).

8. Other investments carried at FVTOCI

	31 December 2023 AED'000	31 December 2022 AED'000
<i>Investments measured at FVTOCI</i>		
Balance at the beginning of the year	68,184	64,356
Change in fair value	239	3,828
Balance at the end of the year	68,423	68,184

Other investments represent primarily the investment in shares of the parent company and are included in level 1 of the fair value hierarchy.

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

9. Investment properties

	Land	Other	Total
	AED'000	real estate	AED'000
		AED'000	AED'000
Cost			
At 1 January 2023	190,585	701,022	891,607
Additions	-	39,196	39,196
Disposal	-	(95,406)	(95,406)
At 31 December 2023	190,585	644,812	835,397
Accumulated depreciation and impairment			
At 1 January 2023	96,483	211,449	307,932
Charge for the year	-	16,551	16,551
Disposal	-	(14,815)	(14,815)
At 31 December 2023	96,483	213,185	309,668
Carrying amount			
At 31 December 2023	94,102	431,627	525,729
Cost			
At 1 January 2022	367,341	741,329	1,108,670
Additions	-	47,361	47,361
Disposal	(176,756)	(87,668)	(264,424)
At 31 December 2022	190,585	701,022	891,607
Accumulated depreciation and impairment			
At 1 January 2022	125,669	211,916	337,585
Charge for the year	-	18,384	18,384
Disposal	(29,186)	(18,851)	(48,037)
At 31 December 2022	96,483	211,449	307,932
Carrying amount			
At 31 December 2022	94,102	489,573	583,675

All the investment properties held by the Company are located within the United Arab Emirates. During the year ended 31 December 2023, the Company repossessed properties of AED 39.2 million (2022: AED 47.4 million) through foreclosure.

The valuations are carried out by professional valuers not related to the Company who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The valuations were based on comparable transaction method that is made on the principle that the value of one property may be derived by comparing it with the prices achieved from transactions in similar properties.

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

9. Investment properties (continued)

The fair value of the Company's investment properties as at 31 December 2023 is AED 1,233 million (2022: AED 889 million). The fair value is mainly based on unobservable market inputs (i.e. level 3).

10. Advances, prepayments and other receivables

	2023 AED'000	2022 AED'000
Administration fee receivable	14,066	11,179
Portfolio management fee receivable	5,400	6,000
Other	65,050	124,186
	<u>84,516</u>	<u>141,365</u>

The receivables are stated net of provision of AED 3.3 million (2022: AED 3.3 million).

11. Property and equipment

	2023 AED'000	2022 AED'000
Cost		
Balance at 1 January	906	906
Balance at 31 December	<u>906</u>	<u>906</u>
Accumulated depreciation		
Balance at 1 January	391	370
Charge for the year	20	21
Balance at 31 December	<u>411</u>	<u>391</u>
Carrying value at 31 December	<u>495</u>	<u>515</u>

12. Zakat payable

As at 31 December 2023 an amount of AED 4.0 million (2022: AED 3.8 million) has been accrued as zakat liability.

13. Accounts payable, accruals and other liabilities

	2023 AED'000	2022 AED'000
Accounts payable	7,135	11,930
Unclaimed dividends	15,298	15,298
Employees' end of service benefits	12,746	11,433
Accrual and other liabilities	36,730	31,394
	<u>71,909</u>	<u>70,055</u>

Notes to the financial statements

for the year ended 31 December 2023

13.1 Employees' end of service benefits

	2023 AED'000	2022 AED'000
Balance at beginning of the year	11,433	11,105
Charge for the year	2,460	1,716
Paid during the year	(1,147)	(1,388)
	<u>12,746</u>	<u>11,433</u>

14. Share capital

As at 31 December 2023, 1,000,000,000 authorised ordinary shares of AED 1 each (31 December 2022: 1,000,000,000 ordinary shares of AED 1 each) were fully issued and paid up.

15. Statutory reserve

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. This reserve is not available for distribution except in the circumstances as stipulated by U.A.E. Commercial Companies Law.

16. General reserve

As per the Company's Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors when this reserve reaches 50% of the paid up capital of the Company. The Board of Directors have not proposed any transfer to General Reserve as the reserve is in excess of the 50% of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors.

17. Special reserve

The special reserve, which was created in accordance with the recommendations of the U.A.E. Central Bank, is not available for distribution.

