Deem Finance LLC

REPORT OF THE BOARD OF DIRECTORS AND
FINANCIAL STATEMENTS

31 DECEMBER 2024

Deem Finance LLC

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2024

REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 December 2024

The Board of Directors present their report to the shareholder together with the audited financial statements of Deem Finance LLC (the "Deem") for the year ended 31 December 2024.

Background
Deem was established on July 7, 2008, as a limited liability company in the UAE. Regulated by the Central Bank of the UAE, Deem is a leading finance company providing innovative credit solutions. In September 2021, Deem was acquired by the Gargash Group, one of the UAE's prominent family business conglomerates.
With 17 years of presence in the UAE market, Deem is committed to driving financial inclusion by offering accessible and responsible credit solutions to underbanked retail consumers and SMEs. The company provides a diverse suite of financial products, including credit cards, personal loans, merchant financing, auto loans, and corporate deposits.
Over the years, Deem has demonstrated sustained business and financial growth, continuously enhancing performance through improved credit origination, robust risk management, and strategic investments in digital transformation. By optimizing front-end and back-end processes and fostering key partnerships, Deem remains focused on executing its growth strategy and delivering long-term value

Directors
The Board of Directors of the Company at the date of this report are as follows:

1. Mr. Shahab 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. Hussain Ahmad Dhaen Alqemzi, Independent Director

Share capital
The authorized, issued and paid up share capital of the Company is 3,149,755 shares (2023: 12,149,755 shares) of AED 100 each (2023: AED 100 each), amounting to AED 314,975,500 (2023: AED 1,214,975,500).

Financial Performance
Deem continued to demonstrate positive momentum across key financial metrics in 2024:

- **Operating Income** increased to AED 134.1 million (2023: AED 110.2 million), reflecting strong revenue growth.
- **Operating Expenditure** decreased to AED 118.9 million (2023: AED 121.5 million), highlighting ongoing cost efficiency measures.
- **Net Loss** improved significantly to AED 20.2 million (2024) from AED 68.1 million in 2023, marking substantial progress towards profitability.
- **Net Impairment charge** has reduced significantly from AED 52.6 million (2023) to AED 32.7 million (2024) leading to substantial progress towards profitability.
- **Net Loans and Advances** grew to AED 799.7 million as of December 31, 2024 (2023: AED 729.1 million), driven by increased lending activity.
- **Customer Deposits** rose to AED 845 million (2024) from AED 813.7 million (2023), comprising a mix of high-yield corporate deposits, regular term deposits, and pledged deposits for guarantee issuance.
- **Liquidity Position,** including bank placements and cash equivalents, stood at AED 149.7 million (2024) compared to AED 205.5 million in 2023, reflecting prudent liquidity management.

Auditor
The financial statements have been audited by Ernst & Young Middle East – Abu Dhabi Branch. In line with regulatory requirements, Ernst & Young has completed its mandatory six-year term as the Company's external auditor. A resolution to appoint a new external auditor for the forthcoming year will be presented to the members at the Annual General Meeting.

REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 December 2024 continued

Acknowledgement
The Directors extend their sincere appreciation to every employee of the Company for their dedication and contributions. They also express their gratitude for the unwavering support of Deem's customers, the Central Bank of the UAE, various UAE Government Ministries, the Company's banking partners, and its shareholder.

On behalf of the Board

Shahab Gargash
Chairman of the Board of Directors
27 March 2025

Deem Finance LLC

FINANCIAL STATEMENTS

31 DECEMBER 2024

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2024

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

DEEM FINANCE LLC

Report on the Audit of the Financial statements

Opinion
We have audited the financial statements of Deem Finance LLC (the "Company") which comprise the statement of financial position as at 31 December 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board ("IASB").

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

Material uncertainty related to going concern
We draw attention to note 2.1 to the accompanying financial statements which indicates that the Company has incurred a net loss of AED 20,250 thousand (2023: AED 68,080 thousand) during the year ended 31 December 2024, and as of that date its accumulated losses amounted to AED 307,969 thousand (2023: AED 1,289,513 thousand). 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 the Company has a business plan, duly approved by the Board, and the management expects that the Company will be able to generate cashflows required for the continued operations.

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.

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
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and in compliance with the applicable provisions of the Company's Memorandum of Association and UAE Federal Decree 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.

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 judgement 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 Decree Law No. (32) of 2021, we report that for the year ended 31 December 2024:

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 Decree Law No. (32) of 2021;

iv) the financial information included in the report of the Board of Directors 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 2024;

vi) note 12 reflects the disclosures relating to related parties and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2024, any of the applicable provisions of the UAE Federal Decree 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 2024; and

viii) there were no social contributions made by the Company during the year ended 31 December 2024.

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.

For Ernst & Young

وليد نقفور

Walid J Nakfour
Registration No: 5479

27 March 2025
Abu Dhabi, United Arab Emirates

STATEMENT OF FINANCIAL POSITION
At 31 December 2024

	Notes	***2024 AED'000***	*2023 AED'000*
ASSETS			
Cash and bank balances	5	**149,747**	205,492
Financial assets carried at fair value through other comprehensive income (FVOCI)	7	**92,266**	98,783
Loans and advances, net	6	**799,685**	729,114
Other assets	10	**22,003**	24,642
Property and equipment	8	**1,758**	620
Intangible assets	9	**66,709**	55,042
Deferred tax asset		**2,018**	-
TOTAL ASSETS		**1,134,186**	1,113,693
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	11	**845,027**	813,706
Derivative financial instrument	16	**-**	224
Amount due to related parties	12	**62,555**	79,243
Employees' end of service benefits	13	**2,020**	2,502
Other liabilities	14	**62,532**	57,670
Total liabilities		**972,134**	953,345
Equity			
Share capital	15	**314,976**	1,214,976
Share premium		**35,544**	35,544
Advance against share capital	15	**20,000**	100,000
Statutory reserve	17	**69,004**	69,004
Fair value reserve of financial assets carried at FVOCI	7	**(6,976)**	(8,930)
Specific reserve	18	**37,473**	39,267
Accumulated losses		**(307,969)**	(1,289,513)
Total equity		**162,052**	160,348
TOTAL LIABILITIES AND EQUITY		**1,134,186**	1,113,693

These financial statements were approved by the Board of Directors on 27 March 2025 and were signed on its behalf by:

Shahab Gargash
Chairman

Christopher Taylor
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 2024

	Notes	***2024 AED'000***	*2023 AED'000*
Interest income	19	**129,767**	94,069
Interest expense	19	**(45,607)**	(36,089)
NET INTEREST INCOME		**84,160**	57,980
Fees and commission income, net		**49,990**	52,238
OPERATING INCOME		**134,150**	110,218
Impairment charges, net	20	**(32,791)**	(52,651)
General and administrative expenses	21	**(110,488)**	(117,223)
Net change in fair value of derivative financial instrument	16	**-**	(224)
Other expense		**(4,644)**	(3,834)
Amortisation and depreciation	8 & 9	**(8,495)**	(4,366)
LOSS BEFORE TAX		**(22,268)**	(68,080)
Income tax	23	**2,018**	-
LOSS FOR THE YEAR		**(20,250)**	(68,080)
Other comprehensive gain			
Fair value gain on financial assets held at FVOCI	7	**1,954**	2,403
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(18,296)**	(65,677)

