Al Ansari Holding L.L.C.

Independent auditor’s report and consolidated financial statements

For the year ended 31 December 2020

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Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Ansari Holding L.L.C. (the "Company") and its subsidiaries (together 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").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Independent auditor's report to the shareholders of Al Ansari Holding L.L.C. (continued)

Responsibilities of directors and those charged with governance for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as directors 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, directors are 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 directors 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.

Auditor's 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 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 consolidated financial statements.

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

- 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 directors 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Independent auditor's report to the shareholders of Al Ansari Holding L.L.C. (continued)

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

- 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:

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

ii) 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;

iii) the Group has maintained proper books of account;

iv) the Group has not purchased any shares during the year ended 31 December 2020;

v) note 11 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vi) 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 year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Group, its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2020.

PricewaterhouseCoopers
9 September 2021

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

Al Ansari Holding L.L.C.

Consolidated statement of financial position
As at 31 December 2020

	Note	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Right of use assets	5	47,988	66,361
Property, equipment and intangibles	6	48,238	48,696
Capital work in progress	7	2,077	1,515
Investment properties	8	245,511	235,100
		343,814	**351,672**
Current assets			
Cash in hand and in transit	9	961,619	854,869
Due from banks	9	1,782,129	1,615,135
Due from exchange houses and agents	9	45,110	34,745
Due from related parties	11	5,975	26,585
Prepayments and other receivables	12	107,250	135,319
Investments securities at fair value through profit or loss		3,756	2,765
		2,905,839	**2,669,418**
Total assets		**3,249,653**	**3,021,090**
LIABILITIES AND EQUITY			
LIABILITIES			
Non-current liabilities			
Lease liabilities – non current	13	17,956	27,465
Provision for employees' end of service benefits	14	37,307	34,321
		55,263	**61,786**
Current liabilities			
Other payables and accruals	15	588,378	483,708
Due to banks	16	20,861	29,013
Due to exchange houses and agents	16	27,078	45,939
Due to related parties	11	161,077	169,271
Lease liabilities	13	22,960	37,369
		820,354	**765,300**
Total liabilities		**875,617**	**827,086**
EQUITY			
Share capital	18	50,000	50,000
Acquisition reserve		1,381,043	1,381,043
Shareholders' current account		259,787	117,859
Retained earnings		668,758	630,709
Total shareholders' equity		**2,359,588**	**2,179,611**
Non-controlling interest		14,448	14,393
Total equity		**2,374,036**	**2,194,004**
Total liabilities and equity		**3,249,653**	**3,021,090**

These financial statements were approved and authorised for issue by the Managing Director on the authority of shareholders on 8th September 2021.

Fuad Al Ansari
Managing Director

The notes on pages 8 to 39 are an integral part of these financial statements.

Al Ansari Holding L.L.C.

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	Note	2020 AED'000	2019 AED'000
Income			
Net gain on currency exchange		357,424	312,544
Net commission income	19	464,814	427,754
Interest income		16,865	24,160
Rental income		8,472	7,945
Other income		1,003	12,141
Gain on disposal of investments		-	39
		848,578	**784,583**
Expenses			
Salaries and benefits	20	(318,248)	(310,932)
General and administrative expenses	21	(92,806)	(74,653)
Depreciation, amortisation and impairment	22	(60,109)	(64,881)
Finance cost on lease liabilities		(2,212)	(3,129)
Bank charges		(505)	(916)
Profit for the year		**374,698**	**330,072**
Other comprehensive income		-	-
Total comprehensive income for the year		**374,698**	**330,072**
Profit attributable to:			
Shareholders of Al Ansari Holding L.L.C.		374,643	330,039
Non-controlling interest		55	33
		374,698	**330,072**

The notes on pages 8 to 39 are an integral part of these consolidated financial statements.

Al Ansari Holding L.L.C.

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital AED'000	Acquisition reserve AED'000	Shareholders' current account AED'000	Retained earnings AED'000	Total Shareholders' equity AED'000	Non-controlling interest AED'000	Total equity AED'000
At 1 January 2019	50,000	1,527,958	77,237	338,234	**1,993,429**	24,188	**2,017,617**
Total comprehensive income for the year ended 2019	-	-	-	330,039	**330,039**	33	**330,072**
Distribution of dividend	-	(146,915)	184,479	(37,564)	**-**	-	**-**
Withdrawal from current account	-	-	(143,857)	-	**(143,857)**	-	**(143,857)**
Acquisition of NCI	-	-	-	-	**-**	(9,828)	**(9,828)**
At 31 December 2019	**50,000**	**1,381,043**	**117,859**	**630,709**	**2,179,611**	**14,393**	**2,194,004**
Total comprehensive income for the year ended 2020	-	-	-	374,643	**374,643**	55	**374,698**
Distribution of dividend	-	-	336,594	(336,594)	**-**	-	**-**
Withdrawal from current account	-	-	(194,666)	-	**(194,666)**	-	**(194,666)**
At 31 December 2020	**50,000**	**1,381,043**	**259,787**	**668,758**	**2,359,588**	**14,448**	**2,374,036**

The notes on pages 8 to 39 are an integral part of these consolidated financial statements.

Al Ansari Holding L.L.C.

