

2023

SHUAA Capital p.s.c

Annual Report

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SHUAA CAPITAL PSC CORPORATE GOVERNANCE REPORT for the year 2023

1. CORPORATE GOVERNANCE PRACTICES

Introduction

Good corporate governance is a value that SHUAA Capital psc (“SHUAA” or the “Company”) strongly believes in and has embraced over the past years to provide a solid foundation for achieving SHUAA’s vision and raising corporate performance.

Good governance is important to promote and strengthen the trust of the Company’s shareholders, stakeholders and the public. In that respect, the Company’s Board of Directors (the “Board”) is committed to implement the best corporate governance practices within SHUAA and its subsidiaries (the “Group”) in order to enhance shareholder value and instill trust for its activities as a financial investment company, contributing in this way to the successful development of the financial system of the United Arab Emirates and the wider Middle East.

SHUAA operates across a multitude of jurisdictions and is regulated by several different regulators. The Board is committed to comply with the corporate governance guidelines and requirements issued by the regulators that govern the Company’s activities as a publicly listed investment company, and to implement a higher standard as appropriate while conducting its business.

Corporate Governance Framework

SHUAA’s Corporate Governance Framework (the “Framework”) plays an important role in helping the Board gain a better understanding of function oversight and management roles. The Framework sets out, in the Board’s terms of reference, the detailed duties of the Board as well as the requirements in relation to Board appointments, composition, meetings, voting procedures and internal control systems. SHUAA’s Framework is designed to ensure that the following standards are met:

- **Accountability:** SHUAA’s executive management sets strategic targets and is accountable to the Board. In return, the Board is accountable to shareholders and other stakeholders. SHUAA has established a set of internal policies and procedures which form the basis of a holistic accountability framework. In addition to the Framework, these include, but are not limited to compliance, risk, human resources and finance policies and procedures. Both the Board and all employees are required to comply with such policies and procedures as applicable to their specific roles and functions. The Corporate Secretary periodically undertakes a review of the Framework and amends it as required to meet the changing regulatory needs and expectations of the Group and its stakeholders. Such policies and procedures are shared within the Group as a guidance and best practice in order to be adapted to each of the subsidiaries’ requirements.
- **Responsibility:** This encompasses a clear segregation and delegation of authority.
- **Transparency and Disclosure:** Shareholders and other stakeholders can have access to financial records and other relevant information to assess the Company’s financial performance and position.

- **Fair Treatment:** All shareholders and other stakeholders are treated in an independent, objective, equal and unbiased manner while applying the highest standards in the industry.

2. TRADING IN SECURITIES BY THE BOARD MEMBERS AND THEIR FIRST-DEGREE RELATIVES

Members of the Board of Directors comply with the provisions of Article 17 of the Cabinet Resolution No. 12 of 2000 concerning securities and commodities' listing regulations. Additionally, article 36 of the Securities and Commodities Authority ("SCA") Board of Directors Resolution No. 3 of 2000 is being followed, concerning the regulations of disclosure and transparency. Article 14 of SCA's Board of Directors Resolution No. 2 of 2001, concerning the regulation of trading, clearing, settlement, transfer of ownership and custody of securities, as well as trading surveillance procedures issued by the Dubai Financial Market ("DFM"), is also being respected, with the Company obtaining the required approvals from relevant regulatory authorities and abiding by the dealings guidance and close-out periods as stipulated in such article. Furthermore, all the members of the Board commit to the annual disclosure of the trading of any SHUAA shares for themselves, their spouses and their children.

The below table shows the shares owned by current members of the Board of Directors, their spouses and children, and any trading on SHUAA shares during 2023:

Name	Position/Kinship	Shares Held as of 31/12/2023	Total Selling	Total Buying
Fadhel Al Ali	Chairman	nil	-	-
Badr Al-Olama	Vice Chairman	nil	-	-
Ahmed Alahmadi	Board Member	nil	-	-
Hamda AlMheiri	Board Member	nil	-	-
André Sayegh*	Board Member	nil	-	-

*resigned in February 2024

Code of Conduct and Personal Account Dealing Policy

SHUAA has developed a code of conduct and a personal account dealing policy, the terms of which are applicable to all employees, officers and directors of the Company. The policy considers the relevant United Arab Emirates laws and regulations governing insider trading, clients' interest and other potential conflicts. The policy is enforced by the Company's compliance department, and all relevant records are maintained for a minimum period of ten years.

3. BOARD OF DIRECTORS

The Role and Purpose of the Board

The Board is responsible for ensuring leadership through effective oversight and monitoring while setting strategic directions to deliver sustainable stakeholder value over the longer term. The Board also oversees the implementation of appropriate risk assessment systems and processes to identify, manage and mitigate the Company's principal risks. These are designed to facilitate effective and efficient operations in order to ensure the

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Head Office: The H Hotel Dubai, Office Tower, Level 15, Office No. 1502

P.O. Box: 31045, Dubai, United Arab Emirates

Tel: +971 (4) 330-3600, Fax: +971 (4) 330-3550

E-mail & Website: info@shuua.com, www.shuua.com

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quality of internal and external reporting, while complying with applicable laws and regulations. The Board and management committees are also responsible for monitoring relevant Company functions and risks such as finance, internal and external audit, internal control, listed company management, corporate governance and effective succession planning.

The Company's executive management team and other management committees are responsible for implementing strategic objectives while realizing competitive business performance in line with established risk management frameworks, compliance policies, internal control systems and reporting requirements. The directors and senior management are also committed to maintaining a robust control framework being the foundation to deliver effective risk management. The Board is supported by Board committees that make recommendations on matters delegated to them, particularly in relation to appointments, internal control, financial reporting, governance and remuneration. Each of the Board committees' structures facilitates open discussion and debate, with steps taken to ensure adequate time for committee members to consider proposals put forward.

The Board also recognizes the importance of its role in setting the tone of the Company's culture while embedding it throughout the Group. The Board is committed to instill and uphold the culture, values and norms that are expected to be respected and implemented by all internal stakeholders. The Board is proud to conduct the Company's business in an open and transparent manner. The Company's well-established culture ensures that its Framework remains flexible and adaptable while allowing for an agile process under effective oversight.

The Company has a comprehensive and continuous agenda-setting and escalation process in place in order to ensure that the Board has the right information at the right time and in the right format so that when prompted, it can make the right decisions. The Chairman of the Board leads the process, assisted by the Chief Executive Officer and Board Secretary. Such a process ensures that enough time is being set aside for strategic decisions to be made and business-critical items discussed.

Board of Director Composition

The tables below lay out the Board members, nature of membership, Board committee memberships and attendance record during the year 2023:

Name of Director	Position	Nature of Membership	Period for occupying a seat on the board
Fadhel Al Ali	Chairman	Non-Executive, Independent	Appointed 10.06.2019 as Director Elected 11.07.2019 as Chairman Re-elected 29.04.2021 as Chairman
Badr Al-Olama	Vice Chairman	Non-Executive, Independent	Elected on 22.04.2021 as Director Appointed on 15.06.2022 as Vice Chairman
Ahmed Alahmadi	Director	Non-Executive, Independent	Appointed on 31.08.2023
Hamda AlMheiri	Director	Non-Executive, Independent	Appointed on 13.12.2023

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RESIGNED DIRECTORS			
Murshed Alredaini	Director	Non-Executive, Independent	09.11.2020 to 17.01.2023
Jassim Alseddiqi	Board Member and Managing Director	Executive, Non-Independent	15.06.2022 to 13.08.2023
Maha AlQattan	Director	Non-Executive, Independent	22.04.2021 to 05.12.2023
André Sayegh	Director	Non-Executive, Independent	02.02.2023 to 29.02.2024

The Board of Directors' experience, qualifications and membership in other shareholding companies is highlighted in the below sections.

Membership of Board Directors in other shareholding companies and supervisory, governmental or significant commercial positions

#	Name of Director	Company name	Position
1	Fadhel Al Ali	Dubai Financial Services Authority	Chairman
		WIO Bank	Vice Chairman
2	Badr Al-Olama	Emirates Post Group	Chairman
		United Fintech Solutions	Chairman
		Maqta Gateway Digital Cluster	Chairman
		YAS Holding	Board Member
		Al Yah Satellite Communications Company	Board Member
		Emirates Drug Establishment	Board Member
3	Ahmed Alahmadi	Dana Gas PJSC	Board Member
		Al Baher Real Estate Development LLC	CEO/Board Member
		Presight AI Holdings Plc	Audit & Risk committee member
		American Community School of Abu Dhabi	Trustee
4	Hamda AlMheiri	Presight	Board Member
5	André Sayegh*	Multiply Group	Chairman

*resigned February 2024

Female representation in the Board of Directors for the year 2023

The female representation at the Board was 20% as of 31 December 2023.

Ms. Hamda AlMheiri was appointed on 13 December 2023 as a Non-Executive Board Member for the period ending 21 April 2024.

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Profiles of Board Directors (as of 31 December 2023)

Fadhel Al Ali

Chairman

Fadhel Al Ali was appointed as a Board Member to the SHUAA Board in June 2019 and was elected as the Chairman in July 2019.

Fadhel Al Ali is an accomplished business figure in the United Arab Emirates recognised for his expertise in corporate governance and strategic commercial roles across a range of industries including real estate, hospitality, investment and banking.

His last position with First Abu Dhabi Bank (FAB) was as FAB's Deputy CEO and Group Chief Operation Officer. Prior to joining FAB, Mr. Al Ali was the CEO of Dubai Holding, a global group with assets of USD 35 billion across 21 countries and interest in 14 economic sectors. Mr. Al Ali led the financial restructuring of Dubai Holding's investment groups and led the new business model of Dubai Holding as a strategic investor.

Mr. Al Ali started his career at Dubai Municipality in 1987, before joining Citibank in 1989. At Citibank, Mr. Al Ali quickly rose up the ranks and was appointed as UAE Head of Distribution, before joining Dubai Holding in 2004.

Mr. Al Ali is the Chairman of the Board of Directors of Dubai Financial Services Authority, IMKAN Waterfront (Morocco) and is the Vice Chairman of WIO bank. He is also a board member with Commercial International Bank (EGYPT).

Mr. Al Ali holds a Bachelor of Science in Industrial and System Engineering from University of Southern California

Badr Al-Olama

Vice Chairman

Badr Al-Olama was elected as Director on the Board of SHUAA in 2021 and has served as Vice Chairman since June 2022.

Mr. Al-Olama is the Director General at the Abu Dhabi Department of Economic Development (ADDED) and the Director General of the Abu Dhabi Investment Office (ADIO). As an entrepreneurial executive with a deep passion for transformational, impact driven investments, Badr is leading key initiatives to promote economic diversification goals.

Through strategic partnerships with international investors, Mr. Al-Olama is fostering an environment that empowers industrial and service-based companies to develop innovative solutions for global reach and impact, propelling Abu Dhabi onto the world stage.

Prior to ADIO, Mr. Al-Olama was handling the UAE Clusters portfolio with Mubadala, an Abu Dhabi-based global sovereign investor. He led efforts to drive economic growth and diversification across businesses that spanned aerospace, technology and healthcare. He also held several key positions during his tenure with Mubadala, including Chief Executive Officer of Strata Manufacturing and Chief Executive Officer of Hub71.

Mr. Al-Olama is the Chairman of Emirates Post Group, United Fintech Solutions, Maqta Gateway Digital Cluster, and also serves on the board of Al Yah Satellite Communications Company (Yahsat), YAS Holding LLC, and Emirates Drug Establishment.

Mr. Al-Olama has also been leading the organising committee for the Global Manufacturing and Industrialisation Summit (GMIS) since its inception and has served as a member of the UAE Ministerial Council on the Fourth Industrial Revolution. As a graduate of Harvard Law School, Badr began his career as a lawyer and was nominated in 2016 as 'Young Global Leader for the Middle East and North Africa Region' by the World Economic Forum.

Ahmed Alahmadi

Director

Ahmed Alahmadi was appointed to the Board of SHUAA in August 2023.

Ahmed Alahmadi is the Chief Executive Officer of Albaher Real Estate Development, an asset manager overseeing a diversified portfolio of both financial and real assets. The portfolio, which includes notable regional assets and prominent landmarks, is actively managed according to a set mandate.

Ahmed's financial experience stems from academia and extensive industry exposure, with a journey across both buy- and sell-side. Ahmed commenced his career at a sovereign wealth fund in Abu Dhabi, where he initially covered the energy industry and subsequently transitioned to a more generalist role in the centralized M&A unit. As an investment professional, his deal track- record includes notable transactions alongside reputable PE players, such as the recapitalization of a NYSE-listed Master Limited Partnership (MLP) and the acquisition of a minority stake in the leading telecommunication player in India. Ahmed subsequently served in the CEO Office of a sovereign wealth fund, where he supported government initiatives and maintained strategic relationships with senior officials.

As an investment banker, Ahmed played a role in leading projects and delivering complex M&A, strategic advisory, and debt restructuring mandates. He is proficient in financial modeling, investment analysis, risk management, and transaction structuring. Beyond project execution, he developed strong ties with diverse clients across the GCC to proactively source deals and mandates for the firm.

Ahmed serves as a Board Director on Dana Gas PJSC. He was a Board Director of GFH Financial Group from 2020 to 2022, where he also served as the Chairman of the Board's Audit, Risk and Compliance Committee. Ahmed also served as a Director on the Board of SHUAA Capital psc between 2019 and 2020.

As a former graduate from the school, Ahmed is honored to serve as a Trustee on the Board of the American Community School of Abu Dhabi. He also serves as an independent member on the Audit and Risk Committee of Presight AI Holdings PLC.

Ahmed is a CFA charter holder. He holds a First-Class Honours degree in Chemical Engineering (BEng) from University College London, and a Master's degree with Merit in Risk Management and Financial Engineering (MSc) from Imperial College London.

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Hamda AlMheiri**Director**

Hamda AlMheiri was appointed to the Board of SHUAA in December 2023.

As a Director, Hamda Eid AlMheiri heads the Government Affairs function for ADQ, an Abu Dhabi-based investment and holding company.

In her role, Hamda is responsible for the organization's interactions with senior government stakeholders on the local, state, and federal level, ensuring that there is a robust strategic framework in place to guide all initiatives and engagements. She also holds authority over ADQ's collaboration with industry advocates, aiming to leverage areas of joint interest, and oversees the continuous monitoring of relevant government activities globally. In a prior position at ADQ, Hamda led the Corporate Planning and Performance Department which forms part of the Strategy function.

Hamda is currently a member of the Board of Directors of Presight. Her professional track record includes roles with the Abu Dhabi Executive Office as a Project Manager in charge of financial policy and efficiency and the General Secretariat of the Executive Council of Abu Dhabi as a Financial Policy and Efficiency Specialist. Previously, Hamda served as Manager Commercial Analyst for Strategy and Planning at Etihad Airways.

She is a holder of Corporate Director Certificate from Harvard Business School and a Georgetown Leadership Seminar alumni.

André Sayegh (resigned)**Director**

André Sayegh served on the Board of SHUAA from February 2023 to February 2024.

Mr. Sayegh is a seasoned C-suite executive with over three decades of experience in banking and financial services. He served as Board Member of First Abu Dhabi Bank (FAB) from 2021 to 2023, having served as FAB Group Chief Executive Officer until January 2021. He was also a member of FAB Board audit committee and FAB Board Risk and ESG committee.

Moreover, he has been appointed Chairman of Multiply Group since December 2021 (Multiply is listed on Abu Dhabi Stock exchange).

As CEO of FGB, André was a key figure in the merger of FGB and National Bank of Abu Dhabi (NBAD) to form First Abu Dhabi Bank (FAB) in 2017 to become the largest and most profitable bank in the UAE. From 2017 to 2019, he served as FAB's Deputy Group Chief Executive Officer and Head of Corporate and Investment Banking, responsible for driving the bank's international business expansion.

André served FAB and its predecessor bank, First Gulf Bank (FGB), with distinction for over 20 years, assuming several senior executive positions, including Chief Executive Officer of FGB from 2006 to 2017. During his tenure at the bank, and jointly with HE AbdulHamid Saeed MD of FAB, André led FGB transformation from being the smallest of the 24 banks in the UAE to become one of the largest financial institutions by net profit in the UAE and the region.

His previous experience includes serving on the Board of Mubadala Infrastructure Partners (MIP) and holding senior positions with Citibank for 18 years, within Corporate Banking, Consumer Banking and Private Banking in various international locations, including London, New York, Geneva, Abu Dhabi and Dubai.

André is fluent in Arabic, English, French, and conversational Spanish. He holds a BBA in Finance and an MBA in Corporate Finance and Banking from the American University of Beirut and completed a project at Columbia University majoring in the evolution of financial institutions.

Board Remuneration

Remuneration of the Board of Directors of SHUAA represents a percentage of the net profits not to exceed 10% of the annual net profits of the Company after deduction of all depreciations and reserves and capped at AED 200,000 per year if the Company has not achieved profits as per UAE Companies Law.

Remuneration paid to the Board members, in aggregate, in 2023 and recommended to be paid in 2024, are as follows:

Remuneration	Amount
Remuneration for 2022 (paid in 2023)	AED 1,229,590
Remuneration proposed for 2023	nil

Other amounts paid to the Board members in 2023 are as follows:

Name of Director	Position	Aggregate Salaries and allowances paid for 2023 (AED in million)	Aggregate Bonuses paid for 2023 (AED in million)	Any other Bonuses (cash/in kind) due in future
Jassim Alseddiqi	Managing Director	1.69	0	1.85

Allowances for attending the meetings of Board committees during 2023 are as follows:

nil

Meetings of the Board of Directors during 2023:

#	Date of the Meeting	Number of Attendees	Number of Attendances by Proxy	Names of Absent Members
1	14 February 2023	5/5	0	-
2	22 March 2023	5/5	0	-
3	10 May 2023	4/5	1	-
4	9 August 2023	5/5	0	-
5	6 October 2023	5/5	0	-
6	29 October 2023	5/5	0	-
7	13 November 2023	5/5	0	-
8	5 December 2023	3/5	0	Badr Al Olama

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Number of Board resolutions taken by circulation during 2023:

#	Dates	Number of Resolutions by Circulation
1	2 February 2023	2
2	25 April 2023	3
3	9 June 2023	2
4	31 August 2023	1
5	20 November 2023	1
6	13 December 2023	1

Duties and functions assigned by the Board of Directors to Executive Management

The responsibilities of the Board and executive management differ from each other. The Board sets the framework for executive management, who in turn is responsible for SHUAA's day-to-day operations. The Board sets SHUAA's vision and strategic goals and objectives, provides oversight of its management and holds management accountable for its implementation. The senior executive management acts within the delegation of authorities and limits set by the Board.

#	Delegated Person	Authority Delegated	Tenure of Delegation
1	Fawad Tariq Khan CEO	Delegation of authority to run the day-to-day business of the Company and Subsidiaries and to represent them before necessary regulators, authorities and other entities.	From 09.09.2022 to 23.01.2024
2	Wafik Ben Mansour Acting CEO	Delegation of authority to run the day-to-day business of the Company and Subsidiaries and to represent them before necessary regulators, authorities and other entities.	From 23.01.2024 The POA is renewed every three years subject to ARCCB and Board approval.