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share capital AED'000	*Advance against share capital AED'000*	*Share premium AED'000*	*Statutory reserve AED'000*	*Specific reserve AED'000*	*Accumulated losses AED'000*	*Fair value reserve of financial assets at FVOCI AED'000*	*Total equity AED'000*
At 1 January 2023	1,214,976	25,000	35,544	69,004	58,386	(1,240,552)	(11,333)	151,025
Capital injected during the year (note 15)	-	75,000	-	-	-	-	-	75,000
Loss for the year	-	-	-	-	-	(68,080)	-	(68,080)
Other comprehensive income for the year	-	-	-	-	-	-	2,403	2,403
Total comprehensive (loss) income for the year	-	-	-	-	-	(68,080)	2,403	(65,677)
Transfer from specific reserve (note 18)	-	-	-	-	(19,119)	19,119	-	-
At 31 December 2023	1,214,976	100,000	35,544	69,004	39,267	(1,289,513)	(8,930)	160,348
At 1 January 2024	1,214,976	100,000	35,544	69,004	39,267	(1,289,513)	(8,930)	160,348
Capital injected during the year (note 15)	-	20,000	-	-	-	-	-	20,000
Reduction of capital (note 15)	(900,000)	(100,000)	-	-	-	1,000,000	-	-
Loss for the year	-	-	-	-	-	(20,250)	-	(20,250)
Other comprehensive income for the year	-	-	-	-	-	-	1,954	1,954
Total comprehensive (loss) income for the year	-	-	-	-	-	(20,250)	1,954	(18,296)
Transfer from specific reserve (note 18)	-	-	-	-	(1,794)	1,794	-	-
At 31 December 2024	**314,976**	**20,000**	**35,544**	**69,004**	**37,473**	**(307,969)**	**(6,976)**	**162,052**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
OPERATING ACTIVITIES			
Loss before tax		**(22,268)**	(68,080)
Adjustments for:			
Depreciation of property and equipment	8	**588**	679
Amortisation of intangible assets	9	**7,907**	3,687
Impairment charges, net	20	**32,791**	52,651
Net change in fair value of derivative financial instrument	16	**-**	224
Finance costs	19	**(707)**	754
Provision for employees' end of service benefits	13	**310**	523
		18,621	(9,562)
Working capital changes:			
Loans and advances, net		**(103,470)**	(108,711)
Other assets		**2,754**	(18,798)
Customer deposits		**31,321**	246,821
Amount due to related parties		**(17,009)**	26,579
Other liabilities		**5,569**	10,397
Cash (used in) / generated from operations		**(62,214)**	146,726
Finance costs paid		**-**	(770)
Employees' end of service benefits paid	13	**(471)**	(777)
Net cash flows (used in) / generated from operating activities		**(62,685)**	145,179
INVESTING ACTIVITIES			
Bank deposits with, maturity of more than three months		**5,332**	(5,195)
Purchase of property and equipment	8	**(1,726)**	(390)
Derivatives settled	16	**(224)**	-
Purchase of intangible assets	9	**(19,574)**	(53,158)
Redemption of financial assets carried at FVOCI, net	7	**8,471**	9,966
Net cash flows used in investing activities		**(7,721)**	(48,777)
FINANCING ACTIVITIES			
Capital injected during the year	15	**20,000**	75,000
Borrowings settled during the year		**-**	(64,434)
Net cash flows generated from financing activities		**20,000**	10,566
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS		**(50,406)**	106,968
Cash and cash equivalents at the beginning of the year		**200,195**	93,227
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	**149,789**	200,195
Significant non-cash transactions:			
Employee's end of service benefits transferred to a related party	13	**321**	-

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITY

Deem Finance LLC (the "Company") was established as a Limited Liability Company on 7 July 2008 under the UAE Companies Law. The Company is licensed by the Central Bank of the UAE on 11 September 2008 to operate as a finance Company. In 2019, the Company changed its name from Dunia Finance LLC to Deem Finance LLC.

The Company's vision is to drive financial inclusion by offering accessible and responsible credit solutions to underbanked retail consumers and SMEs, as well as, term deposits to its corporate customer base.

The Company has not purchased or invested in any shares during the year ended 31 December 2024.

The Company's registered address is Units No. 303 & 304, Al Reem Plaza Building, Zayed 1st Road, P O Box 44005, Abu Dhabi, United Arab Emirates.

The shareholding of the Company as of 31 December 2024 and 2023 is as follows:

	2024	*2023*
Trucial Investment Co. LLC (the "Parent")	**99.99%**	99.99%
Mr. Shahab Mohamed AbdulKhaliq Gargash	**0.01%**	0.01%

In 2021, the former shareholders of the Company entered into a Sales and Purchase Agreement ("SPA") with Trucial Investment Co LLC (the "Parent" and the "Shareholder") for the sale of the Company. 100% of the shares of the Company were transferred to the Parent on 13 September 2021.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the applicable laws and regulations.

The financial statements are prepared under the historical cost convention except for investment carried at fair value through OCI and derivatives financial instruments which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore fairly present the financial position and results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and presentation currency. Amounts have been rounded to nearest thousand except where otherwise indicated.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

During the year ended 31 December 2024, the Company has incurred a loss of AED 20,250 thousand (2023: AED 68,080 thousand) and as of that date, its accumulated losses amounting to AED 307,969 thousand (2023: AED 1,289,513 thousand). This indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. However, the financial statements have been prepared on a going concern basis as, the performance of the Company is improving. Further based on a 5-year business plan, duly approved by the Board, the management expects that the Company will be able to generate cashflows required for the continued operations of the Company and the shareholders have also committed to provide financial support to ensure that the Company can meet its financial and operational obligations. Moreover, the shareholder of the Company has met and resolved not to dissolve the Company in accordance with requirements of UAE Federal Decree Law No. (32) of 2021.

2 BASIS OF PREPARATION continued

2.2 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

These amendments had no significant impact on the financial statements of the Company.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 21: Lack of exchangeability
- IFRS 18: Presentation and Disclosure in Financial Statements
- IFRS 19: Subsidiaries without Public Accountability Disclosures

The management anticipates that all of the above Standards and Interpretations will be adopted by the Company to the extent applicable to them from their effective dates. The Company is currently assessing the impact of the new standards and plans to adopt the new standards on the required effective dates.

2.4 CORPORATE TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for accounting periods beginning on or after 1 June 2023.

Since the Company is expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from 1 January 2024, current taxes and deferred taxes have been accounted for in the financial statements for the period beginning from 1 January 2024.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and impairment. The cost of property and equipment includes expenditure directly attributable to the acquisition or construction of the asset as well as expenditure incurred on bringing the asset to the working condition and location for its intended use. 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which these are incurred.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Property and equipment continued
Depreciation is recognised in the statement of comprehensive income on a straight-line basis, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

	Years
Office equipment	3-8
Leasehold improvements	3-8
Motor vehicles	3-5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to the carrying value of the asset disposed and are taken into account in determining operating income / (loss).