Consolidated statement of cash flows
For the year ended 31 December 2020

	Note	2020	2019
		AED'000	AED'000
Operating activities			
Profit for the year		374,698	330,072
Adjustments for:			
Depreciation, amortisation and impairment	22	60,109	64,881
Provision for employees' end of service benefits	14	5,677	5,420
Loss on disposal of property, equipment and intangibles		252	1,048
Gain on disposal of investments		-	(39)
Operating cash flows before settlement of employees' end of service benefits and changes in working capital		**440,736**	**401,382**
Settlement of employees' end of service benefits	14	(2,691)	(2,411)
Changes in working capital:			
Due from related parties	11	20,610	(18,575)
Prepayment and other receivables		28,069	(31,306)
Other payables and accruals		104,670	37,929
Due to related parties	11	(8,194)	39,582
Fixed deposits		(203,000)	220,000
Blocked deposits with Banks		80,236	(3,934)
Net cash generated from operating activities		**460,436**	**642,667**
Investing activities			
Payment for purchase of property, equipment and intangibles		(11,297)	(15,178)
Capital work in progress		(3,804)	8,777
Acquisition in investment properties		(14,702)	(60,274)
Investments at fair value through profit & loss		(991)	6,713
Net cash used in investing activities		**(30,794)**	**(59,962)**
Financing activities			
Dividends paid - net		(194,666)	(143,857)
Changes in non-controlling interest		-	(9,828)
Finance lease liabilities paid	13	(46,618)	(38,441)
Net cash used in financing activities		**(241,284)**	**(192,126)**
Net cash and cash equivalents generated		188,358	390,579
Cash and cash equivalents at the beginning of the year		2,248,752	1,858,173
Cash and cash equivalents at the end of the year	10	**2,437,110**	**2,248,752**

The notes on pages 8 to 39 are an integral part of these consolidated financial statements.

Al Ansari Holding L.L.C.

Notes to the consolidated financial statements for the year ended 31 December 2020

1 Legal status and principal activities

Al Ansari Holding L.L.C. (the "Company" or the "Parent") was incorporated on 9 May 2016 and is registered under the laws of the United Arab Emirates ("UAE") as a limited liability company.

The Company together with its following subsidiaries are collectively referred to hereafter as the "Group".

Name of Subsidiary	Percentage holding	
	2020	2019
Al Ansari Exchange L.L.C.	100%	100%
Al Ansari Real Estate	100%	100%
Al Ansari Financial Services	78%	78%
Worldwide Cash Express Limited	100%	100%
Blue Horizon On Demand Labours Supply Services L.L.C	100%	100%
Cash Trans Money & Valuables Transport Services	100%	100%

All the subsidiaries mentioned above are incorporated in the United Arab Emirates.

The Group is engaged in the business of buying and selling of foreign currencies, remittance business, and sale of multi-currency travel card, real estate development and facilities management and provide brokerage services in local securities traded on Dubai Financial Market (DFM) & Abu Dhabi Stock Exchange (ADX).

The registered office of the Group is at PO Box 6176, Dubai, UAE.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and the applicable requirements of laws of the United Arab Emirates.

(b) Basis of measurement

The directors have assessed the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

The consolidated financial statements are prepared on the historical cost basis, except for investment securities at fair value through profit or loss that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

The functional and presentation currency of the Group is UAE Dirham ("AED"), the currency of primary economic environment in which the Group operates.

2 Basis of preparation (continued)

(d) Basis of consolidation

Subsidiary

A subsidiary is an investee controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but to the extent that there is no evidence of impairment.

3 Significant accounting policies

3.1 New standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2020

The following standards became applicable for the current reporting period, and the Group has changed its accounting policies and made adjustments as explained below:

3 Significant accounting policies (continued)

3.1 New standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2020 (continued)

New standards, amendments and interpretations	Effective for annual periods beginning on or after
Amendments to IFRS 3, "Business Combinations"	
The amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment highlights that "the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others." The amendment has no material impact on Group's consolidated financial statements.	1 January 2020
Amendments to IAS 1 and IAS 8	1 January 2020
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that the Group assesses materiality in the context of the consolidated financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	

3 Significant accounting policies (continued)

3.1 New standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2020 (continued)

New standards, amendments and interpretations (continued)	**Effective for annual periods beginning on or after**
Revised Conceptual Framework for Financial Reporting The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.	1 January 2020

There are no other IFRSs or IFRIC Interpretations that were effective for the first time for the financial year beginning on 1 January 2020 that have had a material impact on the Group's consolidated financial statements.

3 Significant accounting policies (continued)

3.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2020 and not early adopted

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

New standards, amendments and interpretations	Effective for annual periods beginning on or after
Covid-19-related Rent Concessions – Amendments to IFRS 16 As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Group has applied the practical expedients to all qualifying rent concessions. Accordingly an amount of AED 2.25 million has been recognised in profit or loss arising from the rent concessions.	1 June 2020

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2020 that would be expected to have a material impact on the consolidated financial statements of the Group.

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

3 Significant accounting policies (continued)

3.3 Revenue recognition

Income mainly comprises of net gain on currency exchange, commission on demand drafts, remittances, traveller's cheques, brokerage earned on sale / purchase of local securities on behalf of customers and other related services.

Net gain on currency exchange is recognised when the transaction is executed. Commission on demand drafts, remittances, traveller's cheques and other services is recognised when the related services are performed and instruments are issued / accepted. Commission expense is only recognised when the remittances are made.

Rental income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as rental income. The respective assets are included in the statement of financial position as investment properties.