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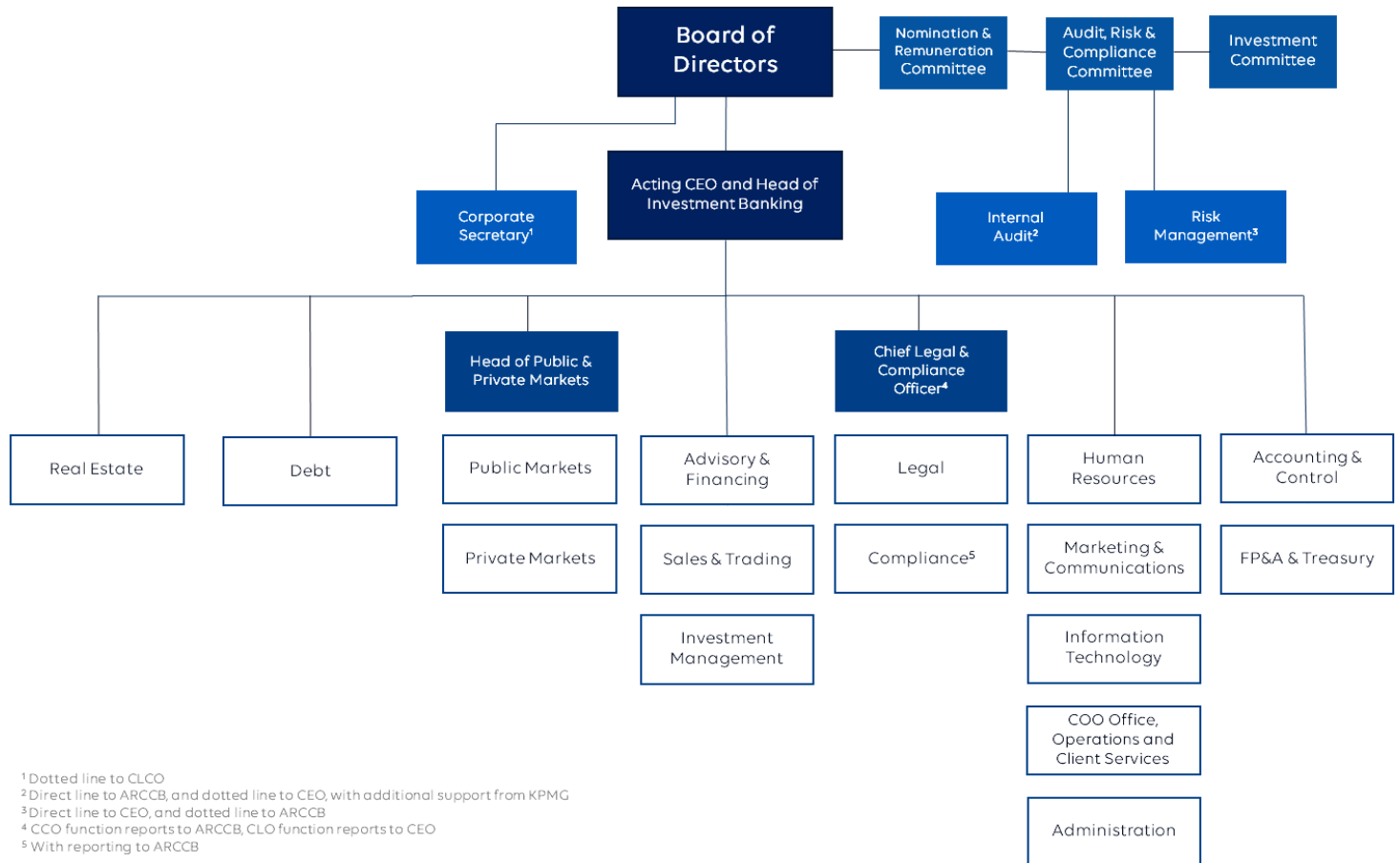
Head Office: The H Hotel Dubai, Office Tower, Level 15, Office No. 1502

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Organisation Chart (as of 31 December 2023)

Executive Management Salaries and Payouts

#	Position	From	To	Joining date ¹	Aggregate Salaries and allowances paid for 2023 (AED in million)	Aggregate Bonuses paid for 2023 (AED in million)	Any other Awards (cash/in kind) paid for 2023 or due in future (AED in million)
1	Board Member and Managing Director ²	1-Jan-23	31-Dec-23	9-Jan-11	1.69	0	1.85
2	Chief Executive Officer ³	1-Jan-23	31-Dec-23	16-Mar-14	1.59	0	1.40
3	Acting CEO and Head of Investment Banking	15-May-23	31-Dec-23	15-May-23	1.06	0	0
4	Chief Operating Officer ⁵	1-Jan-23	21-Dec-23	12-Apr-15	1.74	0	0.38
5	Chief Legal & Compliance Officer	1-Jan-23	31-Dec-23	13-Jul-14	1.55	0	0.64
6	Head of Public & Private Markets ⁶	1-Jan-23	31-Dec-23	6-Aug-14	1.27	0	2.75
7	Head of Debt ⁷	1-Jan-23	31-Dec-23	1-Sep-14	0.91	0	0.28
8	Finance Director	1-Jan-23	31-Dec-23	12-Oct-16	0.81	0	0.03

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Notes:

- 1 Date of joining ADFG (pre-Aug 2019 merger) or SHUAA, as applicable
- 2 Last day of employment on 13 February 2024
- 3 Last day of employment on 31 January 2024
- 4 Joined as Head of Investment Banking on 15 May 2023, assuming additional role of Acting CEO since 20 November 2023
- 5 Last day of employment on 21 December 2023
- 6 Title changed to Head of Private Markets from 24 January 2024
- 7 Last day of employment on 31 January 2024

Related Party Transactions

As per the SCA's definition of "Related Parties Transactions" set out in SCA's Chairman of Authority's Board of Directors' Decision no. (3 of 2020) concerning Approval of Joint Stock Companies Governance Guide, Related Parties are defined as the Chairman and members of the Board of Directors of the Company, members of the senior executive management of the Company, employees of the Company, and the companies in which any of such persons holds 30% or more of its capital, as well as subsidiaries, sister companies or affiliate companies. Based on that, SHUAA was not a party to any Related Party Transactions during 2023.

4. AUDITORS

External Auditor

PricewaterhouseCoopers (PWC)

With offices in 157 countries and more than 276,000 employees, PWC is among the leading professional services networks in the world. They help organizations and individuals create the value they're looking for, by delivering quality in assurance, tax and advisory services.

Name of Audit Firm	PricewaterhouseCoopers (PWC)
Number of years served as an external audit firm for the Company	5 years (since July 2019)
Name of the Audit Partner	Douglas O'Mahony
Number of years served as Audit Partner for the Company	2 years (since April 2022)
Total fees for auditing the financial statements of 2023	AED 1,461,643
The fees and costs of the special services other than the auditing of the financial statements in 2023	AED 128,400
The details and nature of other services provided by the Company's Audit Firm	Agreed upon procedures for proposed capital reduction and unclaimed dividends
Other services performed by audit firms <u>other than the Company's auditors in 2023</u>	Deloitte & Touche (ME) – Tax and Accounting Advisory services Ernst & Young Middle East – Accounting Advisory and Support Services

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PWC reviewed interim consolidated financial information for the quarters ended 31 March 2023, 30 June 2023, 30 September 2023 and audited annual consolidated financial statements for the financial year ended 31 December 2023. The scope of the audit for the 2023 financial year, as outlined in their engagement plan was: To conduct an audit of the annual consolidated financial statements of SHUAA for the year ending 31 December 2023 in accordance with International Standards on auditing issued by International Federation of Accountants. To undertake a quarterly review of interim condensed consolidated financial information in accordance with the International Standard on review engagements issued by the International Federation of Accountants

5. AUDIT, RISK & COMPLIANCE COMMITTEE OF THE BOARD

The main duties of the Audit, Risk & Compliance Committee of the Board (ARCCB) are to monitor the Company's financial statements, to define, review, monitor and recommend changes to the Company's financial, compliance and risk control systems in line with the corporate strategy, manage conflicts, and to maintain the relationship and be the direct point of contact with the Company's external auditors.

Mr. Badr Al Olama is the Chairman of the Audit, Risk & Compliance Committee and he acknowledges his responsibility for the committee affairs, review of its mechanism and ensuring its effectiveness.

ARCCB structure and composition

Name of Member	Designation	Nature of Membership	Appointment/ Resignation date	Meeting Attendance
Badr Al-Olama	Chairman	Non-Executive, Independent	Appointed as member on 02.08.2022 Appointed as chairman on 21.03.2024	4/5
Ahmed Alahmadi	Member	Non-Executive, Independent	Appointed on 13.12.2023	n/a
[vacant]	-	-	-	
RESIGNED MEMBERS				
Murshed Alredaini	Chairman	Non-Executive, Independent	02.08.2022 to 17.01.2023	n/a
Maha AlQattan	Member	Non-Executive, Independent	02.08.2022 to 05.12.2023	5/5
André Sayegh	Chairman	Non-Executive, Independent	02.02.2023 to 29.02.2024	5/5

ARCCB Meetings

The meetings held during 2023 are as follows:

- 14 February
- 22 March
- 10 May
- 9 August
- 13 November

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6. NOMINATION & REMUNERATION COMMITTEE OF THE BOARD

The main duties of the Nomination and Remuneration Committee of the Board (NRCB) are to:

- Determine the Company's staffing needs at the executive and employee levels and the basis for selection of executives and employees.
- Develop and regularly review the human resources and training policies of the Company.
- Oversee the procedures for nominations to the Board while regularly reviewing its structure, size and composition.
- Develop and regularly review the ongoing suitability of the Company's policy for remuneration and benefits for the Company's Chief Executive Officer, Board and employees.
- Ensure that the remuneration and benefits awarded are reasonable and aligned with the performance of the company.

Ms. Hamda AlMheiri is the Chair of the Nomination and Remuneration Committee, and she acknowledges her responsibility for the committee affairs, review of its mechanism and ensuring its effectiveness.

NRCB structure and composition:

Name of Member	Designation	Nature of Membership	Appointment/ Resignation Date	Meeting Attendance
Hamda AlMheiri	Chair	Non-Executive, Independent	Appointed as member on 13.12.2023 Appointed as chair on 21.03.2024	1/1
Badr Al-Olama	Member	Non-Executive, Independent	Appointed on 22.04.2021	1/2
[VACANT]				
RESIGNED MEMBERS				
Murshed Alredaini	Member	Non-Executive, Independent	02.08.2022 to 17.01.2023	n/a
Maha AlQattan	Chairperson	Non-Executive, Independent	22.04.2021 to 05.12.2023	1/1
André Sayegh	Chairman	Non-Executive, Independent	02.02.2023 to 29.02.2024 (Appointed as Chairman on 05.12.2023)	2/2

NRCB meetings

The NRCB meetings held during 2023 are as follows:

- 20 March
- 27 December

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7. OTHER BOARD COMMITTEES

The other Board committee is as follows:

1. INVESTMENT COMMITTEE OF THE BOARD

The main duties of the Investment Committee of the Board (ICB) are to:

- Oversee, direct and review the management of the Company's investment portfolio in accordance with the investment strategy and guidelines proposed by this committee, and reviewed and approved by the Board, and within approved Risk Limits;
- Review and approve as authorized by the Board proprietary investment opportunities and related decisions (either entry or exit) proposed by the Investment Management Committee (within approved limits), providing a forum to discuss and debate the merits and risks of a particular investment;
- Review transactions with the Company that appear to have a related-party nature, managing conflict of interest and submitting recommendations concerning such transactions to the Board before proceeding in engaging in these related transactions following recommendations from ARCCB;
- As part of the regular investment monitoring, valuations and exit strategies should be discussed and formally recommended for approval to the Board;
- Recommend changes to the investment strategy and guidelines as appropriate and recommend for approval to the Board; and
- Review and oversee the Company's investment policies and guidelines, at least annually;

Mr. Ahmed Alahmadi is the Chairman of the ICB and he acknowledges his responsibility for the committee affairs, review of its mechanism and ensuring its effectiveness.

ICB structure and composition:

Name of Member	Designation	Nature of Membership	Appointment/ Resignation date	Meeting Attendance
Ahmed Alahmadi	Chairman	Non-Executive, Independent	Appointed as member on 31.08.2023 Appointed as chairman on 13.11.2023	1/1
Hamda AlMheiri	Member	Non-Executive, Independent	Appointed on 13.12.2023	n/a
[VACANT]	-	-	-	-
RESIGNED MEMBERS				
Murshed Alredaini	Member	Non-Executive, Independent	09.11.2020 to 17.01.2023	1/1
Jassim Alseddiqi	Chairman	Executive, Non-Independent	02.08.2022 to 13.08.2023	4/4
Maha AlQattan	Member	Non-Executive, Independent	02.08.2022 to 05.12.2023	4/5
André Sayegh	Member	Non-Executive, Independent	02.02.2023 to 29.02.2024	3/3

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ICB meetings

The ICB meetings held during 2023 are as follows:

1. 5 January
2. 1 February
3. 3 May
4. 2 August
5. 31 October

8. INSIDER TRADING COMMITTEE

The Board of SHUAA has assigned the duties of managing, monitoring and supervising insider's transactions and their ownerships, keeping records and submitting periodic reports to the Compliance department.

Bachir Nawar was the Chief Legal & Compliance Officer throughout the year 2023, and he acknowledges his responsibility for the Compliance department's affairs, review of its mechanism and ensuring its effectiveness.

Members of the Compliance department are:

- Bachir Nawar – Chief Legal & Compliance Officer (resigned in March 2024)
- Islam Mahrous – Head of Compliance
- Faisal Rehmatullah – Compliance Manager & MLRO
- Khaled Fenoon – Compliance Associate
- Mahra Alshumais – Jr. Compliance Analyst

The Compliance department has performed, among other things, the following duties during 2023:

- Prepared a comprehensive register for all insiders, including persons who may be considered temporary insiders who are entitled or have access to the Company's material non-public information prior to publication;
- Updated the insider register and monitored all insider trades on SHUAA shares;
- Alerted SHUAA employees on the penalties they may face in case of failure to adhere to the Company's Insider Dealing Policy; and
- Notified the Securities and Commodities Authority and Dubai Financial Market of all updates to the insider register at the beginning of each financial year and of any amendments thereto during the financial year.

9. MANAGEMENT COMMITTEES

Several management committees are in place, in addition to the Board committees, and these were established in order to oversee the daily operations and business activities while adhering to appropriate and proper governance standards.

The committees are (i) the Assets & Liabilities Committee (ALCO), (ii) the Operating Committee (OPCO) and (iii) the Investment Management Committee (IMC).

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The management committees' composition and structures are as follows:

Management Committee	Function of Committee	Members	Dates of Meetings / Member Attendance
Operating Committee (OPCO)	Responsible for the efficiency and effectiveness of the Company and the review of operational policies	<ul style="list-style-type: none"> ▪ Daniel Konig (Chairman) <i>as of 21.03.2024</i> ▪ Wafik Ben Mansour ▪ Adnan Nur ▪ Ziad Mansour ▪ Nikola Babic ▪ Mohammed Al Sakkaf ▪ Mohamed Bishara (Secretary) <p><u>Resigned</u></p> <ul style="list-style-type: none"> ▪ Gunshyam Kripa ▪ Bechara Raad ▪ Bachir Nawar 	<ol style="list-style-type: none"> 1. 18 January (3/4) 2. 15 March (4/4) 3. 26 April (4/4) 4. 21 June (3/4) 5. 23 August (5/5) 6. 18 October (5/5) 7. 22 November (5/6)
Assets & Liabilities Committee (ALCO)	To optimize the return on corporate capital and control the balance sheet based on requirements approved by the Board	<ul style="list-style-type: none"> ▪ Wafik Ben Mansour (Chairman) ▪ Nikola Babic ▪ Aarthi Chandrasekaran <i>as of 21.03.2024</i> ▪ Mo Bishara <i>as of 21.03.2024</i> ▪ Soad Elhusseini <i>as of 21.03.2024</i> ▪ Adnan Nur (Member and Secretary) <p><u>Resigned</u></p> <ul style="list-style-type: none"> ▪ Fawad Tariq Khan ▪ Gunshyam Kripa ▪ Ajit Joshi 	<ol style="list-style-type: none"> 1. 19 January (4/4) 2. 16 March (4/4) 3. 3 April (4/4) 4. 18 May (4/4) 5. 22 June (5/5) 6. 3 August (5/5) 7. 20 September (5/5) 8. 9 November (5/5)
Investment Management Committee (IMC)	To discuss and review the practice of the investment management activity	<ul style="list-style-type: none"> ▪ Wafik Ben Mansour (Chairman) ▪ Adnan Nur ▪ Hassan Al Saleh ▪ Aarthi Chandrasekaran <i>as of 21.03.2024</i> ▪ Otto Dreyer <i>as of 21.03.2024</i> ▪ Rustam Rizvanov (Secretary) <p><u>Resigned</u></p> <ul style="list-style-type: none"> ▪ Fawad Tariq Khan ▪ Bechara Raad ▪ Natasha Hannoun ▪ Gunshyam Kripa ▪ Ajit Joshi ▪ Bachir Nawar ▪ Neeraj Singhaniania (Secretary) 	<ol style="list-style-type: none"> 1. 10 January (6/6) 2. 6 June (6/6) 3. 28 September (5/6)

The Chairman of each of the above-mentioned committees acknowledges his responsibility for the respective committee affairs, reviewing of its mechanism and ensuring its effectiveness.

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10. INTERNAL CONTROL SYSTEM

SHUAA's Board recognizes its responsibility for enforcing SHUAA's Internal Control system and its periodic effectiveness check and review through the Audit, Risk and Compliance Committee formed by the Board of Directors, and in consultation with the senior executive management.

The Board shall, in particular:

- a) Adopt risk management procedures and ensure compliance with these procedures; and
- b) Analyze, evaluate and approve the effectiveness of internal risk management procedures and internal controls on a regular basis.

SHUAA confirms that it is in compliance with SCA Chairman of Authority's Board of Directors' Decision no. (3 of 2020) concerning Approval of Joint Stock Companies Governance Guide (and its amendments), and that no material irregularity has occurred during the course of 2023.

In all cases, the Internal Control system deals with any issues facing the company while covering the following:

- Identifies and classifies the nature of the problem in terms of the risk level, through determining the scale of the problem and the extent of its negative impact
- Communicates with the concerned departments through the division heads and the Chief Executive Officer to discuss actions to contain and resolve any problems or concerns
- Reports the problem and the proposed relevant recommendations to the Audit, Risk & Compliance Committee of the Board, which in turn, after discussing and evaluating the situation, submits it to the Board in order to make appropriate decisions
- Follow-ups on the implementation of its recommendation by ensuring that the Board of Directors resolutions in this regard are implemented
- Communicates with the external auditor, if necessary.

SHUAA's Internal Control system consists of Compliance, Risk Management and Internal Audit functions, and these departments report on a quarterly basis to the Board of Directors through the ARCCB.

Compliance

Islam Mahrous is the Head of Compliance and AML department. He has over 14 years of experience in the financial services sector and compliance advisory across the UAE and Egypt.

Islam has worked for the Egyptian Financial Regulatory Authority for 7 years in the capacity of Senior Financial Regulator and Capital Markets Specialist. He is accredited as a Compliance Officer and MLRO by the UAE Securities and Commodities Authority. Islam holds a BSc (Hons) in Auditing and Accounting from Cairo University, Egypt.

Internal Audit

The Internal Audit function is hybrid model, with one full time employee and also is partially outsourced to KPMG as of October 2022.

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Risk Management

Nikola Babic serves as the Vice President of Risk Management at SHUAA Capital and has been with the company intermittently since 2019. As the most senior Risk Officer in the Group, Nikola covers Enterprise Risk Management for the Company and its subsidiaries across all departments. He is a member of the Company's Assets and Liabilities Committee and Operating Committee.

He has a Master of Science in Finance from Bocconi University in Milan, Italy, and a Bachelor's degree in International Economics, Management and Finance from the same institution. His earlier experiences include commercial banking and consulting in Italy before moving to UAE in 2017.

11. IRREGULARITIES IN 2023

The Company has committed no material violations during 2023.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

SHUAA is committed to continuously strengthening its position as a company that stands for and contributes to the good of its community and environment, and hence every year the Company's commitment towards past initiatives is renewed and new avenues and partnerships are explored for further impactful and long-standing contributions.

More information on ESG initiatives can be found in SHUAA's 2023 Sustainability report.

Diversity and Inclusion

Amongst SHUAA's Group's UAE-based employees, its nationality representation is at 25 countries, and its female gender representation is at 25%. SHUAA continues with the commitment towards making it reflective of the diversity of its country of origin, the United Arab Emirates, through inclusive human capital management standards and processes.

Zero Plastic

The company continues its stride towards an environment free of single-use plastic, through policies and initiatives such as the use of reusable bottles.

Emiratization percentage

The Emiratization percentage for the Group's UAE-based employees was 4% as of 31 December 2023, 6% as of 31 December 2022 (exceeding the 2023 minimum target for the private sector), 5% as of 31 December 2021, 1% as of 31 December 2020, and 2% as of 31 December 2019.