18. Income from Islamic financing and investing assets

	2023 AED'000	2022 AED'000
Income from Islamic financing and investing assets	54,112	53,294
Processing and other fee income	7,752	9,123
	<u>61,864</u>	<u>62,417</u>

19. Other income

	2023 AED'000	2022 AED'000
Portfolio management fee	21,600	24,000
Rental income from investment properties	26,639	27,031
Gain on disposal of investment properties	37,226	17,739
Others	13,292	8,228
	<u>98,757</u>	<u>76,998</u>

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

20. Impairment charges, net

	<i>Note</i>	2023 AED'000	2022 AED'000
(Reversal)/Charge for Islamic financing and investing assets, net	7.2	(7,525)	6,353
		<u>(7,525)</u>	<u>6,353</u>

21. Commitments

Irrevocable commitment to extend credit as of 31 December 2023 is AED 125.9 million (31 December 2022: AED 129.4 million).

22. Contingencies

At the reporting date, the Company is in legal proceedings against certain customers in the UAE to recover AED 4.3 million (31 December 2022: AED 7.8 million). These proceedings are in various stages in the courts and based on legal advice, the management of the Company is contesting the legal cases and is pursuing the full recovery of the outstanding balances. Accordingly, no provision for litigation has been made in these financial statements.

23 Risk management

Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement, mitigation and monitoring and by subjecting risk to limits and other controls. As the Company is a critical component of its parent's home finance department, overall risk management activities are carried out at parent level through its own corporate governance and risk management structure. This process of risk management is critical to Company's continuing profitability and sustainability. The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. Those risks are monitored through the Company's strategic planning process.

The major risks to which the Company is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in its attempt to build stakeholder's value are outlined below.

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and policies.

As detailed below, the Board of Directors of the Company is supported by the Board Risk Management Committee, Risk Management Committee, Risk Management Department, Assets and Liabilities Management Committee and Internal Audit department of its parent, for identifying, monitoring and managing risks.

Board Risk Management Committee

The Board Risk Management Committee has the overall responsibility for the development of the risk strategies, frameworks, policies and limits, and for recommending these strategies and policies to the Board of Directors. It is responsible for the fundamental risk issues, and manages and monitors relevant risk decisions.

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

23 Risk management (continued)

Risk Management Committee

The day-to-day management of risk has been delegated to Risk Management Committee.

The Risk Management Committee has the overall responsibility to support the Board Risk Management Committee for the development and formulation of the risk strategy, frameworks, policies and limits. It is responsible for ensuring the compliance with all risk limits, monitoring risk exposures and implementing the regulatory guidelines issued by the regulatory bodies (e.g. The Central Bank of the U.A.E.).

Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure risk remains within the acceptable range as approved by the Board Risk Management Committee and the Board of Directors. The department is responsible for credit approval, credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

Internal Audit Department

Risk management processes throughout the Company are audited periodically by the Company Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit Department comments on the results of their assessments with management, and reports its findings and recommendations to the Board Audit Committee.

Internal Sharia Audit Department

Compliance to Sharia and the Fatawa issued by the ISSC of the Company in all the matters of the Company including the execution of the transactions are audited periodically by the Internal Sharia Audit Department which examines the adequacy of the procedures and the Company's compliance with the Fatawa and guidance of the ISSC. Internal Sharia Audit Department discusses the findings of their assessments with the management and submits the findings along with responses of the relevant departments and its recommendations to the ISSC for its decision and then to the Board Audit Committee.

Sharia Compliance Function

The Sharia Compliance function of Internal Sharia Control is responsible to continuously monitor the compliance of the Company's businesses and activities with resolutions, fatwas, regulations and standards which are issued by the HAS as well as ISSC.

Since UAE's Central Bank has exempted Tamweel from the regulations applicable to finance companies, Sharia Compliance and Audit functions are being observed by DIB's Internal Sharia Control Department and Group Internal Sharia Audit respectively.

Asset and Liability Committee

Asset and Liability Management Committee ("ALCO") is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

The ALCO monitors the asset performance and financial position of the Company. The ALCO is also responsible for establishing risk management standards and methodologies, monitoring liquidity and alternative funding sources, reviewing market rate risk and regulatory capital levels and determining pricing parameters and Tamweel's base profit rate.

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

23. Risk management (continued)

Internal Sharia Supervisory Committee

In compliance with Tamweel's memorandum and Articles of Association, Tamweel has an Internal Sharia Supervision Committee which oversees all areas of operation in order to ensure that Tamweel's business activities are conducted in accordance with Sharia principles. The Internal Sharia Supervision Committee is responsible to review the operational, financing and investing activities of the Company ensuring their compliance with the principles of Sharia as set out in the Sharia Standards issued by Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) and Higher Sharia Authority of UAE CB and interpreted by Internal Sharia Supervision Committee. Being a supervisory committee they are also required to audit the business activities undertaken through the Internal Sharia Audit Department and present an independent report to the shareholders with regard to the implementation of the principles of Sharia in the Company's overall activities.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive and up-to-date information necessary for their proper management and monitoring of risks inherent in the activities.