Annual rent received in advance from tenants is deferred and recognised over the period of the tenancy agreements.

3.4 Interest income / expense

Interest income and expense for all interest bearing financial instruments are recognized in the statement of comprehensive income on an accrual basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

When calculating effective interest rates, the Group estimates cash flows considering all contractual terms of the financial instruments excluding future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

3 Significant accounting policies (continued)

3.5 Property, equipment and intangibles

Property & equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the statement of comprehensive income on a straight line basis so as to write off cost of furniture & equipment over estimated useful lives as follows:

Class of assets	Life (years)
Building	50
Furniture	4
Fixtures	5
Office equipment	4
Computers (hardware and software)	4
Motor vehicles	3

Useful life, residual values and depreciation method are reassessed at each reporting date with the effect of any change in the estimate, accounted for on the prospective dates.

Software developed in-house by the Group is stated at cost less accumulated amortisation and impairment losses, if any. Cost of the software represents the costs incurred to develop and bring the specific software to use.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date it is available for use. The useful life of software is estimated to be four years.

(a) Subsequent costs

The cost of replacing part of an item of furniture and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive income as incurred.

3.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are measured at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3 Significant accounting policies (continued)

3.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including investment property under construction for such purposes). Investment properties are measured at cost, including related transaction costs, less accumulated depreciation and any accumulated impairment losses in accordance with the cost model of IAS 40: Investment property.

Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

	Life (years)
Buildings	20 - 50

No depreciation is charged on land and capital work in progress

The useful lives and depreciation method of investment properties are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these properties.

Management does not consider any residual value as it is deemed immaterial.

Expenditure incurred to replace a component of an item of investment properties 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 investment properties. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the statement of comprehensive income in the period in which the property is derecognised.

3.8 Capital work in progress (CWIP)

Capital work in progress represents expenditure incurred in respect of renovation and setting up of new branches are stated at cost less impairment loss, if any.

3.9 Financial instruments

(i) Classification and measurement

A financial instrument is any contract that gives rise to a financial asset / liability for the Group and a financial asset / liability or equity instrument of another party. The Group classifies its financial assets into the following measurement categories:

i. those to be measured at fair value; and
ii. those to be measured at amortised cost.

3 Significant accounting policies (continued)

3.9 Financial instruments (continued)

(i) Classification and measurement (continued)

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

Financial assets measured at fair value through profit or loss

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Financial instruments designated as measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- if a host contract contains one or more embedded derivatives; or
- if financial assets and liabilities are both managed, and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is presented separately in other comprehensive income.

Financial assets of the Group consist of cash and cash equivalents, investment securities at fair value through profit or loss, accounts receivables, due from shareholder, due from related parties and other receivables. The financial assets are initially recognised at fair value and measured subsequently at amortised cost using the effective interest method.

Financial liabilities of the Group consist of due to shareholder, due to related parties, and other payables. Financial liabilities are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using the effective interest rate method.

3 Significant accounting policies (continued)

3.9 Financial instruments (continued)

(ii) Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

(iii) Impairment of financial assets

The Group measures expected credit losses for the following categories of financial assets that are measured at amortised cost:

- Cash in hand and in transit
- Due from banks
- Due from exchange houses and agents
- Due from related parties
- Investments securities at fair value through profit or loss
- Other financial receivables

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk the Group considers available reasonable and supportive forwarding-looking information.

At each reporting date, the Group shall measure the loss allowance on financial assets measured at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, an impairment loss measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate is recognised as lifetime ECL.

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired. If the contractual payment is due from a related party, management does not believe there is a significant increase in credit risk.

3 Significant accounting policies (continued)

3.9 Financial instruments (continued)

(iii) Impairment of financial assets (continued)

All financial assets, except for those disclosed in the consolidated financial statements as impaired, were considered fully performing and none were assessed to have had a significant increase in credit risk and as such a 12 month expected credit loss would be required. Management has performed a calculation and has determined that the impairment provision against such financial assets is not material.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.10 Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents comprise cash in hand; cash in transit from branches to the Head Office, amounts due from and due to foreign correspondents, banks, exchange houses and agents and fixed deposits which have a maturity of less than three months less amounts held as blocked deposits. Blocked deposits are funds placed by the Group in accordance with the correspondence arrangements with various corresponding banks. These funds are not available to the Group for its day to day operations.

3.11 Foreign currencies

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at exchange rates prevailing at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to AED at the foreign exchange rates prevailing at the date of the transaction. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

3 Significant accounting policies (continued)

3.12 Provision for employees' end of service benefits

A provision is made in accordance with the provisions of IAS 19 "Employee Benefits" for the end of service benefits due to employees in accordance with the Labor Law, for their period of service up to the statement of financial position date. This amount is charged to the statement of comprehensive income.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Related party transactions

Related party transactions are transfers of resources, services or obligations between the Group and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). All of the related party information required by IAS 24 that is relevant to the Group has been presented in note 11.

3.15 Other receivables

Other receivables include deposit with tax authorities related to taxes other than income tax is recognised as an asset in the statement of financial position and is measured at amortised cost. The deposit is a right to obtain future economic benefits, either by receiving a refund or by utilising the deposit to settle a tax liability.