13. GENERAL INFORMATION

Share Trading Information

The table below sets out the price of the stock (closing, highest, lowest) during each month in 2023:

Month	Closing Price	High	Low
January	0.396	0.423	0.380
February	0.378	0.434	0.371
March	0.356	0.387	0.345
April	0.348	0.367	0.340
May	0.392	0.419	0.342
June	0.380	0.417	0.376
July	0.412	0.435	0.370
August	0.393	0.456	0.382
September	0.340	0.392	0.339
October	0.261	0.352	0.217
November	0.255	0.280	0.249
December	0.208	0.245	0.202

The tables below provide the updated shareholding structure (individuals, companies, governments) with breakdown of nationals, GCC, Arabs and foreigners:

Shareholder Category	Percentage of Shares Held		
	Individual	Companies - Governments	Total
Local (UAE)	31.27%	49.18%	80.45%
GCC	3.01%	1.93%	4.95%
Arab	8.42%	0.68%	9.10%
Foreign	3.08%	2.40%	5.48%
Total	45.79%	54.20%	100%

As of 31/12/2023, the following shareholders were holding more than 5% of the share capital of the Company:

Name	Qty	%
Direct Access Investment LLC	692,134,584	27.30
Al Baher Real Estate Development LLC	197,255,000	7.78

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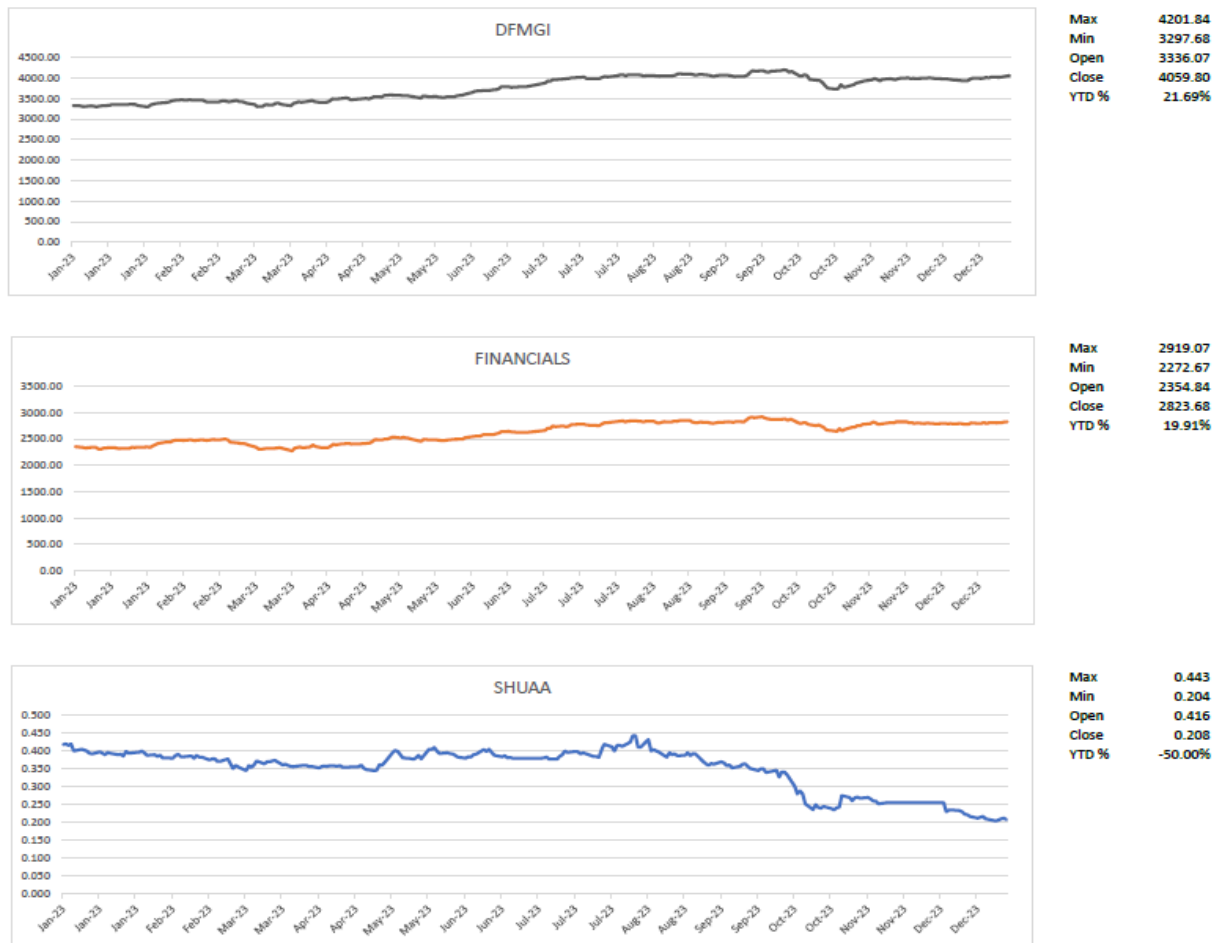
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Shareholders distribution by the size of equity as of 31/12/2023:

Share(s) Owned	Number of Shareholders	Number of Shares Held	% of the Shares Held
Less than 50,000	8395	42,492,238	1.676
From 50,000 to less than 500,000	1046	179,814,678	7.091
From 500,000 to less than 5,000,000	349	469,092,884	18.499
More than 5,000,000	64	1,844,320,200	72.734
TOTAL	9854	2,535,720,000	100

The charts below provide the comparative analysis with the market index and sector one:



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Investor Relations

SHUAA focuses on providing transparent and consistent information and interactive communication. The Investor Relations team strives for an open dialogue with the financial community, investors and all key stakeholders to enhance understanding of the business as well as to explain the associated risks and opportunities. The Group is committed to providing regular updates on key value drivers business strategy and key ratios used by the Group to track its own performance. It is also dedicated to providing true, fair and up-to-date information to every interested stakeholder so that the share price reflects the inherent value of the Group. This is showcased by the periodic earnings calls that are conducted on a quarterly basis after the disclosure of the financial results. These calls are open to all shareholders and financial analysts and are conducted in an open manner where participants are encouraged to ask questions directly to senior management.

Furthermore, the Investor Relations team responds to daily queries from shareholders and analysts and the Company website includes a section that includes all financial results presentations, annual reports and contact information. Company registrars also have a team dedicated to answering shareholder queries in relation to technical aspects of shareholders' holdings such as dividend payments (paid or unpaid). Investor Relations also provides regular reports and feedback to the executive team and the Board on key market issues, the share price and shareholder concerns. Any significant concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board.

This department was previously headed by Thanos Tsetsonis from May 2022 to November 2023.

Contact details:

E-mail: IR@shuua.com / SR@shuua.com

Phone: +971 4 330 3600

SHUAA's website: www.shuua.com/investor-relations

14. GENERAL ASSEMBLIES – SPECIAL RESOLUTIONS

SHUAA conducted 1 General Assembly on 25 April 2023, where no special resolutions were passed.

15. CORPORATE SECRETARY

Nazish Esmail has held the role of Board/Corporate Secretary since 2020, and has been a member of SHUAA's Legal department since 2007. She is a registered board secretary certified by Dubai Financial Market/Hawkamah Institute for Corporate Governance in UAE, and holds a Bachelor's degree from SOAS, University of London, UK. Her key responsibilities include the following:

Brief on the Job Description of the Corporate Secretary

- a) Guide and advise Board on matters of good governance and ensure the Company complies with the corporate governance principles;
- b) Document the Company's Board meetings, including discussions that took place during these meetings, places and dates of these meetings as well as start and end times;

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- c) Record resolutions of the Board and voting results and filing these in an organized manner, including the names of attendees and any expressed reservations (if any);
- d) Responsible for Charters/Terms of Reference for the Board and its committees;
- e) Collect and organize all the reports and materials to be embedded in the Board's pack;
- f) Provide members of the Board with the agenda of the Board's meeting along with related presentations, papers, documents, information collected from relevant departments and clauses requested by any member of the Board that will be presented and discussed during the Board's meeting;
- g) Make sure that members of the Board comply, implement and track actions approved by the Board;
- h) In advance, notify members of the Board with Board meeting dates and set up the yearly Board meetings schedule;
- i) Submit a draft of the minutes to members of the Board to express their opinion and comments thereon before signing it;
- j) Ensure that the Board members, completely and immediately, receive the minutes of the Board's meetings, information and documents related to the Company once these are finalized;
- k) Inform the Company's executive management about the resolutions of the Board and its committees while tracking and reporting their implementation;
- l) Support the Board for the evaluation process;
- m) Provide an induction to the new Board members;
- n) Coordinate and act as a liaison between members of the Board and the executive management;
- o) Regulate the disclosure record of the Board and the executive management while providing assistance and advice to members of the Board; and
- p) Liaise with the other Board and management committee secretaries in order to collect any feedback that needs to be shared with the Board.

Material events and respective disclosures during 2023:

- Resignation of Murshed Alredaini as board member
- Venture debt funding in MENA crosses USD 260 million across 18 deals in 2022
- SHUAA and Northacre announce successful completion of prestigious real estate portfolio management
- Appointment of André Sayegh as board member
- SHUAA ICC funds outperform global benchmarks in 2022; assets under management on Shariah-compliant platform grow by 210% to more than USD 230 million
- Enter into a Liquidity Provision agreement with Al Ramz Capital LLC
- Reporting AED 135 million net loss for fiscal year 2022
- Appointment of Wafik Ben Mansour as Head of Investment Banking
- Reporting Q1 2023 net profit of AED 15 million
- Major shareholder change in ownership down to 26%
- Issuance of five year term sukuk of up to USD100 million
- Major shareholder change in ownership down to 23.9%
- Sale of Prime Business Bay Land to Danube Properties for AED 190 Million
- launches new Sharia-compliant Saudi Equity fund

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- Reporting H1 2023 net profit of AED 20 million
- Resignation of Jassim Alseddiqi as board member
- Major shareholder change in ownership down to 21%
- Appointment of Ahmed Alahmadi as board member
- Resignation of Bechara Raad as Chief Operating Officer
- Major Shareholder change in ownership down to 9.03%
- Major Shareholder change in ownership down to 7.8%
- Major Shareholder change in ownership down to less than 5%
- Decision to proceed with an exchange offer to noteholders of its bond maturing in October 2023, capital reduction and rights issuance (subject to necessary approvals)
- Extension of bond maturity to 31 March 2024
- Liquidation of SPAC
- Delay in publishing of Q3 2023 financial statements
- Resignation of Fawad Tariq Khan as CEO
- Appointment of Wafik Ben Mansour as Acting CEO
- Resignation of Maha AlQattan as board member
- Termination of appointment of Al Ramz Capital LLC as liquidity provider
- Reporting AED570 million net loss in YTD2023
- Appointment of Hamda AlMheiri as board member

Innovative Projects and initiatives

None

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Sustainability Report

The roadmap for UAE's transition to a more sustainable future based on the United Nations (UN) 2030 Agenda is currently underway. The UN's Sustainable Development Goals (SDGs) also known as Global Goals are a set of 17 goals that aim to provide better living conditions to all. The UAE's efforts to achieve the SDGs are specified in the country's '2030 Agenda for Sustainable Development' with the most important pillar being the 'Net Zero by 2050' initiative to achieve net zero emissions by 2050.



This initiative aligns with the 'Principles of the 50' as the UAE's roadmap for accelerating national economic development to mark the country's golden jubilee year. The economic opportunities towards the path to 'net zero' are expected to support the UAE's vision of becoming one of the most dynamic economies in the world.

With the 28th Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) having been hosted in the UAE in 2023, the UAE is gearing up its efforts to combat climate change. The UAE's plan includes curbing emissions, reducing flaring of natural gas, and increasing energy efficiency among other steps. On a global scale, the targets to address the climate crisis are also underway with decarbonisation appearing to be at the forefront of the global community's climate change efforts, ahead of COP28. We anticipate that additional decarbonisation projects and initiatives will be announced during 2024 not only by governments but also by companies working towards a common global goal.



SHUAA's Sustainability Strategy

SHUAA's sustainability strategy is directly aligned with the UAE's goals. There is a companywide project underway to explicitly define, develop and measure environmental, social, and governance (ESG) standards.

Throughout our operations, we are committed to decreasing our environmental impact thus emerging as a global leader in sustainable investment including in real estate and wellbeing. Our asset management and investment banking activities have recently focused on Agri-tech, financial innovation and technology, disruptive healthcare manufacturing, and environmentally friendly real estate.

Environmental

With sustainability and wellbeing at the vanguard of our real estate development thinking, we bring together a mix of assets, services and real estate projects that offer fertile soil for achieving ambitious and practical environmental, wellbeing, social and economic goals for people and businesses. We work on communities and buildings that are proactively developed with the wholistic health of its residents, guests, environment and local community in mind. We believe that our investments are able to increase their profitability and long-term growth by virtue of their sustainability efforts.

In our communities we are aiming to promote:

- Environmental consciousness by virtue of sustainable development and operating practices.
- Holistic health and wellness by offering residents opportunities via soft programs and facilities, whether indoor or outdoor, to proactively take care of themselves and enhance their overall quality of life and wellbeing.
- Social connections by virtue of both physical and programmatic elements that foster intergenerational socialization and connectivity among fellow residents and guests.

Our focus will therefore be on:

- Net Zero by 2035: The UK and UAE have set a Net Zero goal by 2050. We aim to have all our real estate projects in these countries to be Net Zero by 2035.
- Sustainability: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Social

Our social alignment is reflected in the investment in our people with a particular focus on individual and community development. Our diverse human capital foundation allows us to relate to broader societal topics of importance. Hence, sustaining and developing our diversity continues to be core to our social responsibility agenda.

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Benefits to our Employees

- Children education assistance policy.
- Comprehensive medical insurance and wellbeing initiatives organized on a regular basis.
- Generous airfare allowance policy.
- After hours reimbursement policy for lower paid employees.
- Employee training and development.
- Grievance & misconduct policy to safeguard fairness in the workplace.
- Fostering a broader culture of openness where employees are encouraged to make suggestions on any topic.

Diversity and inclusion continue to be key principles. Our diversity in numbers, as of 31st Dec 2023, was as follows:

- 25 Nationalities
- 25% Females
- 100% Emiratis in Board-level positions
- 20% of Emirati women in Board-level positions
- 9% of women in senior management positions

Our commitment to Board diversity is in full compliance with the Securities & Commodities Authority (SCA) introducing diversity targets requiring no less than 20% female representation at the Board level. SCA has emphasized the obligation of the company to disclose the percentage of female representation in its annual governance report, together with a requirement for the Board to establish policies concerning gender diversity. We remain committed to develop women in senior roles and aim to update the market accordingly.

Transparency on Executive Remuneration

Key performance indicators (KPIs) for management are agreed with the Board and individual KPIs are agreed between the CEO and his direct reports. Key management compensation is included in Note 23 of the annual 2023 FS. Directors' fees are listed on Note 23 for the same period.

Governance

Good governance encourages accountability, transparency, and rule of law at all levels, allowing for effective management of human, environmental, economic, and financial resources for equitable and long-term development. As provided in SHUAA's Articles of Association, the Board is responsible for the overall direction, supervision, and control of SHUAA. The Board's mandate covers the formal agenda for the overall strategy and oversight of the corporate structure, finance reporting, internal controls, risk management policies, as well as approval of the annual report and recommendation of dividends.

The Board of SHUAA meets at a minimum of 5 times a year and is comprised of 5 prominent members of the local business community, all of whom are leaders in their respective industries. The members of the Board demonstrate a suitable level of non-executive and independent directors.

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P.O. Box: 31045, Dubai, United Arab Emirates

Tel: +971 (4) 330-3600, Fax: +971 (4) 330-3550

E-mail & Website: info@shuua.com, www.shuua.com

A financial investment company licensed and regulated by the U.A.E. Securities and Commodities Authority under registration number 703036. Commercial License No. 200219

key governance-related policies we put in place include:

Anti-Money Laundering (AML)/Know Your Customer (KYC) Policy

SHUAA, its Board, senior management and its employees are committed to protecting our business from misuse by money launderers, fraudsters, and/or financiers of terrorism.

The Board fully supports the UAE's AML regime and has zero tolerance for criminal misuse of SHUAA's services in furtherance of money laundering or terrorism financing. The Board is additionally committed to ensuring that:

- the risk of SHUAA being used as a vehicle for money laundering or terrorist financing is minimized,
- appropriate knowledge and awareness of the UAE's anti-money laundering and combatting the financing of terrorism requirements and relevant law(s) is maintained in the business, and
- where activities suspected to involve money laundering are identified, these will be reported to the appropriate authorities.

Financial Crime Policy

This policy sets out the framework for how SHUAA manages the risk of financial crime occurring. In case a financial crime is identified, appropriate actions would be taken in line with policies and the laws of the UAE (a zero-tolerance approach). Actions may include termination and public prosecution if deemed necessary.

Ethical Wall Policy

One of the most common methods of managing certain conflicts of interest arising within a financial services firm is the restriction of information flow from one part of the business to another. These restriction mechanisms are referred to as 'Ethical Walls', and our policy sets out the company's approach to Ethical Walls, how they operate, where they are placed and how they can be crossed to ensure adherence to the applicable regulations.

Code of Ethics Policy

This policy covers the principles of fair business conduct, safeguarding confidential and proprietary information, protection of inside information, accurate and timely public disclosure, AML familiarization, complaints reports and breaches.

Conflicts of Interest Policy

As a full-service Investment Bank offering multiple product lines and services to a broad range of clients, SHUAA recognizes that from time to time both potential and actual conflicts of interest will arise in the course of carrying out its business. The Conflicts of Interest policy sets out a framework for identifying, managing and mitigating perceived or actual conflicts of interest inherent within SHUAA business.

Gifts Policy

This policy establishes the approach that SHUAA takes to identify, control and mitigate the risk of material conflicts of interest arising from the giving and receiving of gifts.

SHUAA Capital p.s.c.

Head Office: The H Hotel Dubai, Office Tower, Level 15, Office No. 1502

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Conduct of Business Policy

SHUAA's Conduct of Business Policy and procedures cover, but are not limited to, the following:

- Suitability, client classification, and client agreements: sufficient staff experience and understanding of relevant markets, products, and risks involved.
- Communication of information: ensure that stakeholders and media receive fair information.
- Complaints: policy and procedure created for handling client complaints mirroring the industry's best practices.
- Sales practices: observe high standards of integrity and fair dealing, act with skill, diligence, and high standards of market conduct.
- Information control: handle confidential information with integrity and discretion and in accordance with the law.
- Compliance & regulators: Compliance coordinates between the lines of business offering constant direction, surveillance and enforcement of policies.

Personal Account Dealing Policy (PAD)

The PAD policy outlines requirements and restrictions related to SHUAA employees and directors' personal securities transactions in order to ensure that all personal investments are conducted in compliance with the applicable rules and regulations and are free from conflicts and insider trading.

SHUAA CAPITAL PSC

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

SHUAA CAPITAL PSC

Consolidated Financial Statements for the year ended 31 December 2023

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BOARD OF DIRECTORS' REPORT

The Board of Directors of SHUAA Capital PSC ("SHUAA" or the Company) are pleased to present to you the audited consolidated financial statements of the Company and its subsidiaries, collectively (the "Group") for the fiscal year ended 31 December 2023.

Financial Performance Overview

Despite the challenges faced by the Company, the Group reported operating revenues of AED 161 million in 2023 driven by growth within the core business areas, particularly in Asset Management which continues to generate strong recurring management fees from its growing, fee-earning Assets under Management (AuM) base. Operating income on an adjusted basis doubled in 2023 compared to the prior year on the back of recurring revenue growth in Asset Management and cost efficiencies.

The Group recorded a net loss of AED 907 million attributable to the owners of the parent in 2023 compared to a net loss attributable to the owners of the parent of AED 135 million in 2022, with the results mainly impacted by the non-cash impairment charges for legacy real estate assets including goodwill in the UK, one-off deferred tax liability charge associated with the implementation of UAE Corporate Tax Law, and valuation adjustments taken by the Group's associate. The impairment of legacy assets was a necessary step in SHUAA's capital optimization and turnaround plans to right-size its balance sheet as the board continues to take decisive actions to reposition the business for growth and value creation.

During the year, the Group had outstanding liabilities due in the form of an USD 150 million bond, issued by a SHUAA-affiliated SPV. This was subsequently extended till 31 March 2024 with a further extension till 31 March 2025 with amended terms.

The Company had also reclassified long-term borrowings as current for a term loan facility due to a senior creditor as a result of technical covenant breaches which were not remediated as of reporting of the consolidated financial statements for fiscal year ended 31 December 2023. The Group continues to negotiate with the senior creditor to remediate these technical covenant breaches while ensuring servicing the term loan by making scheduled repayments on due dates.

Due to the losses described in this report, the Company's board of directors (the "Board of Directors") are not recommending a dividend payment to the Company's shareholders at the forthcoming annual general meeting (2022: nil).

Business Updates

Subsequent to the fiscal year ended 31 December 2023, the Group reached an agreement with the bondholders for the outstanding USD 150 million bond, which is a significant milestone towards the completion of the Company's capital optimization and turnaround plans. The Amendment Agreement provides the bondholders with the option to elect to convert a certain portion of their notes into equity, following which any remaining notes shall be settled at an 80% discount before or on 31 March 2025, subject to completing an equity raise and obtaining the necessary approvals.

The revised terms should unlock an attractive equity story for the Company and all stakeholders based on a significant reduction in liabilities, which should translate positively to the future financial performance of the Company.

During the year, the Group also focused on transforming the business to simplify its capital structure by impairing legacy investments which should significantly reduce volatility of earnings in the future.

BOARD OF DIRECTORS' REPORT (continued)

2023 also saw the launch of the new shariah-compliant SHUAA Saudi Equity fund under the ICC funds umbrella. With the launch of the new fund, the ICC umbrella now offers six shariah-compliant funds with AuM of USD 345 million, up from USD 230 million in 2022. The ICC fund umbrella, which includes exposure across geographies and asset classes will strengthen our client offerings to diversify their investments.

The Real Estate business continued to make significant strides in 2023 with 94% of units reserved as of 31 March 2024 for its managed project 'Ocean House', a prime waterfront property on Palm Jumeirah developed in partnership with Ellington Properties and SOL Properties. In 2023, Real Estate business also secured a development management contract for an USD 150 million residential project in Dubai.

