MAWARID FINANCE PJSC

Consolidated Financial Statements
For the year ended 31 December 2023

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For the year ended 31 December 2023

Board of Directors' Report

بسم الله الرحمن الرحيم

Dear Sirs - Shareholders of Mawarid Finance Company PJSC

Assalamu Alaikum wa Rehmatullah wa Barakatahu.

We are pleased to present to you the annual report of Mawarid Finance Company PJSC for the year of 2023, including a summary of the financial and operational results of Mawarid Finance Company and its subsidiaries.

The company has faced many challenges during the past two consecutive years, 2021 and 2022. The company has succeeded in achieving stability in the balance sheet, and to some extent achieving more efficient indicators of income and liquidity. However, the company may be able to predict, according to current measurement indicators, some future obstacles. Regarding performance indicators for the year 2023, during the year 2023, Mawarid Finance Company achieved net profits of 39 million dirhams, and total income at the end of 2023 recorded about 62 million dirhams, while total expenses decreased by 50% to 46 million.

The balance sheet remained strong and well diversified with a significant weight in liquid assets, as the total equity of Mawarid Finance shareholders increased to AED 153 million, and total assets recorded AED 404 million, while total liabilities decreased by AED 55 million, recording a lowest decline to the level of AED 251 million.

In parallel with the recorded financial and operational results, the need to take several corrective measures to support stability in the balance sheet was taken into account, which would improve the business, create new opportunities, and apply best practices in terms of optimal business governance.

Mawarid Finance also confirms its continued keenness to always be among the leading companies in the United Arab Emirates in order to achieve the desired interests by providing necessary support to individuals, companies and investors, in order to achieve competitiveness and contribute to achieving a pioneering and global economy in the United Arab Emirates.

We look forward together in the year 2024 to achieving remarkable achievements. We are thankful to all shareholders, customers, partners and employees for their trust in Mawarid Finance and their constant support, while wishing everyone continued progress, success and prosperity.

On Behalf of Company Board of Directors

Grant Thornton

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Independent Auditor's Report

To the Shareholders of Mawarid Finance PJSC

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

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

In our opinion, except for the possible effect described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Adoption of IAS 29

As disclosed in Note 23, the Group has a subsidiary which operates in a hyperinflationary economy, as defined by *IAS 29 - Financial Reporting in Hyperinflationary Economies*. The subsidiary has total assets of AED 23 million and total liabilities of 5.1 AED million as at 31 December 2023. Management has not adopted IAS 29 in preparing standalone financial statements of the subsidiary due to the unavailability of the required data (official price index). Therefore, we were unable to determine the impact and obtain sufficient appropriate audit evidence to support the amounts and disclosures in the consolidated financial statements related to hyperinflationary accounting. Our opinion was qualified in prior year with respect to this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated financial statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements together with the ethical requirements that are relevant to the audit of consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to note 38 of the consolidated financial statements, which describes the effects of a significant reduction in value of an investment carried at fair value through other comprehensive income subsequent to the year end due to foreign currency devaluation. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report
To the Shareholders of Mawarid Finance PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

The Board of Directors and Management are responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and accordingly we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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Independent Auditor's Report
To the Shareholders of Mawarid Finance PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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Independent Auditor's Report
To the Shareholders of Mawarid Finance PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Further, except for the matters included in *Basis for Qualified Opinion* section of our report, as required by the UAE Federal Law No. 32 of 2021 and regulations of the Central Bank of UAE we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 32 of 2021 and regulations of the Central Bank of UAE;

iii) the Group has maintained proper books of account in accordance with established accounting principles

iv) the financial information included in the Board of Directors' Report is consistent with the books of account of the Group;

v) as disclosed in note 15 to the consolidated financial statements, the Group has not purchased or invested in any shares during the financial year ended 31 December 2023;

vi) note 34 to the consolidated financial statements discloses material related party transactions and balances, the terms under which they were conducted;

vii) the Group has not made any social contributions during the year; and

viii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. 32 of 2021 and regulations of the Central Bank of UAE or of its Articles of Association which would materially affect its activities or its financial position.

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Independent Auditor's Report
To the Shareholders of Mawarid Finance PJSC

Report on other Legal and Regulatory Requirements (continued)

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.

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DUBAI-U.A.E.
Public Accountants

GRANT THORNTON UAE

Dr. Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates

26 MAR 2024

Mawarid Finance PJSC
Consolidated statement of financial position
As at 31 December 2023

	Notes	2023 AED'000	2022 AED'000
ASSETS			
Cash and balances with banks and financial institutions	11	**126,489**	110,184
Financing and investing assets	13	**13,950**	20,493
Investment properties	14	**163,893**	137,610
Investment securities	15	**58,841**	78,588
Property and equipment	17	**3,592**	3,905
Intangible assets	18	**26,238**	26,248
Other assets	19	**10,794**	43,473
Assets included in subsidiaries classified as held for sale	33	**-**	7,017
TOTAL ASSETS		**403,797**	427,518
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	**1,000,000**	1,000,000
Treasury shares	20	**(24,000)**	(24,000)
Statutory reserve	21	**60,311**	53,395
General reserve	22	**60,311**	53,395
Fair value reserve		**(137,869)**	(130,479)
Impairment reserve	13	**15,351**	22,057
Accumulated losses		**(820,942)**	(853,179)
Capital and reserves attributable to owners of the parent		**153,162**	121,189
Non-controlling interest	23	**-**	602
TOTAL EQUITY		**153,162**	121,791
LIABILITIES			
Wakalah deposits	24	**154,823**	176,367
Other liabilities	25	**69,063**	90,284
Bank borrowings	26	**26,749**	38,104
Liabilities included in subsidiaries classified as assets held for sale	33	**-**	972
TOTAL LIABILITIES		**250,635**	305,727
TOTAL EQUITY AND LIABILITIES		**403,797**	427,518

These consolidated financial statements were approved by the Board of Directors on 14 March 2024 and signed on their behalf by:

Abdulaziz Mohammed Abdullah Al Bannai
Chairman

Yaser Zeino
Head of Finance

The notes from 1 to 38 form an integral part of these consolidated financial statements.

Mawarid Finance PJSC
Consolidated statement of profit or loss
For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Continuing operations			
Profit from financing and investing assets	27	**3,356**	7,676
Profit from Islamic deposits and wakalah placements	28	**4,114**	1,529
Revenue from IT services	29	**19,126**	21,286
Unrealised gain/ (loss) on revaluation of investment properties	30	**26,283**	(106,301)
Loss on financial assets carried at fair value through profit and loss	15	**(6,500)**	(5,172)
Other income	31	**15,146**	22,847
Total income/(loss)		**61,525**	(58,135)
General and administrative expenses	32	**(45,352)**	(43,311)
Cost of sales relating to IT services	29	**(1,071)**	(2,380)
Impairment of intangibles	18	**-**	(45,085)
Total expenses		**(46,423)**	(90,776)
Depositors' share of profit		**(715)**	(774)
Provision reversal/(charge) on impairment	13	**8,313**	(120,693)
Provision reversal/(charge) for guarantee and bad debt		**19,277**	(59,320)
Finance cost	26	**(2,614)**	(2,554)
Profit / (loss) before share of loss from an associate for the year		**39,363**	(332,252)
Impairment in associate	16	**-**	(196,378)
Profit/(loss) from continuing operations		**39,363**	(528,630)
Discontinued operation			
Loss from discontinued operation	33	**-**	(1,740)
Profit/(loss) for the year		**39,363**	(530,370)
Attributable to:			
Owners of the parent		**39,363**	(530,196)
Non-controlling interest		**-**	(174)
		39,363	(530,370)

The notes from 1 to 38 form an integral part of these consolidated financial statements.

Mawarid Finance PJSC
Consolidated statement of other comprehensive income
For the year ended 31 December 2023

	Note	2023 AED'000	2022 AED'000
Profit/(loss) for the year		**39,363**	(530,370)
Other comprehensive loss:			
Items that will not be reclassified subsequently to consolidated profit or loss in subsequent periods			
Net unrealised loss on investment carried at fair value through other comprehensive income	15	**(7,390)**	(135,007)
Other comprehensive loss for the year		**(7,390)**	(135,007)
Total comprehensive income/(loss) for the year		**31,973**	(665,377)
Attributable to:			
Owners of the parent		**31,973**	(665,203)
Non-controlling interest		**-**	(174)
		31,973	(665,377)

The notes from 1 to 38 form an integral part of these consolidated financial statements.