Types of Risk the Company is subject to:

Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration risk indicates the relative sensitivity of the Company's performance to developments affecting a particular nationality, industry or geographical location.

In order to avoid excessive concentration of risk, the Company's policies and procedures include specific guidelines to maintain a diversified portfolio. This is further enforced by the Credit Committee's oversight. Identified concentration of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Company. Such risk stems mainly from day to day Islamic financing activities undertaken by the Company. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, credit standards and procedures.

The Company attempts to control credit risk by monitoring credit exposures, maintaining credit limits and limiting transactions with specific counterparties. The Company has built and maintains a sound credit portfolio within the guidelines of the Board approved credit policy. The Company has an established risk management process encompassing of credit approvals, control of exposures, credit policy direction to business unit, well-designed credit appraisals, review of exposures both on an individual and a portfolio basis, and incorporation of robust problem credit management procedures. Special attention is directed towards the management of past-due financing assets through a dedicated Collection Team.

The Company enters in collateral arrangements with counterparties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijarah financing structure, the ownership of the financed property is maintained with the Company until the customer (lessee) has fulfilled all his obligations under the relevant Ijarah.

Notes to the financial statements

for the year ended 31 December 2023

23. Risk management (continued)
Credit risk (continued)
Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure 2023 AED'000	Gross maximum exposure 2022 AED'000
Bank balances	1,620,012	1,128,768
Islamic financing and investing assets	965,141	1,309,879
Advances and other receivables	87,206	144,055
Total	2,672,359	2,582,702
Irrevocable commitments to extend credit	125,923	129,374

The Company's financial assets, before taking into account any collateral held or other credit enhancements are analysed by business segment in Note 24.

The table below shows the credit quality by class of financial asset.

At 31 December 2023	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Bank balances	1,620,012	-	-	1,620,012
Islamic financing and investing assets	410,096	388,131	166,914	965,141
Advances and other receivables	83,909	-	3,297	87,206
	2,114,017	388,131	170,211	2,672,359
At 31 December 2022				
Bank balances	1,128,768	-	-	1,128,768
Islamic financing and investing assets	774,426	302,319	233,134	1,309,879
Advances and other receivables	140,758	-	3,297	144,055
	2,043,952	302,319	236,431	2,582,702

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

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

23. Risk management (continued)

Credit risk (continued)

Collateral and other credit enhancements

The finance provided by the Company is asset backed in accordance with the principles of Sharia. Properties are funded based on “Company’s Appraised Value”. In the case of new properties, the appraised value is similar to the developers’ per square footage rate further assessed by independent valuers. However, in some cases the Company might have lower rates than the developers based on the Company’s view of the property. In case of older properties the appraised value is determined by the Credit Department. These valuations are based on the valuation report from valuers, whenever required, and the property prices witnessed in the Company past funding transactions.

The fair value of the asset collaterals is estimated to be approximately AED 2.3 billion as at 31 December 2023 (2022: AED 2.5 billion).

Property takaful / Islamic insurance is mandatory and the property is insured against all normal risks for the value stated in the sale agreement, or the valuation amount given by the surveyor, as the case maybe. The insured value is maintained at the original property value through the life of the finance.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. In the Company’s financial statements, mainly two line items can lead to such exposure i.e. Islamic financing assets and Islamic financing obligations, as shown on the assets and liability sides respectively. The profit rate risk for the Company is minimal in the short term period.

The profit rate for financing assets is a composition of EIBOR and internal spread which cannot be expected to fluctuate frequently based on EIBOR movement. The Company reviews the profit rate on a monthly basis during its ALCO meeting and, if required, recommends rate change based on market conditions and competition.

The profit rate on Islamic financing obligations is contractually determined on contract initiation.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Company’s statement of comprehensive income.

	Increase in basis points	2023 AED’000	2022 AED’000
Sensitivity of net profit income	50 bps	3,122	4,923

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All assets and liabilities as at 31 December 2023 are denominated in the U.A.E, therefore, the Company is not exposed to any currency risk.

