

Deem Finance LLC

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2022



DIRECTORS' REPORT

Dear Shareholder

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 2022 and the financial position of the Company as at 31 December 2022.

Background

The Company, also known as "Deem", was formally established on 7th July 2008 as a limited liability Company registered in the UAE. Deem is a Finance Company regulated by the Central Bank of the U.A.E and is part of the UAE based conglomerate, Gargash Group. With fifteen years of presence in the UAE market, Deem has attracted a broad customer base of more than 60,000 through its range of innovative financial solutions. The company provides a full-function product range to individuals and groups, comprising of Credit Cards, Personal loans and Auto-financing to individuals and Term deposits, Loans against Deposits, Guarantees and Merchant financing to businesses. The performance of the company has seen an improvement in 2022, on the back of a renewed strategy to regularize the business.

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 (resigned 20th March 2023)
6. Mr. Hussain Ahmad Dhaen Alqemzi, Independent Director (appointed 20th March 2023)

Share capital

The authorized, issued and paid up share capital of the Company is 12,149,755 shares (2021: 10,395,830 shares) of AED 100 each (2021: AED 100 each), amounting to AED 1,214,975,500 (2021: AED 1,039,583,000).

Financial Performance

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

- Operating Income of AED 80.4 million (2021: AED 59.3 million)
- Operating Expenditure of AED 117.2 million (2021: AED 150.6 million)
- Loss for the year has improved to AED 89.6 million in 2022 from AED 133.9 million in 2021.
- The net customer receivables were at AED 673 million as of 31 December 2022 (2021: AED 519.5 million).
- Customer Deposits were at AED 566.9 million as at 31 December 2022, compared to AED 641.1 million as at 31 December 2021. Customer deposits comprise a mix of high-yield corporate deposits, regular term deposits and deposits pledged for the issuance of guarantees.
- Liquidity position comprised of bank placements and cash equivalents of AED 93.3 million (2021: AED 240.3 million).

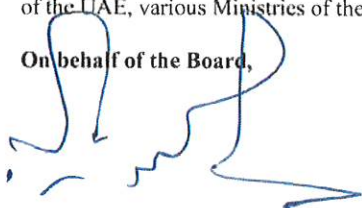
Auditor

The financial statements have been audited by Ernst & Young Middle East – Abu Dhabi Branch. 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

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 2022, 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 2022 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.

Emphasis of matter - 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 89,550 thousand during the year ended 31 December 2022, and as of that date its accumulated losses amounted to AED 1,240,552 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, additional capital of AED 50 million will be injected by the Parent in two tranches i.e. April 2023 and June 2023 to support the operations of the Company and to meet the shortfall in accordance with the Company's business plan as approved by the Central Bank of UAE. Our report is not qualified in respect of this matter.

Other information

Other information consists of the information included in the report of the board of directors, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Responsibilities of 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. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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. (32) of 2021, we report that for the year ended 31 December 2022:

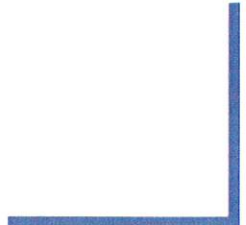
- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (32) of 2021;
- 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 2022;
- vi) note 13 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 2022, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- viii) there were no social contributions made by the Company during the year ended 31 December 2022.

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
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No 532

27 March 2023
Abu Dhabi



Deem Finance LLC

STATEMENT OF FINANCIAL POSITION

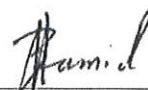
At 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Cash and bank balances	5	93,308	240,317
Loans and advances, net	6	673,046	519,505
Amount due from a related party	13	-	150,000
Financial assets at fair value through OCI	7	106,545	-
Property and equipment	8	909	3,591
Intangible assets	9	5,571	8,530
Right of use assets	10	-	1,277
Other assets	11	5,674	4,655
TOTAL ASSETS		885,053	927,875
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	12	566,885	641,124
Amount due to related parties	13	52,664	10,990
Borrowings	14	64,434	72,144
Provision for employees' end of service benefits	15	2,756	4,057
Lease liabilities	10	-	918
Other liabilities	16	47,289	34,127
Total liabilities		734,028	763,360
Equity			
Share capital	17	1,214,976	1,039,583
Share premium		35,544	35,544
Advance against share capital	17	25,000	113,000
Statutory reserve	19	69,004	69,004
Fair value reserve of financial assets at FVOCI	7	(11,333)	-
Specific reserve	20	58,386	100,258
Accumulated losses		(1,240,552)	(1,192,874)
Total equity		151,025	164,515
TOTAL LIABILITIES AND EQUITY		885,053	927,875

These financial statements were approved by the Board of Directors on 20 March 2023 and were signed on its behalf by:



Shehab Gargash
Chairman



Zulfiqar Hamid
Interim Chief Executive Officer

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Interest income	21	60,083	52,038
Interest expense	21	<u>(31,406)</u>	<u>(36,497)</u>
Net interest income		28,677	15,541
Fees and commission income, net		<u>51,742</u>	<u>43,776</u>
Operating income		80,419	59,317
Impairment charges, net	22	(60,373)	(45,446)
General and administrative expenses	23	(109,719)	(140,742)
Other income	14	7,710	2,856
Amortisation and depreciation	8, 9 & 10	<u>(7,587)</u>	<u>(9,895)</u>
Loss for the year		(89,550)	(133,910)
Other comprehensive loss			
Fair value loss on financial assets held at fair value through OCI	7	<u>(11,333)</u>	<u>-</u>
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(100,883)	(133,910)

The attached notes 1 to 26 form part of these financial statements.