

**Easy Lease Motor Cycle Rental P.S.C
and Its Subsidiary**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors have pleasure in submitting this report and the consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The Group is engaged in motorcycles trading, motorcycles repairing, motorcycles rental and delivery services.

FINANCIAL RESULTS

Total revenue earned by the Group during the year ended 31 December 2020 was AED 87,711,233 (2019: AED 53,028,467). The profit for the year ended 31 December 2020 amounted to AED 25,108,111 (2019: AED 13,996,101).

AUDITORS


Ernst & Young have indicated their willingness to continue as auditors of the Group in 2021 and offer themselves for re-appointment.

For and on behalf of the Board of Directors



CEO and Board Member

Board Member



2021
Dubai, United Arab Emirates



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EASY LEASE MOTOR CYCLE RENTAL P.S.C

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Easy Lease Motor Cycle Rental P.S.C (the "Company") and its subsidiary (the "Group") which comprise the statement of financial position as at 31 December 2020, 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
EASY LEASE MOTOR CYCLE RENTAL P.S.C (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters(continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Revenue recognition</i></p> <p>The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.</p> <p>We focus on this area because revenue requires significant time and resource to audit due to the magnitude of revenue transactions and revenue recognition is a significant audit risk. We have identified cut-off of revenue as a key audit matter due to the high value of the transactions near the period end which give rise to the risk that revenue is not recognised in the correct period.</p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the revenue process and performing walkthrough of the revenue process and evaluated controls in place. - Consideration of the appropriateness of the Group's revenue recognition accounting policies and assessing compliance of the policies with IFRS 15 - Revenue from contracts with customers. - Performing tests, on sample basis, by validating the amounts recorded with the underlying documents such as invoices and customer contracts. We verified that revenue is recognised over a period of time / at a point in time according to contract conditions. - Selecting a sample of sales made pre and post year end and checking sales are recognised agreed the date of revenue recognition to the contract terms as per the agreement. |
| <p><i>Acquisition of a subsidiary</i></p> <p>As disclosed in note 15 to the consolidated financial statements, the Group has acquired Uplift Delivery Services LLC during the year ended 31 December 2020. The Group accounted for the acquisition using the pooling of interests method. We considered this acquisition to be a key audit matter in view of the magnitude of the transaction and the judgement involved in the selection of an accounting policy and treatment for a business combination involving entities under common control. The Group applies the pooling of interest method prospectively and, accordingly, comparative information is not restated in the consolidated financial statements.</p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the pooling of interest method of accounting adopted by management to account for the acquisition of the subsidiary - Corroborating management's alignment of accounting policies by comparing the significant accounting policies of Uplift Delivery Services LLC and the Company's significant accounting policies - Inspection of the signed sale and purchase agreements in relation to this acquisition to obtain an understanding of the transactions and the key terms. - Performing specific procedures to validate the carrying amounts of assets and liabilities at acquisition date - Evaluating the appropriateness of the accounting and adequacy of the disclosures in the consolidated financial statements. |

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
EASY LEASE MOTOR CYCLE RENTAL P.S.C (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters(continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p><i>Bank loans and related covenants:</i></p> <p>Interest-bearing loans and borrowings as at 31 December 2020 amount to AED 21,504,311 as stated in note 17 to the consolidated financial statements, which represent 65% of the total liabilities.</p> <p>Compliance with the financing covenants and monitoring the liquidity position are important aspects for our audit since they can impact the Group's ability to repay its obligations.</p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> - Reviewing the terms of loan agreements with the bank including covenant/securities/collaterals of the. - Reviewing financial covenant testing and procedures applied by management for monitoring compliance with the covenants - Checking that the loans have been repaid as per contract terms and no defaults in repayments made by the Group during the year - Reading the correspondences received from the banks who have confirmed with Easy Lease Motorcycle Rental P.S.C that the banking relationship was continued as at 31st December 2020 and that there have been no breaches of bank's covenant/securities/collaterals. - Ensuring that loans are appropriately accounted for and disclosed in the consolidated financial statements |
| <p><i>Allowance for expected credit losses of trade receivables</i></p> <p>As stated in note 9 to the consolidated financial statements, as of the year-end, the Group had trade receivables of AED 18,458,550 before allowance for expected credit losses of AED 2,248,103.</p> <p>The key management assumptions as disclose in note 25 to the consolidated financial statements sets out the basis on which the Group performs an impairment analysis, including the related estimates for the calculations of expected credit losses. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money.</p> <p>We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved. Also, the management exercises judgement in determining the quantum of impairment loss and to establish the recoverability of receivables.</p> | <p>We have performed the following procedures:</p> <ul style="list-style-type: none"> - Assessed the reasonableness of the expected credit losses model developed by management if it's in line with IFRS 9 and reviewed the methodology in comparison to accepted best practice. We tested the key assumptions, such as those used to calculate the likelihood of default and subsequent loss on default, by comparing to historical data. We also considered the incorporation of forwardlooking factors to reflect the impact of the future events on expected credit losses. - Verification of subsequent receipts post year end - We have reviewed correspondences with customers and discussion with credit controller. |

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

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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 skepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Report on Other Legal and Regulatory Requirements

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

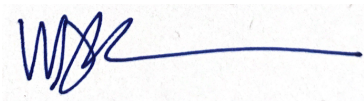
- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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 2020;
- vi) note 21 reflects material related party transactions and the terms under which they were conducted;

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
EASY LEASE MOTOR CYCLE RENTAL P.S.C (continued)**

Report on Other Legal and Regulatory Requirements (continued)

- 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 2020; and
- viii) note 6 reflects the social contributions made during the year.