3 Significant accounting policies (continued)

3.16 Value Added Tax (VAT)

The Group recorded a VAT payable net of payments in the accompanying consolidated financial statements at the applicable rate of 5%. Sales revenue represents the invoiced value of services, net of VAT. All of the VAT returns of the Group have been and remain subject to examination by the tax authorities for five years from the date of filing.

3.17 Lease Liabilities and Right-of-use assets

The Group's leasing activities and how these are accounted for

The Group leases mainly offices, branches and warehouses. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Contracts may contain both lease and non-lease components.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, all leases across all categories were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or losses on a straight line basis over the period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

i. fixed payments (including in-substance fixed payments), less any lease incentives receivable
ii. variable lease payment that are based on an index or a rate
iii. amounts expected to be payable by the lessee under residual value guarantees
iv. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
v. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted based on the incremental borrowing rate determined by the Group, being the rate that the lessee would have to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Future cash outflows to which the Group is potentially exposed to and that are not reflected in the measurement of lease liabilities includes the following:

i. variable lease payments;
ii. extension options and termination options;
iii. leases not yet commenced to which the lessee is committed;

3 Significant accounting policies (continued)

3.17 Lease Liabilities and Right-of-use assets (continued)

The Group's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

i. the amount of the initial measurement of lease liability
ii. as applicable, any lease payments made at or before the commencement date less any lease incentives received, and
iii. as applicable, any initial direct costs.

Leases of low value assets mainly comprise office equipment (scanner and printer machines).

Variable lease payments

Impact of leases containing variable payment terms that are linked to sales generated or any other type of variable aspects are found to be immaterial with the Group.

Extension and termination options

Extension and termination options are included in a number of leases. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Some extension and termination options held are exercisable by the Group, others require both the lessee and the lessor to mutually agree so that an option to extend or early terminate is exercised. Approximately, AED 7.84 million (2019: AED 12.398 million) of the total lease payments included in the calculation of the lease liability in 2020 were optional.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of AED 28.95 million (2019: AED 36.085 million) have not been included in the lease liability because the Group is not reasonably certain that the lessees will be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

3.18 Impact of COVID-19

Since early January 2020, the COVID-19 outbreak has spread across the globe and is causing ongoing disruption to business and economic activity, resulting in substantial government and central bank relief actions and support measures in many countries to protect the economy. There has not been any material impact on the Group's business performance as of 31 December 2020, however the Group will continue to monitor the situation as it evolves in order to assess any potential financial impact.

4 Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described below.

(i) Expected Credit Loss (ECL) on financial assets

Financial assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 3.9. The Group reviews its financial assets to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from an asset or group of assets. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

(ii) Useful lives of property and equipment

The cost of property and equipment is depreciated over its estimated useful lives. Depreciation is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial. The estimated useful life is monitored and adjustments are made in future periods, if future factors indicate that such adjustments are appropriate.

(iii) Impairment of investment properties

The Group assesses whether there are any indicators of impairment for investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts are higher than their fair values.

As at 31 December 2020, the Group's management has performed an internal assessment of the market value of its investment properties. For more details refer Note 8.

(iv) Useful lives of investment properties

The costs of completed investment properties are depreciated over the estimated useful lives of the assets. The estimated useful lives are based on the expected usage of the assets and expected physical wear and tear, which depend on operational factors.

Depreciation of completed investment properties begins when it is available for use. That is when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

4 Significant accounting estimates and judgments (continued)

(v) Residual value of investment properties

The management has conducted an internal assessment and deemed the residual value of investment properties to be immaterial.

(vi) Classification and measurement of financial assets

The classification and measurement of financial assets depend on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. Management is satisfied that the Group's investments in securities are appropriately classified and measured.

(vii) Lease term and practical expedients applied

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

(viii) Other provisions

Management has applied judgment in recognizing certain provisions. Management has based their judgment on experience and their judgment is supported through management's external experts.

5 Right of use assets

	2020 AED'000	**2019** AED'000
Properties	**47,988**	**66,361**

The movement of right of use assets - properties is provided below:

	2020 AED'000	**2019** AED'000
At 1 January 2020	66,361	60,835
Additions – new leases	35,709	51,245
Termination of leases	(13,009)	-
Depreciation expenses	(41,073)	(45,719)
At 31 December 2020	**47,988**	**66,361**

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Notes to the consolidated financial statements for the year ended 31 December 2020
(continued)

6 Property, equipment and intangibles

	Building AED'000	Furniture and fixtures AED'000	Computers, software, and office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost					
At 1 January 2019	23,665	73,960	53,977	10,064	161,666
Additions	-	2,363	5,583	1,337	9,283
Transfer from capital work in progress	-	5,895	-	-	5,895
Disposals and write-offs	-	(438)	(1,966)	(857)	(3,261)
At 31 December 2019	23,665	81,780	57,594	10,544	173,583
Additions	-	1,114	9,380	803	11,297
Transfer from capital work in progress	-	3,804	-	-	3,804
Disposals and write offs	-	(1,969)	(716)	(647)	(3,332)
At 31 December 2020	**23,665**	**84,729**	**66,258**	**10,700**	**185,352**
Accumulated depreciation and amortisation					
At 1 January 2019	3,510	56,275	43,103	7,100	109,988
Charge for the year	473	7,659	5,295	1,349	14,776
Disposals and write-offs	-	(372)	(1,841)	-	(2,213)
Provision for impairment	-	2,336	-	-	2,336
At 31 December 2019	3,983	65,898	46,557	8,449	124,887
Charge for the year	474	6,715	5,575	1,249	14,013
Disposals and write-offs	-	(1,241)	(716)	(561)	(2,518)
Provision for impairment	-	732	-	-	732
At 31 December 2020	**4,457**	**72,104**	**51,416**	**9,137**	**137,114**
Net book amount					
As at 31 December 2020	**19,208**	**12,625**	**14,842**	**1,563**	**48,238**
As at 31 December 2019	19,682	15,882	11,037	2,095	48,696

Building represents property with dual use, i.e., partially occupied by the Group for use as corporate headquarter, with the rest held for rental income.