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

23. Risk management (continued)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Company's investment portfolio.

The effect (as a result of a change in the fair value of equity instruments held at 31 December 2023 and 31 December 2022) due to a reasonably possible change in equity indices, with all other variable held constant, is as follows:

	Change in market indices	Effect on other comprehensive income	
		2023	2022
	%	AED'000	AED'000
Sensitivity of fair value	± 5%	3,421	3,409

Settlement risk

Early settlement risk is the risk that the Company will incur a financial loss because its counterparties settle earlier or later than expected.

The Company does not have any significant early settlement risk as the amount recovered in case of early settlement is more than the fair value of the asset on settlement date, by adding a margin, and to recover amount on time and to avoid any delays. The collection team, supervised by the Credit committee monitors the customer receivable position on a daily basis.

Operational risk

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

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its funding requirements. This can be caused by political uncertainty, market disruptions or deterioration in the Company's credit ratings.

The Company monitors its liquidity position and funding strategies on an ongoing basis, but recognises that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis.

The Company reviews the maturity gap analysis in its monthly ALCO meetings to identify potential liquidity risks in advance. The gap measures liquidity in five time buckets for each type of asset and liability for each period, as well as cumulatively.

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

23. Risk management (continued)

Non-Sharia Compliance Risk

In compliance with the Sharia Governance Standard for Islamic Financial Institutions issued by the Higher Sharia Authority of the Central Bank of UAE (“HSA”) on 21 April 2020 (the “Standard”), the Company’s Board of Directors (“Board”) is ultimately responsible for the Company’s compliance with Sharia principles. The ISSC is the highest authority in the Company from a Sharia governance perspective.

The Board is expected to be aware of Sharia non-compliance risk and its potential impact on the Company. The Board Risk, Compliance and Governance Committee (“BRCGC”) shall supervise and monitor management of Sharia non-compliance risk, and set controls in relation to this type of risk, in consultation with ISSC and through the Internal Sharia control Department of the Company. (“ISCD”). The BRCGC shall ensure the availability of an information system that enables the Company to measure, assess and report Sharia non-compliance risk. Reports shall be provided in a timely manner to the Board and Senior Management, in formats suitable for their use and understanding.

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

23. Risk management (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

At 31 December 2023	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity AED'000	Total AED'000
Assets						
Bank balances	1,620,012	-	-	-	-	1,620,012
Islamic financing and investing assets, net	14,777	43,958	214,592	409,945	-	683,272
Other investments carried at FVTOCI	-	-	-	-	68,423	68,423
Investment properties	-	-	-	-	525,729	525,729
Advances, prepayments and other receivables	64,199	11,401	8,916	-	-	84,516
Property and equipment	-	-	-	-	495	495
	<u>1,698,988</u>	<u>55,359</u>	<u>223,508</u>	<u>409,945</u>	<u>594,647</u>	<u>2,982,447</u>
	=====	=====	=====	=====	=====	=====
Liabilities						
Zakat payable	3,967	-	-	-	-	3,967
Accounts payable, accruals and other liabilities	15,143	28,722	28,044	-	-	71,909
	<u>19,110</u>	<u>28,722</u>	<u>28,044</u>	<u>-</u>	<u>-</u>	<u>75,876</u>
	=====	=====	=====	=====	=====	=====

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

23. Risk management (continued)

Maturity analysis of assets and liabilities (continued)

At 31 December 2022	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity AED'000	Total AED'000
Bank balances	1,128,768	-	-	-	-	1,128,768
Islamic financing and investing assets, net	21,169	60,881	241,087	665,080	-	988,217
Other investments carried at FVTOCI	-	-	-	-	68,184	68,184
Investment properties	-	-	-	-	583,675	583,675
Advances, prepayments and other receivables	120,844	11,589	8,932	-	-	141,365
Property and equipment	-	-	-	-	515	515
	<u>1,177,798</u>	<u>161,131</u>	<u>254,341</u>	<u>665,080</u>	<u>652,374</u>	<u>2,910,724</u>
	=====	=====	=====	=====	=====	=====
Zakat payable	3,827	-	-	-	-	3,827
Accounts payable, accruals and other liabilities	18,631	24,693	26,731	-	-	70,055
	<u>22,458</u>	<u>24,693</u>	<u>26,731</u>	<u>-</u>	<u>-</u>	<u>73,882</u>
	=====	=====	=====	=====	=====	=====

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

24. Segment information

For management purposes the Company is organised into two major business segments:

- Islamic financing and investing activities - Principally handling Islamic financing and investing activities.
- Property investment activities - Principally involved in the purchase and sale of investment properties and related activities including commissions.