Corporate Governance and Risk Management

The Board of Directors are committed to upholding the highest standards of corporate governance and risk management practices. We continue to monitor and assess risks facing the company, ensuring that appropriate measures are in place to mitigate these risks and safeguard shareholder value.

2024 Outlook

Looking ahead to 2024, the Company will work towards completing the capital optimization plan, which is intended to reduce leverage and bolster the capital base. In addition, the Company will continue its efforts to negotiate with its senior creditor on remediation of the covenant breaches to further stabilize its capital structure.

SHUAA Capital's transformation of its business model will also be executed in parallel with the recent permanent appointment of the Company's CEO and Board Managing Director. The Company's new integrated model will focus on Asset Management and Investment Banking, both supported by a strong Sales and Distribution platform. The Group will continue to deliver on its cost rationalization programme by winding down non-core assets, and its revamped structure should start to reflect positively on the operational performance in the years ahead.

The Board of Directors believe these actions will lead to a more stable performance and generate lasting value for the Company's shareholders and clients. The Board would also like to thank and extend our gratitude to all our existing and future shareholders, investors and stakeholders for their continued support and confidence in the Company.

Directors

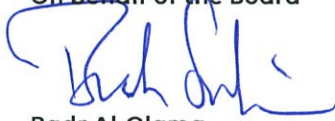
Badr Al-Olama (elected Chairman on 26.04.2024)	(Chairman)
Nabil Ramadhan (elected 26.04.2024)	(Vice Chairman)
Ahmed Alahmadi (elected Managing Director on 26.04.2024)	(Director)
Hamda AlMheiri (elected 13.12.2023)	(Director)
Darwish Alketbi (elected 26.04.2024)	(Director)
Andre Sayegh (resigned 29.02.2024)	(Director)
Fadhel Al Ali (end of term 24.04.2024)	(Chairman)
Murshed Alredaini (resigned 17.01.2023)	(Director)
Jassim Alseddiqi (resigned 13.08.2023)	(Director)
Maha AlQattan (resigned 05.12.2023)	(Director)

BOARD OF DIRECTORS' REPORT (continued)

Auditors

PricewaterhouseCoopers Limited Partnership Dubai Branch were appointed as external auditors and conducted an audit of the annual financial statements for the year ended 31 December 2023.

On behalf of the Board



Badr Al-Olama

Chairman

28 May 2024



Independent auditor's report to the shareholders of SHUAA Capital PSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of SHUAA Capital PSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2023
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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



Independent auditor’s report to the shareholders of SHUAA Capital PSC

Material uncertainty relating to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group has incurred a net loss of AED 1,155 million during the year ended 31 December 2023, which has resulted in accumulated losses of AED 829 million as of that date. The Group has borrowings of AED 822 million repayable within the next twelve months from the date of approval of the consolidated financial statements, including outstanding balance of AED 231 million due on bilateral banking facilities which are repayable on demand as a result of covenant breaches, although the Group continues to service and make repayments on due dates. The Group is dependent on the successful execution of its plans, which includes an equity raise through the proposed Mandatory Convertible Bond (“MCB”) offering and concluding on ongoing negotiations on the bilateral banking facilities to enable it to both meet its debt obligations as and when they fall due, and to continue its operations without a significant curtailment. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that may be necessary if the Group were unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Key Audit Matters	<ul style="list-style-type: none">● Impairment of Goodwill● Impairment of Investments in associate● Valuation of Financial assets at fair value (Level 3)
-------------------	---

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.



Independent auditor’s report to the shareholders of SHUAA Capital PSC

Our audit approach (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the Key audit matter
<p>Impairment of goodwill</p> <p>As part of the purchase price allocation performed in 2019 upon the merger of SHUAA Capital PSC (“SHUAA”) and Abu Dhabi Financial Group (“ADFG”), significant goodwill was identified and recognised in the Group’s consolidated statement of financial position.</p> <p>As at 31 December 2023, the Group had a goodwill of AED 518 million (2022: AED 877 million) in respect of which an impairment charge of AED 365 million was recognized in 2023. As per IAS 36, management is required to at least on an annual basis perform an assessment to determine the requirement for any impairment using the higher of fair value less costs to sell and value in use models.</p> <p>We determined that the impairment of goodwill is significant to the audit of the current year’s consolidated financial statements due to the materiality of the amounts involved and the significant judgements and assumptions exercised by management:</p> <ul style="list-style-type: none"> ● the determination of the expected cash flows related to each CGU; ● the determination of the discount rates used by management in the value in use calculations; and ● the determination of the growth rates used by management in the expected cash flows. <p>Further details of the Group’s Goodwill is set out in Note 4 and 16.</p>	<p>Our audit procedures performed in relation to the impairment assessment of goodwill included:</p> <ul style="list-style-type: none"> ● Obtaining an understanding of the cash flow projections related to each cash generating unit (“CGU”) by: <ul style="list-style-type: none"> ○ Inquiring with key management personnel on business plans for each CGU; ○ Assessing reasonableness of management budgets and forecasts against the historical performance; ○ Inspecting minutes of meetings and correspondence, where applicable, in relation to future plans; ○ Assessing reasonableness of ongoing contracts, ongoing investment banking mandates and other data inputs for the identified pipeline projects considered in the future cash flow projections; ○ Assess reasonableness and sensitivity of stress case scenario prepared by management; ● Comparing the budgeted cash flows for the previous financial year to the actual performance and assessing the appropriateness of forecasted revenue through comparison to historical data. ● Involving our internal valuation experts to test the appropriateness of key management inputs used in the weighted average cost of capital calculation, including the discount rates and growth rates used in the value in use (“ViU”) calculation. ● Assessing the adequacy of the disclosures made in Note 4 and 16 of the Group’s consolidated financial statements in relation to goodwill as required by IFRS Accounting standards.



Independent auditor’s report to the shareholders of SHUAA Capital PSC

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment of investments in associate</p> <p>At 31 December 2023, the market value of the Group’s investment in one of its significant associates, based on the share price quoted, was consistently lower than its carrying amount. This is an impairment indicator under IAS 36. The carrying amount of the Group’s investment in the associate amounts to AED 522 million at 31 December 2023.</p> <p>Management performed an impairment assessment by involving their valuation experts, to value the Group’s investment in the associate, using an appropriate valuation technique. On this basis, management concluded that the carrying amount of the investment is recoverable as at 31 December 2023 with no requirement for impairment.</p> <p>We considered this to be a key audit matter in view of the significance of the Group’s investment in the associate and the judgments involved in both the identification of potential impairment indicators as well as the underlying assumptions and inputs used by management in the valuation methodology and in performing the impairment assessment.</p> <p>Further details of the Group’s investment in associates are disclosed in Note 4 and 14.</p>	<p>Our audit procedures performed in relation to the impairment assessment of investment in associate included:</p> <ul style="list-style-type: none"> ● Involving our internal valuation experts to test management expert’s valuation, including assessing the reasonableness of the valuation technique and methodology used to conclude on the expert determined valuation. ● Performing the following audit procedures on the Group’s investment in associate: <ul style="list-style-type: none"> ○ Inquiring with management on strategy related to the investment; ○ Assessing historical data used by management in their valuation report; ○ Obtaining evidence to corroborate and challenge the data supporting valuation assumptions, including review of publicly available financial information and external market information; ○ Assessing the appropriateness of the inputs used by management’s expert in the valuation. ● Assessing the adequacy of the disclosures made in Note 4 and 14 of the Group’s consolidated financial statements in relation to investment in associates as required by IFRS Accounting standards.



Independent auditor’s report to the shareholders of SHUAA Capital PSC

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p data-bbox="204 622 767 685">Valuation of financial assets at fair value (Level 3)</p> <p data-bbox="204 723 767 907">The Group’s financial assets at fair value portfolio includes certain level 3 securities for which the Group determines the fair values using discounted cash flow models, residual value and net asset valuations (NAVs) that use significant unobservable inputs.</p> <p data-bbox="204 947 767 1131">Unobservable inputs require the use of significant judgement. The key unobservable inputs used in the valuation models of such unquoted investment securities include discount rates, growth rates, future cash flows and adjusted book values.</p> <p data-bbox="204 1164 767 1406">We determined that the assessment of the fair value of unquoted securities is significant to the audit of the current year’s consolidated financial statements due to the materiality of unquoted investments and the high degree of measurement uncertainty involved in the determination of unobservable inputs used in the valuation models.</p> <p data-bbox="204 1440 767 1487">Further details of financial instruments are disclosed in Note 4 and 24.</p>	<p data-bbox="815 707 1310 770">Our approach to addressing this key audit matter included the following procedures:</p> <ul data-bbox="815 792 1374 1406" style="list-style-type: none"> <li data-bbox="815 792 1374 887">• Evaluation by our experts of the methodologies and significant inputs used by the Group in the valuation models; <li data-bbox="815 920 1374 1193">• Testing, with involvement of our experts, the fair values of a sample of unquoted securities. Depending on the nature of the security, key unobservable inputs including future cash flows were compared to relevant information or point estimates of fair value were developed and compared to the fair values determined by the Group; and <li data-bbox="815 1227 1374 1406">• Assessing the disclosures made in note 4 and 24 of the Group’s consolidated financial statements, in relation to valuation of financial assets at fair value as required by IFRS Accounting standards.

Other information

The Directors are responsible for the other information. The other information comprises the Board of Directors’ Report (but does not include the consolidated financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report, and the Annual report which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Independent auditor's report to the shareholders of SHUAA Capital PSC (continued)

Other information (continued)

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

When we read the remaining information of the Annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, 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, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



Independent auditor's report to the shareholders of SHUAA Capital PSC (continued)

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the report of the Board of Directors is consistent with the books of account of the Group;
- v) as disclosed in note 24.1 to the consolidated financial statements the Group has purchased or invested in shares during the year ended 31 December 2023;



Independent auditor's report to the shareholders of SHUAA Capital PSC (continued)

Report on other legal and regulatory requirements

- vi) note 23 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- viii) Note 7 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2023.

PricewaterhouseCoopers Limited Partnership Dubai Branch
28 May 2024

A handwritten signature in blue ink that reads 'Douglas O'Mahony'.

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

SHUAA CAPITAL PSC

Consolidated statement of profit or loss for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

		31 December 2023 Audited	31 December 2022 * Audited
	Notes		
Continuing operations			
Revenue	6	161,418	287,656
Net foreign exchange (loss)/gain		(9,941)	25,650
Other (expense)/income	10	(41,996)	160,886
Change in fair value of financial assets at fair value through profit or loss (FVTPL)		(329,695)	(128,132)
Share of net (loss)/profit of investments in associates accounted for using the equity method		(136,157)	156,863
(Loss)/gain on derivative financial liability		(207)	1,883
Interest Income		3,598	-
Total Income		(352,980)	504,806
Staff costs		(60,857)	(144,076)
Employee carried interest		(11,644)	(5,543)
General and administrative expenses	7	(43,265)	(64,194)
Fee and commission expense		(2,501)	(21,917)
Depreciation and amortization	15,16	(12,525)	(27,911)
Provision for impairment losses on financial instruments	8	(198,208)	(12,203)
Impairment of goodwill, intangibles, and other items	9	(384,072)	(125,602)
Total expenses		(713,072)	(401,446)
(Loss)/Profit before finance costs		(1,066,052)	103,360
Finance cost	19.3	(77,082)	(109,671)
Finance credit relating to unit holders		29,290	16,410
(Loss)/Profit from continuing operations		(1,113,844)	10,099
Discontinued operations			
Loss from discontinued operations	29	-	(132,596)
Loss for the year before Tax		(1,113,844)	(122,497)
Tax		(40,854)	-
Loss for the year after Tax		(1,154,698)	(122,497)
Attributable to:			
Owners of the Parent		(906,644)	(135,204)
Non-controlling interests		(248,054)	12,707
		(1,154,698)	(122,497)
Loss per share attributable to Owners from continuing operations (in AED)	22	(0.36)	(0.001)
Loss per share attributable to Owners (AED)	22	(0.36)	(0.05)

* Refer to note 32 for changes to comparatives

The accompanying notes form an integral part of these consolidated financial statements.

SHUAA CAPITAL PSC

Consolidated statement of comprehensive income for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

		31 December 2023 Audited	31 December 2022 Audited
Loss for the year	Notes	(1,154,698)	(122,497)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	21	10,201	(61,639)
Net loss on cash flow hedges			
- Cash flow hedges	21	(4,129)	12,158
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive loss (FVOCI)		-	(18,947)
Other comprehensive Income/(loss) for the year		6,072	(68,428)
Total comprehensive loss for the year		(1,148,626)	(190,925)
Attributable to:			
Owners of the Parent		(904,304)	(178,228)
Non-controlling interests		(244,322)	(12,697)
		(1,148,626)	(190,925)


The accompanying notes form an integral part of these consolidated financial statements.

SHUAA CAPITAL PSC**Consolidated statement of financial position
as at 31 December 2023**

(Currency - Thousands of U.A.E. Dirhams)

		31 December 2023	31 December 2022
		Audited	Audited
	Notes		
Assets			
Cash and cash equivalents	11	27,343	64,151
Deposit held with bank		5,835	-
Receivables and other debit balances	12	151,408	407,061
Loans, advances and finance leases	13	108,110	274,503
Financial assets at fair value	24.1	337,813	668,602
Investments in associates	14	529,038	947,599
Property and equipment	15	20,515	25,693
Goodwill and other intangible assets	16	541,438	902,234
Assets held for sale	29.1	-	186,130
Total assets		1,721,500	3,475,973
Liabilities			
Payables and other credit balances	17	371,661	488,469
Other financial liabilities	18	137,156	163,808
Borrowings	19	862,972	1,206,206
Payables to unit holders		-	29,290
Liabilities of disposal groups classified as held for sale	29.2	-	68,019
Total liabilities		1,371,789	1,955,792
Equity			
Share capital	20	2,535,720	2,535,720
Share premium		52,579	52,579
Statutory reserve		49,631	49,631
Other reserves	21	(1,465,136)	(1,467,476)
Retained earnings		(828,590)	76,579
Equity attributable to Owners		344,204	1,247,033
Non-controlling interests (NCI)	28	5,507	273,148
Net equity		349,711	1,520,181
Total equity and liabilities		1,721,500	3,475,973

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 28 May 2024.



Badr Al-Olama
Chairman



Wafik Ben Mansour
Group Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

SHUAA CAPITAL PSC

Consolidated statement of changes in equity for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

	Share capital	Share premium	Statutory reserve	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non - controlling interests	Total
Balance at 1 January 2022	2,535,720	52,579	49,631	(1,424,452)	240,479	1,453,957	392,105	1,846,062
Loss for the year	-	-	-	-	(135,204)	(135,204)	12,707	(122,497)
Other comprehensive loss for the year	-	-	-	(43,024)	-	(43,024)	(25,404)	(68,428)
Total comprehensive loss for the year	-	-	-	(43,024)	(135,204)	(178,228)	(12,697)	(190,925)
Impact of first-time application of IAS 29	-	-	-	-	(4,695)	(4,695)	(6,077)	(10,772)
Equity movement of associate	-	-	-	-	(10,575)	(10,575)	-	(10,575)
Acquisition of subsidiary	-	-	-	-	-	-	118,153	118,153
Transactions with unit holders	-	-	-	-	(13,426)	(13,426)	(73,359)	(86,785)
Capital contribution	-	-	-	-	-	-	50,000	50,000
Disposal of subsidiaries	-	-	-	-	-	-	(178,928)	(178,928)
Dividend paid to NCI	-	-	-	-	-	-	(16,049)	(16,049)
Balance at 31 December 2022	2,535,720	52,579	49,631	(1,467,476)	76,579	1,247,033	273,148	1,520,181
Loss for the year	-	-	-	-	(906,644)	(906,644)	(248,054)	(1,154,698)
Other comprehensive income for the year	-	-	-	2,340	-	2,340	3,732	6,072
Total comprehensive loss for the year	-	-	-	2,340	(906,644)	(904,304)	(244,322)	(1,148,626)
Transactions with unit holders	-	-	-	-	13,157	13,157	(13,157)	-
Share of associate's treasury shares	-	-	-	-	(11,682)	(11,682)	(1,295)	(12,977)
Non-Cash Distribution	-	-	-	-	-	-	(2,678)	(2,678)
Dividend paid to NCI	-	-	-	-	-	-	(6,189)	(6,189)
Balance at 31 December 2023	2,535,720	52,579	49,631	(1,465,136)	(828,590)	344,204	5,507	349,711

The accompanying notes form an integral part of these consolidated financial statements.

SHUAA CAPITAL PSC

Consolidated statement of cash flows for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

		31 December 2023 Audited	31 December 2022 Audited
Cash flows from operating activities	Notes		
Loss for the year		(1,154,698)	(122,497)
Adjustments for (non-cash items):			
Finance credit relating to unit holders		(29,290)	(16,410)
Loss on reduction of investment in associate		62,528	-
Income on deemed disposal of associate		-	(68,989)
Fair value uplift on land		-	(39,540)
Gain on loan settlement		(41,856)	-
Foreign exchange gain		9,941	(25,650)
Carried interest recognized – net		11,644	5,543
Finance cost		77,082	109,671
Net interest income		(3,598)	(3,911)
Finance lease modification charge		-	300
Fair value loss on financial assets at FVTPL		329,695	128,132
Fair value loss on assets held for sale		50,488	-
Share of loss/(profit) from investments in associates	14	139,158	(156,863)
Loss/(gain) on revaluation of derivative financial liabilities		207	(1,883)
Gain on disposal of subsidiaries		-	(14,476)
Employees' end of service benefit charge		2,992	4,359
Provisions and allowances for impairment - net	8	198,208	12,203
Goodwill and intangible impairment	16	364,743	119,615
Depreciation and amortization	15,16	12,525	27,911
Operating cash flows before movements in working capital		29,769	(42,484)
Increase in deposit held with bank		(5,835)	
Decrease in receivables and other debit balances		207,839	307,920
Decrease in loans and advances		202,112	217,020
Decrease in payables and other credit balances		(132,909)	(383,795)
Decrease in other financial liabilities		(26,652)	(7,665)
Cash flows from operating activities of discontinued operations		-	(76,601)
Net cash generated from operations		274,324	14,395
Employees' end of service benefit paid		(6,287)	(9,020)
Net cash generated from operating activities		268,037	5,375
Cash flows from investing activities			
Acquisition of property and equipment		(5,632)	-
Payments for the purchase of investments		(43,844)	-
Proceeds from disposal of investments		17,563	54,622
Distributions from associates	14	11,438	19,985
Net interest received		3,598	3,911
Net cash from discontinued operations	29.1	-	(5,712)
Net cash from acquired in business combination	1	-	14,332
Net cash from disposal of subsidiaries	30	-	(150,953)
Cash flow from investing activities of discontinued operations	29.4	-	158,300
Net cash generated from investing activities		(16,877)	94,485

The accompanying notes form an integral part of these consolidated financial statements.

SHUAA CAPITAL PSC

Consolidated statement of cash flows for the year ended 31 December 2023 (continued)

(Currency - Thousands of U.A.E. Dirhams)

		31 December 2023 Audited	31 December 2022 Audited
Cash flows from financing activities			
Repayment of borrowings	19.3	(179,513)	(169,145)
Lease rentals paid		(1,937)	(1,916)
Dividends paid		(8,896)	(16,032)
Finance cost paid		(97,622)	(85,709)
Cash flow from financing activities of discontinued operations		-	(223,555)
		<u> </u>	<u> </u>
Net cash used in financing activities		(287,968)	(496,357)
		<u> </u>	<u> </u>
Net decrease in cash and cash equivalents		(36,808)	(396,497)
		<u> </u>	<u> </u>
Cash and cash equivalents at beginning of the year	11	62,901	453,520
Restricted cash	11	-	5,878
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	11	26,093	62,901
		<u> </u>	<u> </u>

The accompanying notes form an integral part of these consolidated financial statements.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

1. LEGAL STATUS AND ACTIVITIES

SHUAA Capital P.S.C. (the "Company" or "SHUAA") is a public shareholding company established in Dubai, United Arab Emirates, pursuant to Emiri Decree No. 6 of 25 April 1979 and in accordance with the UAE Federal Law No. 8 of 1984 concerning Commercial Companies and its amendments ("Companies Law"). The registered address of the Company is P.O. Box 31045, Dubai, United Arab Emirates. The Company's shares are traded on the Dubai Financial Market in the United Arab Emirates.

The Company is licensed by the Securities and Commodities Authority to conduct Investment Management, Financial Consulting and Financial Analysis, Promotion, Introduction and Issuance Management activities. The Company and its subsidiaries conduct a diversified range of investment and financial services activities with special emphasis on the Arab region in general, the U.A.E. and the G.C.C. markets in particular, and are actively involved in public and private capital markets in the region.