The total cost of the building AED 67.6 million has been apportioned based on the net leasable area under use by the Group amounting to AED 23.66 million, and the remainder portion of AED 43.94 million classified under investment properties accordingly.

7 Capital work in progress

Other capital work in progress includes expenditure made in respect of setting up and renovation of new and existing branches amounting to AED 2.077 million (2019: AED 1.515 million).

8 Investment properties

Investment properties represent properties held at cost less accumulated depreciation and any impairment losses under the cost model in accordance with IFRS. They are held for the purpose of rental generation and capital appreciation.

Movement during the year is as follows:

	Land	Buildings	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000
Cost				
At 1 January 2019	86,800	75,234	33,856	195,890
Additions	-	-	60,274	60,274
As at 31 December 2019	86,800	75,234	94,130	256,164
Additions	-	-	14,702	14,702
Transfers	-	107,592	(107,592)	-
As at 31 December 2020	86,800	182,826	1,240	270,866
Accumulated depreciation				
At 1 January 2019	-	(19,014)	-	(19,014)
Charge for the year	-	(2,050)	-	(2,050)
At 31 December 2019	-	(21,064)	-	(21,064)
Charge for the year	-	(4,291)	-	(4,291)
At 31 December 2020	-	(25,355)	-	(25,355)
Net book value				
At 31 December 2020	**86,800**	**157,471**	**1,240**	**245,511**
At 31 December 2019	86,800	54,170	94,130	235,100

a) The Group entered into an agreement with Panorama Real Estate to construct and co-own a building in Dubai Land. The building is under construction stage. The Group has 84.84% share in the property. Proportionate share of costs incurred for construction AED 1.24 million (2019: AED 1.24 million).

b) Cost of land include two plots of land amounting to AED 53.932 million (2019: AED 53.932 million) co-owned by the Group with third parties.

c) Cost of buildings include AED 7.276 million (2019: AED 7.276 million) being the cost of warehouses registered in the name of related party, constructed on a plot of land leased from Government of Dubai.

8 Investment properties (continued)

d) The Group entered into an agreement with joint operation parties to construct and co-own Al Noor Tower building. The Group has an ownership allocation of 75%, while the remaining 25% is owned by the joint operation parties.

Proportionate share of costs incurred for construction of Al Noor Tower building amounted to AED 107.592 million as at 31 December 2020 which was transferred from capital work in progress to buildings after completion.

Building represents property with dual use (note 6) and has been apportioned based on leasable area with the cost of AED 43.94 million classified under investment properties. as at 31 December 2020.

As at 31 December 2020, the management of the Group conducted an internal assessment of the investment properties, whereby fair value was not materially different from the net book value of AED 245.51 million (2019: AED 235.1 million).

9 Cash in hand and in transit, due from banks, exchange houses and agents

	2020	**2019**
	AED'000	AED'000
Cash in hand and in transit		
Cash in hand	933,307	836,245
Cash in transit	28,312	18,624
Total amount of cash in hand and in transit	**961,619**	**854,869**
Due from banks		
Balances with banks in UAE		
- Current accounts	760,111	1,051,588
- Fixed deposits (note 9.1)	245,000	42,000
- Blocked deposits (note 9.2)	50,577	134,654
- Advances to banks against credit card collections	4,835	9,397
- FAWARI receivables (credit card receivables)	8,196	9,483
	1,068,719	**1,247,122**
Balances with banks outside UAE		
- Current accounts	705,178	363,622
- Blocked deposits (note 9.2)	8,232	4,391
	713,410	**368,013**
Total amount due from banks	**1,782,129**	**1,615,135**
Due from exchange houses and agents		
Balances with exchange houses and agents inside UAE	45	3
Balances with exchange houses and agents outside UAE	45,065	34,742
Total amount due from exchange houses and agents	**45,110**	**34,745**
Total balance of cash in hand and in transit, due from banks, exchange houses and agents	**2,788,858**	**2,504,749**

9 Cash in hand and in transit, due from banks, exchange houses and agents
(continued)

9.1 Fixed deposits, at commercial market interest rates, are held with the Banks in the UAE with a tenure of 12 months to 15 months.

9.2 Blocked deposits, at commercial market interest rates, are held as margins with correspondent banks against financing and remittance arrangements obtained.

9.3 Currency wise composition of cash in hand and in transit, balance due from banks, exchange houses and agents:

	2020	**2019**
	AED'000	AED'000
Local currency	1,239,691	1,402,118
Foreign currency	1,549,167	1,102,631
	2,788,858	**2,504,749**

9.4 Concentration of balance of cash in hand and in transit, due from banks, exchange houses and agents by geographical area:

	2020	**2019**
	AED'000	AED'000
UAE	1,068,763	1,247,125
Europe	11,633	10,416
Middle East	216,227	128,048
USA	33,246	16,978
India	84,324	89,253
Philippines	132,093	70,660
Bangladesh	25,081	12,673
Other locations	255,872	74,727
	1,827,239	**1,649,880**
Cash in hand and in transit – UAE	961,619	854,869
	2,788,858	**2,504,749**

The geographical information shown above has been classified by location of cash in hand and cash in transit, the respective branches of the banks, exchange houses and agents.