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes all direct cost attributable to design and for construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with the Company's accounting policy. When the assets are ready for the intended use, the capital work in progress is transferred to the appropriate property and equipment or intangible asset category and is depreciated or amortised in accordance with the Company's policies.

Intangible assets
Software acquired by the Company is stated at cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when such expenditure increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

Amortisation is recognised in the statement of comprehensive income on a straight-line basis, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 3 to 7 years.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial assets and liabilities
All financial assets under the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost, if both the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial instruments continued

Classification of financial assets and liabilities continued

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are recognize.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and its related interest which is recognised using the effective interest rate method.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rate.

The Company has classified cash and bank balances, loans and advances, net and certain other assets as financial assets at amortised cost.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial instruments continued
Financial liabilities
All financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts; and
- commitments to provide a loan at a below-market interest rate.

At initial recognition, the Company may irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the entity's key management personnel.

Reclassification of financial assets and financial liabilities
Where the Company changes its business model for managing financial assets, it reclassifies all affected financial assets. An entity shall not reclassify any financial liability.

Derivative financial instruments
The Company holds derivative instruments to hedge the foreign currency risk exposure and for trading purposes. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market observable inputs. Some derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. Derivatives with positive market values are included in assets and derivatives with negative market values are included in liabilities in the Company's statement of financial position. The Company does not apply hedge accounting for its derivative financial instrument.

Measurement of financial assets and liabilities
Initial measurement
At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets
After initial recognition, an entity shall measure a financial asset in accordance with its classification at:

- Amortised cost less impairment;
- Fair value through other comprehensive income less impairment; or
- Fair value through profit or loss.

Impairment is assessed on the financial assets measured at amortised cost and at fair value through other comprehensive income.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Measurement of financial assets and liabilities continued
Subsequent measurement of financial assets continued

Derecognition of financial assets and liabilities
A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expires or when it transfers the financial asset. A financial liability is de-recognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment assessment
The Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the finance customer or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the finance customer will *enter* bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of expected credit losses (ECL)
The impairment of financial assets is calculated in accordance with an IFRS 9 compliant expected credit loss ("ECL") model. IFRS 9 introduces a single model for the measurement of impairment losses on all financial assets including loans and advances measured at amortized cost or financial assets carried at fair value through OCI. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

The Company measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

ECL is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate. The Company has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Company developed a statistical model and for other portfolios judgemental models were developed.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Measurement of financial assets and liabilities continued
Subsequent measurement of financial assets continued

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Write-off policy
The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. A state of no reasonable expectation of recovery is deemed to have been reached, when assets have been fully provided and remain as such for a period of more than 73 months as established by historical data. Indicators that there is no reasonable expectation of recovery include historical data showing that the marginal rate of recovery is less than 0.1% for every incremental month of recovery effort.

The Company may write-off financial assets that are still subject to enforcement activity. 100% of the outstanding contractual amounts of assets written off during the year ended 31 December 2024, amounting to AED nil (2023: AED 517,785 thousand), are subject to enforcement activity. The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Cash and cash equivalents
Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand and deposits held with original maturities of three months or less. Cash and cash equivalents are reported in the statement of financial position net of an expected credit loss provision.

Customer deposits
Customer deposits are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation amount can be made.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Employees' end of service benefits
Pension contributions are made with respect to UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

Provision is made for the end of service benefits due to expatriate employees in accordance with UAE Labour Law.

Liabilities recognised in respect of other long-term employee benefits, included in trade and other liabilities, are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Other employee benefits
All other employee benefits are accrued for as and when services are rendered by the employees.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

Impairment of non-financial assets
The Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Revenue recognition
The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a). Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through its expected life (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability respectively.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Revenue recognition continued

a). Interest income and expense continued

While calculating effective interest rate, cash flows are estimated considering all contractual terms of the financial instruments, but not future credit losses. The calculation includes all discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers.

Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is recognized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

b). Fees and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate to arrive at the amortised cost of financial asset and financial liability.

Other fees and commission income are generally recognised as and when the service has been provided.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic benefit.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial guarantee contracts and loan commitments
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently they are measured at the higher of this amortised amount and the amount of loss allowance.

For financial guarantee contracts, the expected credit losses are recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Company cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Value Added Tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2 BASIS OF PREPARATION continued

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Deferred tax continued
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Business model assessment

The business model reflects how the Company manages financial assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the financial assets or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. Factors considered by the Company in determining the business model for a group of financial assets include past experience on how the cash flows for these financial assets were collected, how the financial asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. The Company's business model for the loan book is to hold to collect contractual cash flows and for investment book is to both hold to collect and sale to collect contractual cash flows.

Significant increase of credit risk

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

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on a timely basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECL, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECL but the amount of ECL changes because the credit risk of the portfolios differ.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL are provided in Note 4.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

Measurement of the expected credit loss allowance continued
Key sources of estimation uncertainty
The following are key estimations that the management has used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

a) *Forward-looking scenarios*

When measuring ECL the Company uses forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

b) *Probability of default (PD)*

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

c) *Loss Given Default (LGD)*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Deferred tax asset
The Company recognizes deferred tax assets (DTA) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. The recognition of DTA involves significant management judgment, particularly in assessing the likelihood of future taxable profits. This assessment is based on forecasts of future financial performance, taking into account historical results, business strategies, and market conditions.

Impairment of property and equipment and intangible assets
The Company determines at each reporting date whether there is any objective evidence that the property and equipment and intangible assets are impaired. The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and value in use.

4 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business and these risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies approved by the Board of Directors are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems. The Chief Risk Officer oversees risk management based on policies approved by the Board of Directors. In addition, Internal Audit is responsible for the independent review of risk management and the control environment. The main types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

The Board has also established a Board Audit Committee, which is responsible for the independent monitoring of compliance with the Company's risk management policies and procedures. The Board's Audit Committee is supported in the execution of these responsibilities by the Internal Audit Department.

Credit risk

The Company takes on exposure to credit risk, which is the risk that a customer or counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is an important risk for the Company's business and management, therefore, the Company carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities and the placement of deposits and balances with banks. There is also credit risk in off balance sheet financial commitments such as unused credit card limits and guarantees provided.

The credit risk management and control function is overseen by the Chief Risk Officer. The Operational Risk Committee periodically reviews and monitors all applicable risks excluding credit risk which is monitored by the Credit Committee.

Application and behaviour scorecards, as conceptualized by Credit Policy and Analytics, are applied for assessment of all applications for credit facilities. Approval of credit facilities is based on an assessment of the ability to service the facility, credit history, an internal scoring of the applicant and eligible maximum unsecured exposure. The final credit decision is based on overall customer profile, ability & intent indicators, score, along with all external and internal verification checks. The Fraud Risk team performs checks on all approved cases based on criteria set by the Fraud Risk policy, and any other indicators from the applications, accompanying documents etc.

Exposure to credit risk is also managed through regular analysis of the ability of counterparties to meet interest and repayment obligations and by changing customer credit limits where appropriate.

The Company manages limits and controls concentration of credit risk to individuals, employees of different industry sectors and tenors. Such risks are monitored regularly and subject to an annual formal review. Limits to banks are approved by the Board of Directors and exposures within the limits are tracked daily.

