Al Futtaim Finance PV JSC

Directors' report and financial statements for the year ended 31 December 2021

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Al-Futtaim Finance PV JSC
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commercial registration 615137
paid up capital AED 150,000,000
TRN 100067059400003

Directors' report on the financial results for the year ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Principal activities

Al Futtaim Finance PV JSC (the "Company") is a private joint stock company governed under UAE Federal Law No. (2) of 2015, as amended. The Company is licensed by the UAE Central Bank as a finance company and has structured its activities to be in compliance with the new regulation (Circular No: 112/2018) issued on 24 April 2018 by the Central Bank of UAE. The Company is primarily engaged in consumer finance and other related ancillary products and services including distribution of third party products.

During the year ended 31 December 2021, the Company launched its new business of Automotive Lending to Corporate and SME customers.

Results

Gross operating income of the Company for the year is AED 132.73 million (2020: AED 92.76 million).

As at 31 December 2021, the Company's lending portfolio stands at AED 75.9 million with 1,443 total number of loans (2020: AED 7.1 million with 847 total number of loans).

The net result for the year 2021 was a profit of AED 46.79 million (2020: AED 32.36 million).

Auditors

A resolution proposing to reappoint PricewaterhouseCoopers (Dubai Branch) as auditors for the year ending 31 December 2022 will be put to the members at the Annual General Meeting.

For and on behalf of the Board of Directors

Omar Abdulla Al Futtaim
Chairman
Al Futtaim Finance PV JSC

Date: 29 March 2022
Dubai

Independent auditor's report to the shareholders of Al Futtaim Finance PV JSC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Futtaim Finance PV JSC (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.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

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 identified above 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.

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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report to the shareholders of Al Futtaim Finance PV JSC (continued)

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 International Financial Reporting Standards, and their preparation in compliance with the applicable provisions of the 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.

In preparing the financial statements, the 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 intend to liquidate the Company or to cease operations, or have 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 judgement and maintain professional scepticism 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 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.

Independent auditor's report to the shareholders of Al Futtaim Finance PV JSC (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, as amended, we report that:

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

ii. the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended;

iii. the Company has maintained proper books of account;

iv. the financial information included in the Director's report is consistent with the books of account of the Company;

v. as disclosed in Note 1 to the financial statements, the Company has not purchased or invested in any shares during the year ended 31 December 2021;

vi. note 17 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

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 year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 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.

PricewaterhouseCoopers

29 March 2022

Murad Alnsour
Registered Auditor Number 1301
Place: Dubai, United Arab Emirates

Al Futtaim Finance PV JSC

Statement of financial position

	Note	As at 31 December	
		2021	2020
		AED'000	AED'000
ASSETS			
Bank balances	8	216,065	233,081
Other assets	10	5,256	13,797
Due from related parties	17	22,305	15,851
Loans to customers	9	72,726	5,682
Property and equipment	11	191	319
Intangible assets	12	8,949	11,705
Total assets		**325,492**	**280,435**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	150,000	150,000
Statutory reserve	16	26,706	22,027
Retained earnings		130,229	88,116
Total equity		**306,935**	**260,143**
LIABILITIES			
Due to related parties	17	3,614	2,976
Provision for employees' end of service benefits	14	6,343	7,442
Other liabilities	13	8,600	9,874
Total liabilities		**18,557**	**20,292**
Total equity and liabilities		**325,492**	**280,435**

These financial statements were authorised for issue on 29th March 2022 on behalf of the Board of Directors by:

Omar Abdulla Al Futtaim
Chairman
Al Futtaim Finance PV JSC

Jeremy Thomas Paul Willis
Director
Al Futtaim Finance PV JSC

Alexander Maas
Managing Director
Al Futtaim Finance PV JSC

Varun Gupta
CFO
Al Futtaim Finance PV JSC

Al Futtaim Finance PV JSC

Statement of comprehensive income

	Note	Year ended 31 December 2021 AED'000	2020 AED'000
Commission income	5	127,319	87,372
Interest income on loans to customers		3,868	1,360
Other income – net	6	1,546	4,029
Operating income		**132,733**	**92,761**
Personnel costs	7a	(42,050)	(37,059)
Commission expenses	17	(33,515)	(22,478)
Impairment loss on financial assets	9	(1,615)	(495)
Rental expenses – short term leases	17	(966)	(963)
Depreciation and amortisation	11,12	(3,070)	(278)
Other expenses	7b	(4,725)	(2,240)
Operating expenses		**(85,941)**	**(63,513)**
Profit from continuing operations		46,792	29,248
Profit from discontinued operation	22	-	3,112
Profit for the year		**46,792**	**32,360**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**46,792**	**32,360**

