

# SIRAJ FINANCE PJSC, ABU DHABI

## Notes to the financial statements for the year ended December 31, 2021

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### 1 General information

Siraj Finance PJSC (the “Company”) is a private joint stock company incorporated and registered in Abu Dhabi, United Arab Emirates (UAE). The Company is registered in accordance with the Federal Law No. (2) of 2015 (as amended) concerning Commercial Companies.

The UAE Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) which repealed the UAE Federal Law No. (2) of 2015 (as amended) was issued on 20 September 2021. The New Companies Law will come into effect on 2 January 2022. The Company is in the process of reviewing the new provisions and will comply the provision of the New Companies Law within 12 months from the effective date i.e. 2 January 2022. These financial statements for the year ended December 31, 2021 are prepared in compliance with the provisions of the UAE Federal Law No. 2 of 2015 (as amended).

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

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

These financial statements for the year ended December 31, 2021 were authorised for issue by the Board of Directors on March 31, 2022.

### 2 Definitions

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

#### **Murabaha**

A sale contract whereby the Company sells to a customer a physical asset, goods, or shares already owned and possessed (either physically or constructively) at a selling price that consists of the purchase cost plus a mark-up profit in exchange for allowing the buyer to pay over time.

#### **Ijara**

A lease contract whereby the Company (the Lessor) leases to a customer (the Lessee) a service or the usufruct of an owned or rented physical asset that either exists currently or to be constructed in future (forward lease) for a specific period of time at specific rental installments. The lease contract could be ended by transferring the ownership of a leased physical asset through an independent mode to the lessee.

#### **Mudaraba**

A contract whereby the Company provides the funds (Rab Al Mal) and the customer (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

#### **Salam (Bai Al Salam)**

A sale contract whereby the customer (seller) undertakes to deliver/supply a specified tangible asset to the Company (buyer) at mutually agreed future date(s) in exchange for an advance price fully paid on the spot by the Company.

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 2 Definitions (Continued)

##### Wakalah

A contract whereby the Company (the principal: the Muwakkil) appoints another party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakala for a fixed fee in addition to any profit exceeding the expected profit as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the Wakil; otherwise, they are borne by the principal.

#### 3 Application of new and revised Standards

##### a) New standards, interpretations and amendments adopted from January 1, 2021

The Company has adopted the following new standards and amendments in the annual financial statements for the year ended 31 December 2021 which have not had a significant effect on the Company:

- Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

##### b) New standards, interpretations and amendments not yet effective

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

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- COVID-19-Related Rent Concessions (Amendments to IFRS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021

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#### 3 Application of new and revised Standards (Continued)

##### Other standards

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

- IFRS 17 Insurance Contracts (effective January 1, 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to January 1, 2023.

#### 4 Significant accounting policies

##### Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

##### Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 4 Significant accounting policies (Continued)

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

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

The significant accounting policies adopted are as follows:

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

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

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

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

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

#### ***Capital work in progress***

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 4 Significant accounting policies (Continued)

##### *Financial instrument*

##### *Financial assets*

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

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

##### *Classification of financial assets*

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

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

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

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

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

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

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

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 4 Significant accounting policies (Continued)

##### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Classification of financial assets (Continued)*

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

##### *Amortised cost and effective interest method*

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

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

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

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

##### *Impairment of financial assets*

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

## SIRAJ FINANCE PJSC, ABU DHABI

Notes to the financial statements for the year ended December 31, 2021 (Continued)

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### 4 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

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

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

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

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

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

#### (i) Significant increase in credit risk

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

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

#### (ii) Definition of default

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 4 Significant accounting policies (Continued)

##### Financial instruments (Continued)

###### *Financial assets (Continued)*

###### *Impairment of financial assets (Continued)*

##### (iii) Credit-impaired financial assets

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

##### (iv) Write-off policy

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

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

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

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

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



## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 4 Significant accounting policies (Continued)

##### Financial instruments (Continued)

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

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

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

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

##### *Derecognition of financial assets*

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

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

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

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

##### *Equity instruments*

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

##### *Financial liabilities*

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

## SIRAJ FINANCE PJSC, ABU DHABI

Notes to the financial statements for the year ended December 31, 2021 (Continued)

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### 4 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

#### *Financial liabilities (Continued)*

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

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

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

#### *Derecognition of financial liabilities*

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

#### *Offsetting of financial instruments*

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

#### *Share Capital*

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

#### *Legal reserve*

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

## SIRAJ FINANCE PJSC, ABU DHABI

Notes to the financial statements for the year ended December 31, 2021 (Continued)