The Company extensively uses analytics to monitor changes in the credit profiles of its segmented portfolio. Analytical tools are used to weigh the risk reward equation to aid decision making in terms of lending to selected customer segments. Further monitoring of delinquencies across the customer loan portfolio is aimed at identifying trends and ensuring that the credit risk related to the portfolio is pro-actively managed. The Company has pre-defined delinquency ratio ranges which will warrant appropriate remedial action if the ranges are breached. Credit risk to professional counterparties is managed by due diligence and evaluation of the professional counterparty's credit risk which may include reference to external credit ratings.

4 FINANCIAL RISK MANAGEMENT continued

Credit risk continued

Management of credit risk

Application and behavior scorecards, as conceptualized by Credit Policy and Analytics, are applied for assessment of all applications for credit facilities. Approval of credit facilities is based on an assessment of the ability to service the facility, credit history, an internal scoring of the applicant and eligible maximum unsecured exposure. The final credit decision is based on overall customer profile, ability & intent indicators, score, along with all external and internal verification checks. The Fraud Risk team performs checks on all approved cases based on criteria set by the Fraud Risk policy, and any other indicators from the applications, accompanying documents etc.

Collateral is used as a mitigating tool by the Company. The principal acceptable collateral is cash deposits for loans and advances to customers and guarantees issued on behalf of customers. The maximum loan to value of loans and advances and guarantees, as well as valuation frequencies are clearly documented in the credit policy.

Incorporation of forward-looking information

The Company uses forward-looking information that is available in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Company uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Company applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Company for strategic planning and budgeting. The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Company has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

The estimation methodology for the three main components, PD, LGD and EAD is explained below:

Probability of Default (PD):

12 month PD is estimated based on the historical performance of accounts and overlaid with macroeconomic impact to compute monthly marginal PD. 12 month monthly PD is used for stage 1 and life time PD is used for stage 2.

Loss Given Default (LGD):

A recovery analysis based on historical data has been carried out for the estimation of LGD to compute the 'Net Present Value' (NPV) of the loss as a percentage of the EAD.

Exposure at Default (EAD):

A reducing EAD factor model is used by the Company. Based on the historical data of defaulted customers, an estimate of average month-on-month repayment of the outstanding balance by the customers prior to default is determined.

These figures are generally derived from internally developed models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

4 FINANCIAL RISK MANAGEMENT continued

Credit risk continued

Measurement of ECL continued
The Company measures ECL considering the risk of default over the maximum contractual period over which the company is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Company's exposure to credit losses to the contractual notice period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Company does not enforce, in the normal day-to-day management, the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Company becomes aware of an increase in credit risk at customer level.

12 Month or Lifetime ECL for each facility is used depending on the stage of the facility, as explained below:

- **Stage1:** where 0-1 payment is overdue (upto 30 days) on the credit facilities and no significant increase in credit risk is observed,12 month Expected Credit Loss (ECL) is recorded as impairment provision;
- **Stage2:** where 2-3 payments are overdue (upto 90 days) on the credit facilities and significant increase in credit risk has been observed, Life-time ECL is recorded as impairment provision; and
- **Stage3:** where 4 or more payments are overdue (over 90 days) on the credit facilities, they are considered to be in default, Life-time ECL is recorded as impairment provision.

Significant increase in credit risk (SICR)
The Company monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL. The Company performs both qualitative and quantitative analyses for determination of SICR.

Definition of default and credit-impaired assets
A credit facility is considered to be in default when there are four payments overdue. The customers are classified or downgraded in the above categories, based on a comprehensive assessment of the customer's credit quality. This assessment includes review of payment history, capacity to repay and financial health.

Curing:
Assets can move back to Stage 1 from Stage 2 when they no longer meet the significant increase in credit risk criteria and have shown consistent performance over a probation period of 12 months. Moreover, none of the assets can move back directly to Stage 1 from Stage 3 and will be moved initially to stage 2 for a probation period of 12 months before being upgraded to Stage 1.

Groupings based on shared risks characteristics
When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Product type;
- Delinquency status; and
- Utilisation band.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

4 FINANCIAL RISK MANAGEMENT continued

Credit risk continued

Groupings based on shared risks characteristics continued

The segmentation of loans and advances is used as a basis to assess the quality of the loans and effectively manage the credit risk. The total outstanding contractual amount of commitments towards unused credit card limits does not necessarily represent future cash requirements, since these unused credit card limits may not be fully utilised and are revocable by the Company.

Financial guarantees represent guarantees issued by the Company on behalf of customers favouring the UAE Ministry of Labour and other government bodies and are substantially secured by cash collateral (note 24).

Credit risk exposure per class of financial asset

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

Credit risk exposures relating to on-balance sheet assets are as follows:

	Stage 1 (12-month ECL) AED'000	*Stage 2 (lifetime ECL) AED'000*	*Stage 3 (lifetime ECL) AED'000*	*Total AED'000*
At 31 December 2024				
Loans and advances	**745,167**	**32,591**	**924,047**	**1,701,805**
Bank balances	**149,789**	**-**	**-**	**149,789**
Financial assets carried at FVOCI	**92,664**	**-**	**-**	**92,664**
Other assets	**14,104**	**-**	**-**	**14,104**
Total	**1,001,724**	**32,591**	**924,047**	**1,958,362**
At 31 December 2023				
Loans and advances	679,142	34,315	849,121	1,562,578
Bank balances	205,527	-	-	205,527
Financial assets carried at FVOCI	99,181	-	-	99,181
Other assets	19,245	-	-	19,245
Total	1,003,095	34,315	849,121	1,886,531

The below table summarises the expected credit loss allowance at the end of reporting period by class of financial asset:

	2024 AED'000	*2023 AED'000*
Bank balances (note 5)	**42**	35
Loans and advances, net (note 6)	**902,120**	833,464
Financial assets carried at fair value through OCI (note 7)	**398**	398
Other assets (note 10)	**42**	157
	902,602	834,054

4 FINANCIAL RISK MANAGEMENT continued

Credit risk continued
Credit risk exposure per class of financial asset continued
The gross amount of loans and advances, net of expected credit losses, which are current and past due and the corresponding impairment allowances are as follows:

	2024 ***AED'000***	*2023* *AED'000*
Stage 1	**745,167**	679,142
Stage 2	**32,591**	34,315
Stage 3	**924,047**	849,121
	1,701,805	1,562,578
Less: allowance for expected credit losses	**(902,120)**	(833,464)
Net loans and advances	**799,685**	729,114

Recoveries on these loans are recognised when realised and are reduced from the impairment charge.