Al Futtaim Finance PV JSC

Statement of changes in equity

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2020	125,000	18,791	83,992	227,783
Issue of ordinary shares through stock dividend (Note 15)	25,000	-	(25,000)	-
Total comprehensive income for the year	-	-	32,360	32,360
Transfer to statutory reserve (Note 16)	-	3,236	(3,236)	-
Balance at 31 December 2020	150,000	22,027	88,116	260,143
Total comprehensive income for the year	-	-	46,792	46,792
Transfer to statutory reserve (Note 16)	-	4,679	(4,679)	-
Balance at 31 December 2021	150,000	26,706	130,229	306,935

Al Futtaim Finance PV JSC

Statement of cash flows

	Note	Year ended 31 December 2021 AED'000	2020 AED'000
Cash flows from operating activities			
Profit for the year		46,792	32,360
Adjustments for:			
Depreciation and amortisation	11,12	3,070	278
Net impairment losses /(reversal of impairment losses) on financial assets	9,10	1,615	(1,109)
Interest income on deposits	6	(1,048)	(3,954)
Operating profit before changes in operating assets and liabilities		50,429	27,575
Other assets		6,858	4,811
Due from related parties		(6,454)	(4,470)
Loans to customers		(68,660)	3,499
Due to related parties		638	(846)
Provision for employees' end of service benefits		(1,099)	124
Other liabilities		(1,273)	(5,892)
Net cash (used in)/generated from operating activities		(19,561)	24,801
Cash flows from investing activities			
Purchase of property and equipment	11	(12)	(77)
Purchase of intangible assets	12	(174)	(10,002)
Net movement in term deposits	8	193,079	(28,079)
Interest income received		2,731	3,839
Net cash generated from/(used in) investing activities		195,624	(34,319)
Net increase/ (decrease) in cash and cash equivalents		176,063	(9,518)
Cash and cash equivalents at 1 January		15,002	24,520
Cash and cash equivalents at 31 December	8	191,065	15,002
Non cash transaction			
Issue of ordinary shares through stock dividend	15	-	25,000

1 Corporate information

Al Futtaim Finance PV JSC (the "Company") is a Private Joint Stock Company incorporated on 14 August 2008 in Dubai, United Arab Emirates (UAE). The Company's registered address is at PO Box 283568, Eye Brow Building, Marsa Plaza, Marsa Al Khor, Dubai Festival City, Dubai, UAE.

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in consumer finance and other related ancillary products and services.

The Company is a subsidiary of Al-Futtaim Development Services Co. L.L.C (the "Parent Company") and the ultimate parent company is Al-Futtaim Private Company L.L.C (the "Ultimate Parent Company").

During the year ended 31 December 2020, the Company established two branches; Al Futtaim Leasing and Mobility Company (Dubai branch) having the same registered address as the Company and Al Futtaim Leasing and Mobility Company (Abu Dhabi branch) having a registered address of East Gate, Yas Marina Circuit Area, Yas Island, Abu Dhabi. Both branches are licensed to operate under the legal entity of the Company. The principal activities of the branches include the rental of transportation vehicles, cars, machinery, equipment and specialised vehicles. There were no operating results reported by the branches for the years ended 31 December 2020 and 31 December 2021.

The Company has not purchased or invested in any shares during the year ended 31 December 2021.

The Company is required, for the year ended 31 December 2021, to be in compliance with the provisions of the UAE Federal Law No. 2 of 2015, as amended. On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The company has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021.

2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements are prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements have been presented in UAE Dirhams, which is the Company's functional currency, and rounded off to the nearest thousand (AED'000), except when otherwise indicated.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee ("IFRS IC") interpretations as issued by International Accounting Standards Board ("IASB") and applicable requirements of the laws of the United Arab Emirates ("UAE").

2.3 Presentation of financial statements

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 18.

2 Summary of significant accounting policies (continued)

2.4 Application of new and revised International Financial Reporting Standards ("IFRS")

(a) New and amended standards adopted by the Company

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods:

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions- – As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. During the year the Company did not receive any such concessions on rent.

- Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark (IBOR) reform - The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate).

The impact of the above amendments are immaterial to the financial statements of the Company.

(b) New standards and interpretations issued but not yet effective and not early adopted

The Company has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective and have not been early adopted:

- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities – These narrow scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendment is effective for annual periods beginning on or after 1 January 2022.