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Impairment reserve AED'000	Accumulated losses AED'000	Capital and reserves attributable to the owners of the parent AED'000	Non-controlling interest AED'000	Total AED'000
Balance as at 1 January 2023	1,000,000	(24,000)	53,395	53,395	(130,479)	22,057	(853,179)	121,189	602	121,791
Profit for the year	-	-	-	-	-	-	39,363	39,363	-	39,363
Other comprehensive loss for the year	-	-	-	-	(7,390)	-	-	(7,390)	-	(7,390)
Total comprehensive Income/(loss) for the year	-	-	-	-	(7,390)	-	39,363	31,973	-	31,973
Transfer to general reserve	-	-	-	6,916	-	-	(6,916)	-	-	-
Transfer to statutory reserve	-	-	6,916	-	-	-	(6,916)	-	-	-
IFRS 9 reserve movement	-	-	-	-	-	(6,706)	6,706	-	-	-
Movement in NCI	-	-	-	-	-	-	-	-	(602)	(602)
Balance as at 31 December 2023	1,000,000	(24,000)	60,311	60,311	(137,869)	15,351	(820,942)	153,162	-	153,162

The notes from 1 to 38 form an integral part of these consolidated financial statements.

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Impairment reserve AED'000	Accumulated losses AED'000	Capital and reserves attributable to the owners of the parent AED'000	Non-controlling interest AED'000	Total AED'000
Balance as at 1 January 2022	1,000,000	(18,000)	53,395	53,395	4,528	7,405	(308,331)	792,392	505	792,897
Loss for the year	-	-	-	-	-	-	(530,196)	(530,196)	(174)	(530,370)
Other comprehensive loss for the year	-	-	-	-	(135,007)	-	-	(135,007)	-	(135,007)
Total comprehensive loss for the year	-	-	-	-	(135,007)	-	(530,196)	(665,203)	(174)	(665,377)
IFRS 9 reserve movement	-	-	-	-	-	14,652	(14,652)	-	-	-
Purchase of treasury shares (note 21)	-	(6,000)	-	-	-	-	-	(6,000)	-	(6,000)
Movement in NCI	-	-	-	-	-	-	-	-	271	271
Balance as at 31 December 2022	1,000,000	(24,000)	53,395	53,395	(130,479)	22,057	(853,179)	121,189	602	121,791

The notes from 1 to 38 form an integral part of these consolidated financial statements.

Mawarid Finance PJSC
Consolidated statement of cash flows
For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit / (loss) from continuing operations		**39,363**	(528,630)
Loss from discontinued operation		**-**	(1,740)
		39,363	(530,370)
Adjustments for:			
Depreciation of property and equipment	17	**348**	371
Amortisation of intangible assets	18	**10**	904
Impairment of intangible assets	18	**-**	45,085
Profit from Islamic deposits and wakalah placements		**(4,114)**	(1,529)
Depositors' share of profit		**715**	774
Finance cost	26	**2,614**	2,554
Impairment in associate	16	**-**	196,378
Loss on financial asset carried at FVTPL	15	**6,500**	5,172
(Reversal)/provision made against financing and investing assets	13	**(8,313)**	120,693
(Reversal)/provision for non funded liabilities and bad debts		**(19,277)**	59,321
Unrealised (gain) / loss on investment properties	30	**(26,283)**	106,301
Realised gain on properties and foreclosed assets		**-**	(5,976)
Provision for properties acquired as debt settlement		**1,710**	-
Operating cash flows before working capital changes		**(6,727)**	(322)
Working capital changes:			
Islamic deposits with banks and other financial institutions		**-**	(10,485)
Financing and investing assets		**(1,770)**	15,606
Other assets		**32,651**	172,467
Wakalah deposits		**(21,544)**	(13,105)
Other liabilities		**21,221**	19,338
Net cash generated from operations		**23,831**	183,499
Depositors' share of profit paid		**(715)**	(774)
Net cash generated from operating activities		**23,116**	182,725
Cash flows from investing activities			
Purchase of property and equipment	17	**(37)**	(104)
Proceeds from sale of investment properties		**-**	14,863
Proceed from sale of investments		**6,098**	-
Movement in financial assets		**5,857**	(38,709)
Profit received on Islamic deposits and wakalah placements		**4,114**	1,529
Dividend received from equity accounted investees	31	**1,611**	2,609
Net cash generated from / (used in) investing activities		**17,643**	(19,812)
Cash flows from financing activities			
Payment of borrowing		**(11,250)**	(81,584)
Finance cost paid		**(2,719)**	(2,554)
Purchase of treasury shares		**-**	(6,000)
Net cash used in financing activities		**(13,969)**	(90,138)
Net (decrease) / increase in cash and cash equivalents		**26,790**	72,775
Cash and cash equivalents at the beginning of the year		**96,933**	21,110
Cash and cash equivalents included in disposal of subsidiary		**-**	3,048
Cash and cash equivalents at the end of the year	12	**123,723**	96,933

The notes from 1 to 38 form an integral part of these consolidated financial statements.

1 Legal status and nature of operations

Mawarid Finance PJSC, (the "Group") was registered on 4 December 2006 as a Private Joint Stock in accordance with UAE Federal Law No. 8 of 1984, as amended, and replaced by Federal Law No. 32 of 2021. The address of the Group's registered office is P.O. Box 212121, Dubai, United Arab Emirates ("UAE").

The Group is licensed by the Central Bank of the UAE as a finance company and is primarily engaged in Islamic Shari'a compliant financing and investment activities involving products such as Ijara, Forward Ijara, Murabaha, Musharaka and Wakalah. The activities of the Group are conducted in accordance with Islamic Shari'a, which prohibits usury, and as per the provisions of its Memorandum and Articles of Association.

The consolidated financial statements includes the results of the operations of the Group, its subsidiaries and equity accounted investees (collectively referred to as "the Group"). Details of the Group's subsidiaries and equity accounted investees are mentioned in note 23 and note 16 of these consolidated financial statements.

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Group for the year ended 31 December 2023.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

Standard number	Title	Effective date
IAS 1	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IAS 8	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023

These standards have been adopted by the Group and did not have a material impact on these Standalone Financial statements.

Standards issued but not yet effective

The impact of the new standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Groups Consolidated Financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standard number	Title	Effective date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024

3 Basis of preparation

Statement of compliance with IFRSs

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable law of UAE Federal Law No. (32) of 2021. These consolidated financial statements are prepared in UAE Dirhams ("AED").

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

i) financial instruments at fair value through profit and loss ("FVTPL");

ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and

iii) investment properties.

Functional and presentation currency

These consolidated financial statements have been prepared in United Arab Emirates Dirham (AED) rounded to nearest thousand, which is the Group's functional and presentation currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and equity accounted investees. Subsidiaries are entities controlled by the Group.

Subsidiary

The Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements of the Group from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the parent of the Group and to the non-controlling interest (NCI). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

3 Basis of preparation (continued)

Basis of consolidation (continued)

Subsidiary (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary;
- Derecognises the cumulative translation differences recorded in equity;
- Derecognises the carrying amount of any non-controlling interest;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in consolidated OCI to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets and liabilities of the subsidiary, and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent measurement.

Investment in associates

The Group's interest in equity accounted investees comprises interest in associates. An equity accounted investee is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

3 Basis of preparation (continued)

Basis of consolidation (continued)

Investment in associates (continued)

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit or loss from equity accounted investees'.

Estimating recoverable amount involves making an estimate of the expected future cash flows from the associates and choosing a suitable discount rate in order to calculate the present value of those cash flows.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4 Islamic shari'a definitions

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

Shari'a

Shari'a is the Islamic law which is essentially derived from the Quran and Sunnah that governs beliefs and conducts of human beings. The Group, incorporates the Shari'a rules and principles in its business activities.

