Easy Lease Motor Cycle Rental L.L.C

FINANCIAL STATEMENTS

31 DECEMBER 2019

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors have pleasure in submitting this report and the financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The Company is engaged in motorcycles trading, motorcycles repairing and motorcycles rental.

FINANCIAL RESULTS

Total revenue earned by the Company during the year ended 31 December 2019 was AED 53,028,467 (2018: AED 34,169,745). The profit for the year ended 31 December 2019 amounted to AED 13,996,101 (2018: AED 7,825,720).

AUDITORS

Ernst & Young have indicated their willingness to continue as auditors of the Company in 2020 and offer themselves for re-appointment.

For and on behalf of the Board of Directors

Mr. Ahmad Mohamad Alsayed Ibrahim Al Sadah
Partner

24 August 2020

Dubai, United Arab Emirates

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INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF EASY LEASE MOTOR CYCLE RENTAL L.L.C

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Easy Lease Motor Cycle Rental L.L.C (the "Company") which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code 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.

Responsibilities of Management and the Board of Directors for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (2) of 2015, 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF EASY LEASE MOTOR CYCLE RENTAL L.L.C (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF EASY LEASE MOTOR CYCLE RENTAL L.L.C (continued)

Report on Other Legal and Regulatory Requirements

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

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 UAE Federal Law No. (2) of 2015, and the Memorandum of Association of the Company;

iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Company;

v) note 1 reflects the purchase of shares or stocks by the Company during the financial year ended 31 December 2019;

vi) note 17 reflects material related party transactions 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 period any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2019; and

viii) no social contributions were made during the year.

For Ernst & Young

TS. Hari Gopal

Signed by:
Thodla Hari Gopal
Partner
Registration number: 689

24 August 2020

Dubai, United Arab Emirates

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	***2019 AED***	*2018 AED*
Revenue from contracts with customers	3	**53,028,467**	34,169,745
Direct costs		**(25,995,654)**	(17,725,579)
GROSS PROFIT		**27,032,813**	16,444,166
Other income	4	**1,808,893**	1,787,137
Administrative expenses		**(13,077,658)**	(9,440,686)
Finance costs	5	**(1,767,947)**	(964,897)
PROFIT FOR THE YEAR	6	**13,996,101**	7,825,720
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,996,101**	7,825,720

The attached notes 1 to 22 form part of these financial statements.

Easy Lease Motor Cycle Rental L.L.C

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*2019* *AED*	*2018* *AED*
ASSETS			
Non-current assets			
Property and equipment	7	**34,497,824**	27,674,917
Right-of-use assets	15	**2,733,390**	-
Intangible assets	8	**165,624**	57,500
		37,396,838	27,732,417
Current assets			
Inventories – spare parts and consumables		**1,172,938**	796,111
Accounts receivable and prepayments	9	**11,615,180**	13,319,371
Partners' account	17	**454,984**	2,263,840
Bank balances and cash	10	**3,087,577**	987,812
		16,330,679	17,367,134
TOTAL ASSETS		**53,727,517**	45,099,551
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**300,000**	300,000
Statutory reserve	12	**150,000**	150,000
Retained earnings		**21,838,466**	19,295,740
Total equity		**22,288,466**	19,745,740
Non-current liabilities			
Employees' end of service benefits	13	**279,598**	224,533
Bank loans	14	**9,482,510**	10,348,661
Lease liabilities	15	**1,873,206**	-
		11,635,314	10,573,194
Current liabilities			
Accounts payable and accruals	16	**7,924,331**	5,981,784
Bank loans	14	**11,009,397**	8,798,833
Lease liabilities	15	**870,009**	-
		19,803,737	14,780,617
Total liabilities		**31,439,051**	25,353,811
TOTAL EQUITY AND LIABILITIES		**53,727,517**	45,099,551

Mr. Ahmad Mohamad Alsayed Ibrahim Al Sadah
Partner

Mr. Saeed Bin Mohammed Bin Ahmad Al Qassimi
Partner

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital AED	*Statutory reserve AED*	*Retained earnings AED*	*Total AED*
Balance at 1 January 2018	300,000	150,000	11,470,020	11,920,020
Total comprehensive income for the year	-	-	7,825,720	7,825,720
As at 31 December 2018	300,000	150,000	19,295,740	19,745,740
Dividend declared (Note 17)	-	-	(11,453,375)	(11,453,375)
Total comprehensive income for the year	-	-	13,996,101	13,996,101
As at 31 December 2019	**300,000**	**150,000**	**21,838,466**	**22,288,466**