9.5 Cash in hand and in transit, due from banks, exchange houses and agents were assessed for the impairment requirements of IFRS 9. The identified impairment loss was immaterial as these are short-term (Stage 1) with no significant increase in credit risk as at 31 December 2020.

10 Cash and cash equivalents

	2020 AED'000	2019 AED'000
Cash in hand and in transit	961,619	854,869
Due from banks	1,782,129	1,615,135
Due from exchange houses and agents	45,110	34,745
Due to banks	(20,861)	(29,013)
Due to exchange houses and agents	(27,078)	(45,939)
	2,740,919	**2,429,797**
Less:		
Fixed deposits with an original maturity longer than three months	(245,000)	(42,000)
Blocked deposits with banks inside UAE	(50,577)	(134,654)
Blocked deposits with banks outside UAE	(8,232)	(4,391)
	(303,809)	**(181,045)**
	2,437,110	**2,248,752**

11 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Group, related parties, as defined in the International Accounting Standard No. 24, includes shareholders, directors and officers of the Group and entities of whom they are principal owners and key management personnel. These transactions are entered into in the normal course of business and mainly include remittance arrangements. Transactions are entered into with related parties on agreed terms and conditions approved by the shareholder. The significant transactions included in the consolidated financial statements are as follows:

	2020 AED'000	2019 AED'000
Transactions with related parties		
Commission income earned	**230**	**386**
Interest paid	**1,306**	**2,082**

11.1 Due from / to related parties

	2020 AED'000	2019 AED'000
Due from related parties	**5,975**	**26,585**
Due to related parties	**161,077**	**169,271**

11.2 Key management personnel

The total amount of compensation paid to key management personnel during the year is as follows:

	2020 AED'000	2019 AED'000
Salaries and other benefits	**849**	**849**

12 Prepayments and other receivables

	2020	2019
	AED'000	AED'000
Prepaid expenses	11,263	9,047
Bills receivable	1,341	461
Deposit with tax authorities (note 12.1)	10,400	-
Security deposits and other receivables	54,223	83,409
Margin receivables from customers	15,322	37,984
Commission income receivable in relation to WPS	172	153
Positive value of overnight foreign currency forwards (note 23)	14,529	4,265
	107,250	**135,319**

12.1 Deposit with tax authorities

Voluntary disclosures filed for tax periods from January 2018 to January 2019 – AED 0.97 Million

On 29 March 2019, the Group had filed voluntary disclosures as a result of applying incorrect apportionment formula for allocating input tax into taxable and exempt supplies for the tax period from January 2018 to January 2019. Federal Tax Authority (FTA) accepted the voluntary disclosures, however, levied a penalty of AED 0.97 Million, on the tax shortfall of AED 1.88 Million, originated as a result of using inappropriate treatment of apportionment.

The Group has challenged the levy of these penalties based on the contention that the Group has a refundable tax position during the tax period January 2018 to December 2018 and therefore, any tax shortfall should have been adjusted with the excess refundable position.

Tax assessment for tax periods from January 2018 to January 2019 – AED 9.43 Million

During the year, FTA has assessed that the share of income received from sending agents relating to inward remittances is subject to standard rate of tax. Accordingly, FTA has assessed short payment of VAT by the Group and related penalties amounting to AED 9.43 Million based on the view that the recipient of the service resides in UAE. The Group is of the view that receipt of such income should be zero rated in accordance with VAT regulations due to the fact that the services are provided to the sending agent who is non-resident person at the time of providing such services.

Both of the above matters are currently pending with Tax Dispute Resolution Committee.

13 Lease liabilities

	2020 AED'000	2019 AED'000
Current	22,960	37,369
Non-current	17,956	27,465
	40,916	**64,834**

The maturity of leased liabilities based on contractual payments is explained in note 23.1

The movement of lease liabilities is provided below:

	2020 AED'000	2019 AED'000
At 1 January	64,834	52,030
Additions	35,709	51,245
Termination of leases	(13,009)	-
Payments	(46,618)	(38,441)
At 31 December	**40,916**	**64,834**

14 Provision for employees' end of service benefits

	2020 AED'000	2019 AED'000
At 1 January	34,321	31,312
Charge for the year	5,677	5,420
Payments during the year	(2,691)	(2,411)
At 31 December	**37,307**	**34,321**

15 Other payables and accruals

	2020 AED'000	2019 AED'000
Accrued expenses and other payables	202,604	167,396
Bills and travel card payables	156,475	133,833
Payable balances in relation to Wage Protection system	105,457	93,629
Cash Express remittances payable	75,353	20,911
Payable to Western Union in lieu of remittance funding	7,893	38,833
Payable to securities markets – DFM & ADX	-	12,436
Other payables	40,596	16,670
	588,378	**483,708**

