

Deem Finance LLC

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2021

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 2021 and the financial position of the Company as at 31 December 2021.

Background

The Company, also known as "Deem", was formally established on 7th 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 2021.

Directors

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

1. Mr. Shehab Gargash, Chairman
2. Mr. Ahmed Khizer Khan, Director
3. Mr. Gaurav Dhar, Independent Director
4. Dr. Mohammad Salim Ahmad AlShaikh AlOlama, Independent Director
5. Mr. Samir Gargash, Independent Director

Share capital

The authorized, issued and paid up share capital of the Company is 10,395,830 shares (2020: 8,895,830 shares) of AED 100 each (2020: AED 100 each), amounting to AED 1,039,583,000 (2020: AED 889,583,000).

Financial Performance

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

- Net Interest Income of AED 15.5 million
- The net customer receivables were at AED 519.5 million as of 31 December 2021 (2020: AED 627 million)
- Customer Deposits were at AED 641 million as at 31 December 2021, compared to AED 780 million as at 31 December 2020. 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 and cash equivalents of AED 240 million (2020: AED 207 million).

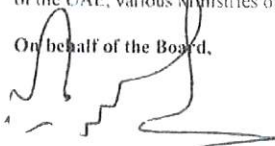
Auditor

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,



Shehab Gargash
Chairman of the Board of Directors



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER 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 2021, 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 2021 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 Codes 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 133,910 thousand during the year ended 31 December 2021, and as of that date its accumulated losses amounted to AED 1,192,874 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, and in accordance with a Sale and Purchase Agreement entered into between former shareholders and the Parent of the Company, additional capital of AED 62.4 million was injected by the former shareholders of the Company to support the operations of the Company. 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 (as amended), 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.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER 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.



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF DEEM FINANCE LLC continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- 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 (as amended);
- 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 2021;
- 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 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2021; and
- viii) there were no social contributions made by the Company during the year ended 31 December 2021.

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

14 April 2022
Abu Dhabi

Deem Finance LLC

STATEMENT OF FINANCIAL POSITION

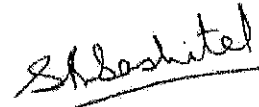
At 31 December 2021

	Note	2021 AED'000	2020 AED'000
ASSETS			
Cash and bank balances	5	240,317	207,346
Loans and advances, net	6	519,505	627,267
Amount due from a related party	12	150,000	-
Property and equipment	7	3,591	7,869
Intangible assets	8	8,530	13,499
Right of use assets	9	1,277	3,002
Other assets	10	4,655	6,332
TOTAL ASSETS		927,875	865,315
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	11	641,124	779,623
Amount due to a related party	12	10,990	2,948
Borrowings	13	72,144	-
Provision for employees' end of service benefits	14	4,057	3,602
Lease liabilities	9	918	2,719
Other liabilities	15	34,127	30,146
Total liabilities		763,360	819,038
Equity			
Share capital	16	1,039,583	889,583
Share premium		35,544	35,544
Advance against share capital	16	113,000	-
Statutory reserve	18	69,004	69,004
Specific reserve	19	100,258	105,747
Accumulated losses		(1,192,874)	(1,053,601)
Total equity		164,515	46,277
TOTAL LIABILITIES AND EQUITY		927,875	865,315

These financial statements were approved by the Board of Directors on _____ and were signed on its behalf by:



Shehab Gargash
Chairman



Shyam Sashital
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 2021

	<i>Notes</i>	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Interest income	20	52,038	153,475
Interest expense	20	(36,497)	(42,802)
Net interest income		15,541	110,673
Fees and commission income, net		<u>43,776</u>	<u>64,638</u>
Operating income		59,317	175,311
Impairment charges, net	21	(45,446)	(225,778)
General and administrative expenses	22	(140,742)	(155,831)
Other income	13	2,856	-
Amortisation and depreciation	7, 8 & 9	<u>(9,895)</u>	<u>(10,722)</u>
NET LOSS FOR THE YEAR		(133,910)	(217,020)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(133,910)	(217,020)

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