2 Summary of significant accounting policies (continued)

2.4 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

(b) New standards and interpretations issued but not yet effective and not early adopted (continued)

- Amendments to IAS 16, 'Property, Plant and Equipment' on Proceeds before intended use - The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendment is effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 1, 'Classification of Liabilities as Current or Non-current' - The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment is effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 1 and IFRS Practice Statement 2, 'Disclosure of Accounting Policies' - The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendment is effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 8, 'Definition of Accounting Estimates' - The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendment is effective for annual periods beginning on or after 1 January 2023.

The Company is currently assessing the impact of these standards, interpretations and amendments on the future financial information and intends to adopt these, if applicable, when they become effective. The impact of the above amendments is expected to be immaterial on the financial statements of the Company.

There are no other relevant applicable new standards and amendments to published standards or IFRS Interpretation Committee ("IFRS IC") interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on 1 January 2021 that would be expected to have a material impact on the financial statements of the Company.

3 Significant management judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1 Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

(i) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(ii) IFRS 16 – Leases

The Company has applied judgement to determine certain factors used in the measurement and recognition of lease liabilities and right-of-use assets under IFRS 16 as changes in these judgements could significantly impact the balances of these assets and liabilities. In its assessment, the Company has considered several factors including:

- **Lease terms and extension options:** The Company has applied judgement to determine the lease term for lease contracts in which it is a lessee, including renewal and termination options and commercial terms. The Company further considers all facts and circumstances that create an economic incentive to continue and/or terminate lease agreements. These include the value of the leasehold improvement spend, costs or penalties expected to be incurred upon termination of the lease agreements, past practice of renewal, importance of the leased asset to the business operations and other market conditions. The Company applies the same level of judgement and consideration to leases entered into regardless of whether the lessor is an external party or a related party.

- **Restoration costs:** The Company assesses the restoration costs and their impact and consider several circumstances including, defined clauses in the lease agreements, prevalent market practice and historical experience.

- **Fit-out and rent-free periods:** The Company has not considered fit-out periods in its application of IFRS 16 as the impact of these items on the financial statements of the Company is not considered to be material.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3 Significant management judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

(i) Financial instruments

Estimates and judgements made in applying accounting policies that have most significant effects on the amounts recognised in the financial statements of the year ended 31 December 2021 pertain to the following:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.
- Calculation of expected credit loss (ECL): The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk ("SICR")

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes.

The Company's assessment of significant increases in credit risk is being performed quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Company has established thresholds for significant increases in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

3 Significant management judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 methodology (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of ECL for each stage and the assessment of significant increases in credit risk considers 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 requires significant judgment.

Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) such as GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Company's ECL calculation will have forecasts of the relevant macroeconomic variables.

Definition of default

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life

When measuring the expected credit losses, the Company must consider the maximum contractual period over which the Company is exposed to credit risk. All applicable contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

(ii) Commission income

Commission income relates to amounts earned from distribution of third party products i.e. financial institutions, automotive and insurance companies. Commission income from finance deals is recognised when the amount of commission can be measured reliably.

There is a time lag of one to three months between the income accrued on finance deals by the Company and the amounts confirmed by the financial institutions. At the reporting date, accrued commission income of AED 3,765 thousand (2020: AED 7,260 thousand) was yet to be confirmed by the respective financial institutions. Management has made an accrual based on the latest information available up to the reporting date. Any differences between the amounts actually realised in future periods and the accrued amount will be recognised in the statement of comprehensive income in the period when such differences are identified.

(iii) Useful lives of fixed assets

The Company's management determines the estimated useful lives of its fixed assets which includes property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the industry averages, expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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4 Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below:

4.1 Revenue from contracts with customers

Revenue is recognised when the control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal for its revenue streams since it is the primary obligor, has pricing latitude and is also exposed to credit risk.

(i) Commission income

Commission income relates to amounts accruing from distribution of products for financial institutions, automotive and insurance companies and is recognised when the amount of commission is earned and the amount can be reliably measured.

(ii) Interest income on loans to customers

Interest income on loans to customers is recorded using the effective interest method. Effective interest method is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset is adjusted if the Company revises its estimates of receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded within 'Interest income on loans to customers'.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iii) Interest income on fixed deposits

Interest income on fixed deposits is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income on fixed deposits is included in 'Other income - net' in the statement of comprehensive income.