For Ernst & Young



Signed by:
Wardah Ebrahim
Partner
Registration No: 1258

1 February 2021

Dubai, United Arab Emirates

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | <i>Notes</i> | 2020 AED | 2019 AED |
|--|--------------|---------------------|---------------------|
| Revenue from contracts with customers | 3 | 87,711,233 | 53,028,467 |
| Direct costs | | (52,508,313) | (29,019,728) |
| GROSS PROFIT | | 35,202,920 | 24,008,739 |
| Other income | 4 | 7,789,800 | 1,808,893 |
| Administrative expenses | | (16,612,073) | (10,053,584) |
| Finance costs | 5 | (1,272,536) | (1,767,947) |
| PROFIT FOR THE YEAR | 6 | 25,108,111 | 13,996,101 |
| Other comprehensive income for the year | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 25,108,111 | 13,996,101 |
| Attributable to: | | | |
| Controlling shareholders of the Company | | 24,574,707 | 13,996,101 |
| Non-controlling interest | | 533,404 | - |
| | | 25,108,111 | 13,996,101 |
| Basic earnings per share | 14 | 0.8192 | 0.4665 |

The attached notes 1 to 28 form part of these consolidated financial statements.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | <i>Notes</i> | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---|--------------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 7 | 41,039,615 | 34,497,824 |
| Right-of-use assets | 18 | 2,476,475 | 2,733,390 |
| Intangible assets | 8 | 335,070 | 165,624 |
| | | 43,851,160 | 37,396,838 |
| Current assets | | | |
| Inventories – spare parts and consumables | | 3,763,746 | 1,172,938 |
| Accounts receivable and prepayments | 9 | 20,615,639 | 11,615,180 |
| Partners' account | 21 | - | 454,984 |
| Bank balances and cash | 10 | 11,963,016 | 3,087,577 |
| | | 36,342,401 | 16,330,679 |
| TOTAL ASSETS | | 80,193,561 | 53,727,517 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 11 | 30,000,000 | 300,000 |
| Statutory reserve | 12 | 2,499,173 | 150,000 |
| Retained earnings | | 12,708,420 | 21,838,466 |
| Other reserve | 15 | 1,177,749 | - |
| | | 46,385,342 | 22,288,466 |
| Equity attributable to equity holders of the parent | | 46,385,342 | 22,288,466 |
| Non-controlling interest | | 1,113,490 | - |
| | | 47,498,832 | 22,288,466 |
| Total equity | | 47,498,832 | 22,288,466 |
| Non-current liabilities | | | |
| Employees' end of service benefits | 16 | 960,066 | 279,598 |
| Bank loans | 17 | 8,072,343 | 9,482,510 |
| Lease liabilities | 18 | 1,487,204 | 1,873,206 |
| | | 10,519,613 | 11,635,314 |
| Current liabilities | | | |
| Accounts payable and accruals | 19 | 7,686,744 | 7,924,331 |
| Bank loans | 17 | 13,431,968 | 11,009,397 |
| Lease liabilities | 18 | 1,056,404 | 870,009 |
| | | 22,175,116 | 19,803,737 |
| Total liabilities | | 32,694,729 | 31,439,051 |
| TOTAL EQUITY AND LIABILITIES | | 80,193,561 | 53,727,517 |

Chairman

CEO and Board Member

The attached notes 1 to 28 form part of these consolidated financial statements.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

| | <i>Attributable to equity holders of the parent</i> | | | | | <i>Non-controlling interest AED</i> | <i>Total equity AED</i> |
|--|---|----------------------------------|------------------------------|----------------------------------|----------------------|---|-----------------------------|
| | <i>Share capital AED</i> | <i>Statutory reserve AED</i> | <i>Other reserve AED</i> | <i>Retained earnings AED</i> | <i>Total AED</i> | | |
| Balance at 1 January 2019 | 300,000 | 150,000 | - | 19,295,740 | 19,745,740 | - | 19,745,740 |
| Total comprehensive income for the year | - | - | - | 13,996,101 | 13,996,101 | - | 13,996,101 |
| Dividends | - | - | - | (11,453,375) | (11,453,375) | - | (11,453,375) |
| Balance at 31 December 2019 | 300,000 | 150,000 | - | 21,838,466 | 22,288,466 | - | 22,288,466 |
| Balance at 1 January 2020 | 300,000 | 150,000 | - | 21,838,466 | 22,288,466 | - | 22,288,466 |
| Dividends (Note 13) | - | - | - | (1,655,580) | (1,655,580) | - | (1,655,580) |
| Acquisition of non-controlling interest (Note 15) | - | - | - | - | - | 580,086 | 580,086 |
| Acquisition of a subsidiary (Note 15) | - | - | 1,177,749 | - | 1,177,749 | - | 1,177,749 |
| Total comprehensive income for the year | - | - | - | 24,574,707 | 24,574,707 | 533,404 | 25,108,111 |
| Issuance of additional share capital (Note 11) | 29,700,000 | - | - | (29,700,000) | - | - | - |
| Share-based payments - notional (note 22) | - | - | - | 10,725,000 | - | - | 10,725,000 |
| Share-based payments recharges - awards to personnel of the parent and ultimate parent companies (note 22) | - | - | - | (10,725,000) | - | - | (10,725,000) |
| Transfer (Note 12) | - | 2,349,173 | - | (2,349,173) | - | - | - |
| Balance at 31 December 2020 | 30,000,000 | 2,499,173 | 1,177,749 | 12,708,420 | 46,385,342 | 1,113,490 | 47,498,832 |

The attached notes 1 to 28 form part of these consolidated financial statements.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | <i>Notes</i> | 2020 AED | 2019 AED |
|---|--------------|---------------------------|---------------------------|
| OPERATING ACTIVITIES | | | |
| Profit for the year | | 25,108,111 | 13,996,101 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 7 | 12,303,629 | 9,920,108 |
| Depreciation of right-of-use assets | 18 | 865,593 | 558,127 |
| Amortisation of intangible assets | 8 | 66,151 | 38,680 |
| Provision for employees' end of service benefits | 16 | 432,674 | 100,329 |
| Gain on disposal of property and equipment | | (3,005,968) | (508,320) |
| Finance costs | 5 | 1,272,536 | 1,767,947 |
| Provision for expected credit losses | 9 | 1,455,362 | 719,501 |
| Bad debts written off | | - | 37,613 |
| | | 38,498,088 | 26,630,086 |
| Working capital changes: | | | |
| Accounts receivable and prepayments | | (7,612,747) | 925,222 |
| Accounts payable and accruals | | (1,877,168) | 1,942,547 |
| Inventories | | (2,590,808) | (376,827) |
| Cash flows from operations | | 26,417,365 | 29,121,028 |
| Employees' end of service benefits paid | 16 | (71,944) | (45,264) |
| Finance costs paid | 5 | (1,272,536) | (1,767,947) |
| Net cash flows from operating activities | | 25,072,885 | 27,307,817 |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 7 | (19,547,024) | (16,743,015) |
| Purchase of intangible asset | 8 | (159,774) | (146,804) |
| Proceeds from disposal of property and equipment | | 3,795,204 | 508,320 |
| Acquisition of a subsidiary, net of cash acquired | | 738,540 | - |
| Net cash flows used in investing activities | | (15,173,054) | (16,381,499) |
| FINANCING ACTIVITIES | | | |
| Net movement in Partners' account | 21 | (1,200,596) | (9,644,519) |
| Repayments of bank loans | | (11,307,467) | (11,384,104) |
| Proceeds from bank loans | | 12,291,956 | 12,728,517 |
| Payment against lease liability | 18 | (808,285) | (526,447) |
| Net cash flows used in financing activities | | (1,024,392) | (8,826,553) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 8,875,439 | 2,099,765 |
| Cash and cash equivalents at 1 January | | 3,087,577 | 987,812 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 10 | 11,963,016 | 3,087,577 |