Movement in allowance for expected credit losses on loans and advances:

	31 December 2024			
	Stage 1 (12-month ECL) AED'000	***Stage 2 (lifetime ECL) AED'000***	***Stage 3 (lifetime ECL) AED'000***	***Total AED'000***
At 1 January 2024	**21,371**	**14,467**	**797,626**	**833,464**
Impairment charge and suspended interest during the year, net (note 6)	**1,269**	**(1,237)**	**126,994**	**127,026**
Less: recoveries during the year (note 6)	**-**	**-**	**(58,370)**	**(58,370)**
At 31 December 2024	**22,640**	**13,230**	**866,250**	**902,120**

	31 December 2023			
	Stage 1 (12-month ECL) AED'000	*Stage 2 (lifetime ECL) AED'000*	*Stage 3 (lifetime ECL) AED'000*	*Total AED'000*
At 1 January 2023	17,525	17,700	1,139,810	1,175,035
Impairment charge and suspended interest during the year, net (note 6)	3,846	(3,233)	223,044	223,657
Less: write offs during the year (note 6)	-	-	(517,785)	(517,785)
Less: recoveries during the year (note 6)	-	-	(47,443)	(47,443)
At 31 December 2023	21,371	14,467	797,626	833,464

4 FINANCIAL RISK MANAGEMENT continued

Credit risk continued
Credit risk exposure per class of financial asset continued
Position of gross loans and expected credit losses:

	Gross Loan				*Allowance ECL*				*ECL Coverage*		
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*
31 December 2024	**745,167**	**32,591**	**924,047**	**1,701,805**	**22,640**	**13,230**	**866,250**	**902,120**	**3.04%**	**40.59%**	**93.75%**
31 December 2023	679,142	34,315	849,121	1,562,578	21,371	14,467	797,626	833,464	3.15%	42.16%	93.94%

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for on loans and advances:

	31 December 2024			
	12-month ECL AED'000	***Lifetime ECL not credit impaired AED'000***	***Lifetime ECL impaired AED'000***	***Total AED'000***
At 1 January 2024	**21,371**	**14,467**	**797,626**	**833,464**
Transfer from stage 2 & 3 to stage 1	**138**	**(3,294)**	**(185)**	**(3,341)**
Transfer from stage 1 & 3 to stage 2	**(605)**	**8,078**	**(79)**	**7,394**
Transfer from stage 1 & 2 to stage 3	**(1,554)**	**(9,773)**	**-**	**(11,327)**
Net charge for year	**3,290**	**3,752**	**68,888**	**75,930**
At 31 December 2024	**22,640**	**13,230**	**866,250**	**902,120**
At 31 December 2023	21,371	14,467	797,626	833,464

Impairment reserve under the Central Bank of the UAE (CBUAE) guidance
The CBUAE issued a guidance note to banks and finance companies on the implementation of IFRS 9 on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance").

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

	2024 AED'000	*2023 AED'000*
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	**11,774**	10,775
Less: Stage 1 and Stage 2 provisions under IFRS 9	**(35,870)**	(35,838)
General provision transferred to the impairment reserve	**-**	-
Impairment reserve: Specific		
Specific provisions under Circular 28/2010 of CBUAE	**903,723**	836,893
Less: Stage 3 provisions under IFRS 9	**(866,250)**	(797,626)
Specific provision transferred to the impairment reserve	**37,473**	39,267
Total provision transferred to the impairment reserve	**37,473**	39,267

As per the guidance note, where provisions under circular 28/10 of the CBUAE exceed provisions under IFRS 9, the difference is directly transferred to an impairment reserve without any impact on statement of comprehensive income within equity as an appropriation from retained earnings. This reserve is not available for dividend distribution.

4 FINANCIAL RISK MANAGEMENT continued

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity management process includes:

- Managing day-to-day funding, through anticipating and monitoring future cash flow requirements.
- The primary tool employed by the Company is the maturity mismatch analysis, which includes behavioural assumptions on debts and loans repayments based on historical analysis.
- Monitoring balance sheet liquidity ratios, market movements and interest rate forecasts.
- Setting and monitoring limits for the above mentioned process.

Sources of liquidity are regularly reviewed and the Company seeks to diversify funding sources and increase its investor base to ensure continuous availability of funds. All liquidity policies and procedures are subject to review and approval by the Asset and Liability Committee ("ALCO").

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 December 2024.

On-balance sheet

	Less than 1 year AED'000	*2-5 years AED'000*	*Over 5 years AED'000*	*Un-specified AED'000*	*Total AED'000*
At 31 December 2024					
Financial assets					
Cash and bank balances	149,747	-	-	-	149,747
Loans and advances, net	598,808	200,877			799,685
Other assets	12,546	-	-	-	12,546
Debt Securities	92,266	-	-	-	92,266
Total financial assets	853,367	200,877	-	-	1,054,244
Other assets	9,457	-	-	70,485	79,942
Total assets	862,824	200,877	-	70,485	1,134,186
Financial liabilities					
Customers' deposits	743,250	101,777	-	-	845,027
Amount due to related parties	62,555	-	-	-	62,555
Other liabilities	16,568	-	-	-	16,568
Total financial liabilities	822,373	101,777	-	-	924,150
Other liabilities	40,890	4,745	-	2,349	47,984
Total liabilities	863,263	106,522	-	2,349	972,134

4 FINANCIAL RISK MANAGEMENT continued

Liquidity risk continued

The table below summarises the maturity profile of the discounted cash flows of the Company's financial assets and liabilities as at 31 December 2023.

On-balance sheet

	Less than 1 year AED'000	*2-5 years AED'000*	*Over 5 years AED'000*	*Un-specified AED'000*	*Total AED'000*
At 31 December 2023					
Financial assets					
Cash and bank balances	205,492	-	-	-	205,492
Loans and advances, net	673,752	55,362	-	-	729,114
Other assets	19,245	-	-	-	19,245
Financials assets at FVOCI	98,783	-	-	-	98,783
Total financial assets	997,272	55,362	-	-	1,052,634
Other assets	5,397	-	-	55,662	61,059
Total assets	1,002,669	55,362	-	55,662	1,113,693
Financial liabilities					
Customers' deposits	711,929	101,777	-	-	813,706
Amount due to related parties	79,243	-	-	-	79,243
Derivative financial instrument	224	-	-	-	224
Other liabilities	13,388	-	-	-	13,388
Total financial liabilities	804,784	101,777	-	-	906,561
Other liabilities	32,935	11,347	-	2,502	46,784
Total liabilities	837,719	113,124	-	2,502	953,345

The table below presents the maturity profile of the cash flows payable by the Company in respect of its non-derivative financial liabilities, by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

On-balance sheet

	Less than 1 year AED'000	*2-5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
At 31 December 2024				
Customers' deposits	**762,765**	**82,892**	-	**845,657**
Amount due to related parties	**62,555**	-	-	**62,555**
Other liabilities	**57,662**	-	-	**57,662**
Total	**882,982**	**82,892**	-	**965,874**
At 31 December 2023				
Customers' deposits	726,089	112,664	2,220	840,973
Derivative financial instrument	224	-	-	224
Amount due to related parties	79,243	-	-	79,243
Other liabilities	13,388	-	-	13,388
Total	818,944	112,664	2,220	933,828

4 FINANCIAL RISK MANAGEMENT continued

Liquidity risk continued

Off-balance sheet

	Less than 1 year AED'000	*2-5 years AED'000*	*More than 5 years AED'000*	*Total AED'000*
At 31 December 2024				
Unused credit card limits	**71,747**	**-**	**-**	**71,747**
Financial guarantees	**-**	**-**	**61,730**	**61,730**
Total	**71,747**	**-**	**61,730**	**133,477**
At 31 December 2023				
Unused credit card limits	74,821	-	-	74,821
Notional for derivative financial liability	20,278	-	-	20,278
Financial guarantees	-	-	69,471	69,471
Total	95,099	-	69,471	164,570

Unused credit card limits
The contractual amount of the Company's commitment towards unused credit card limits is summarised in the above table. However, the commitments to extend credit are revocable at the option of the Company.