Group structure

The principal activities of Abu Dhabi Financial Group ("ADFG") (accounting acquirer) and its subsidiaries (together referred as the "Group") are to carry out commercial and real estate investment activities, establishment and management of enterprises, consultancy services, investment banking and trading in securities. The extent of the Group's ownership in the material subsidiaries and associates with their principal activities have been listed below:

<u>Name of the entity</u>	<u>Place of incorporation</u>	<u>Principal activity</u>	<u>Effective ownership interest %</u> 31 December 2023	<u>Effective ownership interest %</u> 31 December 2022
<u>Material subsidiaries</u>				
AD CapManage Ltd. (BVI)	B.V.I.	Commercial enterprise investment, institution & management	100.0%	100.0%
ADCM Ltd	Cayman Islands	Investment management	100.0%	100.0%
ADCM Resources Ltd*	Cayman Islands	Investment advisory	100.0%	100.0%
ADCM Emp Carry Ltd	B.V.I.	Special Purpose Vehicle	100.0%	100.0%
AD Power Limited	Cayman Islands	Investment holding	100.0%	100.0%
BBD Partners GP (i)	Cayman Islands	Investment management	100.0%	100.0%
Horizon Investments- Sole Prop LLC	UAE	Investment holding	100.0%	100.0%
Integrated EE Holdings	Montenegro	Project management	100.0%	100.0%
Gulf Finance Corporation CJSC*	Saudi Arabia	Financing	100.0%	100.0%
Gulf Finance Corporation PJSC*	UAE	Financing	100.0%	100.0%
SHUAA Capital PSC	UAE	Financial services and investments holding	100.0%	100.0%
SHUAA Capital Saudi Arabia CJSC	Saudi Arabia	Financial services	100.0%	100.0%
Integrated Capital PJSC	UAE	Financial services	96.00%	96.00%
Asia for Economic Consultancy LLC	Jordan	Consultancy	94.30%	94.30%
Amwal International Investment Company KSCP	Kuwait	Financial services	87.20%	87.20%
Qannas Investments Ltd	Cayman Islands	Investment holding	80.80%	80.80%
Spadille Limited	Jersey	Investment holding	85.00%	85.00%

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

1. LEGAL STATUS AND ACTIVITIES (continued)

Group structure (continued)

<u>Name of the entity</u>	<u>Place of incorporation</u>	<u>Principal activity</u>	<u>Effective ownership interest %</u> 31 December 2023	<u>Effective ownership interest %</u> 31 December 2022
Northacre Limited	UK Cayman	Development management	83.90%	83.90%
Squadron Properties (ii) Astrea Asset Management Limited (ii)	Islands UK Cayman	Investment holding Property management	33.00% 33.00%	33.00% 33.00%
Eagle T2 Northacre Capital Ltd	Islands BVI	Investment holding Investment Manager	100.00% 100.00%	100.00% 100.00%

<u>Name of the entity</u>	<u>Place of incorporation</u>	<u>Principal activity</u>	<u>Effective ownership interest %</u> 31 December 2023	<u>Effective ownership interest %</u> 31 December 2022
<u>Material Associates</u>				
Eshraq Investments PJSC	UAE	Investments holding	24.59%	35.30%
City Engineering LLC*	UAE	Contracting	40.00%	40.00%
SHUAA Hospitality Fund I L.P. (iii)	Cayman Islands	Investment holding	33.10%	33.10%
SHUAA Saudi Hospitality Fund I	Saudi Arabia	Investment holding	33.20%	33.20%
ADCORP Limited *	UAE	Islamic financial institution	24.80%	24.80%

* These subsidiaries and associates are under liquidation.

(i) Effective ownership interest of 50% in BBD Partners GP is held through a subsidiary.

(ii) Based on the concept of 'control' as stipulated in *IFRS 10*, ADFG concluded that although it has less than 50% voting rights in the above-mentioned entities, it has 'de facto' control based on respective size of its holding of voting rights relative to the holdings of other vote holders and its representation on the investee's Board of Directors. In addition, the Group has determined that it has control and therefore consolidates the Fund, as it is exposed to its variable returns and has the key decision-making powers necessary to affect the amount of those returns in its capacity as investment manager. Accordingly, the above-mentioned entities have been consolidated in these financial statements.

(iii) SHUAA Hospitality Fund I L.P., a closed ended private equity investment fund registered as an exempted limited partnership in the Cayman Islands. As a consequence of cross investment holdings by this fund the Group indirectly owns 26.3% of SHUAA Saudi Hospitality Fund I, a closed ended investment fund regulated by the Capital Markets Authority in Saudi Arabia.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

2. BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and applicable provisions of Federal Law No 32 of 2021, as amended of the United Arab Emirates. The consolidated financial statements are presented in thousands of United Arab Emirates Dirhams since that is the currency of the country in which the parent (ADFG), is domiciled and the majority of the Group's business is transacted.

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 as amended on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company has reviewed the new provisions and applied the requirements during the period.

The consolidated financial statements have been prepared on the historical cost convention as modified for the measurement at fair value of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

2.2 Going concern

The Group has incurred a loss of AED 1,155 million (2022: 122 million) for the year ended 31 December 2023, which has resulted in accumulated losses of AED 829 million (2022: 77 million) as at that date.

Further, the Group has AED 822 million of borrowings repayable within the next twelve months from the date of approval of this consolidated financial statement of the Group, including bilateral facilities ("term loan") of AED 231 million due to a bank, classified as repayable within twelve months of the balance sheet date as a result of unremediated covenant breaches since 30 September 2023 as set out in Note 19. The Group continues to negotiate with the bank to remediate the covenant breaches whilst continuing to service the term loan and make repayments on due dates. The Group also has a bond repayable of AED 488 million (refer to note 19 for details), for which the Group reached an agreement on 19 April 2024 with the bondholders for an extension of the settlement of the bonds until March 31, 2025, on the following key terms: (a) Issue Mandatory convertible bonds ("MCBs") of up to AED 275 million of the outstanding bonds to be offered for conversion to equity subject to bondholder election, regulatory and shareholders approvals; and (b) the non-converting bondholders to be repaid at a 80% discount subject to an equity raise equivalent to the expected cash settlement. The Group expects the MCBs offering to be concluded before the end of 2024 and to raise equity in both base case and downside scenarios detailed below with a minimum expected equity raise of AED 100 million required to settle the outstanding discounted bonds in the event the Group does not receive any request for bondholder election to convert into equity.

In assessing the appropriateness of applying the going concern basis in the preparation of this consolidated financial statements, the Board of Directors have considered the Group's operational profitability, liquidity and forecast cash flows, taking into account reasonably possible outcomes over a 13-month period (the "assessment period") from the date of approval of these consolidated financial statements. The forecasted cash flows cover two potential scenarios primarily dependent on the success of the equity raise from the MCB offering, whereby AED 100 million has already been secured by shareholder undertaking to subscribe to the MCB offering only in the event of a sub-optimal MCB issuance, subject to meeting regulatory and shareholder approvals.

Base case scenario:

Management expects that a minimum of 50%, i.e. AED 275 million of the outstanding bonds will be converted into equity following the MCB offering, and the remaining non-converting bondholders would be settled at an 80% discount.

The Group intends to raise AED 367.5 million of equity in cash in its base case assumption, which will partially be utilised to repay the non-converting bond holders at a discounted cash settlement of 20%.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

2. BASIS OF PREPARATION (continued)

2.2 Going concern (continued)

Base case scenario: (continued)

The base case scenario reflects sufficient liquidity to be available over the assessment period and is based on the following key assumptions:

- Generation of sufficient cash flows from operating activities and realisation of receivables within the next 13 months to cover repayment of short-term obligations, including servicing of the term loan instalments.
- Expected disposal of a significant asset under management which is expected to generate performance fees upon completion of the transaction. This transaction is expected to be completed and settled by 31 March 2025.
- Successful conversion of at least AED 275 million of the outstanding bonds into equity.
- Successful completion of the equity raise of AED 367.5 million through the proposed MCB offering, which will partially be utilised to repay the non-converting bond holders in a cash settlement at an 80% discount.
- Continue to negotiate with the bank to remediate the covenant breaches on the bilateral facilities and reach an acceptable outcome.

Downside scenario:

Management has assessed that in a downside scenario, majority of the key assumptions of the base case scenario remain valid except that the proposed MCB offering is sub-optimal and the disposal of a significant asset under management does not materialise within the next 13 months. The Group then expects to utilise the cash flows from operating activities and call upon the AED 100 million undertaking, subject to meeting the regulatory and shareholder approvals. The undertaking covers the obligation required to settle all the bondholders at an 80% discount should none of the bondholders exercise the equity conversion option, which the Group considers an unlikely scenario. The Group expects to continue to meet its other short-term liabilities through its existing cash flows and to continue to service the term loan and make repayments on due dates, in a downside case scenario.

The material uncertainties surrounding the ultimate outcome of the ongoing negotiation on the Group's debt that is repayable on demand and the eventual outcome of the MCB offerings, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of the consolidated financial statements. The consolidated financial statements do not include adjustments to the carrying amounts and/or classification of assets and liabilities that may be required in such an eventuality. However, the Board of Directors strongly believe that it remains appropriate to prepare the consolidated financial statements on a going concern basis as it is confident that its plans will be satisfactorily achieved through the base case scenario, which will enable the Group to both meet its debt obligations as and when they fall due, and continue its operations without a significant curtailment.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES

3.1 New and revised IFRS adopted in the consolidated financial statements

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements. The application of these revised IFRSs Accounting Standards, except where stated, have not had any material impact on the amounts reported for the current and prior year.

Title	Key requirements	Effective Date
Amendment to IAS 12, 'Income Taxes'	Deferred tax related to assets and liabilities arising from a single transaction & International tax reform Pillar II model rules	1 January 2023
IFRS 17 'Insurance Contracts' and amendments	Classification and recognition of insurance contracts	1 January 2023
Amendments to IAS 8	'Accounting Estimates' contains an expanded definition of accounting estimates to help entities distinguish between accounting policies and accounting estimates.	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	'Disclosure of Accounting Policies' with amendments to help preparers in deciding which accounting policies to disclose in their financial statements.	1 January 2023
Amendment to IAS 1	'Presentation of Financial Statements' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	1 January 2023

Standards and interpretations issued but not yet effective

Amendment to IAS 1, 'Presentation of financial statements'	Classification of liabilities as current or non-current & non-current liabilities with covenants.	1 January 2024
Amendments to IFRS 7 and IAS 7	Disclosure requirements added to 'Supplier Finance Arrangements'.	1 January 2024
IAS 21	Lack of Exchangeability	1 January 2025
Amendment to IFRS 16, "Leases on sales & lease-back"	Clarification of seller-lessee's subsequent measurement of lease on sales and lease-back transactions that satisfy the requirements of IFRS 15 to be accounted for as a sale.	1 January 2024

3.2 Basis of consolidation

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. The Group measures non-controlling interest on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interest forms a separate component of the Group's equity.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in consolidated statement of profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. ADFG and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

The entities included in the consolidation may vary year on year due to both the restructuring of the Group (including acquisitions and disposals) and changes to the number and net assets of pooled investment vehicles managed by the Group where the shareholding in the year results in control, as defined by IFRS. In such cases, the investment vehicle is consolidated, and the third-party interest is normally recorded as a financial liability. The treatment continues until the Group loses control, as defined by IFRS.

The significant accounting policies are set out below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

3.3 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged to write off the cost of assets over their estimated useful lives, using the straight-line method on the following basis:

	Years
Leasehold improvements	1-10
Office equipment	3-5
Motor vehicle	5
Furniture and fixtures	3-5
Buildings	40
Right-of-use asset	Lease term

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.4 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. The excesses of the impairment over the revaluation reserve goes to the income statement

3.5 Finance cost

All borrowing costs are recognised in profit or loss in the period during which they are incurred. Borrowing costs which are directly attributable to the development of a qualifying asset are capitalised. Interest is calculated using the effective interest method is recognised in profit or loss and is included in 'Finance cost'. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of work in progress includes overheads appropriated to the stage of development. Net realisable value is based upon estimated selling prices less further costs expected to be incurred on completion and disposal.

3.7 Income statement presentation policy

The Group will recognise under the Other Income financial statement line item, income from business transactions including step-up acquisitions or step-down disposals and other operating income related to the operating activities of the business.

Profit / (loss) from impairment of intangibles and finance cost section of the consolidated income statement will include impairment of intangible assets recognised during the financial period.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.8 Revenue recognition

Net fee and commission income

Fee income is earned from a diverse range of services provided by the Group to its customers and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- (i) income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);
- (ii) income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- (iii) other fees and commission income and expense are recognised as the related services are performed or received.

In the Revenue financial statement line item, fee and commission income will be presented net of the incurred fee and commission expenses incurred as part of the rendered service or contract with customer.

Advisory income

Advisory income includes retainer and consultancy fees. It is accrued and recognised as the services are rendered, in accordance with the agreement with the client. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from services is stated net of rebates and other allowances.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

Carried interest

The Group is entitled to receive performance fees ("carried interest") from qualified funds which it manages. These fees are earned once the funds meet certain performance conditions. The carried interest is calculated annually at the reporting date as per the guidance provided by IFRS 15, taking into account the required performance conditions and distribution arrangement. Carried interest recognised by the Group is subject to a constraint. The Group recognises revenue at an amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future periods.

The Group's employees are entitled to performance incentives linked to the realised Internal Rate of Return set for certain qualified funds, which vest progressively, subject to continued employment and the investment exit, provided certain minimum pre-established return hurdles are satisfied. These are recognised as carried interest expense.

Income from finance lease

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of the expected credit loss)

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.8 Revenue recognition (continued)

Processing fee

Processing fees and other operating income represent administration fees which include leases initiation and customer risk assessment. Processing fee income is recognized over the period of the lease using the effective rate method, which results in a constant periodic rate of return on the net investment outstanding.

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established.

3.9 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

3.10 Employee benefits

A provision is made for the full amount of end of service benefits due to non-UAE national employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (9) of 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

3.11 Foreign currencies

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of ADFG and the Group's presentation currency is the U.A.E Dirhams (AED).

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

The results and financial position of each group entity are translated into the presentation currency as follows:

- i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;
- ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- iii) components of equity are translated at the historic rate; and
- iv) all resulting exchange differences are recognised in other comprehensive income.

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.11 Foreign currencies (continued)

When control over a foreign operation is lost, the exchange differences previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.12 Financial instruments

Financial instruments comprise of financial assets and financial liabilities that are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition – financial assets

Financial instruments at Fair value through profit and loss (FVTPL) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an Expected Credit Loss (ECL) allowance is recognised for financial assets measured at Amortised Cost (AC) and investments in debt instruments measured at Fair value through other comprehensive income (FVOCI), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

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 best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Computation of fair value is based on valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 24.1).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

Classification- financial assets

Financial assets can either be (i) equity financial assets or (ii) debt financial assets. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification depends on (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

The business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Note 4.1 includes critical judgements applied by the Group in determining the business models for its financial assets.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Note 4.1 includes for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Debt financial assets that meet the following conditions are measured subsequently at amortised cost:

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

Debt financial assets that meet the following conditions are measured subsequently at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, debt financial assets that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

By default, all other financial assets (debt and equity financial assets) are measured subsequently at fair value through profit or loss (FVTPL).

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

Classification- financial assets (continued)

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition for an equity financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Subsequent measurement – financial assets

For purposes of subsequent measurement

- Financial assets at AC (debt financial assets): Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss (P&L) when the asset is derecognised, modified or impaired.
- For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt financial assets): For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in consolidated statement of other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to P&L.
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity financial assets): Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to P&L. Dividends are recognised as other income in P&L when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.
- Financial assets at FVTPL (debt and equity financial assets): Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in P&L. Dividends on listed equity investments are recognised as other income in the P&L when the right of payment has been established. Interest income on debt financial assets is also recognised in the P&L.

Impairment - financial assets

Measurement of ECL: IFRS 9 outlines a 'three-stage' model for impairment of financial assets based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. Note 4.1 includes how the Group determines when a SICR has occurred. Note 4.1 also provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

Impairment - financial assets (continued)

The Group considers a financial asset to have experienced SICR when a significant change in one year probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date. In addition, a range of qualitative criteria are also considered.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information. Details of these statistical parameters/inputs are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.
- ECL - Expected credit losses are probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).
 - financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
 - financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group applies three-stage model for impairment, based on changes in credit quality since initial recognition to recognise loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- loans and advances and other financial assets including finance leases;
- financial assets that are debt investments;
- financial guarantee contracts; and
- trade receivables and contract assets included in receivables and debit balances.

No impairment loss is recognised on equity investments.

For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

For trade receivables or contract assets that do not contain a significant financing component, the Group records loss allowance at initial recognition and throughout its life at an amount equal to Lifetime ECL.

Financial assets measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For financial assets at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in P&L and other changes in carrying value are recognised in OCI.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

Impairment - financial assets (continued)

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

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

Write-off - financial assets

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in P&L.

Derecognition - financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Modification - financial assets

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties. The contractual terms of a lease receivable are mainly modified at the request of the customer. An existing lease receivable whose terms have been modified may be derecognized and the renegotiated lease receivable recognized as a new investment in Islamic financing at fair value.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

Modification - financial assets (continued)

The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Initial recognition and classification - financial liabilities

All financial liabilities are recognised initially at fair value and, in the case borrowings and other financial liabilities, net of directly attributable transaction costs. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or financial liabilities at AC.

Subsequent measurement - financial liabilities

Financial liabilities at FVTPL: Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL including contingent consideration recognised by an acquirer in a business combination and financial guarantee contracts. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss. Changes in fair value related to own credit risk are recognized in OCI.

Financial liabilities at AC: Financial liabilities at AC are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in P&L 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 P&L.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Derecognition of financial liabilities

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

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

Derecognition of financial liabilities (continued)

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Payables to unit holders

Payable to unit holders mainly comprise liabilities that arise from obligations in respect of third-party interests in consolidated funds. Consolidation occurs when the Group is deemed to control a fund. When a fund is consolidated, the Group accounts for the fund in its consolidated statement of financial position as if it were wholly-owned by the Group, but records an additional liability representing the proportion of the fund owned by third party investors, where the units in the fund are puttable instruments (i.e. not classified as equity). The units of Goldilocks Investment Company Limited, a subsidiary of the Group, are redeemable at the unit holders' option and therefore the Group has classified the units held by third parties as a financial liability.

Profit/(Loss) for the fund attributable to these third-party holders of units is recognised in the consolidated statement of profit or loss as (finance cost)/finance credit relating to unit holders carried at fair value.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. The Group's risk management strategy and how it is applied to manage risk are explained in Note 25.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)**3.12 Financial instruments (continued)**Derivative financial instruments and hedge accounting (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges: The change in the fair value of a hedging instrument is recognised in P&L as other income/expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the P&L as other income/expense.

Cash flow hedges: The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other income/expense. The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cash flow hedge reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to P&L as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to P&L as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the year.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Share capital: Ordinary shares with discretionary dividends are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3.13 Cash and cash equivalents

Cash and cash equivalents for the purposes of consolidated statement of cash flows consist of cash and short-term deposits with original maturity of 90 days or less, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.14 Investment in associates

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. The Group performs a notional purchase price allocation ("PPA") assessment within 12 months from the date of acquisition.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

3.15 Leases

Group as a Lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.15 Leases (continued)

Group as a Lessee

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. 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.

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. 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.

3.16 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain or negative goodwill.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.17 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised on a straight-line basis over the intangible asset's estimated useful lives over the following periods:

Customer Relationships and Contracts	1 – 21 years
Trademark	15 – 20 years

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(Currency - Thousands of U.A.E. Dirhams)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.17 Intangible assets acquired in a business combination (continued)

Intangible assets with indefinite useful lives (Trade licenses) are not amortised but are tested for impairment annually 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 definite is made on a prospective basis.

3.18 Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3.19 Assets and liabilities classified as held for sale and discontinued operations

Assets and liabilities held for sale are recognised in accordance with the criteria set out in IFRS 5. The Group determines the realisable value of assets in their current condition, where a sale is highly probable and the expected settlement value for its liabilities held for sale. "Assets held for sale" and "Liabilities held for sale" are measured in accordance with the requirements of IFRS 5 "Non-current assets held for sale and discontinued operations".

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the statement of profit or loss.

The financial results of non-current assets classified as held for sale that meet the definition of a discontinued operation are presented as a single line in the statement of profit or loss and statement of cash flows.

3.20 Segmental information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO) of SHUAA.

3.21 Treasury shares

Where the Company or its subsidiaries purchase SHUAA equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the Owners until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical judgement in applying Group's accounting policies

While applying the accounting policies as stated in note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Critical judgement in applying Group's accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. The Group assessment of significant increases in credit risk is being performed at least quarterly for exposures based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

- The Group has established thresholds for significant increases in credit risk based on movement in days past due (DPD) (Level of Delinquency) relative to initial recognition.
- Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
- IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Carried interest

The Group is entitled to receive performance fees ("carried interest") from qualified funds which it manages. These fees are earned once the funds meet certain performance conditions. The Group recognises carried interest to the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future periods.