4.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of property and equipment represents the purchase cost together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

4 Significant accounting policies (continued)

4.2 Property and equipment (continued)

Depreciation is computed using the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

Leasehold improvements*	up to 10 years
Office equipment and furniture	up to10 years
Computer equipment	up to 5 years

*Leasehold improvements are depreciated over the lower of their useful life and lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Repairs and renewals are charged to the statement of comprehensive income when expenditure is incurred. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised in statement of comprehensive income, if any.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

4.3 Intangible assets

Intangible assets comprise of computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, if any, and that will probably generate economic benefits exceeding cost beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs.

These costs are amortised over their estimated useful lives of upto 5 years. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Capital work-in-progress is stated at cost and includes software costs that are being developed for future use. When commissioned, capital work-in progress is transferred to the appropriate category of intangible assets and amortised in accordance with the Company's policies.

4.4 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash –generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

4 Significant accounting policies (continued)

4.5 Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances, loans to customers, amounts due from related parties and other assets (excluding prepayments).

Subsequent measurement

As at 31 December 2021, the Company has no financial assets at fair value through profit or loss; financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) and financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

4 Significant accounting policies (continued)

4.5 Financial instruments (continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) The Company has transferred substantially all the risks and rewards of the asset, or (b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

• Disclosures for significant assumptions	Note 3
• Financial assets	Notes 9, 10 and 19

The Company recognises an allowance for expected credit losses (ECLs) for loans to customers and bank balances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For amounts due from related parties and other receivables, the Company assesses on a case-by-case basis each quarter and more frequently when circumstances require whether there is any objective evidence of impairment.

4 Significant accounting policies (continued)

4.5 Financial instruments (continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include other liabilities (excluding provision for employees' end of service benefits and deferred income) and amounts due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other payables and accrued expenses

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models, as appropriate.

4 Significant accounting policies (continued)

4.6 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short-term deposits with an original maturity of three months or less.

4.7 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as an interest expense.

4.8 Employees' end of service benefits

A provision is made for the employees' end of service indemnity in accordance with the UAE labour law for their periods of service up to the financial position date. In addition, in accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE labour law. The expected liability at the date of leaving the service has been discounted to net present value using an appropriate discount rate based on management's assumption of average annual increment/promotion costs. The present value of the obligation as at 31 December 2021 is not materially different from the provision computed in accordance with the UAE Labour Law.

Pension and national contribution for UAE citizens are made by the Group in accordance with Federal Law No. 7 of 1999 and no further liability exists. The Company's obligations are limited to these contributions, which are expensed when due.

4.9 Foreign currency transactions

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

4.10 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4 Significant accounting policies (continued)

4.11 Leases

The Company as a lessee

The Company leases office spaces and office equipment. Rental contracts are typically made for fixed periods but may have extension or termination options that are exercisable based on the specific contract terms and conditions. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Payments associated with short-term leases, i.e., leases with a lease term of 12 months or less, and leases of low-value assets, i.e., items that are considered insignificant for the statement of financial position as a whole, are recognised on a straight-line basis as an expense in profit or loss.

5 Commission income

	2021 AED'000	2020 AED'000
On F&I (Finance & Insurance) products sold by related parties (Note 17)	72,725	48,574
On arrangement of auto-finance deals from panel banks*	54,594	38,798
	127,319	87,372

*Commission income is earned by the Company on auto-finance deals from panel banks, though this commission is received from a related party. As the original source of this commission income is from panel banks (non-related party), this income is considered as a non-related party transaction.

6 Other income – net

	2021 AED'000	2020 AED'000
Interest income on deposits	1,048	3,954
Amortisation of application fees for loan to customers	288	119
Other miscellaneous income/(expenses)	210	(44)
	1,546	4,029

7a Personnel costs

	2021 AED'000	2020 AED'000
Salaries and allowances	21,068	20,461
Other staff benefits	20,125	15,668
End of service benefits (Note 14)	857	930
	42,050	37,059

7b Other expenses

	2021 AED'000	2020 AED'000
IT maintenance costs	3,083	891
Utilities and communication	270	377
Legal and professional expenses	267	362
Training and development	159	226
Office administration expenses	946	384
	4,725	2,240

8 Bank balances

	2021 AED'000	2020 AED'000
Bank balances	191,065	15,002
Short term bank deposits	25,000	218,079
	216,065	233,081
Less: term deposits with original maturity greater than three months	(25,000)	(218,079)
Cash and cash equivalents	191,065	15,002

Deposits are held with commercial banks in the United Arab Emirates and are denominated in UAE Dirhams. These are short term in nature and have an effective interest rate of 0.71% (2020: 1.91%) per annum.