Financial guarantees
Financial guarantees represent guarantees issued by the Company on behalf of customers favouring the UAE Ministry of Labour and other government bodies and are substantially secured by cash collateral.

Market risk
The Company takes on exposure to market risk, which is the risk that fair value or future cash flows will fluctuate as a result of changes in market prices. Market risk arises from exposure to currency and interest rate fluctuations. The ALCO meets regularly to review and provide direction related to interest rate risk and currency risk in the Company. It ensures that the exposures of the Company are within prudent levels.

The main measurement techniques used to measure and control market risks are outlined below:

Interest rate risk
Interest rate risk arises from mismatches in the interest rate profile of the Company's assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Company strives to maintain an interest rate profile that will lead to financial performance consistent with its long term objectives.

The ALCO sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which are monitored by the market risk manager. Regular stress testing is performed using hypothetical scenarios to monitor the Company's vulnerability to simultaneous shocks on market risks. It gives an indication of the potential loss that arises in extreme conditions, facilitating the proactive management of market risks in an environment of rapid market changes.

4 FINANCIAL RISK MANAGEMENT continued

Market risk continued
Interest rate risk continued
The table below summarises the Company's exposure to interest rate risk. It includes the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 3 months AED'000	*4 months to 1 year AED'000*	*2 year to 5 years AED'000*	*Over 5 years AED'000*	*Non-interest bearing AED'000*	*Total AED'000*	*Average interest rate*
At 31 December 2024							
ASSETS							
Cash and bank balances	119,618		-	-	30,129	149,747	3.53%
Loans and advances, net	558,161	40,647	200,877	-	-	799,685	20.69%
Property and equipment	-	-	-	-	1,758	1,758	
Intangible assets	-	-	-	-	66,709	66,709	
Financial investment at FVOCI	-	-	92,266	-	-	92,266	4.07%
Deferred tax	-	-	-	-	2,018	2,018	
Other assets	-	-	-	-	22,003	22,003	
TOTAL ASSETS	677,779	40,647	293,143	-	122,617	1,134,186	
LIABILITIES AND EQUITY							
Customers' deposits	461,760	281,490	101,777	-	-	845,027	5.73%
Provision for employees' end of service benefits	-	-	-	-	2,020	2,020	
Amounts due to related parties	-	-	-	-	62,555	62,555	
Other liabilities	-	-	-	-	62,532	62,532	
TOTAL LIABILITIES AND EQUITY	461,760	281,490	101,777	-	127,107	972,134	
Interest rate sensitivity gap	216,019	(240,843)	191,366	-	(4,490)	162,052	

4 FINANCIAL RISK MANAGEMENT continued

Market risk continued
Interest rate risk continued

	Up to 3 months AED'000	*4 months to 1 year AED'000*	*2 year to 5 years AED'000*	*Over 5 years AED'000*	*Non-interest bearing AED'000*	*Total AED'000*	*Average interest rate*
At 31 December 2023							
ASSETS							
Cash and bank balances	175,945	-	-	-	29,547	205,492	3.85%
Loans and advances, net	633,090	40,662	55,362	-	-	729,114	14.29%
Property and equipment	-	-	-	-	620	620	
Intangible assets	-	-	-	-	55,042	55,042	
Financial investment at FVOCI	-	-	98,783	-	-	98,783	4.07%
Other assets	-	-	-	-	24,642	24,642	
TOTAL ASSETS	809,035	40,662	154,145	-	109,851	1,113,693	
LIABILITIES AND EQUITY							
Customers' deposits	430,439	281,490	101,777	-	-	813,706	5.45%
Provision for employees' end of service benefits	-	-	-	-	2,502	2,502	
Amounts due to related parties	-	-	-	-	79,243	79,243	
Derivative financial instrument	-	224	-	-	-	224	
Other liabilities	-	-	-	-	57,670	57,670	
TOTAL LIABILITIES AND EQUITY	430,439	281,714	101,777	-	139,415	953,345	
Interest rate sensitivity gap	378,596	(241,052)	52,368	-	(29,564)	160,348	

4 FINANCIAL RISK MANAGEMENT continued

Market risk continued
Interest rate risk continued
Interest rate sensitivity
The Company is exposed to the effects of fluctuations in the prevailing levels of rates of interest on its cash flows.

Interest rate risk is assessed by measuring the impact of reasonable possible change in interest rate movements. The Company assumes a fluctuation in interest rates of 10 basis points (bps) and estimates the following impact on the net result for the year and equity at that date:

	2024 AED'000	*2023 AED'000*
Unfavorable (favorable) impact of fluctuation in interest rates by 10 bps	**216**	168

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Currency risk
The Company does not have any significant foreign currency exposures, since its transactions are in UAE Dirham or US Dollar and the UAE Dirham is currently pegged against the US Dollar.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events including legal and compliance risk but excluding strategic or reputation risk.

The operational risk governance structure is embedded in the three lines of defense model and is complemented by the functioning of the Operational Risk Committee at the Executive level. At the board level, principal responsibility for oversight of operational risk management rests with the Risk Committee. The Risk Committee provides oversight, inquiry and challenge with respect to the risk management framework, including operational risk. In exercising its oversight role, the Risk Committee relies on the management to establish appropriate policies, procedures and practices.

Capital management
The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, is:

- to comply with the capital requirements set by its regulator;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholder; and
- to maintain a strong capital base to support the development of its business.

The objective of the Company's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholders or issue new shares. In order to address erosion of capital due to heavy incidence of loan losses since 2016, the Company's shareholder has injected further share capital of AED 20 million (2023: AED 75 million). The Company has ensured that it is meeting the minimum capital requirement, as prescribed by Central Bank of UAE as at 31 December 2024.

5 CASH AND BANK BALANCES

For the purpose of the statement of cash flows, cash and cash equivalents have been calculated as follows:

	2024 *AED'000*	*2023* *AED'000*
Bank balances	**112,147**	183,023
Bank deposits	**37,642**	22,504
	149,789	205,527
Less: allowance for expected credit losses (note 4)	**(42)**	(35)
	149,747	205,492
Cash and bank balances	**149,789**	205,527
Less: bank deposits with maturities greater than three months	**-**	(5,332)
Cash and cash equivalents	**149,789**	200,195

Movement in provision for expected credit losses:

	2024 *AED'000*	*2023* *AED'000*
At 1 January	**35**	56
Addition / (reversal) during the year (note 20)	**7**	(21)
At 31 December	**42**	35

Deposits with banks are placed with banks and financial institutions in the UAE and carry interest at the rate of 2.1% to 4.4% (2023: 0.05% to 4.35%) per annum.

Deposits of AED 0.1 million (2023: AED 0.1 million) have been pledged against guarantees issued by a bank on behalf of the Company.