Ijarah

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

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

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor. Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rental (which predominantly represent the cost of the leased asset).

4 Islamic shari'a definitions (continued)

Forward Ijarah

Forward Ijarah (Ijarah Mausoofa Fiz Zimma) is an agreement whereby the Group (the "Lessor") agrees to provide, on a specified future date, a certain described asset on lease to its customer (the "Lessee") upon its completion and delivery by the developer, contractor or customer, from whom the Group has purchased the same, by way of Istisna. The Forward Ijarah agreement specifies the description of the leased asset, duration of the lease term, and the basis for rental calculation and the timing of rental payment.

During the construction period, the Group pays to the developer/contractor one payment or multiple payments, Forward Ijarah profit during the construction period will be accounted for on a time-apportioned basis over the construction period on account of rentals. These profit amounts are received either during the construction period as advance rental payment or with the first or second rental payment after the commencement of the lease.

The lease rental under Forward Ijarah commences only upon the Lessee having received possession of the leased asset from the Lessor, which is when the asset moves to Ijarah.

Murabaha

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

Mudaraba

A contract between two parties whereby one party is a fund provider (the "Rab Al Mal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle Mudaraba profit is distributed on declaration/distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally accounted for on a timeapportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

Wakalah

An agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, wakala profit is distributed on declaration/distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise

4 Islamic shari'a definitions (continued)

Wakalah (continued)

the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

Musharaka

An agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration/distribution by the managing partner.

However, since the Musharaka profit is always reliably estimated, it is internally accounted for on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner's negligence, breach or default, the Group receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

5 Summary of material accounting policies

Financial Instruments

Financial assets

Classification

The Group classifies financial assets on initial recognition in the following categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit or loss (FVTPL).

The above classification is based on both:

- the entity's business model for managing the assets; and
- the instrument's contractual cash flow characteristics.

Business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at portfolio level, because this reflects the way the business is managed and information is provided to the management. The assessment is not determined by a single factor or activity. Instead, the entity considers all relevant information available at the date of the assessment. The information considered includes:

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Classification (continued)

Business model assessment (continued)

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio and the financial asset held within the portfolio is evaluated and reported to the management.
- The risks that affect the performance of the portfolio and, in particular, the way in which those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows is solely payments of principal and profit (SPPP)

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument.

For the purpose 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 lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. 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. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash from specified assets;
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

Non-recourse financing

In some cases, financings made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The group applies judgment in assessing whether the non-recourse financing meet the SPPP criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the financing;

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Non-recourse financing (continued)

- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse financing;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Financial assets at amortised cost

A debt instrument, including financing and investing asset is classified as being measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL;

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

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

The Group measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. This election is made on an investment-by-investment basis.

Financial assets at fair value through profit or loss (FTVPL)

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

Financial asset classified as at FVTOCI or FVTPL are subsequently measured at fair value. Financial assets not carried at fair value are subsequently measured at amortised cost using the effective profit method, less expected credit allowances.

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition except in the period after the Group changes its business model for managing financial assets. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current and previous financial year there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on 'Modification of financial assets' and 'Derecognition of financial assets'.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of profit or loss in the 'net gains from foreign exchange and derivatives' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in the consolidated statement of profit or loss in the 'net gains from foreign exchange and derivatives' line item.
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve; and
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in consolidated statement of profit or loss in 'net gains from investments at FVTPL'.

Impairment

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Balances with banks and financial institution;
- Financing and investing assets;
- Other assets (excluding prepayments and foreclosed assets); and
- Financing commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised on the next page:

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Impairment (continued)

Stage 1: When financial assets are first recognised, the Group recognises an allowance based on 12 months ECLs. 12-month ECL are the portion of ECL that result from default events on a financial instrument' that are possible within the 12 months after the reporting date.

Stage 2: When financial assets has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses (LTECL). LTECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Stage 3: Financial assets considered credit impaired. The group records an allowance for the LTECLs.

ECLs are an unbiased probability-weighted estimate of the present value of credit losses that is determined by evaluating a range of possible outcomes. For funded exposures, ECL is measured as follows:

- for financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate (EPR); and

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

However, for unfunded exposures, ECL is measured as follows:

- for undrawn financing commitments, as the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the financing and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financing and investing assets that share similar economic and credit risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EPR, regardless of whether it is measured on an individual basis or a collective basis.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss for any renegotiated or modified financial assets is measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective profit rate of the existing financial asset.

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Restructured financial assets (continued)

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Default definition

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers a financial asset to be in default when the borrower is in past due and unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security (if any is held).

Improvement in credit risk profile

The Group has defined below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

- Significant decrease in credit risk will be upgraded stage-wise (one stage at a time) from Stage 3 to Stage 2 after and from Stage 2 to Stage 1 after meeting the curing period of at least 12 months.
- Restructured cases will be upgraded if repayments of 3 installments (for quarterly installments) have been made or 12 months (for installments longer than quarterly) curing period is met.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group relies on a broad range of forward-looking information as economic inputs such as:

- GDP growth rates;
- UAE Central Bank 3 months base rate;
- Inflation and GDP Per Capita; etc.

Write-off

The write-off policy of the Group for financing and investing assets mainly includes the following:

- Account which has been uncollectible for more than 5 years;
- Account which has been fully provisioned; and
- All legal recourse options have been fully utilised, and the account still remains unpaid.

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and / or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPP, change in currency or change of counterparty, the extent of change in profit rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective profit. If the difference in present value is material, the Group deems the arrangement is substantially different leading to derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with;
- the remaining lifetime PD at the reporting date based on the modified terms.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing covenants.

If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Modification of financial assets (continued)

If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

If the modification of a financial asset measured at amortised cost or FVTOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the resulting adjustment as a modification gain or loss in the consolidated statement of profit or loss. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income calculated using the effective profit rate method.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new financing and investing assets is considered to be originated credit impaired. This applies only in the case where the fair value of the financing and investing assets is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain / loss previously recognised in OCI is not subsequently reclassified to consolidated statement of profit or loss.

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g., when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain / loss allocated to it that had been recognised in OCI is recognised in consolidated statement of profit or loss. A cumulative gain / loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain / loss previously recognised in OCI is not subsequently reclassified to consolidated statement of profit or loss.

Financial liabilities

Classification

The Group classifies its financial liabilities, other than financial guarantees and financing and investing assets commitments, as measured at amortised cost.

Modification of financial liabilities

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective profit rate is not materially different from the discounted present value of the remaining cash flows of the original financial liability.

In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in the consolidated statement of profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in the consolidated statement of profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective profit rate on the instrument.

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

5 Summary of material accounting policies (continued)

Financial Instruments (continued)

Financial liabilities (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

The amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financing and investing assets commitments

Financing and investing assets commitments are firm commitments to provide credit under pre-specified terms and conditions. Commitments to provide a financing and investing asset at a below-market profit rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured as follows:

At the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financing and investing assets

Financing and investing assets consist of Murabaha receivables, Mudaraba, Musharaka, Wakalah arrangements and Ijarah contracts and they are measured at amortised cost less any amounts written off and allowance for impairment losses.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group at the spot exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective profit and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in the consolidated statement of profit or loss. However, foreign currency differences arising from the translation of non-monetary available for sale equity instruments are recognised in consolidated statement of profit or loss and other comprehensive income.

5 Summary of material accounting policies (continued)

Revenue recognition

Profit income and expense

Profit income and expense for all profit bearing financial instruments except at FVTPL, are recognised in 'profit income' and 'depositor's share of profit' in the consolidated statement of profit or loss on an accrual basis using the effective profit rates of the financial assets or financial liabilities to which they relate.

Calculation of profit income and expense

The effective profit rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating profit income and expense, the effective profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, profit income is calculated by applying the effective profit rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of profit income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, profit income is calculated by applying the credit-adjusted effective profit rate to the amortised cost of the asset. The calculation of profit income does not revert to a gross basis, even if the credit risk of the asset improves.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or 'impairment allowance' before 1 January 2018). The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Income on deposit and wakalah placement

Income earned on deposits and Wakalah placements is recognised on a time-apportioned basis using effective profit rate method.