9 Loans to customers

The composition of the loans portfolio is as follows:

Consumer loans	2021 AED'000	2020 AED'000
Gross carrying amount	5,667	7,195
Less: Provision for impairment	(1,613)	(1,513)
	4,054	5,682

Corporate loans	2021 AED'000	2020 AED'000
Gross carrying amount	70,187	-
Less: Provision for impairment	(1,515)	-
	68,672	-
Net loans to customers	72,726	5,682

During the year ended 31 December 2021, the Company launched its new business of Automotive Lending to Corporate and SME customers.

9 Loans to customers (continued)

The movement in provision for impairment on loans to customers during the year is as follows:-

	2021 AED'000	2020 AED'000
At 1 January	1,513	1,018
Charge for the year	1,615	495
At 31 December	3,128	1,513

As at 31 December, the ageing of loans to customers is as follows:

			Past due but not impaired			Loans past due & impaired
	Carrying amount Total	**Neither past due nor impaired**	**<=30 days**	**31-60 days**	**61-90 days**	**> 91 days**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2021	72,726	72,232	226	89	1	178
2020	5,682	5,366	62	28	27	199

The above ageing is based on the instalment amounts due. Where instalments are past due, the provision for impairment is made on the total loan outstanding in line with the Central Bank regulations and the 'Expected Credit Loss' model under IFRS 9; with the higher of the two being maintained.

For consumer loans, it is not the practice of the Company to obtain collateral as the vast majority of the loans are unsecured. Corporate loans on the other hand are fully secured and collateralised by the vehicles financed by the Company which have a fair value of AED 89,321 thousand as at 31 December 2021 against the carrying amount of the loans as at this date. The quality and value of the collateral is continuously monitored and assessed and the Company seeks to ensure enforceability of the collateral to ensure that risks are appropriately managed.

10 Other assets

	2021 AED'000	2020 AED'000
Accrued commission income	3,765	7,260
Interest receivable on deposits	60	1,742
Due from financial institutions	-	3,081
Prepayments and other receivables	1,431	1,714
	5,256	13,797

The movement in provision for impairment on other assets during the year is as follows:-

	2021 AED'000	2020 AED'000
At 1 January	-	1,604
Reversal for the year	-	(1,604)
At 31 December	-	-

11 Property and equipment

	Leasehold improvements	Office equipment and furniture	Computer equipment	Total
	AED'000	AED'000	AED'000	AED'000
Cost				
At 1 January 2020	1,028	767	165	1,960
Additions	44	20	13	77
At 31 December 2020	1,072	787	178	2,037
Additions	-	-	12	12
At 31 December 2021	1,072	787	190	2,049
Accumulated depreciation				
At 1 January 2020	933	438	162	1,533
Charge for the year	73	96	16	185
At 31 December 2020	1,006	534	178	1,718
Charge for the year	50	79	11	140
At 31 December 2021	1,056	613	189	1,858
Net book value				
At 31 December 2021	16	174	1	191
At 31 December 2020	66	253	-	319

12 Intangible assets

	Software	Capital Work in Progress	Total
	AED'000	AED'000	AED'000
Cost			
At 1 January 2020	476	1,730	2,206
Additions	259	9,743	10,002
At 31 December 2020	735	11,473	12,208
Additions	-	174	174
Transfers*	11,473	(11,473)	-
At 31 December 2021	12,208	174	12,382
Accumulated amortisation			
At 1 January 2020	410	-	410
Charge for the year	93	-	93
At 31 December 2020	503	-	503
Charge for the year	2,930	-	2,930
At 31 December 2021	3,433	-	3,433
Net book value			
At 31 December 2021	8,775	174	8,949
At 31 December 2020	232	11,473	11,705

*The Company assigned a contract to an external party for the development of a new lending and leasing software. In January 2021, the development work in relation to the software was completed and made available for commercial use resulting in software costs amounting to AED 11,473 thousand being capitalised from Capital Work in Progress.

13 Other liabilities

	2021	2020
	AED'000	AED'000
Staff related provisions	6,081	6,048
Accrued expenses	853	3,175
Deferred income	627	99
Other payables	1,039	552
	8,600	9,874

Other payables and accrued expenses are non-interest bearing and have an average term of six months.