6 LOANS AND ADVANCES, NET

	2024 *AED'000*	*2023* *AED'000*
Personal loans	**682,622**	628,734
Credit cards	**713,312**	706,856
Merchant finance	**123,782**	76,759
Auto loans	**72,252**	93,337
Loans to related parties (note 12)	**74,249**	52,542
Others	**35,588**	4,350
	1,701,805	1,562,578
Less: allowance for expected credit losses (note 4)	**(902,120)**	(833,464)
	799,685	729,114

6 LOANS AND ADVANCES, NET continued

Movement in provision for expected credit losses:

	2024 *AED'000*	*2023* *AED'000*
At 1 January	**833,464**	1,175,035
Impairment charge for the year (note 20)	**91,269**	99,861
Interest and fees in suspense account reclassified	**35,757**	123,796
Less: written off during the year (note 4)	**-**	(517,785)
Less: recoveries during the year (notes 4 and 20)	**(58,370)**	(47,443)
At 31 December	**902,120**	833,464

All the loans and advances are provided in the UAE. The terms and conditions, and credit risks associated with the loans and advances are disclosed in note 4.

7 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Movement in debt instruments held at fair value through other comprehensive income (FVOCI):

	2024 *AED'000*	*2023* *AED'000*
At 1 January	**98,783**	106,545
Net redemptions during the year	**(8,471)**	(9,966)
Impairment charge (note 20)	**-**	(199)
Change in fair value during the year	**1,954**	2,403
	92,266	98,783

The Company invested in quoted debt instruments across the Middle East. Fair value hierarchy of these investments is level 1 as all bonds are quoted.

As at 31 December 2024, investments are classified as stage 1 asset and provision for expected credit loss amounted to AED 398 thousand (2023: AED 398 thousand).

8 PROPERTY AND EQUIPMENT

	Office equipment AED'000	*Leasehold improvements AED'000*	*Motor vehicles AED'000*	*Total AED'000*
Cost:				
At 1 January 2023	22,231	3,903	803	26,937
Additions	341	49	-	390
At 31 December 2023	22,572	3,952	803	27,327
Additions	1,726	-	-	1,726
Written off	(1,611)	(2,250)	(803)	(4,664)
At 31 December 2024	**22,687**	**1,702**	-	**24,389**
Accumulated depreciation:				
At 1 January 2023	21,540	3,706	782	26,028
Charge for the year	412	246	21	679
At 31 December 2023	21,952	3,952	803	26,707
Charge for the year	588	-	-	588
Written off	(1,611)	(2,250)	(803)	(4,664)
At 31 December 2024	**20,929**	**1,702**	-	**22,631**
Net book value:				
At 31 December 2023	620	-	-	620
At 31 December 2024	**1,758**	-	-	**1,758**

9 INTANGIBLE ASSETS

	Computer software AED'000
At 1 January 2024	55,042
Additions	19,574
Amortisation charge for the year	(7,907)
At 31 December 2024	**66,709**
At 1 January 2023	5,571
Additions	53,158
Amortisation charge for the year	(3,687)
At 31 December 2023	55,042

10 OTHER ASSETS

	2024 *AED'000*	*2023* *AED'000*
Prepaid expenses	**9,499**	3,797
Deposits	**462**	523
Advances	**170**	19,108
Accrued interest receivable	**74**	-
Others	**11,840**	1,371
	22,045	24,799
Less: allowance for expected credit losses (note 4)	**(42)**	(157)
	22,003	24,642

Movement in provision for expected credit losses:

	2024 *AED'000*	*2023* *AED'000*
At 1 January	**157**	102
(Reversal) / charge for the year (note 20)	**(115)**	55
At 31 December	**42**	157

11 CUSTOMERS' DEPOSITS

	2024 *AED'000*	*2023* *AED'000*
Corporate term deposits	**845,027**	813,706

Customer deposits carry an average interest rate of 5.67% (2023: 5.78%) per annum. Customers' deposits of AED 98 million (2023: AED 106 million) are held as collateral for guarantees issued or to be issued on behalf of customers.

Included in deposits are amounts held for related parties amounting to AED 366.9 million (2023: AED 269 million) (note 12).

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The terms of these transactions are approved by the Board and are made on terms agreed by the Board.

12 RELATED PARTY TRANSACTIONS AND BALANCES continued

The Company has entered into the following significant transactions with related parties in the ordinary course of business:

	2024 AED'000	2023 AED'000
Expenses		
Fees charged by Deem Services FZ LLC for the provision of business and knowledge processing services on commercially agreed terms	**38,667**	31,686
Consultancy fees charged by Daman Investments PSC	**5,000**	5,000
Cash settlements with Deem Services FZ LLC	**36,800**	28,700

Compensation of key management personnel
The compensation of key management personnel during the year was as follows:

	2024 AED'000	2023 AED'000
Salaries and other short-term employee benefits	**8,114**	4,276

Deposits held with the Company for related parties are as follows:

	2024 AED'000	2023 AED'000
Deposits of related parties		
Gargash Enterprises LLC	**103,616**	98,416
Daman Investments PSC	**173,714**	124,052
Gargash Investments LLC	**20,000**	-
Gargash Real Estate LLC	**8,384**	7,951
Omni Star Investment LLC	**-**	3,052
Kayak Investment LLC	**-**	5,086
Weddan General Trading LLC	**19,680**	19,034
Gargash Insurance Services Co. LLC	**8,482**	8,100
Daman Markets Financial Services LLC	**33,000**	-
Seed Platform Information Technology LLC	**-**	3,687
	366,876	269,378

Loans given to related parties are as follows:

	2024 AED'000	2023 AED'000
Loans to related parties		
Gargash Investments LLC	**45,000**	25,000
Skyhawk Restaurant LLC	**11,207**	10,628
Al Daman Securities LLC	**15,000**	15,000
	71,207	50,628

Accrued interest on loans to related parties amounted to AED 3,042 thousand as at 31 December 2024 (2023: AED 1,914 thousand).

Salaries and other short-term employee benefits do not include gratuity settlements made during the year.

12 RELATED PARTY TRANSACTIONS AND BALANCES continued

The following represents balances with related parties:

	2024 AED'000	2023 AED'000
Amounts due to related parties		
Daman Investments PSC*	**56,372**	73,279
Deem Services FZ LLC	**6,183**	5,964
	62,555	79,243

*These relate to amounts payable pertaining to investments (refer note 7) made by a related party on behalf of the Company AED 56,272 thousand (2023: AED 67,488 thousand).

The balances due to related parties are payable on demand and bear no interest.

There are no transactions with the key management personnel.

13 EMPLOYEES' END OF SERVICE BENEFITS

	2024 AED'000	2023 AED'000
At 1 January	**2,502**	2,756
Charge for the year (note 22)	**310**	523
Transfer to Deem Services FZ LLC	**(321)**	-
Payments during the year	**(471)**	(777)
At 31 December	**2,020**	2,502

The provision for employees' end of service benefits due to expatriate employees is made in accordance with the UAE Labour Law for their periods of service up to the reporting date.