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	*2019* *AED*	*2018* *AED*
OPERATING ACTIVITIES			
Profit for the year		**13,996,101**	7,825,720
Adjustments for:			
Depreciation of property and equipment	7	**9,920,108**	6,921,273
Depreciation of right-of-use assets	15	**558,127**	-
Amortisation of intangible assets	8	**38,680**	21,927
Provision for employees' end of service benefits	13	**100,329**	97,013
Gain on disposal of property and equipment		**(508,320)**	(1,053,090)
Finance costs	5	**1,767,947**	964,897
Provision for expected credit losses	9	**719,501**	293,901
Bad debts written off		**37,613**	125,503
		26,630,086	15,197,144
Working capital changes:			
Accounts receivable and prepayments		**925,222**	(4,331,074)
Accounts payable and accruals		**1,942,547**	1,799,397
Inventories		**(376,827)**	(253,430)
Cash flows from operations		**29,121,028**	12,412,037
Employees' end of service benefits paid	13	**(45,264)**	(14,968)
Finance costs paid	5	**(1,767,947)**	(964,897)
Net cash flows from operating activities		**27,307,817**	11,432,172
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(16,743,015)**	(18,288,841)
Purchase of intangible asset	8	**(146,804)**	-
Proceeds from disposal of property and equipment		**508,320**	1,053,090
Net cash flows used in investing activities		**(16,381,499)**	(17,235,751)
FINANCING ACTIVITIES			
Net movement in Partners' account	17	**(9,644,519)**	(1,256,547)
Repayments of bank loans		**(11,384,104)**	(6,556,279)
Proceeds from bank loans		**12,728,517**	13,937,111
Payment of principal portion of lease liabilities	15	**(526,447)**	-
Net cash flows (used in) / from financing activities		**(8,826,553)**	6,124,285
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,099,765**	320,706
Cash and cash equivalents at 1 January		**987,812**	667,106
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**3,087,577**	987,812

The attached notes 1 to 22 form part of these financial statements.

1 ACTIVITIES

Easy Lease Motor Cycle Rental L.L.C (the "Company") is a limited liability company registered and incorporated in the Emirate of Dubai, United Arab Emirates on 12 December 2011. The Company is engaged in motorcycles trading, motorcycles repairing and motorcycles rental. The Company's registered address is P.O. Box 333367, Deira, Dubai, United Arab Emirates.

Changes in shareholding
Subsequent to the year end on 7 April 2020, the shareholding of the Company was changed as follows:

	2020			*2019*		
	No of shares	*% of shares held*	*Share capital AED*	*No of shares*	*% of shares held*	*Share capital AED*
Mr. Ahmad Mohamad Alsayed Ibrahim Al Sadah	**675**	**22.5%**	**67,500**	**150**	**50%**	**150,000**
Mr. Saeed Bin Mohammed Bin Ahmad Al Qassimi	**675**	**22.5%**	**67,500**	**150**	**50%**	**150,000**
IHC Capital Holding LLC	**1,650**	**55%**	**165,000**	**-**	**-**	**-**
	3,000	**100%**	**300,000**	**300**	**100%**	**300,000**

The Company's ultimately parent company is International Holdings Company P.J.S.C. (the "Ultimate Parent Company") and its registered office address is P.O. Box 32619, Abu Dhabi, United Arab Emirates.

The Company has not purchased or invested in any shares or stocks during the financial years ended 31 December 2019 and 31 December 2018.

The financial statements of the Company for the year ended 31 December 2019 were authorised and approved for issue on 24 August 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in compliance with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (2) of 2015.

The financial statements have been presented in United Arab Emirates Dirham (AED), which is the functional currency of the Company.

The financial statements are prepared under the historical cost convention.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used in the previous year, except as described below:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment;
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement; and

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

- Annual Improvements 2015 – 2017 cycle:
  - IFRS 3 Business Combinations - Previously held interests in a joint operation;
  - IFRS 11 Joint Arrangements - Previously held interests in a joint operation;
  - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity; and
  - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization.