The attached notes 1 to 28 form part of these consolidated financial statements.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

1 ACTIVITIES

Easy Lease Motor Cycle Rental P.S.C (formerly Easy Lease Motor Cycle Rental L.L.C) (the “Company”) was incorporated on 12 December 2011 in the form of limited liability company in the Emirate of Dubai, United Arab Emirates. During the year, the shareholders passed a resolution to change the legal form of the Company into a private joint stock company based on the provisions of Article No. 274 of the UAE Federal Law No. (2) of 2015 and listed with Abu Dhabi Securities Exchange (ADX) on 27 December 2020. The Company’s registered address is P.O. Box 333367, Deira, Dubai, United Arab Emirates.

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

The Company and its subsidiary (mentioned in Note 2.2) are together referred to as the “Group”.

From 1 April 2020, the Company’s Parent Company is International Holdings Company P.J.S.C. (the “Parent Company”) and its registered office address is P.O. Box 32619, Abu Dhabi, United Arab Emirates. The Parent Company is a subsidiary of Royal Group (the “Ultimate Parent Company”) and its registered office address is P.O. Box 5151, Abu Dhabi, United Arab Emirates.

The Company has not purchased or invested in any shares or stocks during the financial years ended 31 December 2020 and 31 December 2019.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 1 February 2021.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

The consolidated financial statements are prepared under the historical cost convention.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of the Company and its subsidiary. Control is achieved when the Group is exposed, 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.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

The subsidiary included in the consolidated financial statements are as follows:

| <i>Subsidiary name</i> | <i>Principal activities</i> | <i>Ownership Interest (%)</i> | | <i>Country of incorporation</i> |
|------------------------------|-----------------------------|-------------------------------|-------------------------|---------------------------------|
| | | <i>31 December 2020</i> | <i>31 December 2019</i> | |
| Uplift Delivery Services LLC | | 67 | - | United Arab Emirates |

As part of the Group reorganisation during 2020, the Company acquired Uplift Delivery Services (Note 15). The subsidiary is engaged in delivery services.

2.3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations effective for annual period beginning on or after 1 January 2020

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied by the Company in the preparation of the consolidated financial statements as at and for the year ended 31 December 2019, except for the adoption of the following new standards, interpretations and amendments:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform;
- Amendments to IFRS 16: Covid-19 related rent concession;
- Amendments to IAS 1 and IAS 8: Definition of Material; and
- Conceptual Framework for Financial Reporting*.

* The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no significant impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.3 CHANGES IN ACCOUNTING POLICIES

Standards issued but not effective

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

- IFRS 17 Insurance Contracts (IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required).
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (effective from annual periods beginning on or after 1 January 2023 and must be applied retrospectively).
- Reference to the Conceptual Framework – Amendments to IFRS 3 The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
- Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes. Actual results may differ from these estimates.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are currently evaluated and are based on historical experience and other factors.

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 consolidated financial statements) are discussed in Note 24.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue from contracts with customers

The Group is engaged in motorcycles trading, motorcycles repairing, motorcycles rental and delivery services. 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 Group expects to be entitled in exchange for those goods or services. The Group 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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Revenue from delivery services

Revenue from delivery services is satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group on a fixed contract basis or using an input method to measure progress towards complete satisfaction of the service.

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 Group 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 Group'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 Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group performs under the contract.

Value-added Tax (VAT)

Expenses, and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is 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.

Accounting for business combinations involving entity under common control

For transactions involving entities under common control, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities are used to account for these transactions. No goodwill is recognised as a result of the combination. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the business 'acquired' is reflected within the equity. The Group applies the pooling of interest prospectively and, accordingly, comparative information is not restated in the consolidated financial statements. Please refer to Note 15 for the disclosure of business combination involving entity under common control and acquisition of non-controlling interest.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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 Group 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 Group 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group'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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 Group 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 Group'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 Group has applied the practical expedient, the Group 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 Group 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 Group'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 Group commits to purchase or sell the asset.

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

Subsequent measurement

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

- Financial assets at fair value through profit or loss – The Group 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 Group. The Group 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 Group 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 Group has not designated any financial asset at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Subsequent measurement (continued)

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

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.

Impairment and uncollectibility of financial assets

The Group 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 Group 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Derecognition of financial assets (continued)

When the Group 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 Group'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 Group 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 Group 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 Group'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.

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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group 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 Group 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.

Share-based payments

Employees (including key management personnel) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 22.

That cost is recognised in staff cost, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Employees' end of service benefits

The Group 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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognised in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Leases

The Group 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.

Group as a lessee

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

i) Right-of-use assets

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

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

iii) Short-term leases and leases of low-value assets

The Group 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.

Group as a lessor

Leases in which the Group 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.

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group 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 Group. 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 Group 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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group presents assets and liabilities in statement of financial position based on current / non-current classification.