These segments are the basis on which the Company reports its segments information. Segment information for the year ended 31 December 2023 and 2022:

	31 December 2023			31 December 2022		
	Islamic financing and investing activities AED'000	Property investment activities AED'000	Total AED'000	Islamic financing and investing activities AED'000	Property investment activities AED'000	Total AED'000
Gross income	96,068	64,553	160,621	94,064	45,351	139,415
Operating and other expenses	(59,794)	(34,904)	(94,698)	(47,086)	(33,596)	(80,682)
Segment result	36,274	29,649	65,923	46,978	11,755	58,733
Impairment loss	7,525	-	7,525	(6,353)	-	(6,353)
Profit / (loss) for the year	43,799	29,649	73,448	40,625	11,755	52,380
Segment assets	2,359,707	622,740	2,982,447	2,259,208	651,516	2,910,724
Segment liabilities	56,551	19,325	75,876	58,172	15,710	73,882

No secondary segment information has been provided as currently the operations of the Company are concentrated primarily in the U.A.E.

Notes to the financial statements

for the year ended 31 December 2023

25. Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022. Capital comprises share capital, statutory reserve, general reserve, special reserve and retained earnings.

26. Related party transactions

Parties are considered to be related if one party has the ability to control or influence over the other party in making financial or operating decisions.

The Company enters into transactions with shareholders, directors, key management personnel and their related concerns in the ordinary course of business at terms agreed between both parties.

The significant balances and transactions of related parties included in the financial statements are as follows:

2023	Major shareholders AED'000	Companies under common control AED'000	Total AED'000
Bank balances	1,620,012	-	1,620,012
Other investments carried at FVTOCI	68,423	-	68,423
Advances, prepayments and other receivables	6,180	100	6,280
Income on Mudaraba deposits and Wakala investments	3,208	-	3,208
Portfolio management fee	21,600	-	21,600
Other income	3,589	-	3,589
General and administrative expenses	-	15,341	15,341

2022	Major shareholders AED'000	Companies under common control AED'000	Total AED'000
Bank balances	1,128,768	-	1,128,768
Other investments carried at FVTOCI	68,184	-	68,184
Advances, prepayments and other receivables	6,631	100	6,731
Income on Mudaraba deposits and Wakala investments	1,987	-	1,987
Portfolio management fee	24,000	-	24,000
Other income	2,900	-	2,900
General and administrative expenses	-	11,673	11,673

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

26. Related party transactions (continued)

The compensation paid to key management personnel of the Company is as follows:

	2023 AED'000	2022 AED'000
Short term employee benefits	5,913	6,077
Termination and other benefits	198	242
	<u>6,111</u>	<u>6,319</u>

27 Fair values of financial instruments

(1) Fair value of financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost are not materially different from their carrying values.

(2) Fair value of financial instruments measured at fair value

Fair value of other investment measured at fair value through other comprehensive income are based on quoted price in an active market and are included in the Level 1 of fair value hierarchy.

28. Profit rate benchmark reforms

A fundamental reform of major profit rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The International Accounting Standards Board (IASB) has approached the impact of Profit Rate Benchmark Reform on financial reporting in two phases. Phase 1 addressed issues affecting financial reporting in the period before the replacement of an existing profit rate benchmark with an alternative risk free rate (RFR); and Phase 2 focused on issues that might affect financial reporting when an existing profit rate benchmark is replaced with an RFR. The IASB issued the Phase 1 and Phase 2 amendments in September 2019 and August 2020, respectively.

The Company's does not have any Libor based financial instruments that need to be reformed as part of the IBOR transition.

29. Corporate tax law

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime will become effective for accounting periods beginning on or after 1 June 2023.

As the Company's accounting year ends on 31 December, accordingly the effective implementation date for the Company will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

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

29. Corporate tax law (continued)

The CT Law confirms the rate of 9% to be applied to taxable income exceeding the threshold set by cabinet decision. The Company may be subject to application of Global Minimum Tax rate of 15% which is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) - Pillar Two rules by the countries where the Company operates and a top-up tax regime by UAE MoF. The Company is currently assessing the impact of these laws and regulations and will apply the requirements as they come into effect.

On 16 January 2023 the UAE government published a Cabinet Decision setting the threshold at which the new Corporate Income Tax will apply. This event made the Corporate Income Tax substantively enacted and enacted within the meaning of IAS 12. Enactment of the legislation requires the recognition of deferred taxes where relevant, however the Company does not have any deferred tax balances to record for the period. The impact of any future changes in enacted law will be accounted for when such changes are substantively enacted or enacted.

30. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 08 February 2024.