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New and amended standards and interpretations effective for annual period beginning on or after 1 January 2019

IFRS 16 Leases
IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the Company recognised the lease liability based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application and the right-of-use assets at the same amount. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	AED
Assets	
Right-of-use assets	**3,291,517**
Prepayments	**(21,855)**
Total assets	**3,269,662**
Liabilities	
Lease liabilities	**3,269,662**
Total liabilities	**3,269,662**

The Company has lease contracts for various vehicles and workshops. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 2 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective for annual period beginning on or after 1 January 2019 (continued)

IFRS 16 *Leases (continued)*

Leases previously accounted for as operating leases
The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:
- Right-of-use assets of AED 3,291,517 were recognised and presented separately in the statement of financial position.
- Lease liabilities of AED 3,269,662 were recognised.
- Prepayments of AED 21,855 related to previous operating leases were derecognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	AED
Operating lease commitments as at 31 December 2018	-
Add: lease payments relating to renewal periods not included in operating lease	**3,550,665**
	3,550,665
Incremental borrowing rate as at 1 January 2019	**4.85%**
Lease liabilities as at 1 January 2019	**3,269,662**

Standards issued but not effective
The 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 standards, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (effective from annual periods beginning on or after 1 January 2021, with early adoption permitted).
- Amendments to IFRS 3 - Definition of a Business (applied to transactions for which the acquisition date is on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed).
- Amendments to IAS 1 and IAS 8 - Definition of Material (effective for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively. Early application is permitted and must be disclosed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies (that have the most significant effect on the amount recognised in the financial statements) are discussed in Note 20.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue from contracts with customers
The Company is engaged in motorcycles trading, motorcycles repairing and motorcycles rental. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Rental income
Revenue from motorcycles rental contracts are recognised evenly over the period of the respective contract.

Sale of Goods
Revenue from sale of goods is recognised at a point in time when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Service income
Revenue from rendering of services is recognised at a point in time upon satisfactory delivery of service to the customer.

Interest income
Interest income is recognised as the interest accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value-added Tax (VAT)
Expenses, and assets are recognized 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 recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/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.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Property and equipment
Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within “other income” in the statement of comprehensive income.

Subsequent costs
Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Depreciation
Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of property and equipment. The estimated useful lives for the current and comparative periods are as follows:

Motorcycles	5 years
Motor vehicles	4 years
Tools and spares	2-4 years
Computer equipment	4 years
Furniture and fixtures	4-5 years
Leasehold improvements	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed 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 their value in use.

An item of equipment and vehicles and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Amortisation of intangible assets with finite lives is calculated on a straight line basis over the estimated useful lives as follows:

Software	5 years

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs are those expenses incurred in bringing each product to its present location and condition, and are determined on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make sale.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Financial instruments - initial recognition and subsequent measurement
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.

i. Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

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

This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

The Company's financial assets include bank balances, trade and other receivables, due from related parties and deposits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss - The Company has not designated any financial asset as fair value through profit or loss;
- Financial assets at amortised cost (debt instruments) - This category is the most relevant to the Company. The Company subsequently measures financial assets at amortised cost using EIR method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognized, modified or impaired;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - The Company has not designated any financial asset at fair value through OCI with recycling of cumulative gains and losses; and
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) - The Company has not designated any financial asset at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

The Company measures financial assets at amortised cost if both of the following conditions are met:

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

The Company’s financial assets at amortised cost includes trade and other receivables, due from related parties, bank balances and deposits.

Impairment and uncollectibility of financial assets
The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company assess receivable balances on an individual basis based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the statement of comprehensive income.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for expected credit losses is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

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

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

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

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

ii. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include bank loans, lease liabilities, accounts payable and accruals.

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

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii. Financial liabilities (continued)

Loans and borrowings
Loans and borrowings are initially recognised at fair value plus directly attributable transactions costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii. Offsetting of financial instruments

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

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period as per the UAE law. The expected costs of these benefits are accrued over the period of employment.

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

Leases
Applicable from 1 January 2019
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Applicable from 1 January 2019 (continued)

Company as a lessee (continued)

i) Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Vehicle leases	over the period of the lease
Workshops	over the period of the lease including renewal options

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

ii) Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are disclosed as a separate line-item under current and non-current portion.

iii) Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Applicable before 1 January 2019

Company as lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Foreign currencies
The Company's financial statements are presented in AED, which is also the Company's functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Company at respective currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Fair value measurements
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 to 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 economic best interest.