Consolidation - Control assessment

Determining whether the Group has control over an investee is judgmental and involves a critical assessment of the purpose and design of an investee, nature of rights – substantive or protective in nature, assessment of existing and potential voting rights, whether an investor is a principal or agent when exercising its controlling power, relationships between investors and how they affect control and existence of power over specified assets only. The Group critically assesses the overall relationship between the decision-maker and other parties involved with the investee to determine whether the decision-maker acts as an agent. The Group continuously monitors if there are any changes in the composition of the Group and consequently reassesses control if facts and circumstances indicate that any of the elements have changed including an assessment of the variability of returns.

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Critical judgement in applying Group's accounting policies (continued)

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)

Judgement is required to determine whether the substance of the relationship between the Group and an investee when the Group held less than a majority of voting rights. The Group consolidates investees that it controls. As it can sometimes be difficult to determine whether the Group does control an investee, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the investee in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over an investee, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards existence of control, the investee entity is consolidated. Refer note 1(ii) where management made critical judgement in assessing the relationship with its investees in which it holds less than a majority of voting right.

4.2 Key sources of estimation uncertainty

Calculation of ECL

Measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios: The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information require significant judgement.

PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in ECL calculation has forecasts of the relevant macroeconomic variables.

The Group estimation of ECL in Stage 1 and Stage 2 is a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios namely base case, upside and downside.

The Group's base case scenario is based on macroeconomic variable (oil price). The macro-economic variable (oil price) was selected on the basis of business intuition and statistical analysis performed. Upside and downside scenarios are set relative to the Group's base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios occur on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to the Group's best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to ECL with the same probabilities. Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group. In some instances, the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial reporting. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Group's Governance process for oversight.

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life: When measuring ECL, the Group considers maximum contractual period over which it is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 Key sources of estimation uncertainty (continued)

Fair value measurement of financial assets at FVTPL and FVTOCI

Fair values for the Group's financial assets at FVTPL and FVTOCI (level 3) are measured using market or income approaches. Considerable judgment may be required in developing estimates of fair value, particularly for financial instruments classified as Level 3 in the fair value hierarchy as such estimates incorporate market unobservable inputs that require management to use its own assumptions. The Group's valuation techniques for Level 3 financial instruments remained unchanged in 2022.

The uncertainty in those assumptions have been incorporated into the Group's valuations of Level 3 financial instruments primarily through updated cash flows and discount rate, as applicable. See note 24.1 for details of the Group's Level 3 financial instruments. Additional volatility in the fair values of Level 3 financial instruments may arise in future periods if actual results differ materially from the company's estimates. If no market data is available, the Group may value its investments using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry, such as the Discounted Cash Flow (DCF) and Net Asset Value (NAV) method, in which case the Group would exercise judgement and estimates on the quantity and quality of the cash flows and fair values, respectively, of the underlying investment.

In performing the fair value measurement, the Group selects inputs that are consistent with the characteristics of the financial asset that market participants would take into account in a transaction for that asset. In some cases, those characteristics result in the application of an adjustment, such as a control premium or non-controlling interest discount. The Group incorporates a premium or discount only when it is consistent with the unit of account for the investment.

Impairment assessment on Investment using equity accounting

The Group assesses the impairment of Investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable in accordance with the prescribed impairment indicators as per IAS 36. The Group measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions provided by such investees' internal management team. The Group also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions. The Group's investment in publicly listed companies often operate under restrictions due to the applicable listing regulations on the disclosure of information to a selective group of equity holders and, therefore for such investments, the Group determines the recoverable value using publicly available data, analysts' forecasts or valuation techniques undertaken by external independent valuer, as appropriate.

Impairment of goodwill

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units taking into account all conditions existing as at the end of reporting period and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The future cash flows of the CGUs are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. The rates used to discount future expected cash flows can have a significant effect on the value in use ("VIU"), and are based on the costs of equity assigned to individual CGUs. The cost of equity percentage is generally derived from a capital asset pricing model and market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium (Beta) for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. Key assumptions used in estimating the Goodwill VIU are described in Note 16.

Disposal of subsidiary in exchange for an interest in an associate

As per IFRS 10 when the Group will dispose of a subsidiary in exchange for interest in an associate, the Group will first account for the loss of control in the subsidiary recognizing the gain or loss of the transaction. Subsequent to the derecognition of the subsidiary the Group will recognise the interest in investment in associate as per IAS 28.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

5. SEGMENTAL INFORMATION

For management purpose the Group is organized into three operating segments, all of which are based on business units:

Asset Management unit manages real estate funds and projects, investment portfolios and funds in the regional equities, fixed income and credit markets. It also provides investment solutions to clients with a focus on alternative investment strategies.

Investment banking unit provides corporate finance advisory, transaction services, private placement, public offerings of equity and debt securities and structured products. It also creates market liquidity on OTC fixed income products.

Corporate unit manages principal investments, non-core assets, corporate developments, treasury and other shared services related to the Group.

	31 December 2023			
	Asset Management	Investment Banking	Corporate	Total
Net fee and commission income	141,995	2,921	(1,951)	142,965
Advisory income	-	2,185	-	2,185
Net interest income	-	-	3,598	3,598
Trading income	-	8,139	-	8,139
Other operating income	2,111	-	3,517	5,628
Total revenues	144,106	13,245	5,164	162,515
Staff costs	(43,577)	(14,210)	(3,070)	(60,857)
Employee carried interest	(11,644)	-	-	(11,644)
General and administrative expenses	(27,040)	(7,338)	(6,147)	(40,525)
Depreciation and amortization	(6,417)	(5,998)	(110)	(12,525)
Provision for impairment losses on financial instruments	(33,418)	-	(164,790)	(198,208)
Non-recurring impairment of goodwill and other items	(364,743)	-	(15,680)	(380,423)
Other operating expenses	(6,788)	(476)	(9,066)	(16,330)
Total expenses	(493,627)	(28,022)	(198,863)	(720,512)
Loss before other income and finance cost	(349,521)	(14,777)	(193,699)	(557,997)
Fair value losses from investments	-	-	(329,695)	(329,695)
Loss from derivative financial liability	-	-	(207)	(207)
Share of loss from investment in associates	(1,859)	-	(134,298)	(136,157)
Finance cost	(8,080)	(1,841)	(67,161)	(77,082)
Finance Cost relating to Unit holders	-	-	29,290	29,290
Other income/expense	5,256	3,738	(50,990)	(41,996)
Loss for the year from continuing operations	(354,204)	(12,880)	(746,760)	(1,113,844)
Loss for the year attributable to NCI	163,108	-	84,946	248,054
Loss for the year attributable to Owners before tax	(191,096)	(12,880)	(661,814)	(865,790)
Tax	-	-	(40,854)	(40,854)
Loss for the year attributable to Owners after tax	(191,096)	(12,880)	(702,668)	(906,644)
Revenue generated from external customer (fee & commission)	141,995	2,921	(1,951)	142,965
Revenue generated from within the group (fee & commission)	-	-	-	-
	141,995	2,921	(1,951)	142,965

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

5. SEGMENTAL INFORMATION (continued)

	31 December 2023			
	Asset Management	Investment Banking	Corporate	Total
Assets	<u>526,647</u>	<u>330,007</u>	<u>864,846</u>	<u>1,721,500</u>
Liabilities	<u>123,745</u>	<u>21,975</u>	<u>1,226,069</u>	<u>1,371,789</u>

The results of the discontinued operations and assets/liabilities pertaining to the disposal group classified as held for sale are included in the 'Corporate' operating segment.

The accounting policies of each of the reportable segments are consistent with those of the Group.

Reconciliation of information of reportable segments to the amounts reported in the financial statements

	31 December 2023	<i>31 December 2022</i>
Revenues		
Total revenue from reportable segments	161,418	287,656
Revenue reported in other segmental line items	(514,398)	217,150
	<u> </u>	<u> </u>
Total Income	(352,980)	504,806
	<u> </u>	<u> </u>
Profit before tax		
Total profit before tax from reportable segments	(1,113,844)	(122,497)
Unallocated amounts	-	-
	<u> </u>	<u> </u>
Consolidated profit before tax	(1,113,844)	(122,497)
	<u> </u>	<u> </u>

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

5. SEGMENTAL INFORMATION (continued)

	31 December 2022			
	Asset Management	Investment Banking	Corporate	Total
Net fee and commission income	147,114	2,475	101,489	251,078
Advisory income	-	6,078	-	6,078
Net interest income	-	-	198	198
Trading income	-	7,305	(29)	7,276
Other operating income	-	-	1,307	1,307
Total revenues	147,114	15,858	102,965	265,937
Staff costs	(72,813)	(12,877)	(58,386)	(144,076)
Employee carried interest	(5,543)	-	-	(5,543)
General and administrative expenses	(23,476)	(5,826)	(29,295)	(58,597)
Depreciation and amortization	(18,982)	(4,274)	(4,655)	(27,911)
Provision for impairment losses on financial instruments	-	-	(12,203)	(12,203)
Other operating expenses	(127,055)	(375)	62,951	(64,479)
Total expenses	(247,869)	(23,352)	(41,588)	(312,809)
Loss before other income and finance cost	(100,755)	(7,494)	61,377	(46,872)
Fair value losses from investments	(2,940)	(577)	(124,615)	(128,132)
Gain from derivative financial liability	-	-	1,883	1,883
Share of profit from investment in associates	-	-	156,863	156,863
Finance cost	(8,679)	(2,353)	(98,639)	(109,671)
Finance credit relating to unit holders	-	-	16,410	16,410
Other income	41,899	1,135	76,584	119,618
Profit for the year from continuing operations	(70,475)	(9,289)	89,863	10,099
Loss for the year from discontinued operations	-	-	(132,596)	(132,596)
Loss/(profit) for the year attributable to NCI	31,956	-	(44,663)	(12,707)
Loss for the year attributable to Owners	(38,519)	(9,289)	(87,396)	(135,204)
Revenue generated from external customer (fee & commission)	147,114	2,475	101,489	251,078
Revenue generated from within the group (fee & commission)	-	-	-	-
	147,114	2,475	101,489	251,078

	31 December 2022			
	Asset Management	Investment Banking	Corporate	Total
Assets	940,479	312,712	2,222,782	3,475,973
Liabilities	190,598	15,828	1,749,366	1,955,792

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

6. REVENUE

	31 December 2023	31 December 2022
Fees and commission income	145,466	272,995
Advisory income	2,185	6,078
Trading income	8,139	7,276
Other operating income (Note 6.1)	5,628	1,307
	<u>161,418</u>	<u>287,656</u>

6.1 OTHER OPERATING INCOME

	31 December 2023	31 December 2022
Other income	2,860	(301)
Board representation fees	2,768	1,608
	<u>5,628</u>	<u>1,307</u>

Other income includes income related to operating activities of certain subsidiaries that are other than the primary activities of ADFG and SHUAA.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023	31 December 2022
Professional fees	(16,213)	(10,733)
Administration, technology and communication	(15,275)	(21,063)
Office costs	(4,126)	(6,541)
Corporate marketing and branding costs	(1,054)	(8,665)
Business travel expenses	(832)	(1,485)
Directors' fee	(2,742)	(5,596)
Others	(3,023)	(10,111)
	<u>(43,265)</u>	<u>(64,194)</u>

There is no payment for social contribution in 2023 and 2022.

8. PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	31 December 2023	31 December 2022
Charge on Loans, advances and finance leases	(150,410)	(11,847)
Charge of provision of impairment for doubtful receivables and other assets	(47,798)	(356)
	<u>(198,208)</u>	<u>(12,203)</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

9. IMPAIRMENT OF INTANGIBLES AND OTHER ITEMS

	31 December 2023	<i>31 December 2022</i>
Impairment of intangibles (note 16)	(364,743)	(119,615)
Others	(19,329)	(5,987)
	<u>(384,072)</u>	<u>(125,602)</u>

10. OTHER EXPENSE/INCOME (NET)

	31 December 2023	<i>31 December 2022</i>
Government grant income	-	298
Finance lease modification charge	-	(300)
Fair value gain on land	-	39,540
Income from deemed disposal of associate	-	68,989
Reversal of performance fee expense	-	41,069
Gain on disposal of subsidiaries	-	14,476
Loss on reduction of investment in associate (Note 14)	(62,528)	(16,107)
Gain on liability settlement	41,856	-
Fair value loss on asset held for sale	(50,488)	-
Others	29,164	12,921
	<u>(41,996)</u>	<u>160,886</u>

11. CASH AND CASH EQUIVALENTS

	31 December 2023	<i>31 December 2022</i>
Cash on hand	110	135
Balances held with banks	27,233	64,016
Cash and deposits with banks	<u>27,343</u>	<u>64,151</u>
Less: Restricted deposits	(1,250)	(1,250)
Cash and cash equivalents	<u>26,093</u>	<u>62,901</u>

The rate of interest on the deposits held during the year ended 31 December 2023 ranged from 0.01% to 5.25% (31 December 2022: 1.4% to 6.25%) per annum.

Cash and deposits with banks include deposits 1,250 (31 December 2023: 1,250) with banks, which are held as collateral against the Group's banking facilities. For the purposes of the consolidated statement of cash flows, cash and cash equivalents are stated net of these deposits.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

12. RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2023	31 December 2022
Trade receivables – net of loss allowance (Note 12.1)	32,593	67,891
Receivables from managed funds	7,852	47,329
Advances and deposits	4,180	4,833
Prepayments	5,775	5,175
Accrued income	26,372	21,296
Others (Note 12.2)	74,636	260,537
	<u>151,408</u>	<u>407,061</u>
Trade receivables and managed funds – net of loss allowance		
Trade receivables and managed funds	96,306	123,283
Loss allowance	(55,861)	(8,063)
	<u>40,445</u>	<u>115,220</u>
Movement in loss allowance:		
Opening balance	(8,063)	(7,707)
Charge for the year	-	(356)
Written off	(47,798)	-
	<u>(55,861)</u>	<u>(8,063)</u>
Closing balance	(55,861)	(8,063)

12.1 Included in trade receivables is an amount of 487 (31 December 2022: 470) due from related parties (Note 23).

12.2 This includes 42,166 receivable from the disposal of a subsidiary in 2022.

13. LOANS, ADVANCES AND FINANCE LEASES

	31 December 2023	31 December 2022
Loans and advances - net of provision for impairment (a)	52,787	260,281
Finance leases – net of provision of impairment (b)	55,323	14,222
	<u>108,110</u>	<u>274,503</u>

(a) Loans and advances

	31 December 2023	31 December 2022
Total loans and advances	226,276	283,360
Provision for impairment	(173,489)	(23,079)
	<u>52,787</u>	<u>260,281</u>
Movement in cumulative provision for impairment:		
Opening balance	(23,079)	(11,232)
Charge for the year	(150,410)	(11,847)
	<u>(173,489)</u>	<u>(23,079)</u>
Closing balance	(173,489)	(23,079)

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

13. LOANS, ADVANCES AND FINANCE LEASES (continued)

(a) Loans and advances (continued)

As at 31 December 2023, the underlying collateral for loans and advances were valued at 57,000 (31 December 2022: 173,392). Provisions are made for the uncovered portion of the impaired loans and advances

(b) Finance leases

	31 December 2023	31 December 2022
Current finance lease receivables	-	-
Non-current finance lease receivables	55,323	14,222
Provision for impairment	-	-
	<u>55,323</u>	<u>14,222</u>
Movement in provision for impairment:		
Opening balance	-	(11,135)
Charge for the year	-	(1,871)
Reversals during the year	-	-
Transferred to held for sale	-	13,006
	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>-</u>

Leasing arrangements – the Group as lessor

The Group has sub-let a portion of its leased office premises to third parties.

	<i>Minimum lease payments</i>		<i>Present value of minimum lease payments</i>	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Not later than one year	-	-	-	-
Later than one year and not later than five years	4,942	14,222	4,942	14,222
	<u>4,942</u>	<u>14,222</u>	<u>4,942</u>	<u>14,222</u>
Less: unearned finance income	-	-	-	-
	<u>4,942</u>	<u>14,222</u>	<u>4,942</u>	<u>14,222</u>
Present value of minimum lease payments receivable	4,942	14,222	4,942	14,222
Allowances for uncollectible lease payments	-	-	-	-
	<u>4,942</u>	<u>14,222</u>	<u>4,942</u>	<u>14,222</u>

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at nil. The interest rate implicit in the leases is fixed at the contract date for the entire lease term.

As at 31 December 2023, the underlying collateral for finance leases was valued at Nil (31 December 2022: Nil). Provisions are made for the impaired portion of the lease, net of collateral.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

13. LOANS, ADVANCES AND FINANCE LEASES (continued)

The effect of collateral on assets is as follows:

31 December 2023

	Over collateralized Carrying value of the assets	Value of collateral	Under collateralized Carrying value of the assets	Value of collateral
Loans and advances	52,787	57,000	-	-
Finance leases	49,166	224,965	1,215	3,452
Margin lending	-	-	-	-
	<u>101,953</u>	<u>281,965</u>	<u>1,215</u>	<u>3,452</u>

31 December 2022

	Over collateralized Carrying value of the assets	Value of collateral	Under collateralized Carrying value of the assets	Value of collateral
Loans and advances	77,279	116,392	161,396	57,000
Finance leases	-	-	-	-
Margin lending	-	-	-	-
	<u>77,279</u>	<u>116,392</u>	<u>161,396</u>	<u>57,000</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

14. INVESTMENTS IN ASSOCIATES

The table below shows the movement in associates during the year:

	31 December 2023						
	QIL	SHUAA Hospitality Fund I L.P.	SHUAA Saudi Hospitality Fund I	Eshraq*	ADCORP Limited	Others	Total
Movement							
As at 1 January 2023	-	-	-	930,979	16,620	-	947,599
Share of (loss)/profit of associates	-	-	-	(139,118)	-	2,960	(136,158)
Share of buy back of treasury shares of associate	-	-	-	(12,977)	-	-	(12,977)
Disposal	-	-	-	(130,579)	-	-	(130,579)
Loan settlement	-	-	-	(124,409)	-	-	(124,409)
Dividends and distributions	-	-	-	(2,583)	(5,895)	(2,960)	(11,438)
Impairments	-	-	-	-	(3,000)	-	(3,000)
As at 31 December 2023	-	-	-	521,313	7,725	-	529,038

* Eshraq is a publicly listed company with its market price quoted on the Abu Dhabi Stock Exchange (ADX). The market price as at 31 December 2023 was AED 0.44. The Group has also conducted an independent valuation exercise for its investment in associate and concluded that the carrying value of the investment is recoverable.

The table below shows the movement in associates during 2022.