Fees and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Gain/(loss) from investments held at FVTOCI

Net gain from investments at FVTOCI which arises on revaluation is recognised in OCI. Gain or loss resulting from disposal of debt securities at FVTOCI are recognised in the consolidated statement of profit or loss when they occur.

Gain or loss resulting from disposal of equity securities at FVTOCI are recognised in OCI when they occur and the resulting gain / loss is not recycled to consolidated statement of profit or loss even on disposal.

5 Summary of material accounting policies (continued)

Revenue recognition (continued)

Gain/(loss) from financial investments at FVTPL

Net gain from financial investments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL.

Property related income

Property related income includes rental income, which is recognised on a straight line basis over the term of the lease and is recorded under 'other income' in the consolidated statement of profit or loss.

Dividend income

Dividend income is recognised when the right to receive payment is established. The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.:

- for equity instruments designated at FVTOCI, dividend income is presented as Dividend Income; and
- for equity instruments at FVTPL, dividend income is presented as 'Net gains from investments at FVTPL'

Share of profit/(loss) from equity accounted investees

Share of profit / (loss) from equity accounted investees reflects the Group's share of the results of operations of the equity accounted investees.

Margin trading income

Margin trading income is recognised when the customer utilises the funds provided by the Group. Profit income is recognised in the consolidated statement of profit or loss, using effective profit rate method. The amount is recognised under other income in the consolidated statement of profit or loss.

Allocation of profit

Allocation of profit between the depositors and the shareholders is calculated according to the Group's standard procedures and is approved by the Group's Shari'a Supervisory Board.

Foreign exchange gain

Exchange gain is recognised at the time of sale and purchase of currencies, issuance of demand drafts, telegraphic transfers and processing remittance transactions. Net gains / losses on currency exchange transactions are recognised when the transactions take place and are recognised in other income in the consolidated statement of profit or loss.

Revenue from IT Services

Revenue is recognised when the performance obligations of the contracts are satisfied according to IFRS 15. The performance obligation of the contracts related to the sale of software are considered satisfied on the delivery phase.

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

5 Summary of material accounting policies (continued)

Property and equipment

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their useful lives, and is generally recognised in consolidated statement of profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

	Years
Office building	25
Furniture and fixtures	4
Office	3-5
Motor vehicles	5

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss.

Intangible assets

Research and development

Expenditure on research activities is recognised in consolidated statement of profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in consolidated statement of profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets

Intangible asset acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset and fair value can be measured reliably. The cost of such intangible asset is its fair value at the acquisition date.

Subsequent to initial recognition, intangible asset acquired is recorded at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The intangible asset is amortised over a period of five years, except for licenses which have infinite useful life, where no amortisation is being charged.

The Group intangible assets include a software which pertains to one of the subsidiaries.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for

5 Summary of material accounting policies (continued)

Investment property (continued)

administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the consolidated statement of profit or loss. The Group determines fair value for majority of their properties on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash in hand, un-restricted current accounts balances with banks and financial institutions and Islamic deposits with original maturity of three months or less.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in consolidated statement of profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations; is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

5 Summary of material accounting policies (continued)

Discontinued operation (continued)

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows to reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Wakalah deposit

Wakalah deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit method. The Group is entering into Wakalah agreement with its customers.

Wakalah

An agreement between Group and third party whereby one party (Muwakil) provides certain amount of funds which the other party (Wakil) would invest according to the terms and conditions of Wakalah in return for a certain fee. The Wakil is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakalah. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, wakalah profit is distributed on declaration/distribution by the Wakil.

Staff terminal benefits

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

Contributions to retirement pension for UAE nationals

The Group contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss in the period to which they relate. In respect of this scheme, the Group has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

5 Summary of material accounting policies (continued)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

6 Key accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within next financial year and the resultant provisions and fair value. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Valuation of unquoted investments

The Group measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation of investment properties and foreclosed assets

The fair value of major investment property and foreclosed assets was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Other investment properties and foreclosed assets have been assessed by external independent property valuator.

6 Key accounting estimates and judgments (continued)

Valuation of investment properties and foreclosed assets (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used. The Group has taken the best use fair values for the fair value measurement of its investment properties and foreclosed assets.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable technique inputs and fair value measurements
Investment method	Expected market rental growth	The estimated fair value increase / decrease if: Expected market rental growth were higher or lower
	Risk adjusted discount rates	The risk adjusted discount rates were lower / higher
	Free hold property	The property is not free hold
	Free of covenants, third party rights and obligations	The property is subject to any covenants, rights and obligation
	Statutory and legal validity	The property is subject to any legal notices
	Conditions of the property	The property is subject to any defect / damages

Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

Significant increase in credit risk

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 Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

6 Key accounting estimates and judgments (continued)

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement 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.

Key sources of estimation uncertainty

The following are key estimations that have been used in the process of applying the Group's accounting policies:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Intangible assets

The recoverable amount of the intangible assets is determined by the professional external consultant and is based on a value in use calculation using discounted cash flow method (income approach) from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for products and services. The pre-tax discount rate (WACC) applied to the cash flow projections is 20.1%. The professional consultant recomputed it as it does include a country risk premium (CRP) of 9.8% estimated based on revenue weighted average country risks of top 10 operating markets for BML Technologies.

7 Financial risk management

The Group has exposure to the following risks from financial instruments and its operations:

i) Credit risk;
ii) Liquidity risk;
iii) Market risk; and
iv) Operational risk

Risk management framework

This note presents information about the Group's objectives, policies and processes for measuring and managing risk.

Management of credit risk

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Group Risk Management Committee (RMC), which is responsible for developing and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee. Internal audit has been outsourced to a professional consultancy firm.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financing and investing assets to customers, balances with banks and financial institutions, investment in debt securities, other receivables, financing and investing assets commitments and contingent liabilities. For risk management reporting purposes, credit risk arising on investment securities held at FVTPL is managed independently.

The Board of directors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to the Credit Committee, is responsible for managing the Group's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Head of Group Credit, the Group Credit Committee or the Board of directors.

7 Financial risk management (continued)

Management of credit risk (continued)

Credit risk (continued)

- Reviewing and assessing credit risk in accordance with authorisation structure, limits and discretionary powers prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.
- Developing and maintaining the Group's risk grading's to categories exposures according to the degree of risk of financial loss faced. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. These grades are similar to and in line with the guidelines of the Central Bank of UAE. The responsibility for setting risk grades lies with the final approving credit committee, as appropriate. Risk grades are subject to regular reviews by Group Risk.

Classification	Grades
Performing	Normal Substandard
Non – performing	Claw Doubtful Loss

Measurement of ECL

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk. However, for financial instruments such as credit cards and other financing facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

Restructured and renegotiated loans

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off. Management continuously monitors the progress on renegotiated loans to ensure compliance with the terms at all times.

7 Financial risk management (continued)

Management of credit risk (continued)

Credit risk (continued)

Exposure to credit risk

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, and expected credit allowances, if any.

2023	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Balances with banks and financial institutions				
Performing	**125,457**	**-**	**-**	**125,457**
Financing and investing assets				
Impaired portfolio				
Performing	**10,137**	**687**	**-**	**10,824**
Non-performing	**-**	**-**	**139,215**	**139,215**
Allowance for expected credit losses	**(78)**	**(256)**	**(135,755)**	**(136,089)**
Net carrying amount	**10,059**	**431**	**3,460**	**13,950**
Other assets (excluding prepayments)				
Performing	**9,819**	**-**	**9,533**	**19,352**
Allowance for expected credit losses	**-**	**-**	**(9,533)**	**(9,533)**
Net carrying amount	**9,819**	**-**	**-**	**9,819**
Investments in funds at FVTPL				
Performing	**11,720**	**-**	**-**	**11,720**

2022	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balances with banks and financial institutions				
Performing	109,119	-	-	109,119
Financing and investing assets				
Impaired portfolio				
Performing	13,148	5,894	-	19,042
Non-performing	-	-	169,851	169,851
Allowance for expected credit losses	(104)	(1,000)	(167,296)	(168,400)
Net carrying amount	13,044	4,894	2,555	20,493
Other assets (excluding prepayments)				
Performing	42,332	-	6025	48,357
Allowance for expected credit losses	-	-	(6,025)	(6,025)
Net carrying amount	42,332	-	-	42,332
Investments in funds at FVTPL				
Performing	24,077	-	-	24,077

7 Financial risk management (continued)

Management of credit risk (continued)

Credit risk (continued)

Exposure to credit risk (continued)

The impact of expected credit losses is not material to these consolidated financial statements.