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 valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current / non-current classification.

An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2019 AED	*2018 AED*
Type of revenue		
Rental income	**50,696,439**	31,960,236
Sale of goods	**1,272,616**	1,313,039
Service income	**1,059,412**	896,470
	53,028,467	34,169,745

	2019 AED	*2018 AED*
Geographical markets		
United Arab Emirates	**53,028,467**	34,169,745
Timing of revenue recognition		
Rental income over period of time	**50,696,439**	31,960,236
Goods transferred at a point in time	**1,272,616**	1,313,039
Services at a point in time	**1,059,412**	896,470
	53,028,467	34,169,745

4 OTHER INCOME

	2019 AED	*2018 AED*
Gain on sale of property and equipment	**508,320**	1,053,090
Miscellaneous income	**1,300,573**	734,047
	1,808,893	1,787,137

5 FINANCE COSTS

	2019 AED	*2018 AED*
Interest on bank loans	**1,574,463**	893,796
Bank charges	**117,032**	71,101
Interest expense on lease liabilities (Note 15)	**76,452**	-
	1,767,947	964,897

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2019	*2018*
	AED	*AED*
Employee costs	**7,394,619**	5,059,405
Insurance expense	**5,069,440**	3,675,356
Repair and maintenance costs	**6,136,653**	3,173,830
RTA fees	**4,362,111**	3,495,338
Rental – staff accommodation and office premises	**1,062,366**	750,937
Rental - vehicle	**40,893**	85,031
Rental - others	**20,200**	7,920
Depreciation and amortisation (Note 7, 8 & 15)	**10,516,915**	6,943,200

7 PROPERTY AND EQUIPMENT

	Motor cycles AED	*Motor vehicles AED*	*Tools and spares AED*	*Computer equipment AED*	*Furniture and fixtures AED*
Cost:					
At 1 January 2019	38,851,426	1,696,846	468,709	161,110	842,891
Additions	14,291,323	300,566	37,052	81,468	272,456
Disposals	(2,046,900)	-	-	-	-
At 31 December 2019	**51,095,849**	**1,997,412**	**505,761**	**242,578**	**1,115,347**
Depreciation:					
At 1 January 2019	13,044,202	828,619	165,287	89,301	218,656
Charge for the year	9,123,204	424,560	142,997	35,311	184,588
Related to disposals	(2,046,900)	-	-	-	-
At 31 December 2019	**20,120,506**	**1,253,179**	**308,284**	**124,612**	**403,244**
Net carrying amount:					
At 31 December 2019	**30,975,343**	**744,233**	**197,477**	**117,966**	**712,103**

7 PROPERTY AND EQUIPMENT (continued)

	Motor cycles AED	*Motor vehicles AED*	*Tools and spares AED*	*Computer equipment AED*	*Furniture and fixtures AED*	*Total AED*
Cost:						
At 1 January 2018	25,974,666	1,696,237	161,635	87,924	173,419	28,093,881
Additions	16,968,500	270,609	307,074	73,186	669,472	18,288,841
Disposals	(4,091,740)	(270,000)	-	-	-	(4,361,740)
At 31 December 2018	38,851,426	1,696,846	468,709	161,110	842,891	42,020,982
Depreciation:						
At 1 January 2018	10,823,322	686,701	112,938	65,689	97,882	11,786,532
Charge for the year	6,312,620	411,918	52,349	23,612	120,774	6,921,273
Related to disposals	(4,091,740)	(270,000)	-	-	-	(4,361,740)
At 31 December 2018	13,044,202	828,619	165,287	89,301	218,656	14,346,065
Net carrying amount:						
At 31 December 2018	25,807,224	868,227	303,422	71,809	624,235	27,674,917

Motorcycles and motor vehicles with a net carrying amount of AED 31,719,576 (2018: AED 26,675,451) are mortgaged against vehicle loans (Note 14).

Motorcycles are provided to customers under operating lease agreements for 1 to 3 years period. Operating lease agreements are cancellable with a 1 to 3 months notice.