	31 December 2022						
	QIL	SHUAA Hospitality Fund I L.P.	SHUAA Saudi Hospitality Fund I	Eshraq	ADCORP Limited	Others	Total
Movement							
As at 1 January 2022	210,393	36,844	13,360	-	36,605	56,834	354,036
Additions	-	-	-	802,974	-	12,019	814,993
Share of profit of associates	-	-	-	154,057	-	8,541	162,598
Share of equity issuance cost of associate	-	-	-	-	-	(10,575)	(10,575)
Classified from FVTPL	-	-	-	8,083	-	(6,759)	1,324
Disposal	-	-	-	(34,135)	-	(54,325)	(88,460)
Dividends and distributions	-	-	-	-	(19,985)	-	(19,985)
Impairments	-	-	-	-	-	(5,735)	(5,735)
Transfer to subsidiary	(210,393)	-	-	-	-	-	(210,393)
Reclassified to Held for sale	-	(36,844)	(13,360)	-	-	-	(50,204)
As at 31 December 2022	-	-	-	930,979	16,620	-	947,599

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

14. INVESTMENTS IN ASSOCIATES (continued)

The table below provides summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

	31 December 2023			
	Eshraq	ADCORP Limited	Others	Total
Summarised statement of financial position				
Assets				
- Current	1,453,754	30,673	-	1,484,427
- Non-current	822,920	-	-	822,920
Total assets	<u>2,276,674</u>	<u>30,673</u>	-	<u>2,307,347</u>
Liabilities				
- Current	40,745	1,846	-	42,591
- Non-current	123,148	-	-	123,148
Total liabilities	<u>163,893</u>	<u>1,846</u>	-	<u>165,739</u>
Net Assets	<u>2,112,781</u>	<u>28,827</u>	-	<u>2,141,608</u>
Summarised statement of comprehensive income				
Revenue	<u>(532,479)</u>	<u>2,410</u>	<u>-</u>	<u>(530,069)</u>
Loss/Profit for the year	(545,101)	2,131	-	(542,970)
Other comprehensive profit for the year	1,066	-	-	1,066
Total comprehensive income for the year	<u>(544,035)</u>	<u>2,131</u>	<u>-</u>	<u>(541,904)</u>
31 December 2022				
	Eshraq	ADCORP Limited	Others	Total
Summarised statement of financial position				
Assets				
- Current	2,096,058	40,292	-	2,136,350
- Non-current	923,715	-	-	923,715
Total assets	<u>3,019,773</u>	<u>40,292</u>	-	<u>3,060,065</u>
Liabilities				
- Current	86,879	1,835	-	88,714
- Non-current	229,229	-	-	229,229
Total liabilities	<u>316,108</u>	<u>1,835</u>	<u>-</u>	<u>317,943</u>
Net Assets	<u>2,703,665</u>	<u>38,457</u>	<u>-</u>	<u>2,742,122</u>
Summarised statement of comprehensive income				
Revenue	<u>570,683</u>	<u>2,376</u>	<u>-</u>	<u>573,059</u>
Profit for the year	589,790	24,855	-	614,645
Other comprehensive profit for the year	472	-	-	472
Total comprehensive income for the year	<u>590,262</u>	<u>24,855</u>	<u>-</u>	<u>615,117</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

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15. PROPERTY AND EQUIPMENT

	31 December 2023							
	<i>Leasehold Improvements</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Furniture and fixture</i>	<i>Land & buildings</i>	<i>Artworks and painting</i>	<i>Right-of-use assets</i>	<i>Total</i>
<u>Cost</u>								
Balance at beginning of the year	12,327	4,736	425	2,544	2,551	1,356	60,064	84,003
Lease modifications	-	-	-	-	-	-	-	-
Additions	295	647	-	-	-	-	4,690	5,632
Transfers	-	-	-	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-
Disposals	-	(982)	-	-	-	-	-	(982)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at end of the year	12,622	4,401	425	2,544	2,551	1,356	64,754	88,653
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Accumulated depreciation</u>								
Balance at beginning of the year	8,129	2,706	398	1,829	301	3	44,944	58,310
Charge for the year	1,392	982	3	75	-	-	8,358	10,810
Transfers	-	-	-	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-
Disposals	-	(982)	-	-	-	-	-	(982)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at end of the year	9,521	2,706	401	1,904	301	3	53,302	68,138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Net book value</u>								
Balance at end of the year	3,101	1,695	24	640	2,250	1,353	11,452	20,515
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

15. PROPERTY AND EQUIPMENT (continued)

	31 December 2022							
	<i>Leasehold Improvements</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Furniture and fixture</i>	<i>Land & buildings</i>	<i>Artworks and painting</i>	<i>Right-of-use assets</i>	<i>Total</i>
<u>Cost</u>								
Balance at beginning of the year	14,320	15,706	1,058	3,083	2,551	1,356	54,774	92,848
Lease modifications	-	-	-	-	-	-	12,872	12,872
Additions	-	749	-	-	-	-	-	749
Transfers	-	-	-	-	-	-	-	-
Disposal of subsidiary	(1,553)	(11,692)	(633)	-	-	-	(7,417)	(21,295)
Disposals	(440)	(27)	-	(539)	-	-	(165)	(1,171)
Balance at end of the year	12,327	4,736	425	2,544	2,551	1,356	60,064	84,003
<u>Accumulated depreciation</u>								
Balance at beginning of the year	8,270	14,079	583	1,260	301	3	33,991	58,487
Charge for the year	984	605	219	569	-	-	11,457	13,834
Transfers	-	-	-	-	-	-	-	-
Disposal of subsidiary	(1,125)	(11,978)	(404)	-	-	-	(504)	(14,011)
Disposals	-	-	-	-	-	-	-	-
Balance at end of the year	8,129	2,706	398	1,829	301	3	44,944	58,310
<u>Net book value</u>								
Balance at end of the year	4,198	2,030	27	715	2,250	1,353	15,120	25,693

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Notes to consolidated financial statements for the year ended 31 December 2023

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15. PROPERTY AND EQUIPMENT (continued)

15.1 The recognised right-of-use assets relate to the following types of assets:

	31 December 2023	<i>31 December 2022</i>
Buildings (*)	64,754	60,064
Total right-of-use assets at cost (Note 15)	<u>64,754</u>	<u>60,064</u>

(*) The Group has sub-let a portion of the leased property to third parties which have been adjusted against the recognised right-of-use assets (Note 15).

15.2 The depreciation charge for right-of-use assets pertains mainly to office premises (Note 15).

	31 December 2023	<i>31 December 2022</i>
Buildings	8,358	11,457
Total depreciation of right-of-use assets (Note 15)	<u>8,358</u>	<u>11,457</u>

16. GOODWILL AND OTHER INTANGIBLE ASSETS

	31 December 2023				
	<i>Goodwill</i>	<i>Trademark/ Brand</i>	<i>Customer Relationships</i>	<i>Trade Licenses</i>	<i>Total</i>
<u>Cost</u>					
Balance at beginning of the year	877,080	7,993	34,249	7,607	926,929
Impact of foreign currency translation	5,662	-	-	-	5,662
Impairment	(364,743)	-	-	-	(364,743)
Balance at end of the year	<u>517,999</u>	<u>7,993</u>	<u>34,249</u>	<u>7,607</u>	<u>567,848</u>
<u>Accumulated amortization</u>					
Balance at beginning of the year	-	1,524	23,164	7	24,695
Charge for the year	-	481	1,234	-	1,715
Balance at end of the year	<u>-</u>	<u>2,005</u>	<u>24,398</u>	<u>7</u>	<u>26,410</u>
Net book value as at 31 December 2023	<u>517,999</u>	<u>5,988</u>	<u>9,851</u>	<u>7,600</u>	<u>541,438</u>

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(Currency - Thousands of U.A.E. Dirhams)

16. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	31 December 2022				
	Goodwill	Trademark/ Brand	Customer Relationships	Trade Licenses	Total
<u>Cost</u>					
Balance at beginning of the year		15,573	215,249	18,807	1,274,305
	1,024,676				
Impact of foreign currency translation	(66,441)	-	-	-	(66,441)
Impairment	-	(4,980)	(155,000)	(2,000)	(161,980)
Disposal	(81,155)	(2,600)	(26,000)	(9,200)	(118,955)
	-----	-----	-----	-----	-----
Balance at end of the year	877,080	7,993	34,249	7,607	926,929
	-----	-----	-----	-----	-----
<u>Accumulated amortization</u>					
Balance at beginning of the year	-	2,064	60,220	7	62,291
Charge for the year	-	735	13,342	-	14,077
Impairment	-	(726)	(41,639)	-	(42,365)
Disposal	-	(549)	(8,759)	-	(9,308)
	-----	-----	-----	-----	-----
Balance at end of the year	-	1,524	23,164	7	24,695
	-----	-----	-----	-----	-----
Net book value as at 31 December 2022	877,080	6,469	11,085	7,600	902,234
	=====	=====	=====	=====	=====

The Group performs impairment tests on Goodwill annually or earlier if an impairment trigger has been identified. Management assessed the recoverable amount for the cash-generating units ("CGUs") using the higher of fair value less cost to sell and value in use ("VIU"). VIU calculations were determined using cash flow projections from financial budgets approved by the Group's senior management covering a five-year period. The discount rate applied to the cash flow projections represent the cost of capital adjusted for an appropriate risk premium for these cash-generating units. The Group reassessed the discount rates based on updated market data that adequately reflects the business risks associated with each CGU.

During the year, the Group identified impairment triggers, in the real estate CGU, specifically macroeconomic factors and certain events in the UK that led to a reassessment of the Group's cash flow projections in the next five years based on the revised business strategy. The Group's revised strategy now focuses primarily on the UAE real estate market as opposed to the UK real estate market. As a result of this exercise, the Group recognized an impairment of AED 365 million in respect of the carrying amount of goodwill during the year.

In order for there to be a material impact on the VIU calculation of the asset management – real estate CGU to require an impairment of the carrying amount of the goodwill, the discount rate needs to increase by 11.77 percent or the growth rates need to decrease by 32.60 percent. The Group has also performed a sensitivity analysis by varying key inputs by a reasonable margin, and notes that in view of the impairment charged during the year, the excess of the VIU performed over asset management – Real estate CGU value over the balance sheet value is marginal as at 31 December 2023, and a reasonably possible change in assumptions could potentially lead to further impairment. In order for a similar impact to Investment Banking – Advisory CGU to potentially require an impairment of the carrying amount of the goodwill, the discount rate needs to increase by 79.29 percent or the growth rate need to decrease by 254.76 percent.

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16. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

For all other CGUs discount and growth rates need to vary significantly beyond current economic extreme forecasts in order for a material impact on the VIU calculation to require an impairment of the carrying amount of the goodwill. The key assumptions used in estimating the recoverable amounts of cash-generating units were assessed to ensure reasonableness of the VIU and resulting adjustment, if any, is recorded in the consolidated income statement.

The carrying amount of Goodwill, Trade licenses and Customer relationships as at 31 December 2023 allocated to each CGU along with the key inputs used for VIU calculations and sensitivity analysis are summarized as follows:

31 December 2023								
CGU	Goodwill	Customer relationship	Trademarks/ Brand	Trade licenses	Discount rate	Growth rate	Change in Discount rate of +1% to VIU	Change in Growth rate of -1% to VIU
Asset Management – Real Estate Investment	269,131	-	2,727	3,300	9.31%	4.3%	(53,323)	(43,694)
Banking Investment	162,215	-	2,080	4,000	8.8%	4.2%	(98,904)	(83,987)
Fixed Income Trading	58,746	9,851	1,180	-	8.8%	4.2%	(29,551)	(25,183)
Investment Solutions	27,907	-	-	300	8.8%	4.2%	(21,836)	(18,768)
	<u>517,999</u>	<u>9,851</u>	<u>5,987</u>	<u>7,600</u>				
31 December 2022								
CGU	Goodwill	Customer relationship	Trademarks/ Brand	Trade licenses	Discount rate	Growth rate	Change in Discount rate of +1% to VIU	Change in Growth rate of -1% to VIU
Asset Management – Real Estate Investment	628,212	-	2,902	3,300	8.75%	2.5%	(135,094)	(107,600)
Banking Investment	162,215	-	2,215	4,000	6.95%	3.5%	(534,844)	(470,056)
Fixed Income Trading	58,746	11,085	1,352	-	6.95%	3.5%	(82,418)	(72,381)
Investment Solutions	27,907	-	-	300	6.95%	3.5%	(83,838)	(73,731)
	<u>877,080</u>	<u>11,085</u>	<u>6,469</u>	<u>7,600</u>				

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

17. PAYABLES AND OTHER CREDIT BALANCES

Payables and other credit balances comprise the following:

	31 December 2023	<i>31 December 2022</i>
Payable to clients	3,342	3,505
Customer deposits	9,763	14,546
Accruals	42,601	69,423
Lease liabilities (Note 17.1)	22,184	33,408
Payables against acquisitions	181,487	172,876
Unclaimed dividends payable	-	33,457
FVTPL liabilities	18,399	142
Realised carried interest payable to employees	10,664	10,501
End of service benefits	10,543	13,265
Provisions (Note 17.2)	371	366
Deferred revenue	1,908	6,174
Deferred Tax Liability	40,854	-
Other payables	29,545	130,806
	<u>371,661</u>	<u>488,469</u>

17.1 Lease liabilities

	31 December 2023	<i>31 December 2022</i>
Current	6,398	6,398
Non-current	15,786	27,010
	<u>22,184</u>	<u>33,408</u>

This represents liability recognised on application of IFRS 16 in relation to renting of office space for the Group.

17.2 Movement in provisions

	31 December 2023	<i>31 December 2022</i>
As at 1 January	366	9,844
Charged to profit or loss	5	1,898
Disposal of subsidiary	-	(11,376)
	<u>371</u>	<u>366</u>

All other balances above, except as disclosed in note 25, are expected to be settled within 12 months after the end of the reporting period.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

18. OTHER FINANCIAL LIABILITIES

	31 December 2023	31 December 2022
Repayable within twelve months	68,098	5,589
Repayable after twelve months	69,058	158,219
	<u>137,156</u>	<u>163,808</u>

These comprise of issued term and wakalah investment certificates as well as other debt obligations.

19. BORROWINGS

Borrowings at the end of the reporting period are as follows:

	31 December 2023	31 December 2022
Secured		
Due to banks	230,969	347,547
Due to other financial institutions (Note 19.1)	29,881	29,879
Others	64,986	280,314
	<u>325,836</u>	<u>657,740</u>
Unsecured		
Due to banks (Note 19.2)	28,378	-
Bonds and Sukuk payable	508,758	548,466
	<u>537,136</u>	<u>548,466</u>
	<u>862,972</u>	<u>1,206,206</u>

19.1 These include borrowings amounting to 29,881 (31 December 2022: 29,879) due to related parties with an interest rate of 8% p.a. (2022: 7.3% to 8% p.a.).

19.2 This includes 14,496 related to funding received by a subsidiary from its regulator to finance and support Small and Medium-Sized Entities (SME) lending activity of the subsidiary (31 December 2022: Nil).

Maturity profile of borrowings at the end of the year are as follows:

	31 December 2023	31 December 2022
Secured		
Repayable within twelve months	325,836	426,179
Repayable after twelve months	-	231,561
	<u>325,836</u>	<u>657,740</u>
Unsecured		
Repayable within twelve months	496,041	548,466
Repayable after twelve months	41,095	-
	<u>537,136</u>	<u>548,466</u>
	<u>862,972</u>	<u>1,206,206</u>

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(Currency - Thousands of U.A.E. Dirhams)

19. BORROWINGS (continued)

19.3 Summary of borrowing arrangements:

31 December 2023				
Facility type	Facility Amount	Original Tenor	Effective interest/profit rate	Collateral
Term Loan	324,307	Between 0 to 7 years	1.5% - 14%	135,721
Bond and Sukuk	508,758	Between 1 to 5 year	7.50% - 8.25%	-
Murabaha facility	29,907	Between 0 to 1 year	8%	228,862
	<u>862,972</u>			<u>364,583</u>
31 December 2022				
Facility type	Facility Amount	Original Tenor	Effective interest/profit rate	Collateral
Term Loan	550,582	Between 0 to 7 years	1.5% - 14%	605,983
Bond	548,466	Between 2 to 3 years	7.50%	-
Murabaha facility	107,158	Between 0 to 5 years	3% - 9%	116,392
	<u>1,206,206</u>			<u>722,375</u>

Collaterals mainly include cash, liquid securities, land and private equity holdings.

The outstanding bond payable of AED 488,645 including accrued coupon was renegotiated by the Group and extended the maturity of the bond until 31 March 2025 (refer to Note 2 for details).

The term loan include AED 191,499 which was repayable after twelve months, but has been reclassified as repayable within twelve months at 31 December 2023, as a result of breach of debt covenants. The Group continues to be in negotiation with the bank to obtain covenant breach remediation. As at the date of approval of the consolidated financial statement the bank has not granted a waiver or remediation, nor has it called the term loan as the Group continues to meet the payment schedule of the term loan.

19.4 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 1 January 2023	Acquisitions on business combination	Financing cash flows (i)	Other charges (ii)	Non-cash changes		At 31 December 2023
					Disposal of subsidiaries (iii)	Transfer to Held for sale	
Due to banks	347,547	-	(88,182)	(17)	-	-	259,348
Due to other financial institutions	29,879	-	-	2	-	-	29,881
Bonds payable	548,466	-	(39,708)	-	-	-	508,758
Others	280,314	-	(194,805)	(20,524)	-	-	64,985
	<u>1,206,206</u>	<u>-</u>	<u>(322,695)</u>	<u>(20,539)</u>	<u>0</u>	<u>0</u>	<u>862,972</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

19. BORROWINGS (continued)

19.4 Reconciliation of liabilities arising from financing activities (continued)

	At 1 January 2022	Acquisitions on business combination	Financing cash flows (i)	Other charges (ii)	Non-cash changes Disposal of subsidiaries (iii)	Transfer to Held for sale	At 31 December 2022
Due to banks	1,197,849	137,621	(161,815)	(202,026)	(587,549)	(36,533)	347,547
Due to other financial institutions	60,641	-	(55,667)	164,270	(139,365)	-	29,879
Bonds payable	543,944	-	(37,373)	41,895	-	-	548,466
Others	182,985	292,131	-	(95,573)	(67,256)	(31,973)	280,314
	<u>1,985,419</u>	<u>429,752</u>	<u>(254,855)</u>	<u>(91,434)</u>	<u>(794,170)</u>	<u>(68,506)</u>	<u>1,206,206</u>

(i) Net cash flows from proceeds and repayment of borrowings

(ii) Other charges include interest accruals, repayments and discontinued operations adjustments.

20. SHARE CAPITAL

	Number of shares	Value
31 December 2023	<u>2,535,720</u>	<u>2,535,720</u>
31 December 2022	<u>2,535,720</u>	<u>2,535,720</u>

Authorised, issued and fully paid share capital comprises 2,535,720,000 shares (31 December 2022: 2,535,720,000 shares) of AED 1 per share (31 December 2022: AED 1 per share). Each share carries one vote and the right to receive dividends.

At 31 December 2023, the Company had NIL (31 December 2022: Nil) treasury shares outstanding. During the year, the Company sold NIL treasury shares (2022: Nil) for total proceeds of NIL (2022: Nil). The cost of these shares was Nil.

21. OTHER RESERVES

	Merger reserve (21.1)	Investment revaluation reserve	Cash flow hedge reserve	Translation reserve	Total
As at 1 January 2023	(1,410,720)	(65,190)	15,474	(7,040)	(1,467,476)
Remeasurement of equity investments carried at FVOCI	-	-	-	-	-
Cash flow hedge	-	-	(4,129)	-	(4,129)
Translation of operations of foreign subsidiaries	-	-	-	10,201	10,201
NCI share	-	-	-	(3,732)	(3,732)
Other comprehensive (loss)/income	<u>(1,410,720)</u>	<u>(65,190)</u>	<u>11,345</u>	<u>(571)</u>	<u>(1,465,136)</u>
As at 31 December 2023	<u>(1,410,720)</u>	<u>(65,190)</u>	<u>11,345</u>	<u>(571)</u>	<u>(1,465,136)</u>
As at 31 December 2022	<u>(1,410,720)</u>	<u>(65,190)</u>	<u>15,474</u>	<u>(7,040)</u>	<u>(1,467,476)</u>

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

21. OTHER RESERVES (continued)

Merger reserve represents the excess value of the consideration paid by the legal acquirer (SHUAA) over the nominal value of the pre-merger share capital of the legal acquiree (ADFG).

22. LOSS PER SHARE

Basic earnings per share has been computed by dividing the net loss attributable to the Owners with the weighted average number of ordinary shares outstanding

	31 December 2023	<i>31 December 2022</i>
Loss attributable to the Owners from continuing operations	(906,644)	(2,608)
Loss attributable to the Owners	(906,644)	(135,204)
Weighted average number of ordinary shares	2,535,720	2,535,720
Loss per share attributable to Owners from continuing operations	(0.36)	(0.004)
Loss per share attributable to Owners	(0.36)	(0.05)

Diluted earnings per share as of 31 December 2023 and 31 December 2022 are equivalent to basic earnings per share.

23. RELATED PARTY TRANSACTIONS AND BALANCES

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties represent significant shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties.

The Group conducts its transactions with related parties on arm's length terms, with any exceptions to be specifically approved by the Board. In all cases, transactions with related parties are required to be conducted in compliance with all relevant laws and regulations. Where a Board member has an actual or perceived conflict of interest over an issue to be considered by the Board, the interested member may not vote on any relevant resolutions and can also be asked by the Chairman not to participate in the relevant Board discussions.

In addition to the disclosure in Note 2, the nature of significant related party transactions and the amounts due to/from related parties were as follows:

	31 December 2023	<i>31 December 2022</i>
Loan, advances and finance leases		
Associates	-	77,279
Receivables and other debit balances		
Associates	487	470
Borrowings		
Associates	29,881	29,879
Other financial liabilities		
Associates	12,114	53,122
Other related parties	26,857	-

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant transactions with related parties included in these consolidated financial statements are as follows:

	31 December 2023	<i>31 December 2022</i>
Directors remuneration	<u>5,000</u>	<u>4,500</u>
Key management compensation:		
Salaries, bonuses and other benefits	9,792	12,973
Long term incentive plan ("LTIP")	6,017	5,742
Post-employment benefits	425	451
	<u>16,234</u>	<u>19,166</u>
Revenue earned from related parties		
Other related parties	<u>36,092</u>	<u>20,805</u>
Finance cost on the borrowings		
Associates	<u>3,105</u>	<u>5,640</u>
Interest paid on borrowings		
Associates	<u>2,390</u>	<u>2,390</u>

24. FINANCIAL INSTRUMENTS

24.1 Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets				
FVTPL				
-Equity investments	970	-	16,642	17,612
-Fixed income investments	28,486	16,602	-	45,088
-Fund investments	-	2,955	271,596	274,551
FVOCI				
-Equity investments	-	-	-	-
-Other investments	-	-	562	562
	<u>29,456</u>	<u>19,557</u>	<u>288,800</u>	<u>337,813</u>
Financial Liabilities				
FVTPL				
	18,399	-	-	18,399
	<u>18,399</u>	<u>-</u>	<u>-</u>	<u>18,399</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

24. FINANCIAL INSTRUMENTS (continued)

24.1 Fair value of financial instruments (continued)

During the year, the Group recognized fair value loss amounting to (329,695) (31 December 2022: loss amounting to (128,132)), on investments carried at FVTPL. The Group purchased investments of 43,844 (2022: Nil) during the financial year ended 31 December 2023.