Contingent liabilities forming part of credit risk exposure are shown in note 35.

Financing and investing assets	**31 December 2023**		31 December 2022	
	Gross carrying amount AED'000	**Expected credit loss AED'000**	Gross carrying amount AED'000	Expected credit loss AED'000
Less than 30 days	**10,137**	**78**	13,148	104
30 - 90 days	**687**	**256**	5,894	1,000
Over 90 days	**139,215**	**135,755**	169,851	167,296
	150,039	**136,089**	188,893	168,400

Impaired financing and investing assets

Impaired financing and investing assets are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and profit due according to the contractual terms of the financing agreement(s). These financing and investing assets are classified as substandard, doubtful, loss, as appropriate, which is in accordance with the guidelines issued by Central Bank of the UAE.

Past due but not impaired financing and investing assets

These are financing and investing assets where contractual profit or principal payments are past due but the Group believes that impairment is inappropriate on the basis of a genuine repayment source and/or delays in receiving assigned receivables, the level of security/collateral available and/or the possible scope of collection of amounts owed to the Group.

Write-off policy

The write-off policy of the Group for financing and investing assets mainly includes the following:
a) Account which has been uncollectible for more than 5 years;
b) Account which has been fully provisioned; and
c) All legal recourse options have been fully utilised, and the account still remains unpaid.

Concentration of credit risk

The Group monitors internally concentration of credit risk by sector and geographical location. An analysis of concentrations of credit risk as defined by the Group's internal approved guidelines at the reporting date is shown below:

7 Financial risk management (continued)

Management of credit risk (continued)

Credit risk (continued)

Exposure to credit risk (continued)

	Balances with banks and financial institutions		Financing and investing assets and other assets (excluding prepayments and foreclosed assets)		Investments in financial assets at FVTPL	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Carrying amount, net	125,457	109,119	23,769	62,825	11,720	24,077
Concentration by sector:						
Banks and financial institutions	125,457	109,119	-	-	11,720	24,077
Retail	-	-	13,950	20,493	-	-
Corporate	-	-	-	27,285	-	-
Others	-	-	9,819	15,047	-	-
Net total	125,457	109,119	23,769	62,825	11,720	24,077
Concentration by location:						
United Arab Emirates	115,408	99,070	15,445	13,449	-	-
Asian countries	5,979	5,979	-	-	-	-
Others	4,070	4,070	8,324	49,376	11,720	24,077
Net total	125,457	109,119	23,769	62,825	11,720	24,077

Contingent liabilities forming part of credit risk exposure are shown in note 35.

Liquidity risk

Liquidity risk' is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's Board of directors sets the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury department manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position. A summary report, including any exceptions and remedial action taken, is submitted on a regular basis to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

7 Financial risk management (continued)

Management of credit risk (continued)

Liquidity Risk (continued)

Exposure to liquidity risk
Details of the Group's net liquid assets are summarised in the table below by the maturity profile of the Group's assets and liabilities based on the contractual repayments. The maturity profile is monitored by the management to ensure adequate liquidity is maintained.

Maturities of financial assets and financial liabilities

	Less than 3 months AED'000	3 months to 1 year AED'000	From 1 to 5 year AED'000	More than 5 years AED'000	Total AED'000
2023					
Financial assets					
Balances with banks and financial institutions	**122,691**	**-**	**2,766**	**-**	**125,457**
Financing and investing assets	**-**	**3,586**	**10,364**	**-**	**13,950**
Investment securities	**2,418**	**56,423**	**-**	**-**	**58,841**
Other assets (excluding prepayments and foreclosed assets)	**242**	**8,421**	**1,156**	**-**	**9,819**
Total financial assets	**122,351**	**68,340**	**14,286**	**-**	**208,067**
Financial liabilities					
Wakalah deposits	**124,434**	**15,649**	**14,740**	**-**	**154,823**
Other liabilities (excluding employee end of service benefit) and bank borrowing	**66,782**	**26,749**	**-**	**-**	**93,531**
Total financial liabilities	**191,216**	**42,398**	**14,740**	**-**	**248,354**
2022					
Financial assets					
Balances with banks and financial institutions	96,933	9,420	2,766	-	109,119
Financing and investing assets	-	3,586	16,907	-	20,493
Investment securities	1,664	22,413	54,511	-	78,588
Other assets (excluding prepayments and foreclosed assets)	1,204	38,662	2,467	-	42,333
Total financial assets	99,801	74,081	76,651	-	250,533
Financial liabilities					
Wakalah deposits	39,706	-	136,661	-	176,367
Other liabilities (excluding employee end of service benefit) and bank borrowing	88,753	15,604	22,500	-	126,857
Total financial liabilities	128,459	15,604	159,161	-	303,224

7 Financial risk management (continued)

Liquidity Risk (continued)

The Group follows Shari'a principles and contractual returns are not guaranteed and are on profit or loss sharing basis.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, which can be readily available to meet liquidity requirements.

Market risk

Market risk is the risk that changes in market prices, such as profit rates, equity prices and foreign exchange rates and credit spreads (not relating to change in the obligor's/issuer's credit standing) - will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

Equity price risk

Equity price risk arises from investments in FVTPL and FVTOCI equity investments. The management of the Group monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the management. The Group manages this risk through diversification of investments in terms of industry distribution.

The primary goal of the Group's investment strategy is to maximise investment returns.

Sensitivity analysis - equity price risk

For investments classified as fair value through other comprehensive income and fair value through profit and loss, a 5% increase as at the reporting date would have increased equity by AED 2.9 million (31 December 2022: AED 3.9 million) and consolidated statement of profit or loss by AED 0.5 million (31 December 2022: AED 1.2 million) respectively, an equal change in the opposite direction would have decreased equity and consolidated statement of profit or loss by a similar amount.

Profit rate risk

The Group is exposed to profit rate risk on its profit bearing assets and liabilities (financing and investing assets, Islamic deposits and wakalah deposits).

Sensitivity analysis - Profit rate risk

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the Group's profit for the year, based on the financial assets and financial liabilities.

Below are the financial assets and financial liabilities exposed to profit rate risk:

	2023 **AED'000**	2022 AED'000
Financial assets		
Financing and investing assets (note 13)	**150,039**	188,893
Financial liability		
Wakalah deposits (note 24)	**154,823**	176,367

7 Financial risk management (continued)

Market Risk (continued)

Sensitivity analysis - Profit rate risk (continued)

A change in the profit rate by 100 bp would have increased consolidated statement of profit or loss by AED 1.15 million (31 December 2022: AED 1.2 million) and an equal change in the opposite direction would have decreased consolidated statement of profit or loss by a similar amount.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency.

As at the reporting date, the significant foreign currency exposure is in Egyptian Pounds relating to investment in financial assets classified at FVTOCI with a carrying value of AED 40.33 million (31 December 2022: AED 49.38 million) and in Euro relating to investments in financial assets classified at FVTPL amounting to AED nil (31 December 2022: AED 0.92 million).

Sensitivity analysis - currency risk

The Group is exposed to currency risk mainly in Egyptian pounds and Lebanese pound, as a change of 100 basis points in the AED exchange rate against EGP would have an impact on the equity by AED 0.4 million (31 December 2022: AED 0.588 million) and an equal change in the opposite direction would have decreased equity by a similar amount.

Similarly, a change of 100 basis points in the Euro to AED exchange rate would have an impact on the consolidated statement of profit or loss AED nil (31 December 2022: AED 0.002 million) and an equal change in the opposite direction would have decreased consolidated statement of profit or loss by a similar amount.

Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Group has taken measures to put in place tools, firstly to identify all such operational risks. The Group has also taken measures to implement processes and policies to mitigate the risk to an acceptable level and to avoid or minimise financial losses and damage to Group's reputation.

8 Capital management

The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by Central Bank of the UAE.

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group has complied with all regulatory requirements issued by Central Bank of the UAE during the year, as the minimum share capital required by Central Bank of the UAE is AED 150 million, however, the share capital of the Group throughout the year was AED 1 billion (31 December 2020: AED 1 billion).

9 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

2023	**FVTPL AED'000**	**FVTOCI AED'000**	**Amortised cost AED'000**	**Total AED'000**
Financial assets				
Cash and balances with banks and financial institution	-	-	126,489	126,489
Financing and investing assets	-	-	13,950	13,950
Financial assets carried at fair value	11,720	47,121	-	58,841
Other assets (excluding prepayments and foreclosed assets)	-	-	9,819	9,819
	11,720	47,121	150,258	209,099
Financial liabilities				
Wakalah deposits	-	-	154,823	154,823
Other liabilities (excluding employees end of service benefits) and bank borrowing	-	-	93,531	93,531
	-	-	248,354	248,354
2022				
Financial assets				
Cash and balances with banks and financial institution	-	-	110,184	110,184
Financing and investing assets	-	-	20,493	20,493
Financial assets carried at fair value	24,077	54,511	-	78,588
Other assets (excluding prepayments and foreclosed assets)	-	-	42,332	42,332
	24,077	54,511	173,009	251,597
Financial liabilities				
Wakalah deposits	-	-	176,367	176,367
Other liabilities (excluding employees end of service benefits) and bank borrowing	-	-	129,360	129,360
	-	-	305,727	305,727

10 Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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 not based on observable data 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 assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of assets measured at fair value

The following table analyses assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Financial assets				
FVTPL - financial assets	2,417	-	9,303	11,720
FVTOCI - financial assets	-	-	47,121	47,121
	2,417	-	56,424	58,841
Non-financial assets				
Investment properties	-	-	163,893	163,893

10 Fair value of financial instruments (continued)

Fair value hierarchy of assets measured at fair value (continued)

2022	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets				
FVTPL - financial assets	1,664	-	22,413	24,077
FVTOCI - financial assets	-	-	54,511	54,511
	1,664	-	76,924	78,588
Non-financial assets				
Investment properties	-	-	137,610	137,610

The investment in FVTOCI contains unquoted equity in Etisalat Misr S.A.E amounting to AED 40.33 million (2022: AED 49.38 million) and unquoted equity instruments of Levant Retail Holding amounting to AED 6.79 million (2022: AED 5.14 million). During the year, the group has received a dividend AED 1.61 million (2022: AED 2.61 million) from Etisalat Misr S.A.E.

During the year ended 31 December 2023, there were no transfers of any financial asset between any of the levels in fair value hierarchy. (31 December 2022: Nil)

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for financial assets held under level 3 of the fair value hierarchy.

	2023		2022	
	FVTPL	**FVTOCI**	FVTPL	FVTOCI
	AED'000	**AED'000**	AED'000	AED'000
Balance as at 1 January	**24,077**	**54,511**	62,793	189,518
Disposals during the year	**(4,742)**	**-**	(33,544)	-
Change in fair value	**(7,615)**	**(7,390)**	(5,172)	(135,007)
As at 31 December	**11,720**	**47,121**	24,077	54,511

11 Cash in hand and with banks and financial institutions

	2023	2022
	AED'000	AED'000
Balances with Central Bank of UAE	**2,246**	2,986
Current accounts with banks and financial institutions	**43,583**	38,322
Cash in hand	**1,032**	1,065
Islamic deposits with banks and other financial institutions	**76,862**	65,045
Security deposits	**2,766**	2,766
	126,489	110,184

Balances with Banks and financial institutions are classified under stage 1 as per IFRS 9. As, there are no material expected credit losses and hence no provision has been recognised.

11 Cash in hand and with banks and financial institutions (continued)

Average profit rate on Islamic deposits is 5.5% (31 December 2022: 2.5%) per annum. All deposits and amounts are held with financial institutions within the United Arab Emirates.

Security deposits comprise of balances held as margin deposits with correspondent banks and financial institutions for credit card business.

12 Cash and cash equivalents

	2023 AED'000	2022 AED'000
Cash in hand, at banks and financial institutions	**46,861**	39,325
Islamic deposits with banks (3 months maturity)	**76,862**	54,560
Cash at banks with discontinued operations	-	3,048
	123,723	96,933

13 Financing and investing assets

	2023 AED'000	2022 AED'000
Financing		
Commodity murabaha financing	**135,483**	169,046
Ijarah financing	**14,556**	19,847
	150,039	188,893
Expected credit losses	**(136,089)**	(168,400)
Financing and investing assets – net	**13,950**	20,493

An analysis of changes in the gross carrying and the corresponding ECL allowances is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
2023				
Gross carrying as at 1 January 2023	**13,148**	**5,894**	**169,851**	**188,893**
Net movement in stages	**(3,011)**	**(5,207)**	**(6,638)**	**(14,856)**
Amounts written off	-	-	**(23,998)**	**(23,998)**
As at 31 December 2023	**10,137**	**687**	**139,215**	**150,039**
ECL allowance as at 1 January 2023	**131**	**1,000**	**167,269**	**168,400**
Net impairment reversal	**(53)**	**(744)**	**(7,516)**	**(8,313)**
Amounts written off	-	-	**(23,998)**	**(23,998)**
As at 31 December 2023	**78**	**256**	**135,755**	**136,089**
2022				
Gross carrying as at 1 January 2022	45,627	97,880	95,049	238,556
Net movement in stages	(32,480)	(92,004)	74,774	(49,710)
Amounts written off	1	18	28	47
At 31 December 2022	13,148	5,894	169,851	188,893

13 Financing and investing assets (continued)

2022 (continued)	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowance as at 1 January 2022	-	1,314	80,450	81,764
Net impairment charge / (reversals)	104	(314)	120,903	120,693
Amounts written off	-	-	(34,057)	(34,057)
At 31 December 2022	104	1,000	167,296	168,400

Following table summarizes the movement of impairment reserve due to changes in the provisions as per CBUAE guidelines and IFRS 9:

	CBUAE Guidelines AED'000	**IFRS 9 AED'000**	**Difference AED'000**
2023			
Specific provisions	**147,552**	**135,783**	**11,769**
Collective provisions	**3,888**	**306**	**3,582**
	151,440	**136,089**	**15,351**
2022			
Specific provisions	183,657	167,297	16,360
Collective provisions	6,800	1,103	5,697
	190,457	168,400	22,057

As per CBUAE guidelines on implementation of IFRS 9, banks are required to create a reserve under equity transferring from retained earnings only if provision as per CBUAE guideline is greater than ECL as per IFRS 9.

14 Investment properties

	2023 AED'000	2022 AED'000
Balance at 1 January	**137,610**	155,858
Transfer from PPE	-	96,301
Disposals	-	(8,418)
Unrealised gain / (loss) on revaluation of investment properties	**26,283**	(106,131)
Balance at 31 December	**163,893**	137,610

Investment properties related income and expenses

	2023 AED'000	2022 AED'000
Rental income (note 31)	**8,839**	8,801
Repairs and maintenance charges	**(3,132)**	(3,222)

On 31 December 2023, two independent and experienced professional valuers estimated the fair value of investment properties by using income capital approach at AED 164.06 million and AED 163.7 million respectively. Group recognises the average of fair value from both valuers amounting to AED 163.8 million (AED 137.61 million) for Mankhol residence and Barsha Land. Investment property is held for capital appreciation and rental purposes.