Depreciation expense has been allocated in the statement of comprehensive income as follows:

	2019 AED	*2018 AED*
Direct costs	**9,548,209**	6,312,620
Administrative expenses	**371,899**	608,653
	9,920,108	6,921,273

8 INTANGIBLE ASSETS

	2019 AED	*2018 AED*
Cost:		
At 1 January	**88,800**	124,600
Additions	**146,804**	-
Write off	**-**	(35,800)
At 31 December	**235,604**	88,800
Amortisation:		
At 1 January	**31,300**	45,173
Charge for the year	**38,680**	21,927
Write off	**-**	(35,800)
At 31 December	**69,980**	31,300
Net carrying amount:		
At 31 December	**165,624**	57,500

Intangible assets represent costs incurred for the purchase and implementation of software.

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019	*2018*
	AED	*AED*
Trade receivable	**10,767,340**	7,475,234
Less: Allowance for expected credit losses	**(719,501)**	(293,901)
	10,047,839	7,181,333
Due from related parties (Note 17)	**4,737**	5,090,195
Deposits	**659,734**	594,025
Prepayments	**336,439**	326,174
Advances to suppliers	**404,520**	66,627
Other receivables	**161,911**	61,017
	11,615,180	13,319,371

As at 31 December 2019, trade receivables at nominal value of AED 719,501 (2018: AED 293,901) were impaired and fully provided for. Movements in the allowance for expected credit losses were as follows:

	2019	*2018*
	AED	*AED*
At 1 January	**293,901**	230,617
Charge for the year	**719,501**	293,901
Written off	**(293,901)**	(230,617)
At 31 December	**719,501**	293,901

The information about the basis of calculation of expected credit loss is disclosed in Note 18.

10 BANK BALANCES AND CASH

	2019	*2018*
	AED	*AED*
Cash on hand	**136,079**	37,859
Bank balances	**2,951,498**	949,953
	3,087,577	987,812

11 SHARE CAPITAL

The Company’s authorised, issued and paid up capital amounts to AED 300,000 (300 shares of AED 1,000 each) (2018: AED 300,000 (300 shares of AED 1,000 each)).

12 STATUTORY RESERVE

In accordance with the UAE Federal Law No (2) of 2015 and the Company's Memorandum of Association, the Company has resolved to discontinue the annual transfer of 10% of the profit for the year since the statutory reserve is equal to 50% of its paid up share capital.

13 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2019 AED	*2018 AED*
Provision as at 1 January	**224,533**	142,488
Provided during the year	**100,329**	97,013
Payments made during the year	**(45,264)**	(14,968)
Provision as at 31 December	**279,598**	224,533

14 BANK LOANS

	2019 AED	*2018 AED*
Current portion	**11,009,397**	8,798,833
Non-current portion	**9,482,510**	10,348,661
	20,491,907	19,147,494

Bank loans carry interest at prevailing market rates ranging from 3% to 6.13% (2018: 3.99% to 6.13%) per annum. The loans are repayable from 12 to 48 (2018: 36 to 48) equal monthly instalments.

These loans are secured by the following:

- Personal guarantee of Mr. Ahmad Mohamad Alsayed Ibrahim Al Sadah and Mr. Saeed Bin Mohammed Bin Ahmad Al Qassimi;
- Mortgage over motorcycles and motor vehicles purchased (note 7);
- Assignment of the insurance policy over financed motorcycles and motor vehicles;
- Assignment of receivables in favour of the bank;
- Security cheques in favour of bank covering total limits drawn;
- 25% margin for purchase of spare parts; and
- Subordination of partners' current account in favour of the bank

15 LEASES

Company as a lessee
The Company has lease contracts for vehicles and workshops with lease terms between 3 and 4 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Vehicles AED	***Workshops AED***	***Total AED***
As at 1 January 2019	969,508	2,322,009	3,291,517
Depreciation	(61,124)	(497,003)	(558,127)
As at 31 December 2019	**908,384**	**1,825,006**	**2,733,390**

15 LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2019
	AED
As at 1 January 2019	**3,269,662**
Accretion of interest	**76,452**
Payments	**(602,899)**
	2,743,215

	2019
	AED
Non-current	**1,873,206**
Current	**870,009**
Total	**2,743,215**

The maturity analysis of lease liabilities is disclosed in Note 18.

The following are the amounts recognised in profit or loss:

	2019
	AED
Depreciation expense of right-of-use assets	**558,127**
Interest expense on lease liabilities	**76,452**
Total amount included in the profit or loss	**634,579**

The Company had total cash outflows for leases of AED 1,048,252 in 2019 (2018: AED 587,378).