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### 4 Significant accounting policies (Continued)

#### *Provisions*

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

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

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

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

#### *Foreign currencies*

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

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

##### (b) Transactions and balances

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

#### *Revenue recognition*

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 4 Significant accounting policies (Continued)

##### *Revenue recognition (Continued)*

##### i) Profit from Islamic financing and Wakala deposits

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

##### ii) Fees and commission income

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

##### *Leases*

##### Identifying Leases

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

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

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

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

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

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

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

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 4 Significant accounting policies (Continued)

##### *Leases (Continued)*

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

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

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

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

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

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

##### *Value added tax*

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

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

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

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if, the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical accounting judgements***

The following are the critical judgements, apart from those involving estimations described below, that the management have made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognised in the financial statements.

***Significant increase in credit risk***

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

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

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

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

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

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 5 Critical accounting judgements and key sources of estimation uncertainty (Continued)

##### *Key sources of estimation uncertainty*

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

##### *Estimation of uncertainties relating to the global health pandemic from Coronavirus (COVID 19)*

In March 2020, the World Health Organization (WHO) declared a new strain, COVID19, as a pandemic outbreak after finding the increase in exposure and infections across the world. To contain the outbreak in the United Arab Emirates, the government has enforced restriction of movement for both people and goods including the closure of both inbound and outbound flights to and from the country. The outbreak comes with unpredictable human and economic consequences and its evolution remains unknown at the date of the issuance of the financial statements.

As the situation is rapidly evolving, the impact on the Company's activities and operations is extraordinarily uncertain, however, the Company has performed a COVID-19 assessment to determine whether there is significant concern towards the Company's operations, business continuity, liquidity and other legal obligation to external parties. The Company has not identified any negative impact in the assessment performed.

The Company has also considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of its furniture, fixtures and office equipment, Islamic financing assets and receivables. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information including delays in expected future cash flows as a result of delay in payments from customers and economic forecasts.

The Company has also considered the continuity of its operations without any disruptions by adherence to standard operating procedures. The Company has also performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered.

The Company will continue to revisit its assumptions and estimates depending on the situation and data availability to arrive with a better estimate of the COVID-19 impact. The impact of COVID-19 on the Company's financial statements may differ from that estimate as at the date of approval of these financial statements.

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

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

## SIRAJ FINANCE PJSC, ABU DHABI

Notes to the financial statements for the year ended December 31, 2021 (Continued)

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### 5 Critical accounting judgements and key sources of estimation uncertainty (Continued)

*Key sources of estimation uncertainty (Continued)*

*Impairment of furniture, fixtures and office equipment*

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

*Impairment loss on Islamic financing assets*

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

### 6 Cash and cash equivalents

	2021 AED	2020 AED
Cash in hand	196,411	187,663
Current account with banks	4,612,212	37,840,823
	<hr/>	<hr/>
Cash and cash equivalents	4,808,623	38,028,486
	<hr/> <hr/>	<hr/> <hr/>

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



## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

7 Islamic financing assets, net	2021 AED	2020 AED
SME Murabaha	462,534,536	464,364,166
Corporate Murabaha	1,263,614	1,381,446
Retail Murabaha	287,060	355,711
Retail Salam	1,537,151	2,272,033
	<u>465,622,361</u>	<u>468,373,356</u>
Less: Deferred profit on murabaha financing	(84,453,469)	(93,115,641)
	<u>381,168,892</u>	<u>375,257,715</u>
Allowance for impairment	(19,598,867)	(19,940,367)
	<u>361,570,025</u>	<u>355,317,348</u>

Movement in allowance for impairment for the year ended 31 December 2021 and 2020 were as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	AED	AED	AED	AED
At 1 January	249,414	4,954,666	14,736,287	19,940,367
(Reversal) charge for the year, net	14,852	332,589	(688,941)	(341,500)
	<u>264,266</u>	<u>5,287,255</u>	<u>14,047,346</u>	<u>19,598,867</u>
<b>At 31 December</b>	<u>264,266</u>	<u>5,287,255</u>	<u>14,047,346</u>	<u>19,598,867</u>
	2020			
	Stage 1	Stage 2	Stage 3	Total
	AED	AED	AED	AED
At 1 January	364,556	7,727,418	7,604,685	15,696,659
Charge for the year	(115,142)	(2,772,752)	7,131,602	4,243,708
	<u>249,414</u>	<u>4,954,666</u>	<u>14,736,287</u>	<u>19,940,367</u>
<b>At 31 December</b>	<u>249,414</u>	<u>4,954,666</u>	<u>14,736,287</u>	<u>19,940,367</u>

