

**Deem Finance LLC**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

## DIRECTORS' REPORT

Dear Shareholders

The Directors present their report to the shareholders together with the audited Financial statements of Deem Finance LLC (the "Company") for the year ended 31 December 2020 and the financial position of the Company as at 31 December 2020.

### Background

The Company, also known as "Deem", was formally established on 7<sup>th</sup> July 2008 as a limited liability Company registered in UAE, having its registered office in Abu Dhabi. Deem is a Finance company regulated by the Central Bank of the U.A.E. and a provider of financial solutions including personal loans, credit cards, guarantees and deposits to its customers in the U.A.E. The Company predominantly serves the salaried mass market and mass affluent segments in the UAE and has grown the loan book from 2009 to 2017. The performance of the Company has come under pressure with increasing loan losses since 2016 due to the prevailing macro environment. Hence, the Company has prudently reduced its loan book from 2018 to 2020.

### Directors

The directors of the Company in office at the date of this report are as follows:

1. Mr. Saed Arar, Chairman
2. Mr. Hazem Saeed Ali Yousef Alnowais, Director
3. Mr. Yeo Hong Ping, Director
4. Mr. Anindo Mukherjee, Director
5. Dr. Ahmed Khalil Al Mutawa, Independent Director
6. Mr. Shahli Akram Juma Abdulrahim Hjazl, Independent Director

### Share capital

The authorized, issued and paid up share capital of the Company is 8,895,830 shares (2019: 8,895,830 shares) of AED 100 each (2019: AED 100 each), amounting to AED 889,583,000 (2019: AED 889,583,000).

### Financial Performance

The Company's financial performance on key financial metrics are provided below:

- Net Interest Income of AED 110.7 million
- The net customer receivables were at AED 627 million as of 31 December 2020 (2019: AED 956 million)
- Customer Deposits were at AED 780 million as at 31<sup>st</sup> December 2020, compared to AED 953 million as at 31<sup>st</sup> December 2019. Customer deposits comprise a mix of deposits pledged for the issue of guarantees, interbank sources, regular time deposits and deposits without pre-termination ability.
- Liquidity position comprised bank placements & cash equivalents of AED 207 million (2019: AED 355 million).

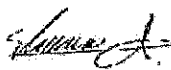
### Auditor

The financial statements have been audited by Ernst & Young. A resolution to reappoint Ernst & Young as auditors for the ensuing year will be put to the members of the Annual General Meeting.

### Acknowledgement

The Directors wish to specially recognize the co-operation extended by every employee of the Company and thank them for their ongoing contribution. The Directors are also thankful for the wholehearted support received from its customers, the Central Bank of the UAE, various Ministries of the UAE Government, the Company's bankers and Deem's shareholders.

On behalf of the Board,



Saed Arar  
Chairman of the Board of Directors



Ernst & Young Middle East  
(Abu Dhabi Branch)  
P.O. Box 136  
27<sup>th</sup> Floor, Nation Tower 2  
Abu Dhabi Corniche  
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400  
Fax: +971 2 627 3383  
abudhabi@ae.ey.com  
ey.com

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DEEM FINANCE LLC

### Report on the Audit of the Financial statements

#### *Opinion*

We have audited the financial statements of Deem Finance LLC (the "Company") which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### *Basis for opinion*

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

#### *Material uncertainty related to going concern*

We draw attention to note 2.1 to the accompanying financial statements which indicates that the Company has incurred a net loss of AED 217,020 thousand during the year ended 31 December 2020, and as of that date its accumulated losses amounted to AED 1,053,601 thousand which exceeds its share capital. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, the financial statements have been prepared on a going concern basis as, subsequent to the year end, the Shareholders of the Company entered into a Share Sale and Purchase ("SPA") agreement with a third party buyer (the "Purchaser") for the sale of the Company. The terms of the SPA stipulate that both the Shareholders and the Purchaser are to inject additional capital amounting to AED 263 million to support the operations of the Company on a going forward basis, subject to receipt of regulatory approvals. Our report is not qualified in respect of this matter.

#### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and in compliance with the applicable provisions of the Company's Memorandum of Association and UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Emphasis of matter*

We draw attention to note 4 to the financial statements which describes that the Company's regulatory capital at 31 December 2020 was below the minimum capital requirements as prescribed by the Central Bank of the UAE ("CBUAE"). Subsequent to the year end, the Shareholders of the Company entered into an SPA agreement with the Purchaser for the sale of the Company. The terms of the SPA stipulate that both the Shareholders and the Purchaser are to inject additional capital amounting to AED 263 million to support the operations of the Company on a going forward basis, subject to receipt of regulatory approvals. The capital injection is expected to resolve the regulatory capital breach which existed as of 31 December 2020. Our opinion is not qualified in respect of this matter.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
DEEM FINANCE LLC continued**

**Report on the Audit of the Financial statements continued**

*Responsibilities of management and those charged with governance for the financial statements continued*

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

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

*Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
DEEM FINANCE LLC continued**

**Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (2) of 2015;
- iv) the financial information included in the Director's report is consistent with the books of account and records of the Company;
- v) based on the information that has been made available to us, the Company has neither purchased nor invested in any shares or stocks during the financial year ended 31 December 2020;
- vi) note 12 reflects the disclosures relating to related parties and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2020; and
- viii) there were no social contributions made by the Company during the year ended 31 December 2020.

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.



Signed by  
Raed Ahmad  
Partner  
Ernst & Young  
Registration No 811

15 June 2021  
Abu Dhabi

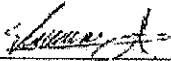
Deem Finance LLC

STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 AED'000	2019 AED'000
<b>ASSETS</b>			
Cash and bank balances	5	207,346	354,823
Loans and advances, net	6	627,267	955,640
Property and equipment	7	7,869	8,621
Intangible assets	8	13,499	15,565
Right of use asset	9	3,002	5,241
Other assets	10	6,332	11,902
Due from related parties	12	-	7,305
<b>TOTAL ASSETS</b>		<b><u>865,315</u></b>	<b><u>1,359,097</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Customers' deposits	11	779,623	952,669
Due to related parties	12	2,948	-
Borrowings	13	-	91,667
Provision for employees' end of service benefits	14	3,602	3,438
Lease liabilities	9	2,719	4,848
Other liabilities	15	30,146	43,178
<b>Total liabilities</b>		<b><u>819,038</u></b>	<b><u>1,095,800</u></b>
<b>Equity</b>			
Share capital	16	889,583	889,583
Share premium		35,544	35,544
Statutory reserve	18	69,004	69,004
Specific reserve	19	105,747	97,017
Accumulated losses		(1,053,601)	(827,851)
<b>Total equity</b>		<b><u>46,277</u></b>	<b><u>263,297</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>865,315</u></b>	<b><u>1,359,097</u></b>

These financial statements were approved by the Board of Directors on 15<sup>th</sup> June 2021 and were signed on its behalf by:

  
 Saed Arar  
 Chairman



  
 Jayasheel Bhansali  
 Interim Chief Executive Officer  
 Chief Financial Officer

The attached notes 1 to 25 form part of these financial statements.

Deem Finance LLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Interest income	20	153,475	271,897
Interest expense	20	<u>(42,802)</u>	<u>(60,983)</u>
<b>Net interest income</b>		<b>110,673</b>	<b>210,914</b>
Fees and commission income, net		<u>64,638</u>	<u>98,535</u>
<b>Operating income</b>		<b>175,311</b>	<b>309,449</b>
Impairment charges, net	21	<b>(225,778)</b>	<b>(253,643)</b>
General and administrative expenses	22	<b>(155,831)</b>	<b>(173,803)</b>
Amortisation and depreciation	7, 8 & 9	<u>(10,722)</u>	<u>(7,581)</u>
<b>NET LOSS FOR THE YEAR</b>		<b>(217,020)</b>	<b>(125,578)</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(217,020)</b>	<b>(125,578)</b>

The attached notes 1 to 25 form part of these financial statements.