An asset is classified 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 Group classifies all other liabilities as non-current.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

| | <i>2020</i> | <i>2019</i> |
|------------------------|-------------------|-------------|
| | <i>AED</i> | <i>AED</i> |
| Type of revenue | | |
| Rental income | 64,101,879 | 50,696,439 |
| Sale of goods | 2,753,190 | 1,272,616 |
| Service income | 2,085,704 | 1,059,412 |
| Delivery services | 18,770,460 | - |
| | 87,711,233 | 53,028,467 |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

3 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---|---------------------------|---------------------------|
| Geographical markets | | |
| United Arab Emirates | 87,711,233 | 53,028,467 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Timing of revenue recognition | | |
| Rental income and delivery services over period of time | 82,872,339 | 50,696,439 |
| Goods transferred at a point in time | 2,753,190 | 1,272,616 |
| Services at a point in time | 2,085,704 | 1,059,412 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 87,711,233 | 53,028,467 |

4 OTHER INCOME

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|--|---------------------------|---------------------------|
| Gain on sale of property and equipment | 3,005,968 | 508,320 |
| Income from insurance claims | 1,487,758 | 980,888 |
| Covid relief discount | 1,040,619 | - |
| Premature closing income | 645,526 | 231,233 |
| Recovery of debts | 646,305 | - |
| Miscellaneous income | 963,624 | 88,452 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 7,789,800 | 1,808,893 |

5 FINANCE COSTS

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---|---------------------------|---------------------------|
| Interest on bank loans | 1,165,388 | 1,574,463 |
| Bank charges | - | 117,032 |
| Interest expense on lease liabilities (Note 18) | 107,148 | 76,452 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 1,272,536 | 1,767,947 |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|--|---------------------------|---------------------------|
| Employee costs | <u>28,487,024</u> | <u>7,394,619</u> |
| Insurance expense | <u>6,161,816</u> | <u>5,069,440</u> |
| Repair and maintenance costs | <u>7,633,514</u> | <u>6,136,653</u> |
| RTA fees | <u>5,483,850</u> | <u>4,362,111</u> |
| Rental – staff accommodation and office premises | <u>1,006,822</u> | <u>1,062,366</u> |
| Rental - vehicle | <u>2,349,419</u> | <u>40,893</u> |
| Rental - others | <u>10,003</u> | <u>20,200</u> |
| Depreciation and amortisation (Note 7, 8 & 18) | <u>13,243,051</u> | <u>10,516,915</u> |

There are no social contributions made during year ended 31 December 2020 (2019: Nil).

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

7 PROPERTY AND EQUIPMENT

| | <i>Motor cycles AED</i> | <i>Motor vehicles AED</i> | <i>Tools and spares AED</i> | <i>Computer equipment AED</i> | <i>Furniture and fixtures AED</i> | <i>Leasehold improvements AED</i> | <i>Capital -work-in progress AED</i> | <i>Total AED</i> |
|---------------------------------------|---------------------------------|-----------------------------------|-------------------------------------|---------------------------------------|---|---|--|----------------------|
| Cost: | | | | | | | | |
| At 1 January 2020 | 51,095,849 | 1,997,412 | 505,761 | 242,578 | 1,115,347 | 548,275 | 1,211,875 | 56,717,097 |
| Acquisition of a subsidiary (note 15) | - | 60,040 | - | 54,536 | 84,436 | - | - | 199,012 |
| Additions | 16,736,695 | - | 256,145 | 367,737 | 88,182 | 23,357 | 2,074,908 | 19,547,024 |
| Transfers | - | - | - | - | - | 3,271,783 | (3,271,783) | - |
| Disposals | (7,950,768) | - | - | - | - | - | - | (7,950,768) |
| At 31 December 2020 | 59,881,776 | 2,057,452 | 761,906 | 664,851 | 1,287,965 | 3,843,415 | 15,000 | 68,512,365 |
| Depreciation: | | | | | | | | |
| At 1 January 2020 | 20,120,506 | 1,253,179 | 308,284 | 124,612 | 403,244 | 9,448 | - | 22,219,273 |
| Acquisition of a subsidiary (note 15) | - | 23,227 | - | 54,536 | 33,617 | - | - | 111,380 |
| Charge for the year | 10,957,540 | 310,074 | 172,027 | 108,760 | 228,314 | 526,914 | - | 12,303,629 |
| Related to disposals | (7,161,532) | - | - | - | - | - | - | (7,161,532) |
| At 31 December 2020 | 23,916,514 | 1,586,480 | 480,311 | 287,908 | 665,175 | 536,362 | - | 27,472,750 |
| Net carrying amount: | | | | | | | | |
| At 31 December 2020 | 35,965,262 | 470,972 | 281,595 | 376,943 | 622,790 | 3,307,053 | 15,000 | 41,039,615 |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

7 PROPERTY AND EQUIPMENT (continued)

| | <i>Motor cycles AED</i> | <i>Motor vehicles AED</i> | <i>Tools and spares AED</i> | <i>Computer equipment AED</i> | <i>Furniture and fixtures AED</i> | <i>Leasehold improvements AED</i> | <i>Capital -work-in progress AED</i> | <i>Total AED</i> |
|----------------------|---------------------------------|-----------------------------------|-------------------------------------|---------------------------------------|---|---|--|--------------------------|
| Cost: | | | | | | | | |
| At 1 January 2019 | 38,851,426 | 1,696,846 | 468,709 | 161,110 | 842,891 | - | - | 42,020,982 |
| Additions | 14,291,323 | 300,566 | 37,052 | 81,468 | 272,456 | 548,275 | 1,211,875 | 16,743,015 |
| Disposals | (2,046,900) | - | - | - | - | - | - | (2,046,900) |
| At 31 December 2019 | <u>51,095,849</u> | <u>1,997,412</u> | <u>505,761</u> | <u>242,578</u> | <u>1,115,347</u> | <u>548,275</u> | <u>1,211,875</u> | <u>56,717,097</u> |
| Depreciation: | | | | | | | | |
| At 1 January 2019 | 13,044,202 | 828,619 | 165,287 | 89,301 | 218,656 | - | - | 14,346,065 |
| Charge for the year | 9,123,204 | 424,560 | 142,997 | 35,311 | 184,588 | 9,448 | - | 9,920,108 |
| Related to disposals | (2,046,900) | - | - | - | - | - | - | (2,046,900) |
| At 31 December 2019 | <u>20,120,506</u> | <u>1,253,179</u> | <u>308,284</u> | <u>124,612</u> | <u>403,244</u> | <u>9,448</u> | <u>-</u> | <u>22,219,273</u> |
| Net carrying amount: | | | | | | | | |
| At 31 December 2019 | <u><u>30,975,343</u></u> | <u><u>744,233</u></u> | <u><u>197,477</u></u> | <u><u>117,966</u></u> | <u><u>712,103</u></u> | <u><u>538,827</u></u> | <u><u>1,211,875</u></u> | <u><u>34,497,824</u></u> |

Motorcycles and motor vehicles with a net carrying amount of AED 36,436,234 (2019: AED 31,719,576) are mortgaged against vehicle loans (Note 17).