14 OTHER LIABILITIES

	2024 AED'000	2023 AED'000
Accrued expenses	**20,039**	24,002
Sundry and other creditors	**35,236**	20,118
Deferred fee and commission income	**5,194**	11,326
Collateral held	**673**	673
Other employees' benefits	**-**	21
Value added tax payable, net	**-**	367
Others	**1,390**	1,163
	62,532	57,670

15 SHARE CAPITAL

	2024 AED'000	2023 AED'000
Authorised, issued and paid up share capital		
3,149,755 shares (2023: 12,149,755 shares) of AED 100 each	314,976	1,214,976

During the year the shareholder injected AED 20 million (2023: 75 million) disclosed under advance against share capital in the statement of financial position. During the year, the Company sought and obtained approval from the Central Bank of the UAE to reduce capital and offset AED 1,000,000 thousand of share capital against its accumulated losses.

16 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative product type
A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index.

Derivative held for trading purposes
The Company's derivative trading activities relate to reducing the finance cost on its customer deposits with the expectation of making profit from favourable movements in exchange rates.

	2024 AED'000	2023 AED'000
Derivative financial instruments - liability	-	224

Set out below is the carrying amount of derivative liability and the movement during the period:

	2024 AED'000	2023 AED'000
At 1 January	224	-
Fair value change	-	224
Paid	(224)	-
At 31 December	-	224

Set out below is the outstanding notional amount of the forward currency swaps:

	2024 EUR'000	2023 EUR'000
Forward currency swap – notional value	-	5,000

17 STATUTORY RESERVE

In accordance with the UAE Federal Decree Law No. (32) of 2021, and the UAE Union Law No. 10 of 1980, as amended, 5% of the net profit for the year is transferred to a statutory reserve, until such time as the balance in the reserve equals 50% of the issued share capital. This reserve is not available for distribution. There was no transfer required to the statutory reserve on 31 December 2024 and 2023 as the Company recorded a net loss in both years.

18 SPECIFIC RESERVE

In accordance with the requirements of the Central Bank of the U.A.E (CBUAE), the excess of the credit impairment provisions calculated in accordance with CBUAE requirements over the ECL allowance calculated under IFRS 9 for assets classified under Stage 3 is transferred to a 'Specific provision reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends. Had the Company taken provision in accordance with the requirements of the CBUAE, the losses for the year would have been higher by AED 1.8 million (2023: would have been higher by AED 19.1 million).

19 INTEREST INCOME AND EXPENSE

	2024 ***AED'000***	*2023* *AED'000*
Interest income		
on loans and advances	**119,514**	88,265
on borrowings	**740**	-
on financial assets carried at FVOCI	**4,296**	2,994
on deposits with banks	**5,217**	2,810
	129,767	94,069
Interest expense:		
on customer deposits	**45,574**	35,335
on borrowings	**-**	754
on lease liability	**33**	-
	45,607	36,089

20 IMPAIRMENT CHARGE, NET

	2024 ***AED'000***	*2023* *AED'000*
Impairment charge on loans and advances (notes 4 and 6)	**91,269**	99,861
Reversal of impairment charge on bank balances (note 5)	**7**	(21)
Impairment (reversal) charge on other assets (note 10)	**(115)**	55
Impairment charge on investments held at fair value through OCI (note 7)	**-**	199
Recovery of loans and advances (notes 4 and 6)	**(58,370)**	(47,443)
	32,791	52,651

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2024 *AED'000*	*2023* *AED'000*
Outsourced services	**19,224**	23,454
Staff costs (note 22)	**24,729**	19,643
Information technology expenses	**17,800**	19,241
Card member benefits	**10,317**	16,376
Legal and professional fees	**8,108**	8,322
Card association charges	**7,501**	8,190
Credit bureau and collection charges	**4,742**	5,686
Telephone charges	**2,659**	2,920
Advertising, publicity and promotional expenses	**2,109**	1,334
Occupancy costs	**1,861**	2,386
Bank charges	**1,078**	1,538
Other expenses	**10,360**	8,133
	110,488	117,223

22 STAFF COSTS

	2024 *AED'000*	*2023* *AED'000*
Salaries and other benefits	**24,419**	19,120
Employees' end of service benefits (note 13)	**310**	523
	24,729	19,643

23 INCOME TAX

The Company calculates the income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major component of income tax expense in the statement of comprehensive income are:

23.1 Amount recognised in the statement of comprehensive income

The major components of income tax expense for the year ended 31 December 2024:

	2024 *AED*
Current income tax charge	**-**
Deferred income tax credit relating to origination and reversal of temporary differences	**2,018**
Income tax expense reported in the statement of comprehensive income	**-**

23.2 Reconciliation of accounting income

	2024 *AED*
Loss before tax	**(22,268)**
At United Arab Emirates' statutory income tax rate of 9%	**(2,018)**
Effective tax rate	**9%**

At 31 December 2024, there were no amounts recognised directly to equity or in other comprehensive income.

24 CONTINGENT LIABILITIES AND COMMITMENTS

	2024	*2023*
	AED'000	*AED'000*
Commitments to extend credit and guarantees		
Unused credit card limits	**71,747**	74,821
Financial guarantees	**61,730**	69,471
	133,477	144,292

The total outstanding contractual amount of commitment towards unused credit card limits does not necessarily represent future cash requirements, since these credit card limits may not be fully utilised and are revocable at the option of the Company. In accordance with the BCBS Basel III paper published in December 2017, a 10% Credit Conversion Factor will be applied to commitments that are unconditionally cancellable at any time by the Company without prior notice, or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness. The Company has ascertained that the impact of expected credit losses on the unused credit card limits facility that is not material to its financial statements.

Financial guarantees represent guarantees issued by the Company on behalf of customers favouring the UAE Ministry of Labour and other government bodies and are substantially secured by cash collateral. Hence there is no impact of IFRS 9 with respect to Expected Credit Losses (ECL) on the financial guarantees.

At 31 December 2024, the Company has no capital commitments (2023: nil).

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances, loans and advances, financial assets carried at FVOCI and other assets. Financial liabilities consist of customer deposits, amounts due to related parties, other liabilities and derivative financial instrument.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities. The fair value of the assets and liabilities which are measured at fair value was performed as at 31 December 2024 and 2023.

	Quoted prices in active markets (Level 1) AED'000	*Significant observable inputs (Level 2) AED'000*	*Significant unobservable inputs (Level 3) AED'000*	*Total AED'000*
2024				
Assets measured at fair value				
Financial assets carried at FVOCI	**92,266**	**-**	**-**	**92,266**
2023				
Assets measured at fair value				
Financial assets carried at FVOCI	98,783	-	-	98,783
Liability measured at fair value				
Derivative financial instrument	-	224	-	224

The fair values of other financial instruments are not materially different from their carrying values at the reporting date.

26 SUBSEQUENT EVENT

Subsequent to the financial year-end, in February 2025, Deem Finance signed an agreement for an Asset-Backed Securitization (ABS) transaction for a facility of up to AED 1.46 billion with JP Morgan, a leading international financial institution. This transaction was approved by the Central Bank of the UAE.

The securitization facility is a strategic initiative aimed at diversifying Deem's funding sources by securing long-term institutional financing. This strengthens the Company's balance sheet, supports sustainable growth, and enhances its ability to serve underbanked customer segments. Additionally, this initiative contributes to the development of the UAE's non-bank financial sector, aligning with the country's vision for a dynamic and well-regulated financial ecosystem.

This transaction was executed after the reporting date and does not impact the financial position or results presented in the Company's financial statements for the year ended 31 December 2024.