

Reem Finance P.J.S.C.

DIRECTORS' REPORT

Year ended 31 December 2020

The Board of Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2020.

Principal activities and business review

The Group is engaged in extending advances for financing trade and business, vehicle finance and personal loans to individuals.

Financial results and appropriation of income

During the year ended 31 December 2020, the Group has generated loss of AED 184,811,642 (2019: AED 26,485,817) and total comprehensive loss for the year amounting to AED 184,811,642 (2019: AED 26,486,321).

Going concern basis

The Board of Directors has reasonable expectation that the Group has adequate resources to support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2020.

Transactions with related Parties

The consolidated financial statements disclose related party transactions and balances in note 26. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Auditors

KPMG were appointed as external auditors for the Group for the year ended 31 December 2020. KPMG have expressed their willingness to continue in office. A shareholder resolution for the reappointment of KPMG is proposed and to absolve them of their responsibility for the year ended 31 December 2020.

Board of Directors

The Directors as of 31 December 2020 comprised the following:

Dr. Saleh Al Hashemi	Chairman
Mr. Syed Basar Shueb	Vice Chairman
Mr. Mustafa Kheriba	Director
Mrs. Huda Abdulla	Director
Mrs. Sara Al Binali	Director

For The Board of Directors


Chairman



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Independent Auditors' Report

To the Shareholders of Reem Finance PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Reem Finance P.J.S.C. ("the Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report set out on page 1.



Other Information (continued)

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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



*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
(continued)*

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report, is consistent with the books of account of the Group;
- as disclosed in note 10 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2020;
- note 26 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2020.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates

Date: 31 MAR 2021

Reem Finance P.J.S.C.

Consolidated statement of financial position as at 31 December

	Note	2020 AED	2019 AED
Assets			
Cash and bank balances	7	14,578,132	48,032,641
Loans and advances, net	8	128,069,247	227,023,537
Debt securities, net	9	159,285,572	186,382,364
Investments at fair value through profit or loss	10	168,287,565	245,770,568
Investment property	11	35,490,000	39,655,000
Derivative financial assets	12	77,574,348	58,530,174
Prepayments and other receivables, net	13	36,935,852	61,808,254
Property, plant and equipment	14	373,487	687,273
Intangible assets	15	3,478	23,386
Total assets		620,597,681	867,913,197
Liabilities			
Customers' deposits	17	269,713,737	242,330,700
Term loans	16	51,778,303	113,447,126
Other payables	18	94,585,700	72,945,317
Provision for employees' end of service benefits	19	786,623	655,975
Derivative financial liabilities	12	-	9,959,119
Total liabilities		376,834,363	439,338,237
Equity			
Share capital	20	400,000,000	400,000,000
Legal reserve	21	17,103,102	17,103,102
Impairment reserve		5,820,273	5,820,273
(Accumulated losses) / retained earnings		(179,160,057)	5,651,585
Total equity		243,763,318	428,574,960
Total liabilities and equity		620,597,681	867,913,197

To the best of our knowledge, the consolidated financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Group as of, and for, the year ended 31 December 2020:



Dr. Saleh Al Hashemi
Chairman



Mr. Seraj Tariq Faidi
General Manager

The notes on pages 10 to 64 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

Reem Finance P.J.S.C.

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December

	Note	2020 AED	2019 AED
Interest income on loans and advances		8,824,238	41,777,240
Interest income on bank deposits		187,502	834,133
Interest expense on customers' deposits		(17,509,103)	(17,550,042)
Interest expense on term loans		(4,844,441)	(10,331,072)
Fee and commission income		1,667,964	2,893,751
Revaluation (loss) / gain on properties		(4,165,000)	6,619,575
Dividend and investment (loss) / income, net	23	(21,414,923)	26,474,473
Operating (loss) / income		(37,253,763)	50,718,058
General and administrative expenses	24	(14,881,988)	(18,581,944)
Charge for allowance for expected credit losses on financial instrument		(132,675,891)	(5,650,297)
(Loss) / profit for the year		(184,811,642)	26,485,817
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(184,811,642)	26,485,817

The notes on pages 10 to 64 form an integral part of these consolidated financial statements.

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