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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

7 PROPERTY AND EQUIPMENT (continued)

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

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|-------------------------|---------------------------|---------------------------|
| Direct costs | 11,291,806 | 9,548,209 |
| Administrative expenses | 1,011,823 | 371,899 |
| | 12,303,629 | 9,920,108 |

8 INTANGIBLE ASSETS

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---------------------------------------|---------------------------|---------------------------|
| Cost: | | |
| At 1 January | 235,604 | 88,800 |
| Acquisition of a subsidiary (note 15) | 75,823 | - |
| Additions | 159,774 | 146,804 |
| At 31 December | 471,201 | 235,604 |
| Amortisation: | | |
| At 1 January | 69,980 | 31,300 |
| Charge for the year | 66,151 | 38,680 |
| At 31 December | 136,131 | 69,980 |
| Net carrying amount: | | |
| At 31 December | 335,070 | 165,624 |

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

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|--|---------------------------|---------------------------|
| Trade receivable | 18,458,550 | 10,767,340 |
| Less: Allowance for expected credit losses | (2,248,103) | (719,501) |
| | 16,210,447 | 10,047,839 |
| Due from related parties (Note 21) | - | 4,737 |
| Deposits | 610,164 | 659,734 |
| Prepayments | 2,078,249 | 336,439 |
| Advances to suppliers | 723,879 | 404,520 |
| Other receivables | 992,900 | 161,911 |
| | 20,615,639 | 11,615,180 |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December 2020, trade receivables at nominal value of AED 2,248,103 (2019: AED 719,501) were impaired and fully provided for. Movements in the allowance for expected credit losses were as follows:

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---------------------|---------------------------|---------------------------|
| At 1 January | 792,741 | 293,901 |
| Charge for the year | 1,455,362 | 719,501 |
| Written off | - | (293,901) |
| At 31 December | <u>2,248,103</u> | <u>719,501</u> |

The information about the basis of calculation of expected credit loss is disclosed in Note 22.

10 BANK BALANCES AND CASH

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---------------------------|---------------------------|---------------------------|
| Cash on hand | 61,786 | 136,079 |
| Bank balances | 11,901,230 | 2,951,498 |
| Cash and cash equivalents | <u>11,963,016</u> | <u>3,087,577</u> |

11 SHARE CAPITAL

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---|---------------------------|---------------------------|
| <i>Authorised, issued and fully paid</i> 30,000,000 of AED 1 each (2019:300 shares of AED 1,000 each) | <u>30,000,000</u> | <u>300,000</u> |

On 28 October 2020, the share capital of the Company was increased from AED 300,000 to AED 30,000,000 by reducing the par value per share from AED 100 to AED 1 and issuing 29,997,000 new shares of AED 1 each. Accordingly, the number of the Company's shares has been increased to 30,000,000 shares of AED 1 each.

12 STATUTORY RESERVE

As required by the UAE Federal Law No (2) of 2015 and the Company's Articles of Association, 10% of the profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

13 DIVIDENDS

During the year ended 31 December 2020, dividends of AED 5,518.60 per share (2019: AED 38,177.92 per share) totalling AED 1,655,580 (2019: AED 11,453,375) were declared and transferred to Partners account (Note 21).

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

14 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period attributable to the owners of the Group by the weighted average number of shares in issue throughout the period as follows:

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|--|---------------------------|---------------------------|
| Profit attributable to the owners of the Group (AED) | <u>24,574,707</u> | <u>13,996,101</u> |
| Weighted average number of shares (shares) | <u>30,000,000</u> | <u>30,000,000</u> |
| Basic earnings per share for the year (AED) | <u>0.8192</u> | <u>0.4665</u> |

* The weighted average number of shares takes into account the weighted average effect of changes in shares as disclosed in Note 11.

15 BUSINESS COMBINATION INVOLVING ENTITY UNDER COMMON CONTROL AND ACQUISITION OF NON-CONTROLLING INTEREST

As part of the Group reorganisation during 2020, the Company entered into agreements with entities under common control. The Company has accounted for these transactions under the pooling of interests method.

The Company has signed a sale and purchase agreement with Uplift Delivery Services L.L.C, an entity under common control, whereby the Company acquired 67% of the shares of Uplift Delivery Services L.L.C for a consideration of AED 1 which took effect at the completion date on 31 March 2020. The Group has accounted for these transactions under the pooling of interest method.

The net book values of identifiable assets and liabilities of Uplift Delivery Services L.L.C at the date of acquisition were:

| | <i>AED</i> |
|---|------------------|
| Bank balances and cash | 738,541 |
| Property and equipment | 87,632 |
| Intangible assets | 75,823 |
| Accounts receivable and prepayments | 2,843,074 |
| Employees end of service benefits | (319,738) |
| Accounts payable and accruals | (1,639,581) |
| Bank loans | (27,915) |
| Total identifiable net assets at book value | <u>1,757,836</u> |
| Non-controlling interest at book value | (580,086) |
| Gain on acquisition of a subsidiary | (1,177,749) |
| Consideration paid by the Company | <u><u>1</u></u> |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

15 BUSINESS COMBINATION INVOLVING ENTITY UNDER COMMON CONTROL AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

The net cash flows generated/(incurred) as a result of acquisition are as follows

| | <i>31 December 2020 AED</i> |
|---------------------------------|-------------------------------------|
| Consideration paid the Company | (1) |
| Bank balances and cash acquired | <u>738,541</u> |
| Total cash flow on acquisition | <u><u>738,540</u></u> |

The acquisition of a subsidiary is treated as a common control transaction. There is a change in the ownership interest of a subsidiary without a change of control. The resulting gain is accounted for as an equity transaction and recorded under other reserve.

From the date of acquisition, Uplift Delivery Services L.L.C contributed AED 18,770,460 of revenue and AED 1,616,377 to profit of the Group. If the acquisition had taken place at the beginning of the year, revenue would have been AED 22,458,765 and profit for the Group would have been AED 1,796,305.