14 Provision for employees' end of service benefits

In accordance with the UAE Labour Law, the Company provides for end of service benefits for its expatriate employees. Movement in the employees' end of service benefits for the year is as shown overleaf:

14 Provision for employees' end of service benefits (continued)

	2021 AED'000	2020 AED'000
At 1 January	7,442	7,318
Charge for the year (Note 7a)	857	930
Transferred (to) / from a related party	(405)	71
Payments made during the year	(1,551)	(877)
At 31 December	6,343	7,442

15 Share capital

	2021 AED'000	2020 AED'000
Authorised, issued and fully paid up:		
150,000,000 shares (2020: 150,000,000 shares) of AED 1 each	150,000	150,000

On 7 January 2020, the Company amended its Memorandum of Association and Articles of Association to meet the minimum paid-up capital requirement of AED 150 million for a Finance Company as per Article 11, Circular No: 112/2018 of the Finance Companies Regulation issued by the Central Bank of UAE on 24 April 2018.

This amendment was executed by issuing additional ordinary shares to the Company's existing shareholders by way of a stock dividend of AED 25 million resulting in an additional 25 million shares being issued with a nominal value of AED 1.

16 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's articles of association, 10% of the annual profit of the Company is required to be transferred to a statutory reserve until the reserve equals 50% of the share capital. The Company transferred AED 4,679 thousand (2020: AED 3,236 thousand) to the statutory reserve during the current year.

17 Related party transactions and balances

The Company enters into transactions in the ordinary course of business with related parties, defined as major shareholders, parent company, ultimate parent company, directors, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are mutually agreed upon and approved by the Company's management.

Income and expenses in respect of related parties included in the financial statements are shown below:

	2021 AED'000	2020 AED'000
Entities under common control:		
Commission income (Note 5)	72,725	48,574
Interest income on deposits	141	-
Commission expenses	33,515	22,478
Rental expenses – short term leases	966	963
Other expenses	10,534	6,977

Significant balances outstanding at 31 December in respect of related parties included in the financial statements are as follows:

	2021 AED'000	2020 AED'000
Entities under common control:		
Due from related parties	22,305	15,851
Due to related parties	3,614	2,976

Outstanding balances at the year-end arise in the normal course of business and are unsecured, interest free with settlement taking place in cash.

There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 December 2021, the Company has not recorded any impairment of amounts owed by related parties (2020: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel:
The remuneration of key members of management of the Company during the year was as follows:

	2021 AED'000	2020 AED'000
Short term employee benefits	2,258	2,632
Employees' end of service benefits	84	109
	2,342	2,741

18 Maturity analysis of assets and liabilities

The below table shows an analysis of assets and liabilities analysed according to their respective contractual maturity.

	1 to 12 months AED'000	Over 1 year AED'000	Items with no maturity AED'000	Total AED'000
31 December 2021				
Assets				
Bank balances	25,000	-	191,065	216,065
Other assets	5,256	-	-	5,256
Due from related parties	22,305	-	-	22,305
Loans to customers	28,513	44,213	-	72,726
Property and equipment	-	-	191	191
Intangible assets	-	-	8,949	8,949
Total	81,074	44,213	200,205	325,492
Liabilities				
Due to related parties	3,614	-	-	3,614
Provision for employees' end of service benefits	-	6,343	-	6,343
Other liabilities	8,600	-	-	8,600
Total	12,214	6,343	-	18,557
Net assets	68,860	37,870	200,205	306,935

	1 to 12 months AED'000	Over 1 year AED'000	Items with no maturity AED'000	Total AED'000
31 December 2020				
Assets				
Bank balances	218,079	-	15,002	233,081
Other assets	13,797	-	-	13,797
Due from related parties	15,851	-	-	15,851
Loans to customers	2,961	2,721	-	5,682
Property and equipment	-	-	319	319
Intangible assets	-	-	11,705	11,705
Total	250,688	2,721	27,026	280,435
Liabilities				
Due to related parties	2,976	-	-	2,976
Provision for employees' end of service benefits	423	7,019	-	7,442
Other liabilities	9,874	-	-	9,874
Total	13,273	7,019	-	20,292
Net assets	237,415	(4,298)	27,026	260,143

19 Risk management

The Company's principal financial liabilities comprise amounts due to related parties and other liabilities. The main purpose of these financial liabilities is to finance the Company's working capital requirements. The Company has amounts due from related parties, other assets, loans to customers and bank balances that are derived directly from its operations.

The Company is exposed primarily to credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. The Company's senior management is supported by the risk management committee and credit committee that advise on financial risks and the appropriate financial risk governance framework for the Company. The committees provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite. The Company has not engaged in any derivative activities during the current or previous year. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(i) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Such risk arises from loans, accrued commission income and other activities undertaken by the Company. Credit risk is actively monitored in accordance with the credit policies which clearly define policies and procedures.