15 Investment securities

	2023 AED'000	2022 AED'000
Financial assets at FVTPL	**11,720**	24,077
Financial assets at FVTOCI	**47,121**	54,511
	58,841	78,588

15.1 Financial assets carried at fair value through profit and loss

The movement in the financial assets are as follows:

	2023 AED'000	2022 AED'000
At fair value through profit or loss		
Fair value at the beginning of the year	**24,077**	62,793
Disposals during the year	**(5,857)**	(33,544)
Net decrease in fair value	**(6,500)**	(5,172)
Fair value at the end of the year	**11,720**	24,077

The Group has not purchased or invested in any shares or funds during the year ended 31 December 2023 (2022: Nil). Geographical concentration of financial assets carried at FVTPL is as below.

	2023 AED'000	2022 AED'000
Within UAE	**4**	7
Outside UAE	**11,716**	24,070
	11,720	24,077

15.2 Financial assets carried at fair value through other comprehensive income

	2023 AED'000	2022 AED'000
Equity securities-unquoted	**47,121**	54,511

	2023 AED'000	2022 AED'000
At fair value through other comprehensive income		
Fair value at the beginning of the year	**54,511**	189,518
Net decrease in fair value	**(7,390)**	(135,007)
Fair value at the end of the year	**47,121**	54,511

Geographical concentration of financial assets carried at FVTOCI is as below.

	2023 AED'000	2022 AED'000
Outside UAE	**47,121**	54,511

16 Investment in associates

	Holding 31 December 2023	Holding 31 December 2022	Country of incorporation	Principal activities
Mawarid Technology LLC	**38.6%**	38.6%	UAE	IT, Security services and card personalisation

	2023 AED'000	2022 AED'000
Mawarid Technology LLC	**-**	-

Movement in investment in associates is as follows:

	2023 AED'000	2022 AED'000
Balance at 1 January	**-**	195,878
Addition	**-**	500
Impairment	**-**	(196,378)
Closing balance as at 31 December	**-**	-

The summarised financial information of the Group's investment in associates is as follows:

	2023 AED'000	2022 AED'000
Total assets	**-**	-
Total liabilities	**-**	-
Net assets	**-**	-
Impairment	**-**	(196,378)

17 Property and equipment

	Freehold land AED'000	Office building AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost						
At 1 January 2022	96,301	6,044	17,196	17,729	36	137,306
Additions	-	-	54	50	-	104
Related to discontinued operations	-	-	(2,706)	(1,784)	-	(4,490)
Transfer to investment property	(96,301)	-	-	-	-	(96,301)
Reclassification	-	-	(55)	(604)	-	(659)
At 31 December 2022	-	6,044	14,489	15,391	36	35,960
Additions	**-**	**-**	**7**	**30**	**-**	**37**
Disposal	**-**	**(1)**	**(627)**	**(1,389)**	**-**	**(2,017)**
At 31 December 2023	**-**	**6,043**	**13,869**	**14,032**	**36**	**33,980**
Accumulated depreciation						
At 1 January 2022	-	5,020	10,115	21,351	36	36,522
Charge for the year	-	169	82	120		371
Related to discontinued operations	-	-	(2,033)	(1,784)		(3,817)
Reclassification	-	-	3,331	(3,331)	-	-
Disposal	-	-	(56)	(965)	-	(1,021)
At 31 December 2022	-	5,189	11,439	15,391	36	32,055
Charge for the year	**-**	**169**	**79**	**100**	**-**	**348**
Disposal	**-**	**-**	**(514)**	**(1,501)**	**-**	**(2,015)**
At 31 December 2023	**-**	**5,358**	**11,004**	**13,990**	**36**	**30,388**
Net book value						
At 31 December 2022	-	855	3,050	-	-	3,905
At 31 December 2023	**-**	**685**	**2,865**	**42**	**-**	**3,592**

18 Intangible assets

	2023 AED'000	2022 AED'000
Opening balance as of 1 January	**26,248**	72,237
Impairment	**-**	(45,085)
Amortisation for the year	**(10)**	(904)
At 31 December	**26,238**	26,248

Intangibles assets includes a computer software and Intellectual property ("IP") of BML Technology LLC ("BML"). The IP represent an enterprise solution software, which is sold to banks, insurance companies and other financial institutions globally. The recoverable amount of the intangible assets is determined by the professional external consultant.

19 Other assets

	2023 AED'000	2022 AED'000
Due from customers	**8,068**	10,273
Prepayments	**975**	1,141
Deposits	**750**	629
Right of use asset	**406**	1,838
Others	**353**	1,106
Advances to suppliers	**242**	1,201
Consideration receivable on disposal of subsidiaries	**-**	27,285
	10,794	43,473

20 Share capital

	2023 AED'000	2022 AED'000
Authorised issued and paid up capital:		
1 billion ordinary shares of AED 1 each (2022: 1 billion ordinary shares)	**1,000,000**	1,000,000
Treasury shares of AED 1 each*	**(24,000)**	(24,000)

* During the year, Group has purchased back nil shares (2022: 6 million shares). Shares amounting to AED 5 million was not transferred in the name of the Group yet.

21 Statutory reserve

In accordance with Finance company regulations (article 11.7 A) of 2018, the Group has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution. For the year ended 31 December 2023, AED 6.9 million were transferred to statutory reserve (2022: AED nil).

22 General reserve

In accordance with the Articles of Association of the Group, 10% of the Group's net profit for the year is transferred to the general reserve until the reserve equals to 50% of the paid up share capital. This reserve may be used for purposes determined by the Ordinary General Assembly pursuant to a proposal by the Board of Directors. For the year ended 31 December 2023AED 6.9 million were transferred to general reserve (2022: Nil)

23 Subsidiaries

Subsidiaries of the Group with percentage of equity interest are as below:

Name of Subsidiaries	Holding 2023	2022	Country of incorporation	Principal activities
MFI Investments LLC	**100%**	100%	UAE	Holding company
Mawarid Consultancy FZE	**100%**	100%	UAE	Operational services
Mawarid Exchange	**-**	90%	UAE	Money exchange
BML Technology LLC	**100%**	100%	UAE	Software Development & Implementation Services

The Group has disposed off its subsidiary Mawarid exchange during the year.

Non-Controlling interest

The following table summarises the information relating to the Group's subsidiaries which has NCI as at the reporting date, before any intra group eliminations:

Summarised statement of financial position

2023	**Mawarid Exchange AED'000**
NCI percentage	
Non-current assets	
Current assets	-
Current liabilities	-
Net assets	-
Carrying amount of NCI	-

2022	Mawarid Exchange AED'000
NCI percentage	10%
Non-current assets	246
Current assets	7,684
Current liabilities	(1,910)
Net assets	6,020
Carrying amount of NCI	602

23 Subsidiaries (continued)

Summarised statement of profit or loss and other comprehensive income

	Mawarid Exchange AED'000
2023	
Revenue	
Expenses	-
Profit/(loss)	-
Total comprehensive profit/(loss)	-
Profit/(loss) allocated to NCI	-
2022	
Revenue	5,286
Expenses	(7,026)
Profit/(loss)	(1,740)
Total comprehensive profit/(loss)	(1,740)
Profit/(loss) allocated to NCI	(174)

Summarised statement of cash flows

	Mawarid Exchange AED'000
2023	
Operating	-
Investing	-
Net change in cash and cash equivalents	-
2022	AED'000
Operating	(1,818)
Investing	(96)
	(1,914)

BML Technology LLC has material investment in subsidiaries which operate in a hyperinflationary economy, as defined by IAS 29. The Management has not adopted IAS 29 in preparing standalone financial statements of the subsidiary due to the unavailability of the required data (official price index). In addition to this, there is uncertainty over the exchange rate to be applied due to discrepancy between foreign exchange rates available in the market thus impacting translation of exchange rate. Management were unable to quantify the impact on the amounts and disclosures in the financial statements related to hyperinflationary accounting and employee benefits.

IAS 29 requires consolidated financial statements of an entity whose functional currency is the currency of a hyperinflationary economy to be restated into the current purchasing power at the end of the reporting period. IAS 29 is applicable for entities with the functional currency of the Lebanese pound for periods ending on or after December 31, 2023, and it should be applied as if the economy had always been hyperinflationary.

24 Wakalah deposits

	2023 AED'000	2022 AED'000
Margin deposits	**151,912**	168,201
Qard-e-hasan from customers	**2,911**	8,166
	154,823	176,367

Qard-e-hasan from customers mainly represent amounts payable to customers for transaction executed on their behalf.