16 Due to banks, exchange houses and agents

	2020	2019
	AED'000	AED'000
Due to banks		
Bank overdrafts	-	16,287
Balances with local banks	2,589	8,142
Balances with foreign banks	18,272	4,584
Total amount due to banks	**20,861**	**29,013**
Due to exchange houses and agents		
Balances with local exchange houses and agents	219	55
Balances with foreign exchange houses and agents	26,859	45,884
Total amount due to exchange houses and agents	**27,078**	**45,939**
Total balance due to banks, exchange houses and agents	**47,939**	**74,952**

16.1 Bank overdrafts were secured against fixed deposits placed with the banks (note 9.1).

16.2 Currency wise composition of balance due to banks, exchange houses and agents:

	2020	2019
	AED'000	AED'000
Local currency	29,083	41,243
Foreign currency	18,856	33,709
	47,939	**74,952**

17 Contingencies and commitments

	2020	2019
	AED'000	AED'000
Contingent liabilities		
Guarantees issued by banks in favour of		
Central Bank of the UAE ("CBUAE")	75,000	75,000
Dubai Financial Market	30,000	30,000
Abu Dhabi Securities Exchange	27,000	27,000
Financial institutions for correspondent relationships (note 17.1)	17,032	3,622
Total guarantees arranged and issued	**149,032**	**135,622**

17.1 The Group has arranged guarantees from local commercial banks, drawn in favor of certain correspondent banks as required under terms of the respective corresponding arrangements.

Capital commitments:

The commitments in respect of investment properties & capital expenditure on branches as at 31 December 2020 amounts to NIL and AED 2.803 million respectively (2019: AED 26.870 million and AED 0.934 million respectively).

18 Share capital

At 31 December 2020, the authorised issued and fully paid share capital of the Group comprised 50 million ordinary shares of AED 1 each (2019: 50 million of AED 1 each).

19 Net commission income

	2020	2019
	AED'000	AED'000
Commission income		
Commission on remittances	394,200	346,693
Commission on collections	64,977	66,764
Other commission	10,865	17,644
	470,042	**431,101**
Commission expense and discount	(5,228)	(3,347)
Net commission income	**464,814**	**427,754**

20 Salaries and benefits

	2020	2019
	AED'000	AED'000
Salaries and wages	237,000	234,958
Employees' end of service benefits	5,677	5,020
Other benefits	75,571	70,954
	318,248	**310,932**

Other benefits include annual bonus and performance incentives amounting to AED 24.06 million (2019: AED 17.09 million).

21 General and administrative expenses

	2020	2019
	AED'000	AED'000
Administrative expenses	49,733	48,820
Rent and premises expenses	9,970	6,131
License fees	5,673	5,197
Others expenses	27,430	14,505
	92,806	**74,653**

22 Depreciation, amortisation and impairment

	2020	2019
	AED'000	AED'000
Depreciation and amortisation on:		
- Right of use assets (note 5)	41,073	45,719
- Property, equipment and intangibles (note 6)	14,013	14,776
- Investment properties (note 8)	4,291	2,050
Impairment of Property, equipment and intangibles (note 6)	732	2,336
	60,109	**64,881**

23 Financial risk management

The Group has exposure to the following risks from its use of financial instruments and operations:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, risk management frameworks, policies and processes for measuring and managing risk, and the management of the Group's capital.

23.1 Risk management framework

The management provides principles for overall financial risk management. Periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures risk.

(a) Credit risk

Credit risk is the risk that a counter party to a financial asset fails to meet its contractual obligation and causes the Group to incur a financial loss. The Group is exposed to credit risk through its placements with banks, exchange houses and agents, receivable balances from other counterparties and cash in transit. The Group is not involved in extending any credit facility to its customers.

Credit risk is managed by the Group by dealing with reputable counter parties approved after a thorough due diligence by the management of the Group and monitoring exposure with each counterparty and average balances held with banks and intermediaries on a daily basis.

The Group's bank balances are placed with various international and local banks. Accordingly, the Group has no significant concentration of credit risk.

23 Financial risk management (continued)

23.1 Risk management framework (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

Credit risk exposure is limited to the carrying amount of the Group's financial assets as follows:

	2020 AED'000	2019 AED'000
Due from banks	1,782,129	1,615,135
Investment securities at fair value through profit or loss	1,102	-
Due from exchange houses and agents	45,110	34,745
Due from related parties	5,975	26,585
Cash in transit (note 9)	28,312	18,624
Other receivables	95,987	126,272
	1,958,615	**1,821,361**

The credit quality analysis of total amount in respect of balance due from banks, exchange houses and agents, due from related parties, cash in transit and other receivables is as follows:

	Amount outstanding 2020 AED'000	Amount outstanding 2019 AED'000
Receivables – net	**1,958,615**	**1,821,361**

Due to the nature of the Group's business, ageing analysis is not considered relevant and hence not provided. The geographical distribution of other receivables is as follows:

	2020 AED'000	2019 AED'000
Inside the UAE	81,457	122,008
Outside the UAE	14,529	4,264
	95,986	**126,272**

Geographical distribution of due from banks, exchange houses, related parties and cash in transit is provided in note 9.4.

23 Financial risk management (continued)

23.1 Risk management framework (continued)

(b) Market risk

The Group recognises market risk as the exposure created by potential changes in market prices and rates. The Group is exposed to market risk arising principally from customer driven transactions including foreign exchange positions. The objective of the Group's market risk policies and processes is to obtain the best balance of risk and return while meeting its customers' requirements.