The Company enters into loan contracts which are repaid on an instalment basis. Credit risk on consumer and corporate loans is managed through a credit quality review process to provide early identification of possible changes in the credit worthiness of the individuals and corporates.

Credit risk from balances with banks and financial institutions is managed by the Company's management in accordance with the Company's credit policy. Limits are set to minimise concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Company's maximum exposure to credit risk is equal to the carrying amount of these financial instruments. With respect to credit risk on bank balances, the Company is not exposed to any significant credit risk based on the review of historical internal and external factors and currently available future information and the ECL have been assessed and concluded by management as minimal.

Credit risk measurement

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Company measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

Expected Credit Loss (ECL) measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in stage 1 and has its credit risk continuously monitored by the Company;

19 Risk management (continued)

(i) Credit risk (continued)

Expected Credit Loss (ECL) measurement (continued)

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit impaired, the financial instrument is then moved to stage 3;
- Financial instrument in stage 1 have their ECL measured at an amount equal to the portion of ECL that results from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured on a lifetime basis;
- ECL is measured after factoring forward-looking information.

Impact of COVID-19 on measurement of ECL

The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving at the present time. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Central Bank of UAE ("CBUAE") has also announced multiple measures and incentives totalling to AED 256 billion to help banks support the economic sectors and individuals in the UAE impacted by this crisis.

The Company has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. All staging and grouping decisions are subject to regular review to ensure these reflect an accurate view of the company's assessment of the customers' creditworthiness, staging and grouping as of the reporting date. The Company has reassessed its portfolio of Stage 1, Stage 2 and Stage 3 customers as at 31 December 2021 (refer below note for movement in gross carrying amount and ECL).

Analysis of customers benefiting from payment deferrals

The table below contains analysis of the deferral amount and outstanding balance of UAE customers benefiting from deferrals.

	2021	2020
	AED'000	AED'000
Deferral amounts		
Loans to customers	3	81
Number of customers	4	42
Exposures		
Loan to customers	37	314
Less: Expected Credit Losses	(31)	(189)
	6	125

As per the requirements of the CBUAE, customers benefiting from payment deferrals can be divided into two groups as follows:

Group 1: includes those customers that are not expected to face substantial changes in their creditworthiness, beyond liquidity issues and are temporarily and mildly impacted by the COVID-19 crisis. For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These customers will remain in their current IFRS 9 stage, at least for the duration of the crisis, or their distress, whichever is shorter.

19 Risk management (continued)

(i) Credit risk (continued)

Impact of COVID-19 on measurement of ECL (continued)

Analysis of customers benefiting from payment deferrals (continued)

Group 2: includes those customers that are expected to face substantial changes in their creditworthiness, in addition to liquidity issues that will be addressed by payment deferrals. For these customers, there is sufficient deterioration in credit risk to trigger IFRS 9 stage migration. The Company has considered all deferred payment application cases to trigger an IFRS 9 stage migration resulting in all such customers being classified under Group 2 as at 31 December 2021 and 31 December 2020.

Credit quality analysis

The following table sets out information about the credit quality of the components of the statement of financial position that have an exposure to credit risk without taking into account of any collateral held or other credit enhancements:

	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
31 December 2021				
At amortised cost				
Bank balances (Note 8)	216,065	-	-	216,065
Other assets* (Note 10)	3,825	-	-	3,825
Due from related parties (Note 17)	22,305	-	-	22,305
Loans to customers (Note 9)	74,268	181	1,405	75,854
Gross credit exposure	316,463	181	1,405	318,049
Less: Provision for impairment	(1,609)	(136)	(1,383)	(3,128)
Carrying amount	314,854	45	22	314,921

	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
31 December 2020				
At amortised cost				
Bank balances (Note 8)	233,081	-	-	233,081
Other assets* (Note 10)	12,083	-	-	12,083
Due from related parties (Note 17)	15,851	-	-	15,851
Loans to customers (Note 9)	5,618	323	1,254	7,195
Gross credit exposure	266,633	323	1,254	268,210
Less: Provision for impairment	(266)	(206)	(1,041)	(1,513)
Carrying amount	266,367	117	213	266,697

* Excludes prepayments and other receivables.