16 ACCOUNTS PAYABLE AND ACCRUALS

	2019	*2018*
	AED	*AED*
Accounts payable	**5,706,309**	4,737,113
Accrued expenses	**1,223,466**	782,208
VAT payable	**155,266**	146,655
Advances from customers	**721,051**	315,808
Other payables	**118,239**	-
	7,924,331	5,981,784

Trade payables are non-interest bearing and are normally settled on 90 days terms. For explanation on the Company liquidity risk management process, refer to Note 18.

As at 31 December 2019, the Company had a bank financial guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 800,000 (2018: AED 800,000).

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent partners, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management

Transactions with related parties included in the statement of comprehensive income are as follows:

Year ended 31 December 2019

	Rental income AED	*Sale of goods AED*	*Service income AED*	*Other income AED*
Uplift Delivery Services LLC	**1,444,474**	**11,750**	**31,857**	**550**
Burger Joint New York	**10,161**	**450**	**112**	**500**
	1,454,635	**12,200**	**31,969**	**1,050**

Year ended 31 December 2018

	Rental income AED	*Sale of goods AED*	*Service income AED*	*Other income AED*
Uplift Delivery Services LLC	883,335	29,540	10,413	-
Burger Joint New York	21,427	4,050	25	-
	904,762	33,590	10,438	-

Balances with related parties included in the statement of financial position are as follows:

	Due from related parties	
	2019 AED	*2018 AED*
Entity owned by a Partner		
Ghaf Investment LLC	**-**	796,771
Recipes Restaurant Management LLC	**-**	1,787,596
Vogue	**-**	60,500
Uplift Delivery Services LLC	**-**	849,817
Society Motors LLC	**4,737**	1,595,511
	4,737	5,090,195

Partners' account	*AED*
At 1 January 2018	(873,551)
Net movement	1,256,547
At 31 December 2018	382,996
Reclassification to bank loans	1,880,844
Adjusted balance as at 31 December 2018	2,263,840
Dividend declared	(11,453,375)
Net movement	9,644,519
At 31 December 2019	**454,984**

17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Terms and conditions of transactions with related parties
Outstanding balances at the yearend arise in the normal course of business, these are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2019, there was no impairment of amounts owed by related parties (2018: AED Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel
The Company has not paid any compensation to key management personnel during the year (2018: AED Nil). All activities are managed by one of the Partners.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The main risk arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and currency risk. The Company's management reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on its interest-bearing liabilities (i.e., bank loans).

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's results for one year, based on the floating rate financial liabilities held at 31 December.

There is no impact on the Company's equity.

	Increase/ decrease in basis points	*Effect on profit for the year AED*
2019:		
AED	**+150**	**(307,379)**
AED	**-150**	**307,379**
2018:		
AED	+150	(287,212)
AED	-150	287,212

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on the following balances:

	2019 ***AED***	*2018* *AED*
Bank balances	**2,951,498**	949,953
Trade receivables	**10,047,839**	7,181,333
Due from related parties	**4,737**	5,090,195
Partner's account	**454,984**	2,263,840
Deposits	**659,734**	594,025
Other receivables	**161,911**	61,017
	14,280,703	16,140,363

Bank balance
Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy and by dealing only with reputable banks. Counterparty credit limits are reviewed and updated throughout the year.

Trade receivables
The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Company sells goods and services to a large number of customers throughout the UAE. Its 5 largest customers account for 42% (2018: 32%) of outstanding trade receivable at 31 December 2019.

An impairment analysis is performed at each reporting date using internal and external information to measure expected credit losses. The provision is assessed for customers on an individual basis. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables:

At 31 December 2019

		Days past due				
	<30 current AED	***30 - 60 days AED***	***61 – 90 days AED***	***91-120 days AED***	***>120 days AED***	***Total AED***
Total gross carrying amount at default	**4,432,977**	**3,005,062**	**1,337,825**	**440,149**	**1,551,327**	**10,767,340**
Estimated credit loss	**-**	**-**	**-**	**51,826**	**667,675**	**719,501**

At 31 December 2018

		Days past due				
	<30 current AED	*30 - 60 days AED*	*61 – 90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*	*Total AED'000*
Total gross carrying amount at default	3,710,645	2,120,483	573,243	235,982	834,881	7,475,234
Estimated credit loss	-	-	87,818	51,622	154,461	293,901

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Amounts due from related parties
The management of the Company is involved in the transactions of the Company and review and approve the transactions with the related parties. The receivable balances are reconciled monthly with the related parties through intercompany reconciliation and confirmations. Since these balances are with related parties, management believes there is no significant credit risk in relation to these balances. Based on past experience of the Company, balances with related parties are settled regularly and there is no history of significant write-off of receivables from related parties. As of 31 December 2019, there was no provision for expected credit losses required for related party receivables (2018: AED Nil).