(i) Interest rate risk

The Group is exposed to the risk that changes in interest rates would have an adverse effect on the value of its financial assets and liabilities.

To mitigate this risk, the Group manages its exposure to interest rate risk through managing the duration of its interest bearing portfolio. The Group does not have external loans or material interest bearing liabilities, therefore, the Group does not measure its interest bearing assets or liabilities at fair value as the financial impact is considered immaterial.

(ii) Interest rate sensitivity of assets and liabilities

Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. A movement in interest rates of 100 basis points will have the following impact on the net profit for the year and net assets at that date:

	Net profit for the year AED'000	**Equity** AED'000
2020		
Fluctuation in yield by 100 bps	±3,038	±3,038
2019		
Fluctuation in yield by 100 bps	±1,675	±1,675

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 303.809 million interest bearing assets (2019: AED 183.810 million) and interest bearing liabilities of NIL as at 31 December 2020 (2019: AED 16.287 million).

The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

23 Financial risk management (continued)

23.1 Risk management framework (continued)

(b) Market risk (continued)

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group manages its currency risk by monitoring its daily foreign currency exposure. As the AED is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The Group had the following significant net exposures denominated in foreign currencies:

	Long/(short) 2020 AED'000	Long/(short) 2019 AED'000
United States Dollar	1,111,138	597,096
Saudi Riyal	69,004	238,196
Philippines Peso	65,922	11,057
Pakistani Rupee	31,166	8,983
Omani Riyal	23,603	23,351
Egyptian Pound	17,828	15,334
Bangladesh Taka	13,874	2,923
Indian Rupee	336	8,557
Others	63,245	47,858
	1,396,116	**953,355**

The table below calculates the effect of a reasonably possible movement of the AED currency rate against the various currencies, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

23 Financial risk management (continued)

23.1 Risk management framework (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

Sensitivity Percentage	***Saudi Riyal*** 1%	***Philippines Peso*** 1%	***Pakistani Rupee*** 1%	***Omani Riyal*** 1%	***Egyptian Pound*** 1%	***Bangladesh Taka*** 1%	***Indian Rupee*** 1%	***Others*** 1%	***Profit impact*** 1%
2020 AED'000 ±	690	659	312	236	178	139	3	632	2,849
2019 AED'000 ±	2,381	111	90	234	153	29	86	479	3,563

Foreign currency forwards – overnight

	2020 AED'000	**2019** AED'000
Notional amount (short position)	**198,831**	123,465
Positive fair value of overnight forwards	**14,529**	4,264

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining sufficient balance of cash and cash equivalents to meet its obligation. Daily cash flow statements are prepared on the basis of projected purchases and sales of currencies, the maturity profile and interest flows from bank deposits. These are used by the Group to monitor and manage the liquidity structure of its assets and liabilities to ensure that an appropriate balance of cash and cash equivalents is maintained to meet liquidity requirements. Most of the Group's transactions are made on a back-to-back basis and its bank accounts are adequately managed and funded to meet commitments.

Treasury and Finance departments work in close coordination in order to avoid any liquidity issues that can impact the operations of the Group.

23 Financial risk management (continued)

23.1 Risk management framework (continued)

(c) Liquidity risk (continued)

The table below summarises the maturities of the Group's discounted financial liabilities at 31 December 2020, based on contractual payment dates and current market interest rates.

	On demand AED'000	Less than 1 year AED'000	Between 2 to 3 years AED'000	Over 3 years AED'000
31 December 2020				
Lease liabilities	-	24,555	16,134	2,646
Amount due to related parties	161,077	-	-	-
Due to banks	20,861	-	-	-
Due to exchange houses and agents	27,078	-	-	-
Other payables and accruals	588,378	-	-	-
Total	**797,394**	**24,555**	**16,134**	**2,646**
31 December 2019				
Lease liabilities	5,455	31,914	23,439	4,026
Amount due to related parties	169,271	-	-	-
Due to banks	29,013	-	-	-
Due to exchange houses and agents	45,939	-	-	-
Other payables and accruals	483,708	-	-	-
Total	**733,386**	**31,914**	**23,439**	**4,026**

(d) Operational risk management

Operational risk is the risk of a direct or indirect loss being incurred due to an event or action arising from the failure of technology, processes, infrastructure, personnel and other matters having operational risk impact.

The management of the Group closely monitors the operations. A formal budgeting process is in place in order to monitor the performance of the Group.

Monthly branch wise profit and loss is prepared by the Finance department for the Management's review.

IT Disaster recovery procedures, risk and compliance audits and internal audits also form an integral part of the operational risk management process.

23 Financial risk management (continued)

23.2 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the Group's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions and in compliance with regulatory capital requirements. No changes were made to the objectives, policies or processes during the year ended 31 December 2020. As at 31 December 2020, total shareholders' equity is AED 2,359.6 million (2019: AED 2,179.6 million) and comprises paid up capital, statutory reserve and retained earnings. The Group has complied with all externally imposed capital requirements throughout the year.

24 Dividends

The Group has distributed total dividends amounting to AED 336.594 million for the year ended 31 December 2020 (2019: AED 184.479 million) .

25 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2020.

26 Comparative figures

Certain comparative amounts on the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements have been reclassified to conform to the presentation adopted in the financial statements for the year ended 31 December 2020.

a) Statement of financial position

Proportion of capital work in progress identifiable with investment properties has been merged with investment properties in accordance with IAS 40.