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

#### 7 Islamic financing assets, net (Continued)

Below is the breakdown of the Company's exposure by credit quality as of 31 December 2021 and 2020:

	2021			2020		
	Corporate and SME	Retail	Total	Corporate and SME	Retail	Total
	AED	AED	AED	AED	AED	AED
<b>Stage 3:</b>						
Substandard	40,849,259	311,978	41,161,237	40,862,363	-	40,862,363
Doubtful	4,840,794	45,689	4,886,483	-	-	-
Loss	-	18,960	18,960	-	-	-
Allowance for impairment	-	-	(14,047,346)	-	-	(14,736,287)
Carrying amount	45,690,053	376,627	32,019,334	40,862,363	-	26,126,076
<b>Stage 2:</b>						
Less than 60 days	22,111,258	-	22,111,258	22,013,105	426,490	22,439,595
Less than 90 days	-	-	-	13,660	1,881	15,541
Allowance for impairment	-	-	(5,287,255)	-	-	(4,954,666)
Carrying amount	22,111,258	-	16,824,003	22,026,765	428,371	17,500,470
<b>Stage 1:</b>						
Allowance for impairment	311,589,518	1,401,436	312,990,954	309,756,930	2,183,286	311,940,216
	-	-	(264,266)	-	-	(249,414)
Carrying amount	311,589,518	1,401,436	312,726,688	309,756,930	2,183,286	311,690,802
Total outstanding	379,390,829	1,778,063	381,168,892	372,646,058	2,611,657	375,257,715
Total allowance for impairment	-	-	(19,598,867)	-	-	(19,940,367)
<b>Total carrying amount</b>	<b>379,390,829</b>	<b>1,778,063</b>	<b>361,570,025</b>	<b>372,646,058</b>	<b>2,611,657</b>	<b>355,317,348</b>

All Islamic financing assets are in the United Arab Emirates.

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

#### 7 Islamic financing assets, net (Continued)

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

	2021 AED	2020 AED
<b>Industry sector</b>		
Services	93,786,898	116,626,804
Trade	60,376,219	66,168,601
Professional, scientific and technical	88,634,193	57,475,890
Construction and real estate	78,689,073	56,394,927
Transport, storage and communication	36,893,858	38,270,619
Manufacturing	18,540,219	23,060,206
Electricity, gas and water	281,525	12,677,148
Individuals	1,777,230	2,569,172
Financial and insurance activities	2,189,677	2,014,348
	<u>381,168,892</u>	<u>375,257,715</u>
<b>Total outstanding amount</b>	<u><u>381,168,892</u></u>	<u><u>375,257,715</u></u>

#### 8 Deposits, prepayments and other receivables

	2021 AED	2020 AED
Advances and other receivables	7,729,236	3,490,584
Prepayments	2,750,419	7,160,288
Other receivables (note 8.1)	16,098,958	10,236,794
Processing fee and commission receivable	14,317	14,318
	<u>26,592,930</u>	<u>20,901,984</u>
Allowance for impairment	(4,718,808)	(1,310,210)
	<u><u>21,874,122</u></u>	<u><u>19,591,774</u></u>

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

## SIRAJ FINANCE PJSC, ABU DHABI

Notes to the financial statements for the year ended December 31, 2021 (Continued)

### 9 Furniture, fixtures and office equipment

	Furniture and fixtures	Office equipment	Vehicles	Computer software and hardware	Capital Work in Progress	Total
	AED	AED	AED	AED	AED	AED
<b>Cost</b>						
At 1 January 2020	1,114,438	396,171	136,190	961,396	533,333	3,141,528
Additions	5,943	28,106	-	215,597	1,966,004	2,215,650
At 31 December 2020	1,120,381	424,277	136,190	1,176,993	2,499,337	5,357,178
Additions	58,125	111,539	-	282,596	1,102,763	1,555,023
Transfers	2,965,907	-	-	-	(2,965,907)	-
Disposals	-	-	(39,048)	-	-	(39,048)
<b>At 31 December 2021</b>	<b>4,144,413</b>	<b>535,816</b>	<b>97,142</b>	<b>1,459,589</b>	<b>636,193</b>	<b>6,873,153</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	312,608	188,253	17,333	678,367	-	1,196,561
Charge for the year	160,003	91,088	27,238	179,868	-	458,197
At 31 December 2020	472,611	279,341	44,571	858,234	-	1,654,758
Charge for the year	378,164	108,978	25,286	178,184	-	690,612
Disposals	-	-	(18,873)	-	-	(18,873)
<b>At 31 December 2021</b>	<b>850,776</b>	<b>388,319</b>	<b>50,984</b>	<b>1,036,419</b>	<b>-</b>	<b>2,326,499</b>
<b>Net carrying amount</b>						
<b>At 31 December 2021</b>	<b>3,293,637</b>	<b>147,497</b>	<b>46,158</b>	<b>423,170</b>	<b>636,190</b>	<b>4,546,654</b>
At 31 December 2020	647,770	144,936	91,619	318,759	2,499,337	3,702,420