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company limits its liquidity risk by ensuring funds from partners and bank facilities are available. The Company's terms of service require amounts to be paid within 60 days from the date of providing the service.

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

At 31 December 2019

	Less than 3 months AED	***3 to 12 months AED***	***1 to 5 year AED***	***Total AED***
Accounts payable	**5,706,309**	**-**	**-**	**5,706,309**
Accrued expenses	**1,223,466**	**-**	**-**	**1,223,466**
VAT payable	**155,266**	**-**	**-**	**155,266**
Other payables	**118,239**	**-**	**-**	**118,239**
Bank loans including interest	**3,693,427**	**8,686,337**	**10,600,976**	**22,980,740**
Lease liabilities	**211,546**	**770,745**	**1,965,475**	**2,947,766**
	11,108,253	**9,457,082**	**12,566,451**	**33,131,786**

At 31 December 2018

	Less than 3 months AED	*3 to 12 months AED*	*1 to 5 year AED*	*Total AED*
Accounts payable	4,737,113	-	-	4,737,113
Accrued expenses	782,208	-	-	782,208
VAT payable	146,655	-	-	146,655
Bank loans including interest	2,869,381	7,154,996	11,820,724	21,845,101
	8,535,357	7,154,996	11,820,724	27,511,077

Currency risk
Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not exposed to any significant currency risk as all of the transactions are in UAE Dirhams.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise partner value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2019 and 31 December 2018. Capital comprises share capital, retained earnings and statutory reserve, and is measured at AED 22,288,466 as at 31 December 2019 (2018: AED 19,745,740).

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade receivable, other receivables, due from related parties and deposits. Financial liabilities consist of accounts payable and accruals, lease liabilities and vehicles loans.

The fair values of financial instruments are not materially different from their carrying values largely due to the short-term maturities of these instruments.

20 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Determining the lease term of contracts with renewal and termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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

Allowance for expected credit losses of trade receivables
The Company uses internal and external information to calculate ECLs for trade receivables. The provision is assessed for each customer on an individual basis which is based on past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivable was AED 10,767,340 (2018: AED 7,475,234) and the provision for expected credit losses was AED 719,501 (2018: AED 293,901). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of comprehensive income.

20 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimates and assumptions (continued)

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

As at the date of the statement of financial position, gross value of inventory was AED 1,172,938 (2018: AED 796,111), with provisions for damaged or obsolete inventories of AED Nil (2018: AED Nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

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

Useful lives of intangible assets
The Company’s management determines the estimated useful lives of its intangible assets with finite lives for calculating amortisation. This estimate is determined after considering the expected pattern of consumption of future economic benefits embodied in the asset. Management reviews the useful lives annually and future amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Useful lives of right-of-use assets
The Company's management determines the estimated useful lives of its right-of-use assets for calculating depreciation. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

21 SUBSEQUENT EVENTS

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. These factors have negatively affected the economies and the businesses of the regions where the Company operates. To alleviate the negative impact of the COVID-19 pandemic, various governments including the UAE Government, other independent jurisdictions and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity.

These conditions are considered subsequent, non-adjusting events, and impacted the economic and risk environment in which the Company operates.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. However, these developments could impact the future financial results, cash flows and financial position.

22 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified in order to conform to the presentation for the current year and to improve the quality of information previously presented. Such reclassifications do not affect previously reported net profit or total equity.

Statement of Financial Position

	As previously stated AED	*Reclassification AED*	*As reclassified AED*
Year ended 31 December 2018			
Bank loans – non-current liabilities	9,246,097	1,102,564	10,348,661
Bank loans – current liabilities	8,020,553	778,280	8,798,833
Partners' account – current liabilities	472,217	(472,217)	-
Partners' account – current assets	855,213	1,408,627	2,263,840