The net cash flows generated/(incurred) by Uplift are as follows

| | <i>31 December 2020 AED</i> |
|----------------|-------------------------------------|
| Operating | 1,151,782 |
| Investing | (157,774) |
| Financing | (365,033) |
| Net cash flows | <u><u>628,975</u></u> |

16 EMPLOYEES' END OF SERVICE BENEFITS

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

| | <i>2020 AED</i> | <i>2019 AED</i> |
|---------------------------------------|-----------------------|-----------------------|
| Provision as at 1 January | 279,598 | 224,533 |
| Acquisition of a subsidiary (Note 15) | 319,738 | - |
| Provided during the year | 432,674 | 100,329 |
| Payments made during the year | (71,944) | (45,264) |
| Provision as at 31 December | <u><u>960,066</u></u> | <u><u>279,598</u></u> |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

17 BANK LOANS

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|---------------------|---------------------------|---------------------------|
| Current portion | 13,431,968 | 11,009,397 |
| Non-current portion | 8,072,343 | 9,482,510 |
| | <u>21,504,311</u> | <u>20,491,907</u> |
| Loan 1 | 18,719 | - |
| Loan 2 | 1,328,495 | 1,037,640 |
| Loan 3 | 4,796,725 | - |
| Loan 4 | 15,360,372 | 19,454,267 |
| Total | <u>21,504,311</u> | <u>20,491,907</u> |

Loan 1

Loan 1 carries interest at prevailing market rates at 6.9% fixed rate per annum (2020: 6.9% fixed rate per annum). The loans are repayable for 48 equal monthly instalments starting from 10 June 2018. The loan is secured by a mortgage of the motor vehicle purchased.

Loan 2

Loan 2 carries interest at prevailing market rates ranging from 3.04 – 3.18% per annum (2019: 3.04 – 3.8% per annum). The loans are repayable for 12-36 monthly equal monthly instalments (2019: 36 monthly equal instalments). At 31 December 2020, the Group had available AED 4,671,505 (2019: 4,962,360) of undrawn facility under this agreement. The loan is secured by the following: The loan is secured by the following:

- a) Personal guarantee of Mr. Ahmad Mohamad Alsayed Ibrahim Al Sadah and Mr. Saeed Bin Mohammed Bin Ahmad Al Qassimi;
- b) Updated cheque drawn on customer account with the banks to the extent of overall facility amount.
- c) Letter of undertaking that the motorbikes procured will not be sold/disposed off without the bank's prior consent
- d) General assignment of receivables and proceeds in favor of the Banks.
- e) 25% contribution for purchase of spare parts taken under the bank's facility

Loan 3

Loan 3 is obtained during the current period and carry interest at prevailing market rates at 3.25% fixed rate per annum. The loans are repayable for 12-36 monthly equal monthly instalments. At 31 December, the Group had available AED 3,203,275 (2019: AED 8,000,000) of undrawn facility under this agreement. The loan is secured by the following:

- a) Updated cheque drawn on customer account with the banks to the extent of overall facility amount.
- b) General assignment of receivables and proceeds in favor of the Banks.
- c) Personal guarantee of Mr. Ahmad Mohamad Alsayed Ibrahim Al Sadah and Mr. Saeed Bin Mohammed Bin Ahmad Al Qassimi;
- d) Direct debit account to be established.

The bank facility letter issued by a bank contains various restrictive covenants which are required to be complied by the Group. As at 31 December 2020, the Group has complied with all the bank covenants.

Loan 4

Loan 4 carries interest at prevailing market rates at 3.25% fixed rate per annum (2019: 3.25% fixed rate per annum). The loans are repayable in 36 equal monthly instalments.

The bank facility letter issued by a bank contains various restrictive covenants which are required to be complied by the Group. At 31 December 2020, the Group had available AED 13,839,628 (2019: 9,745,733). As at 31 December 2020, the Group has complied with the bank covenants.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

17 BANK LOANS (continued)

Loan 4 (continued)

The 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;
- Letter of negative pledge
- Assignment of the insurance policy over financed motorcycles and motor vehicles.
- General assignment of receivables and proceeds in favor of the Banks.
- Updated cheque drawn on customer account with the banks to the extent of overall facility amount.

18 LEASES

Group as a lessee

The Group 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:

| | <i>Vehicles AED</i> | <i>Workshops AED</i> | <i>Total AED</i> |
|------------------------|-------------------------|--------------------------|----------------------|
| Cost: | | | |
| As at 1 January 2020 | 969,508 | 2,322,009 | 3,291,517 |
| Additions | 317,350 | 645,433 | 962,783 |
| Deletions | (158,498) | (252,834) | (411,332) |
| | <u>1,128,360</u> | <u>2,714,608</u> | <u>3,842,968</u> |
| At 31 December 2020 | | | |
| Amortisation: | | | |
| As at 1 January 2020 | 61,124 | 497,002 | 558,126 |
| Charge for the year | 213,056 | 652,537 | 865,593 |
| Deletions | (24,104) | (33,122) | (57,226) |
| | <u>250,076</u> | <u>1,116,417</u> | <u>1,366,493</u> |
| At 31 December 2020 | | | |
| Net carrying amount: | | | |
| As at 31 December 2020 | <u>878,284</u> | <u>1,598,191</u> | <u>2,476,475</u> |

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

| | <i>2020 AED</i> | <i>2019 AED</i> |
|-----------------------|---------------------|---------------------|
| At 1 January | 2,743,215 | 3,269,662 |
| Additions | 962,783 | - |
| Deletions | (354,106) | - |
| Accretion of interest | 107,148 | 76,452 |
| Payments | (915,432) | (602,899) |
| | <u>2,543,608</u> | <u>2,743,215</u> |
| | | |
| | <i>2020 AED</i> | <i>2019 AED</i> |
| Non-current | 1,487,204 | 1,873,206 |
| Current | 1,056,404 | 870,009 |
| | <u>2,543,608</u> | <u>2,743,215</u> |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

19 ACCOUNTS PAYABLE AND ACCRUALS

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|-------------------------|---------------------------|---------------------------|
| Accounts payable | 3,022,526 | 5,706,309 |
| Accrued expenses | 913,695 | 546,912 |
| VAT payable | 507,782 | 155,266 |
| Advances from customers | 1,356,582 | 721,051 |
| Staff payables | 1,528,624 | 676,554 |
| Other payables | 357,535 | 118,239 |
| | <u>7,686,744</u> | <u>7,924,331</u> |

Trade payables are non-interest bearing and are normally settled on 90 days terms. For explanation on the Group liquidity risk management process, refer to Note 23.