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

#### 10 Depositors' accounts

	2021 AED	2020 AED
Margin accounts	148,744,817	202,508,692
Current accounts	11,751,844	9,494,649
Wakala deposits	16,162,177	15,866,931
	<u>176,658,838</u>	<u>227,870,272</u>
<b>Industry sector</b>		
Corporates	3,272,840	7,819,978
Small and medium enterprises	173,385,998	220,050,294
	<u>176,658,838</u>	<u>227,870,272</u>

All depositors' accounts are in the United Arab Emirates.

The profit rates on wakala deposits ranges from 1.00% to 4.00% (2020: 1.00% to 4.00%).

#### 11 Trade payables and other liabilities

	2021 AED	2020 AED
Trade accounts payable	25,613,360	14,618,709
Provisions	5,304,371	5,304,371
Accrued expenses and other payables	1,792,830	1,415,843
Profit payable on wakala deposits	140,381	218,570
VAT payable, net	802,881	666,806
	<u>33,653,823</u>	<u>22,224,299</u>

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

#### 12 Employees' end of service benefits

	2021 AED	2020 AED
At 1 January	533,982	286,550
Charge for the year	366,893	250,654
Payments during the year	(15,871)	(3,222)
	<u>885,004</u>	<u>533,982</u>
<b>At 31 December</b>		

#### 13 Share capital

	2021 AED	2020 AED
<b>Authorised and paid-up share capital:</b>		
156,500,000 shares (2020: 156,500,000 shares) of AED 1 each	<u>156,500,000</u>	<u>156,500,000</u>

In 2020, the shareholders injected additional capital amounting to AED 30 million in order to meet the capital requirements of the Company.

#### 14 Legal reserve

As required by the UAE Law No. (2) of 2015 (as amended) and the Company's Articles of Association, 10% of the Company's profit for the year is required to be transferred to a statutory reserve. The reserve is not available for distribution to the shareholders. Transfers to statutory reserves are required to be made until such time as it equals at least 50% of the paid-up share capital of the Company.

#### 15 Related parties

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

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

#### 15 Related parties (Continued)

	Shareholders and related Parties AED	Directors and key management AED	2021 Total AED	Shareholders and related Parties AED	Directors and key management AED	2020 Total AED
<i>Related party balances</i>						
Islamic financing assets	7,245,327	-	7,245,327	12,194,336	-	12,194,336
Processing fee and commission receivables	13,610	-	13,610	13,610	-	13,610
Other receivable	5,107,058	-	5,107,058	260,977	-	260,977
Depositors' accounts	351,565	-	351,565	2,591,151	24,932	2,616,083
Other trade payables	34,187	-	34,187	21,399	-	21,399
<i>Significant transactions with related parties:</i>						
Income from Islamic financing	1,262,064	-	1,262,064	744,458	2,682	747,140
Distribution to depositors	(5,455)	-	(5,455)	(5,468)	-	(5,468)
<i>Remuneration to key management personnel</i>						
Short term employment benefits	-	1,890,000	1,890,000	-	2,566,945	2,566,945
Post-employment benefits	-	204,400	204,400	-	112,933	112,933
Board members' employment benefits	-	4,247,083	4,247,083	-	2,247,916	2,247,916

Commitments and contingencies as 31 December 2021 amounting to AED 312,375 was issued on behalf of related parties (2020: AED 339,375).

#### 16 Income from Islamic financing

	2021 AED	2020 AED
Income from SME Murabaha	34,108,900	38,552,873
Income from Corporate Murabaha	136,604	214,149
Income from Retail Murabaha	12,422	3,864
Income from Salam Finance	153,599	310,772
	<u>34,411,525</u>	<u>39,081,658</u>

16.1 Murabaha income is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding. Profit rates earned on Murabaha financing facilities during the year ranged from 2.5% to 18% (2020: 4.0% to 18%) per annum.