Margin deposits from customers mainly represent margin received from customers against guarantees issued on their behalf.

25 Other liabilities

	2023 AED'000	2022 AED'000
Provision for guarantee	**32,791**	49,660
Retention and other business line payable	**8,436**	8,215
Accounts payable	**5,855**	9,647
Accrued liabilities	**2,720**	3,883
Employees' end of service benefits	**2,281**	2,503
Profit payable	**1,076**	1,301
Others	**15,904**	15,075
	69,063	90,284

Provision for guarantee is provided against the non-funded guarantees provided to third parties on behalf of financing customers. The management of the Group has performed a detail assessment and based on which it concluded that the Group may have to make payment on such guarantees and made a provision of AED 32.79 million (2022: AED 49.66 million) against it.

26 Bank borrowings

	2023 AED'000	2022 AED'000
Current liabilities:		
Corporate Ijarah I	**11,248**	10,353
Non-current liabilities:		
Corporate Ijarah I	**15,501**	27,751
Total bank borrowings	**26,749**	38,104

26 Bank borrowings (continued)

Contractual terms of Group's profit bearing borrowings are as follows:

Terms of borrowings are as follows:

Facilities	Profit rate	Year of maturity	31 December 2023		31 December 2022	
			Limit	**Exposure**	Limit	Exposure
Corporate Ijarah I **	3 month EIBOR+ Margin*	2025	**67,500**	**26,749**	67,500	38,104

* Profit margin for Corporate Ijarah I are set at 3.5%. Whereas minimum applicable rate for Corporate Ijarah I is 6.0%.

** Corporate Ijarah I are to finance purchase of land and construction of a commercial building over it.

Changes in the Group liabilities arising from financing activities, which are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities are as follows:

	2023	2022
	AED'000	AED'000
Changes from financing cash flows related to borrowing		
Opening balance	**38,104**	120,304
Net payments from Ijarah I	**(11,250)**	(11,250)
Net proceeds/(payments)	**-**	(70,334)
Finance cost paid	**(2,719)**	(2,554)
	24,135	36,166
Other liability related changes		
Finance cost	**2,614**	1,938
Closing balance	**26,749**	38,104

27 Profit from financing and investing assets

	2023	2022
	AED'000	AED'000
Commodity murabaha	**2,863**	7,044
Ijarah	**493**	632
	3,356	7,676

28 Profit from Islamic deposits and wakalah placements

	2023	2022
	AED'000	AED'000
Profit from wakala placement	**3,619**	863
Profit from other Islamic deposit	**495**	666
	4,114	1,529

29 Revenue and cost of sales for IT Services

Revenue and cost of sales for IT services pertain to a subsidiary of MFI which is engaged in the business of Software Development and Implementation Services. During the year revenue earned from IT amounting to AED 19.1 million (2022: 21.2 million) and cost of sales is AED 1.07 million (2022: AED 2.38 million).

30 Unrealised gain/(loss) on revaluation of investment properties

	2023 AED'000	2022 AED'000
Unrealised gain/(loss) on revaluation of investment properties	**26,283**	(106,301)

31 Other income

	2023 AED'000	2022 AED'000
Rental income from investment properties	**8,839**	8,801
Other operating income	**3,345**	1,019
Dividend income	**1,611**	2,609
Consulting and fee income	**919**	1,686
Commission income and transfer charges	**432**	2,756
Gain from sale of properties and foreclosed assets – net	**-**	5,976
	15,146	22,847

32 General and administrative expenses

	2023 AED'000	2022 AED'000
Staff cost	**18,721**	19,911
Legal, consulting and professional charges	**9,805**	7,201
Finance and WPS related expenses	**3,204**	2,607
Property related expenses	**3,132**	3,222
Depreciation expense	**1,780**	371
Provision for properties acquired as debt settlement	**1,710**	1,813
Telephone expense	**683**	846
IT related expenses	**629**	846
Rental expense	**466**	399
Advertising and marketing expense	**260**	-
Other operating expenses	**4,962**	6,095
	45,352	43,311

33 Discontinued operations

In October 2022, the Board of Directors has decided and approved the plan to sell the below subsidiary, and this was classified as discontinued operations during the year ended 31 December 2022. As on year ended 31 December 2023 the subsidiary has been disposed of.

The results of discontinued operations is presented below.

Extracts from the statement of profit and loss:

	Mawarid Exchange AED'000
2022	
Net commission	3,336
Exchange gain on foreign currencies	1,950
Gross profit	5,286
Salaries and related costs	4,006
General and admin expenses	2,857
Depreciation	163
Net loss	(1,740)
Attributable to:	
Owners of the parent	(1,566)
Non-controlling interest (note 23)	(174)
Loss from discontinued operations	(1,740)

Extracts from the statement of financial position

	Mawarid Exchange AED'000
2022	
Property and equipment	246
Inventory	-
Trade and other receivables	4,635
Cash and bank balances	3,048
Total assets	7,929

	Mawarid Exchange AED'000
Trade and other payables	(1,551)
Employees end of service benefits	(358)
Total liabilities	(1,909)
Net assets	6,020

33 Discontinued operations (continued)

Assets included in subsidiaries classified held for sale

	2022 AED'000
Assets	7,017
Liabilities	(972)
Estimated transaction cost	(25)
	6,020

Extracts from the statement of cash flows

	Mawarid Exchange AED'000
2022	
Operating	(1,818)
Investing	(96)
Net change in cash and cash equivalents	(1,914)

34 Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24 (revised). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties, which in opinion of the management are not significantly different from those that could have been obtained from third parties.

Related party balances

Balances with related parties included in the consolidated statement of financial position are as follows:

2023	**Directors and key management AED'000**	**Other related parties AED'000**	**Total AED'000**
Assets			
Financing and investing assets	-	**100,823**	**100,823**
Liabilities			
Wakalah deposits	-	**11,060**	**11,060**
Other liabilities	-	**3,495**	**3,495**
	-	**14,555**	**14,555**
2022			
Assets			
Financing and investing assets	-	108,423	108,423
Liabilities			
Wakalah deposits	-	10,500	10,500
Other liabilities	-	3,176	3,176
	-	13,676	13,676

34 Related parties (continued)

None of the balances with related parties are classified under stage 3 as per IFRS 9. Hence, no specific provision has been recorded against these balances.

Related party transactions

2023	Directors and key management AED'000	Other related parties AED'000	Total AED'000
Income from financing and investing assets	-	**816**	**816**
Depositor's share of profit	-	**(215)**	**(215)**
	-	**601**	**601**
2022			
Income from financing and investing assets	-	2,650	2,650
Depositor's share of profit	-	(319)	(319)
	-	2,331	2,331

Compensation paid to key management personnel

	2023 AED'000	2022 AED'000
Short term benefits	**1,800**	1,170
Employees' end of service benefits	**88**	59
	1,888	1,229

35 Commitments and contingent liabilities

Commitments

The Group has no commitment as at 31 December 2023 (31 December 2022: AED nil).

Contingent liabilities

The Group has issued guarantees on behalf of some customers amounting to AED 221 million (31 December 2022: AED 255 million) out of which AED 152 million (31 December 2022: AED 168 million) is margin held by the Group.

The group has given a bank guarantee, issued by a local bank, mainly in favor of central bank of the UAE for an amount of AED 10 million (31 December 2022: AED 10 million).

36 Zakat

No Zakat was approved by the Group's Fatwa and Sharia Supervisory Board (FSSB) (2022: Nil). Shareholders are required to pay Zakat on their own account.

37 Corporate Tax

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

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

For the Group, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024. In accordance with IAS 12 income Taxes, the Group has assessed the deferred tax implications for the year ended 31 December 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not material.

38 Subsequent event

The Group holds an investment in Etisalat Misr S.A.E. carried at fair value through other comprehensive income (FVTOCI) as of the reporting date amounting to AED 40.9 million. Subsequent to year end, a significant devaluation of the Egyptian Pound (EGP) has occurred, resulting in an estimated decrease in the investment's value of AED 14.7 million.