20 CONTINGENT LIABILITIES

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|----------------------|---------------------------|---------------------------|
| Letters of guarantee | <u>500,000</u> | <u>800,000</u> |

The above bank guarantees have been issued from a local bank in the ordinary course of business.

21 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

| | <i>2020</i> <i>AED</i> | <i>2019</i> <i>AED</i> |
|--|---------------------------|---------------------------|
| <i>Parent Company</i> | | |
| Professional fee | 20,114 | - |
| <i>Transactions with ultimate parent and other related parties</i> | | |
| Rental income | 6,718 | 10,161 |
| Sale of goods | - | 450 |
| Service income | 1,025 | 112 |
| Other income | - | 500 |

Transactions with related parties were entered into on terms agreed with the management.

Refer also to note 22 for other transactions with related parties.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

21 RELATED PARTY TRANSACTIONS AND BALANCES

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

| | <i>Due from related parties</i> | |
|---|---------------------------------|----------------|
| | <i>2020</i> | <i>2019</i> |
| | <i>AED</i> | <i>AED</i> |
| <i>Ultimate Parent Company</i> | | |
| <i>Entity owned by the shareholders</i> | - | 4,737 |
| | <u>-</u> | <u>4,737</u> |
| | | |
| | <i>Partners' account</i> | |
| | <i>2020</i> | <i>2019</i> |
| | <i>AED</i> | <i>AED</i> |
| 1 January 2019 | 454,984 | 2,263,840 |
| Dividend declared | (1,655,580) | (11,453,375) |
| Net movement | 1,200,596 | 9,644,519 |
| | <u>-</u> | <u>454,984</u> |

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 2020, there was no impairment of amounts owed by related parties (2019: 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 Group has not paid any compensation to key management personnel during the year (2019: AED Nil). All activities are managed by one of the Partners without any compensation.

22 SHARE-BASED PAYMENTS

On 5 November 2020, ordinary shares of the Company were granted to certain personnel of the Parent Company, Ultimate Parent Company and their related entities. The share awards did not have any service or performance conditions ('vesting condition') and, therefore, vested immediately on the grant date. The breakup of the shares awarded is as follows;

| | <i>Number of shares</i> |
|---|-------------------------|
| Share awards to personnel of the parent and ultimate parent companies | <u>1,500,000</u> |

The fair value at the grant date (being the measurement date) was estimated at AED 7.15 per share considering the terms and conditions on which the shares were granted. The total fair value of the share awards amounted to AED 10,725,000 and was recorded as follows, with a corresponding increase in the Group's equity.

| | <i>2020</i> |
|------------------------------|-------------------|
| | <i>AED</i> |
| Charged to retained earnings | <u>1,500,000</u> |
| | <u>10,725,000</u> |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group'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 Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risk arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and currency risk. The Group'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 Group 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 Group's results for one year, based on the floating rate financial liabilities held at 31 December.

There is no impact on the Group's equity.

| | <i>Increase/ decrease in basis points</i> | <i>Effect on profit for the year AED</i> |
|--------------|---|--|
| 2020: | | |
| AED | +150 | (315,203) |
| AED | -150 | 315,203 |
| 2019: | | |
| AED | +150 | (307,379) |
| AED | -150 | 307,379 |

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 Group is exposed to credit risk on the following balances:

| | 2020 AED | 2019 AED |
|--------------------------|---------------------|---------------------|
| Bank balances | 11,901,230 | 2,951,498 |
| Trade receivables | 16,210,447 | 10,047,839 |
| Due from related parties | - | 4,737 |
| Partner's account | - | 454,984 |
| Deposits | 610,164 | 659,734 |
| Other receivables | 992,900 | 161,911 |
| | 29,714,741 | 14,280,703 |

Bank balance

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

Trade receivables

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Group sells goods and services to a large number of customers throughout the UAE. Its 5 largest customers account for 33% (2019: 42%) of outstanding trade receivable at 31 December 2020.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables (continued)

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 Group does not hold collateral as security.

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

At 31 December 2020

| | <i>Days past due</i> | | | | | <i>Total</i> |
|--|---------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|--------------|
| | <i><30</i> <i>current</i> | <i>30 - 60</i> <i>days</i> | <i>61 - 90</i> <i>days</i> | <i>91-120</i> <i>days</i> | <i>>120</i> <i>days</i> | |
| | <i>AED</i> | <i>AED</i> | <i>AED</i> | <i>AED</i> | <i>AED</i> | <i>AED</i> |
| Total gross carrying amount at default | 8,892,161 | 3,566,053 | 2,126,269 | 790,947 | 3,083,120 | 18,458,550 |
| Estimated credit loss | 149,758 | 105,017 | 193,878 | 166,425 | 1,633,025 | 2,248,103 |

At 31 December 2019

| | <i>Days past due</i> | | | | | <i>Total</i> |
|--|---------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|----------------|
| | <i><30</i> <i>current</i> | <i>30 - 60</i> <i>days</i> | <i>61 - 90</i> <i>days</i> | <i>91-120</i> <i>days</i> | <i>>120</i> <i>days</i> | |
| | <i>AED</i> | <i>AED</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| 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 |

Amounts due from related parties

The management of the Group is involved in the transactions of the Group 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 Group, 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 2020, there was no provision for expected credit losses required for related party receivables (2019: AED Nil).

Liquidity risk

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

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

At 31 December 2020

| | <i>Less than 3 months AED</i> | <i>3 to 12 months AED</i> | <i>1 to 5 year AED</i> | <i>Total AED</i> |
|-------------------------------|---------------------------------------|-----------------------------------|--------------------------------|----------------------|
| Accounts payable | 3,022,526 | - | - | 3,022,526 |
| Accrued expenses | 913,695 | - | - | 913,695 |
| Staff payables | 1,356,582 | - | - | 1,356,582 |
| VAT payable | 507,782 | - | - | 507,782 |
| Other payables | 357,535 | - | - | 357,535 |
| Bank loans including interest | 4,153,626 | 10,574,889 | 8,881,933 | 23,610,448 |
| Lease liabilities | 241,760 | 1,023,022 | 1,278,826 | 2,543,608 |
| | <u>10,553,506</u> | <u>11,597,911</u> | <u>10,160,759</u> | <u>32,312,176</u> |

At 31 December 2019

| | <i>Less than 3 months AED</i> | <i>3 to 12 months AED</i> | <i>1 to 5 year AED</i> | <i>Total AED</i> |
|-------------------------------|---------------------------------------|-----------------------------------|--------------------------------|----------------------|
| Accounts payable | 5,706,309 | - | - | 5,706,309 |
| Accrued expenses | 546,912 | - | - | 546,912 |
| Staff payable | 676,554 | - | - | 676,554 |
| 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 |
| | <u>11,108,253</u> | <u>9,457,082</u> | <u>12,566,451</u> | <u>33,131,786</u> |

Currency risk

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

Capital management

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

The Group 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 2020 and 31 December 2019. Capital comprises share capital, retained earnings, statutory reserve, other reserve and non-controlling interest and is measured at AED 47,498,832 as at 31 December 2020 (2019: AED 22,288,466).