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

#### 17 Administrative expenses

	2021 AED	2020 AED
Staff cost	28,115,130	19,206,977
Sales commission	2,225,459	2,876,862
Allowance for legal settlement	-	5,304,371
Legal and professional fees	2,265,686	3,105,038
Subscriptions	489,885	-
Depreciation (note 9)	690,612	458,197
Rent expense	-	603,309
Sharia fees	362,843	363,827
Utilities	444,458	298,871
Advertisement and business promotion	314,691	299,357
Travelling	236,534	242,100
Other	1,056,148	992,977
	<u>36,201,446</u>	<u>33,751,886</u>

#### 18 Commitments and contingencies

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

	2021 AED	2020 AED
Labor guarantees	109,042,707	163,744,886
Performance bonds	140,565,851	132,450,760
Advance payment guarantees	82,997,322	108,191,766
Bid/tender bonds	31,779,001	62,693,718
Financial guarantees	38,245,995	26,364,849
Letter of credit	25,621,834	36,084,238
	<u>428,252,710</u>	<u>529,530,217</u>

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



## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 19 Risk management

##### **Financial risk management objectives**

Management has not formalized the risk management policies of the Company. However, management monitors exposures, based on the degree and magnitude of risks, on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative or risk management purposes. The Company's exposure to financial risks is described below.

##### **Market risk management**

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

##### *Foreign currency risk*

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

##### *Profit rate risk*

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

The sensitivity of the statement of profit or loss and other comprehensive income is the effect of the assumed changes in profit rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2021.

There is no impact on the Company's equity.

##### **Credit risk management**

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

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

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

# SIRAJ FINANCE PJSC, ABU DHABI

## Notes to the financial statements for the year ended December 31, 2021 (Continued)

### 19 Risk management (Continued)

#### Liquidity risk management

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

The maturity profile of financial assets and liabilities is monitored by management to ensure adequate liquidity is maintained. The table below summaries the maturity profile of financial assets and liabilities as at 31 December 2021 and 31 December 2020 based on contractual maturities.

2021	less than 3 months AED	3 months to 1 year AED	1 year to 5 years AED	over 5 years AED	Total AED
<b>Financial Assets</b>					
Islamic financing Deposits and other receivables	64,592,276	105,242,756	190,222,337	1,512,656	361,570,025
	4,053,352	17,442,324	278,042	100,403	21,874,121
Bank balances and cash	4,808,623	-	-	-	4,808,623
	<u>73,454,251</u>	<u>122,685,080</u>	<u>190,500,379</u>	<u>1,613,059</u>	<u>388,252,769</u>
<b>Financial Liabilities</b>					
Depositors' accounts	163,943,130	7,153,065	5,562,643	-	176,658,838
Accounts payable and other liabilities	33,653,823	-	-	-	33,653,823
	<u>197,596,953</u>	<u>7,153,065</u>	<u>5,562,643</u>	<u>-</u>	<u>210,312,661</u>
2020	less than 3 months AED	3 months to 1 year AED	1 year to 5 years AED	over 5 years AED	Total AED
<b>Financial Assets</b>					
Islamic financing Deposits and other receivables	61,129,597	94,650,446	196,115,141	3,422,144	355,317,348
	5,848,703	13,204,388	438,280	100,403	19,591,774
Bank balances and cash	38,028,486	-	-	-	38,028,486
	<u>105,006,786</u>	<u>107,854,854</u>	<u>196,553,421</u>	<u>3,522,547</u>	<u>412,937,608</u>
<b>Financial Liabilities</b>					
Depositor's accounts	218,276,639	9,526,947	66,686	-	227,870,272
Accounts payable and other liabilities	22,154,834	65,230	4,235	-	22,224,299
	<u>240,431,473</u>	<u>9,592,177</u>	<u>70,921</u>	<u>-</u>	<u>250,094,571</u>

## SIRAJ FINANCE PJSC, ABU DHABI

### Notes to the financial statements for the year ended December 31, 2021 (Continued)

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#### 19 Risk management (Continued)

##### Capital risk management

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020. Capital comprises share capital, legal reserve and retained earnings.

#### 20 Capital adequacy

The Company is licensed and regulated by the Central Bank of UAE. The Company's capital adequacy ratio as at 31 December 2021 is 31.90% (2020: 27.18%) which is in line with the Company's policy of maintaining a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

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

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

	2021 AED	2020 AED
Total capital base	<u>181,601,759</u>	<u>166,011,475</u>
Total risk-weighted assets	<u>574,403,803</u>	<u>610,797,407</u>
Capital adequacy (total capital base/total risk-weighted assets)	<u>31.62%</u>	<u>27.18%</u>

#### 21 Fair value of financial instruments

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

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

#### 22 Comparative figures

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