19 Risk management (continued)

(i) Credit risk (continued)

Credit quality analysis (continued)

Banking transactions are undertaken with local banks and branches of international banks. The credit quality of balances held with banks can be assessed by reference to external credit ratings as follows:

Counter party	Moody's rating	31 December 2021 AED'000	31 December 2020 AED'000
Bank 1	Baa1	43,754	177,491
Bank 2	A1	43,028	5
Bank 3	A3	43,076	55,584
Bank 4	A1	43,065	-
Bank 5	No rating	43,142	1
		216,065	233,081

Loss allowance

The following table explain the changes in the loss allowance during the years ended 31 December 2020 and 31 December 2021:

31 December 2021	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance at 1 January 2021	266	206	1,041	1,513
Allowance for impairment on loans to customers - net	1,343	(70)	342	1,615
Loss allowance at 31 December 2021	1,609	136	1,383	3,128

31 December 2020	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance at 1 January 2020	215	250	2,157	2,622
Allowance for impairment on loans to customers - net	51	(44)	488	495
Allowance for impairment on other assets - net	-	-	(1,604)	(1,604)
Loss allowance at 31 December 2020	266	206	1,041	1,513

19 Risk management (continued)

(i) Credit risk (continued)

Impairment reserve under the Central Bank of UAE (CBUAE) guidance

The CBUAE issued its IFRS 9 guidance on 30 April 2018 via notice no, CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for financial institutions adopting IFRS 9 in the UAE ("the guidance").

Pursuant to clause 6.4 of the guidance, the reconciliation between the general and specific provision under the Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2021
	AED'000
Impairment reserve: General	
General provisions under Circular 28/2010 of CBUAE	1,115
Less: Stage 1 and Stage 2 provisions under IFRS 9	1,745
General provision transferred to the impairment reserve*	-
Impairment reserve: Specific	
Specific provisions under Circular 28/2010 of CBUAE	1,322
Less: Stage 3 provisions under IFRS 9	1,383
Specific provision transferred to the impairment reserve*	-
Total provision transferred to the impairment reserve	-

*In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Collateral and other credit enhancements

The amount and type of collateral for corporate loans required depends on an assessment of the credit risk of the counterparty and product parameters. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses on corporate loans which is further explained in Note 9.

(ii) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources including funding from related parties, and assets are managed with liquidity in mind.

19 Risk management (continued)

(ii) Liquidity risk (continued)

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2021, based on contractual payment dates and contractual interest rates.

	Less than 3 months AED'000	**3 to 12 months** AED'000	**Total** AED'000
31 December 2021			
At amortised cost			
Due to related parties (Note 17)	3,614	-	3,614
Other liabilities (Note 13)*	7,973	-	7,973
	11,587	-	11,587

	Less than 3 months AED'000	**3 to 12 months** AED'000	**Total** AED'000
31 December 2020			
At amortised cost			
Due to related parties (Note 17)	2,976	-	2,976
Other liabilities (Note 13)*	9,775	-	9,775
	12,751	-	12,751

*Excludes deferred income.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is currently not exposed to any significant interest rate risk as loans to customers and term deposits carry fixed interest rates.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company is not exposed to any significant currency risk as at the reporting date.

20 Capital management

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximise shareholders' value.

20 Capital management (continued)

Capital management (continued)

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue additional capital. Capital comprises of share capital, statutory reserve and retained earnings and is measured at AED 306,935 thousand as at 31 December 2021 (2020: AED 260,143 thousand).

The Company is required to maintain a minimum capital adequacy ratio of 15% as per Central Bank's resolution number 58/3/96. At 31 December 2021, the Company has a capital adequacy ratio 185% (2020: 100%) and was in compliance with the minimum capital requirements.

21 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of bank balances and cash, loans to customers, amounts due from related parties and other receivables. Financial liabilities consist of amounts due to related parties and other liabilities excluding deferred income and provision for employees' end of service benefits.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management assessed that the fair values of the above financial assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

22 Discontinued operation

On 8 January 2020, the Company entered into a novation agreement with its financial institution counterparties to transfer the Co-branded Credit Card business to 'Al Futtaim Digital Payment Services Single Person Company LLC'; a related party under common control; with effect from 1 January 2020 and was therefore reported as a discontinued operation during the year ended 31 December 2020.

As part of this arrangement, all the existing rights and obligations of the Company as at 1 January 2020 were transferred to the related party. The financial performance and cash flows relating to the discontinued operation for the year ended 31 December 2020 are presented below:

	2020 AED'000
Operating income	
Performance and sign-on bonus	797
Marketing support	461
Commission from Co-Branded credit card	382
Commission reversal on merchant service fee rebate and card issuance	(265)
	1,375
Operating expenses	
Credit card reward costs – net of recharges	133
Reversal of impairment losses on other assets	1,604
	1,737
Profit from discontinued operation	3,112
Net cash generated from operating activities	3,218