24 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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated 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 Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group 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 Group 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 Group 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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Allowance for expected credit losses of trade receivables

The Group 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 Group'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 18,458,550 (2019: AED 10,767,340) and the provision for expected credit losses was AED 2,248,103 (2019: AED 719,501). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of comprehensive income.

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 3,763,746 (2019: AED 1,172,938), with no provisions for damaged or obsolete inventories (2019: 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 Group'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.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

25 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimates and assumptions (continued)

Useful lives of intangible assets

The Group'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 Group'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 Group 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 Group 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 Group 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 Group '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 Group 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).

26 IMPACT OF COVID-19

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the Group's results in the reporting period. The currently known impacts of COVID-19 on the Group are:

- There is a slight delay in customers collections due to Covid-19 but management has closely monitoring the situation and has kept adequate provision for expected credit losses.
- The reduction of economic activities during the lock-down period has resulted in a significant reduction in sales of customers and impacted us to provide discounts to customers.
- Global Covid-19 pandemic impacted us in shortage of brand-new motorcycles and spare parts.
- Due to domestic lock down and boarder closures, affected the logistical movements, this made delay in business transactions.
- Covid-19 affected the speed of operations due to work from home.

Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. In response to these matters, the entity has taken the following actions:

- Due to Covid-19 pandemic food delivery service got increased hence this impacted growth in Group revenue.
- The management has implemented temporary salary reduction to overcome the cashflow crunch.
- The management ceased the plan to hire new employees
- The Group currently has adequate working capital and will continue to monitor the situation to ensure adequate funds are available with the Group.
- Management supported customers by giving discounts and collected outstanding amounts.
- Group have received rental reduction in rent and discount from vendors.

Although it is not certain that these efforts will be successful, management has determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared the financial reporting on a going concern basis.

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

27 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

- The rental income segment, which represents motorcycle leasing solutions offered to customers
- The sales of goods segment, the group offers products which clients need to completely kit out their delivery squads such as corporate branding to helmets, carrier bags, boxes and GPS tracking devices.
- The delivery services segment, the group provides turnkey logistic solutions through bike messenger and delivery squads.
- The service income are recharges of cost incurred from the traffic fines, salik, box permit, insurances and recovery service charges

No operating segments have been aggregated to form the above reportable operating segments.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Year ended 31 December 2020

| | <i>Rental income AED</i> | <i>Sale of goods AED</i> | <i>Service income AED</i> | <i>Delivery services AED</i> | <i>Total Segments AED</i> | <i>Adjustments and eliminations AED</i> | <i>Consolidated AED</i> |
|--|----------------------------------|----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---|-----------------------------|
| Revenue from contracts with customers | 66,601,368 | 2,753,190 | 2,085,704 | 18,978,346 | 90,418,608 | (2,707,375) | 87,711,233 |
| Expenses | | | | | | | |
| Direct costs | (36,595,916) | (1,796,067) | - | (16,615,819) | (55,007,802) | 2,499,489 | (52,508,313) |
| Administrative expenses | (16,075,560) | - | - | (744,399) | (16,819,959) | 207,886 | (16,612,073) |
| Segment profit | 13,929,892 | 957,123 | 2,085,704 | 1,618,128 | 18,590,847 | - | 18,590,847 |
| Total assets | 74,109,320 | - | - | 6,884,725 | 80,994,045 | (800,484) | 80,193,561 |
| Total liabilities | 29,984,701 | - | - | 3,510,512 | 33,495,213 | (800,484) | 32,694,729 |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

27 SEGMENT REPORTING

Year ended 31 December 2019

| | <i>Rental income AED</i> | <i>Sale of goods AED</i> | <i>Service income AED</i> | <i>Delivery services AED</i> | <i>Total Segments AED</i> | <i>Adjustments and eliminations AED</i> | <i>Consolidated AED</i> |
|--|----------------------------------|----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|---|-----------------------------|
| Revenue from contracts with customers | 50,696,439 | 1,272,616 | 1,059,412 | - | 53,028,467 | - | 53,028,467 |
| Expenses | | | | | | | |
| Direct costs | (25,177,538) | (818,116) | - | - | (25,995,654) | - | (25,995,654) |
| Administrative expenses | (13,077,658) | - | - | - | (13,077,658) | - | (13,077,658) |
| Segment profit | 12,441,243 | 454,500 | 1,059,412 | - | 13,955,155 | - | 13,955,155 |
| Total assets | 53,727,517 | - | - | - | 53,727,517 | - | 53,727,517 |
| Total liabilities | 31,439,051 | - | - | - | 31,439,051 | - | 31,439,051 |

Adjustments and eliminations

Finance costs and other income are not allocated to individual segments as the underlying instruments are managed on a group basis.

Reconciliation of profit

| | <i>2020 AED</i> | <i>2019 AED</i> |
|----------------------------|---------------------|---------------------|
| Segment profit | 18,590,847 | 13,955,155 |
| Finance costs | (1,272,536) | (1,767,947) |
| Other income | 7,789,800 | 1,808,893 |
| Profit for the year | 25,108,111 | 13,996,101 |

EASY LEASE MOTOR CYCLE RENTAL P.S.C AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

28 COMPARATIVE INFORMATION

The Group has made the following reclassifications in respect of the comparatives to conform to the current period presentation:

| | <i>As previously reported AED</i> | <i>As reclassified AED</i> | <i>As reclassified AED</i> |
|--|---|--------------------------------|------------------------------------|
| <i>Statement of comprehensive income for the year ended 31 December 2019</i> | | | |
| Direct costs | (25,995,654) | (3,024,074) | (29,019,728) |
| Administrative expenses | (13,077,658) | 3,024,074 | (10,053,584) |