The above non-derivative equity investments are not held for trading and have been designated by the Group as at FVOCI at initial recognition as the Group considers these investments to be strategic in nature. These include changes in fair value losses amounting to Nil recognised during the year (31 December 2022: Nil).

FVTPL and FVOCI investments include securities with market value of 482,818 (31 December 2022: 722,375) which are pledged against borrowings (Note 19). The most materially significant FVTPL level 3 investments are real estate funds assets in the UK and the UAE.

The carrying amount of financial instruments carried at amortised cost approximate their value due to their short nature and as certain of them carry market rate of interest.

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets				
FVTPL				
-Equity investments	899	45,143	25,376	71,418
-Fixed income investments	9,075	7,226	-	16,301
-Fund investments	-	10,591	569,730	580,321
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	9,974	62,960	595,668	668,602
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FVOCI				
-Equity investments			562	562
-Other investments				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Liabilities				
FVTPL				
Payable to unit holders	142	-	-	142
	-	29,290	-	29,290
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	142	29,290	-	29,432
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Financial assets recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

At fair value through profit or loss:

Investments and financial liabilities carried at FVTPL are valued using market prices in active markets or valuation techniques which incorporate data which is both observable and non-observable. This category includes quoted and unquoted securities and funds which invest in underlying assets which are in turn valued based on both observable and non-observable data. Observable inputs include market prices (from active markets), foreign exchange rates and movements in stock market indices. Unobservable inputs include assumptions regarding expected future financial performance, discount rates and market liquidity discounts. Investments classified as FVTPL falling under level 2 category have been valued using the Net Asset Value.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

24. FINANCIAL INSTRUMENTS (continued)

24.1 Fair value of financial instruments (continued)

At fair value through other comprehensive income:

Investments carried at FVOCI financial assets are valued using quoted prices in active markets, valuation techniques or pricing models and consist of quoted equities, and unquoted funds. These assets are valued using quoted prices or models which incorporate data which is both observable and non-observable. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. The following table shows the impact on the fair value of level 3 instruments reflecting change in underlying assumptions used in the valuation by class of instrument.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Effect of changes in underlying assumptions	Effect of changes in underlying assumptions	Sensitivity analysis	Relationship of unobservable inputs to fair value
	31/12/23	31/12/22				2023	2022		
<i>FVTPL</i>									
Equity investments	16,642	25,376	3	NAV ²	Net asset value	+/-832	+/- 1,278	± 5% change in NAV, impacts fair value	The higher the discount rate, the lower the fair value
Fund investments	271,596	569,730	3	Discounted cash flow ¹ and NAV ²	Net asset value adjusted with market risk	+/-13,580	+/- 28,469	± 5% change in NAV and 1% change in discount rate, impacts fair value	The higher the market risk, the lower the fair value and the higher the discount rate, the lower the fair value
<i>FVOCI</i>									
Fund investments	562	562	3	NAV ²	Net asset value	+/-28	+/- 28	± 5% change in NAV, impacts fair value	The higher the market risk, the lower the fair value

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

24. FINANCIAL INSTRUMENTS (continued)

24.1 Fair value of financial instruments (continued)

Significant unobservable inputs in Level 3 instruments valuations

¹Discounted cash flow models are used to fair value fund investments. A significant portion of the fund investments relates to a UK based real estate development fund that uses market comparable and discounted cashflow model to determine its fair value, of which the key assumptions relate to timing of future cash inflows/outflows and discount rate. For the remaining assets recognized under fund investments, the cash flow model includes assumptions related to future cash inflows/outflows, discount rate and growth rate. The extent of the adjustment varied according to the characteristics of each investment.

²Net asset value represents the estimated value of a security based on valuations received from the investment or fund manager. The NAV is based on the fair value of the underlying investments and other assets and liabilities. The valuation of certain private equity securities is based on the economic benefit we derive from our investment.

Movements in level 3 financial assets measured at fair value

During the period, there were no transfers between levels.

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets which are recorded at fair value:

	<i>Balance at 1 January 2023</i>	<i>Acquired on business combination</i>	<i>Additions</i>	<i>Disposal</i>	<i>Loss through P&L</i>	<i>Loss through OCI</i>	<i>Level 2 to Level 3</i>	<i>Balance at 31 December 2023</i>
FVTPL								
Equity Investments	25,376	-	2,809	(11,543)	(45,143)	-	45,143	16,642
Fixed Income	-	-	-	-	-	-	-	-
Fund Investment	569,730	-	-	(86,432)	(211,702)	-	-	271,596
FVOCI								
Fund Investment	562	-	-	-	-	-	-	562
	<u>595,668</u>	<u>-</u>	<u>2,809</u>	<u>(97,975)</u>	<u>(256,845)</u>	<u>-</u>	<u>45,143</u>	<u>288,800</u>
<i>31 December 2022</i>								
	<i>Balance at 1 January 2022</i>	<i>Acquired on business combination</i>	<i>Additions</i>	<i>Disposal</i>	<i>Loss through P&L</i>	<i>Loss through OCI</i>	<i>Transfers from associate</i>	<i>Balance at 31 December 2022</i>
FVTPL								
Equity Investment	2,236	-	23,140	-	-	-	-	25,376
Fixed Income	-	-	-	-	-	-	-	-
Fund Investment	571,481	3,746	-	(6,846)	(5,410)	-	6,759	569,730
FVOCI								
Fund Investment	23,366	-	-	-	-	(22,804)	-	562
	<u>597,083</u>	<u>3,746</u>	<u>23,140</u>	<u>(6,846)</u>	<u>(5,410)</u>	<u>(22,804)</u>	<u>6,759</u>	<u>595,668</u>

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Notes to consolidated financial statements for the year ended 31 December 2023 (continued)

(Currency - Thousands of U.A.E. Dirhams)

24. FINANCIAL INSTRUMENTS (continued)

24.1 Fair value of financial instruments (continued)

Losses on level 3 financial assets included in the consolidated statement of profit or loss for the year are detailed as follows:

	31 December 2023	<i>31 December 2022</i>
Realised and unrealised gains/(losses)	(256,845)	<i>(5,410)</i>

25. FINANCIAL RISK MANAGEMENT

Introduction

The inherent risk relating to the Group's activities is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group is exposed to credit risk, liquidity risk, market risk (comprising, interest rate risk, foreign exchange risk and equity price risk) and operational risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risk relating to the Group's activities and recognises the importance of managing risk in line with shareholder risk appetite.

Authority to set Group-wide rules to manage credit, liquidity and market risk are delegated to the Governance Committees of the Group and to each subsidiary. However, enterprise-wide risk is monitored by the Group Management Committees which ensures that Group rules are adhered to.

Credit risk

Credit risk, or the risk of loss due to default on payment, is controlled by the application of credit approvals and monitoring procedures. Rules to limit exposure to credit risk are set by the Board of Directors and authority is delegated to the Governance Committees to set rules by business and strategy. Adherence to overall limits, authorisation, concentration and collateral requirements are independently monitored and managed by Risk Management.

Risk Management oversees the status of receivables, exposures and provisions and mitigation steps are approved for any balances considered doubtful in accordance with internal and regulatory policies and guidelines.

Credit risk management

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD.

Credit risk grading

It is the Group's policy to maintain accurate and up to date risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly. The credit grades are calibrated, such that the risk of default increases exponentially at each higher risk grade.

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Notes to consolidated financial statements for the year ended 31 December 2023 (continued)

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Credit risk grading (continued)

The following data are typically used to monitor the Group's exposures:

- Information obtained at the time of extending the facility and periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions
- Utilization of the granted limit
- Payment record – this includes overdue status as well as a range of variables about payment ratios.

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as oil prices, non-oil commodities indexes, etc. The Group generates a 'based case' scenario of the future direction of relevant economic variables as well as representative range of other possible forecast scenarios.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with definition of credit impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.
- The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances like long-term forbearance, borrower is insolvent, borrower is entering bankruptcy etc.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when there is significant increase in credit risk is measured by comparing the risk of default estimated at origination. The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Collateral and other credit enhancements

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collaterals mainly include cash, liquid securities, land and buildings, vessels, equipment, mortgages on vehicles and private equity holdings.

Management of the Group monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Maximum exposure to credit risk

The maximum exposure to credit risk for the components of the consolidated statement of financial position, before considering other credit enhancement, is shown below:

	Gross maximum exposure 31 December 2023	<i>Gross maximum exposure 31 December 2022</i>
Cash and deposits with banks	27,343	64,151
Deposit held with bank	5,835	-
Receivables and other debit balances	151,408	407,061
Loans, advances and finance leases	108,110	274,503
Total credit risk exposure	<u>292,696</u>	<u>745,715</u>

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023 (continued)

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Credit risk consideration

The Group does not have significant credit risk exposure to any single counterparty or group of counterparties that have similar credit risk. The Group does not have any exposure to Russian and/or Ukrainian markets. The geographical concentration of the Group's financial assets at 31 December 2023 and 2022 is set out below:

31 December 2023							
Assets	UAE	GCC*	MENA**	North America	Europe	Asia	Total
Cash and deposits with banks	22,483	2,323	-	-	2,537	-	27,343
Deposit held with bank	5,835	-	-	-	-	-	5,835
Receivables and other debit balances	111,362	22,870	-	-	17,176	-	151,408
Loans, advances and finance leases	57,729	50,381	-	-	-	-	108,110
	<u>197,409</u>	<u>75,574</u>	<u>-</u>	<u>-</u>	<u>19,713</u>	<u>-</u>	<u>292,696</u>
31 December 2022							
Assets	UAE	GCC*	MENA**	North America	Europe	Asia	Total
Cash and deposits with banks	40,534	2,634	-	-	20,983	-	64,151
Receivables and other debit balances	158,302	206,587	-	-	42,172	-	407,061
Loans, advances and finance leases	254,736	-	-	-	19,767	-	274,503
	<u>453,572</u>	<u>209,221</u>	<u>-</u>	<u>-</u>	<u>82,922</u>	<u>-</u>	<u>745,715</u>

* GCC region excluding UAE

** MENA region excluding GCC and UAE

Credit quality analysis and measurement of ECL

The credit quality of financial assets is managed by the Group using internal credit ratings. The Company's cash and bank balances represents high grade assets which are placed with financial institutions with high credit rating. The Group determines based on the credit quality of financial assets whether they are subject to a 12-month ECL or lifetime ECL and, in the latter case, whether they are credit-impaired (loans, advances and finance leases). The Group uses a provision matrix (lifetime ECL) for trade receivables and receivable from funds.

Under receivables and other debit balances AED 42 million is related to the consideration receivable from the disposal of NCM. This amount has been assessed of being low credit risk and therefore the corresponding ECL is considered immaterial. The residual balance of AED 20 million represented under Others has also been assessed as being low credit risk and the corresponding ECL is considered immaterial.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination. ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognizes the cumulative changes in lifetime expected credit losses. Tables below show the credit quality of financial assets of the Group other than cash and bank balances and the ECL recognised thereon.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023 (continued)

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Credit quality analysis and measurement of ECL (continued)

	31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
<u>Loans and advances</u>					
Performing	-	-	-	-	-
Non-performing	-	-	226,276	-	226,276
	----	----	----	----	----
Gross loans and advances	-	-	226,276	-	226,276
Allowance for impairment	-	-	(173,489)	-	(173,489)
	----	----	----	----	----
Carrying amount	-	-	52,787	-	52,787
	=====	=====	=====	=====	=====
	31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
<u>Loans and advances</u>					
Performing	108,964	174,396	-	-	283,360
Non-performing	-	-	-	-	-
	----	----	----	----	----
Gross loans and advances	108,964	174,396	-	-	283,360
Allowance for impairment	(9,531)	(13,548)	-	-	(23,079)
	----	----	----	----	----
Carrying amount	99,433	160,848	-	-	260,281
	=====	=====	=====	=====	=====
	31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
<u>Finance leases</u>					
Performing	55,323	-	-	-	55,323
Non-performing	-	-	-	-	-
	----	----	----	----	----
Finance leases	55,323	-	-	-	55,323
Allowance for impairment	-	-	-	-	-
	----	----	----	----	----
Carrying amount	55,323	-	-	-	55,323
	=====	=====	=====	=====	=====
	31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
<u>Finance leases</u>					
Performing	14,222	-	-	-	14,222
Non-performing	-	-	-	-	-
	----	----	----	----	----
Finance leases	14,222	-	-	-	14,222
Allowance for impairment	-	-	-	-	-
	----	----	----	----	----
Carrying amount	14,222	-	-	-	14,222
	=====	=====	=====	=====	=====

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023 (continued)

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Loans and advances provision movement

	31 December 2023				31 December 2022
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Loans and advances					
Balance at 1 January	(9,531)	-	(13,548)	-	(23,079)
Allowance for impairment – Charge for the year	(47,410)	-	(103,000)	-	(150,410)
Reversal of allowance	-	-	-	-	-
<i>Changes in allowance for impairment</i>	-	-	-	-	-
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
	-----+	-----	-----	-----	-----
Closing balance at 31 December	<u>(56,941)</u>	<u>-</u>	<u>(116,548)</u>	<u>-</u>	<u>(173,489)</u>

Finance leases provision movement

	31 December 2023				31 December 2022
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Finance leases					
Balance at 1 January	-	-	-	-	(11,135)
Allowance for impairment – Charge for the year	-	-	-	-	(1,871)
Reversal of allowance	-	-	-	-	-
<i>Changes in allowance for impairment</i>	-	-	-	-	-
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Transferred to Held for sale	-	-	-	-	13,006
	-----	-----	-----	-----	-----
Closing balance at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023 (continued)

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Margin lending provision movement

	31 December 2023				31 December 2022	
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total	Total
Margin lending						
Balance at 1 January	-	-	-	-	-	(1,130)
Allowance for impairment – Charge for the year	-	-	-	-	-	-
Write off	-	-	-	-	-	1,130
Reversal of allowance	-	-	-	-	-	-
<i>Changes in allowance for impairment</i>	-	-	-	-	-	-
- Transfer to Stage 1	-	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Closing balance at 31 December	-	-	-	-	-	-
	=====	=====	=====	=====	=====	=====

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Collateral and other credit enhancements

The table below details the fair value of the collateral which is updated regularly:

	Loans, advances and finance leases	
	31 December 2023	31 December 2022
Against individually impaired:		
Properties	57,000	57,000
Fixed income and equities	-	116,392
Others	-	-
	<u>57,000</u>	<u>173,392</u>
Closing balance at 31 December	<u>57,000</u>	<u>173,392</u>

The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due, adjusted for forward looking information as described in Note 4.2.

	0-30 days	31-180 days	>180 days	Total 31 December 2023	Total 31 December 2022
Trade receivables and managed funds					
Gross carrying amount	8,631	5,840	81,835	96,306	123,283
ECL	-	-	(55,861)	(55,861)	(8,063)
	<u>8,631</u>	<u>5,840</u>	<u>25,974</u>	<u>40,445</u>	<u>115,220</u>

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements and arises principally on the Group's borrowings, payables and other credit balances and other financial liabilities.

Liquidity risk management

To limit this risk, management has arranged diversified funding sources, managed assets with liquidity in mind and monitored liquidity on a daily basis.

The Group has already taken various measures to manage the funding and liquidity risk including closely monitoring cash flows and forecasts.

The Group is strengthening its liquidity buffer through working capital management and fund-raising initiatives. The Group believes that the current cash and cash equivalents provide sufficient level of liquidity and stability during this time of uncertainty. Refer to Note 2 for further details.

The Group's approach aims to always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses and without materially affecting the return on capital. The Risk Committee of the Board ("RCB") and Asset Liabilities Committee ("ALCO") set minimum liquidity ratios and cash balance requirements which are then approved by the Board. The Group collates the projected cash flow and liquidity profiles of its financial assets and financial liabilities. It maintains a portfolio of short-term liquid assets to cover requirements, largely consisting of short-term liquid placements with financial institutions.

The various liquidity monitoring metrics are monitored by both the RCB and ALCO against internally set limits which have been approved by the Board. The primary measures of liquidity used by the Group are stock of liquid assets, liquidity coverage ratio and net funding requirement. The oversight of the liquidity risk by the Board, RCB and ALCO also includes the monitoring of the Group's compliance with the debt covenants, which are linked to the Group's debt to equity ratios, liquidity ratios and net worth.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk management (continued)

The maturity profile of liabilities as of the reporting date, determined on the basis of the remaining contractual maturity is as follows. Where assets have no contractual maturity date (*) management has made an estimate of the maturity date based on the liquidity of the asset and their intention.

The Group's contractual undiscounted repayment obligations on interest bearing financial liabilities are as follows:

	31 December 2023			Total
	Less than 12 Months	1 - 5 years	More than 5 years	
Borrowings *	841,990	20,982	-	862,972
Payables and other credit balances	280,498	91,163	-	371,661
Other financial liabilities	68,098	69,058	-	137,156
	<u>1,190,586</u>	<u>181,203</u>	<u>-</u>	<u>1,371,789</u>

	31 December 2022			Total
	Less than 12 Months	1 - 5 years	More than 5 years	
Borrowings	963,952	214,573	217,173	1,395,698
Payables and other credit balances	278,122	176,939	33,408	488,469
Other financial liabilities	5,893	175,523	-	181,416
	<u>1,247,967</u>	<u>567,035</u>	<u>250,581</u>	<u>2,065,583</u>

* Borrowings include bonds payable of 488,645 that management renegotiated an amendment and extension until 31 March 2025 with existing noteholders.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group faces market risk due to positions that are exposed to interest rate, currency and equity price movements.

The Group has significant exposure through one of its subsidiaries and one of its associates to a listed equity investment for which the book value of equity is lower than the listed price. In accordance with IFRS 13, the investment is fair valued at its listed price. As a listed equity, the price is subject to market fluctuations and is monitored in line with the Group's risk management guidelines.

The Board of Directors approves the investment guidelines to limit the Group's exposure to market risk. Within these guidelines the Group Assets and Liabilities Committee sets performance targets and allocates risk and capital enterprise wide and approves investment rules for each business or strategy. Group Risk Management monitors independently the level of market risk on a daily basis against the investment rules at each level of the company. Any issues or excessive exposures are resolved immediately and reported to the Group Assets and Liabilities Committee to determine if further action is required. Also, the Group Assets and Liabilities Committee decide whether any enterprise-wide hedging is required to mitigate any material Group wide exposures.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

31 December 2023					
Financial instrument	Net exposure	Effect on profit or loss for 0.75% increase in sensitivity	Effect on profit or loss for 0.75% decrease in sensitivity	Effect on other components of equity for 0.75% increase in sensitivity	Effect on other components of equity for 0.75% decrease in sensitivity
Borrowings	<u>862,972</u>	<u>(6,472)</u>	<u>6,472</u>	<u>-</u>	<u>-</u>
31 December 2022					
Financial instrument	Net exposure	Effect on profit or loss for 0.75% increase in sensitivity	Effect on profit or loss for 0.75% decrease in sensitivity	Effect on other components of equity for 0.75% increase in sensitivity	Effect on other components of equity for 0.75% decrease in sensitivity
Borrowings	<u>1,206,206</u>	<u>(9,046)</u>	<u>9,046</u>	<u>-</u>	<u>-</u>

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the finance cost for one year, based on the variable rate non-trading financial liabilities held at 31 December 2023. There is no impact on the Group equity, other than the implied effect on profits. The Group also has hedging arrangements to manage the interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has exposure in foreign currencies as a result of its geographically diversified operations which is monitored by management in adherence with internal guidelines.

The table below indicates the currencies to which the Group had significant exposure as at 31 December 2023. The analysis indicates the effect on profit of an assumed 5% change in the UAE Dirham value against other currencies from levels applicable at 31 December 2023, with all other variables held constant.

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk (continued)

<i>31 December 2023</i>					
<i>Foreign currency</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net exposure</i>	<i>Effect on profit or loss for 5% increase in sensitivity</i>	<i>Effect on profit or loss for 5% decrease in sensitivity</i>
Sterling	231,765	167,341	64,424	3,221	(3,221)
Qatar Riyal	5,176	-	5,176	259	(259)
Egyptian Pound	5,059	4,004	1,055	53	(53)
Kuwait Dinar	1,677	1,523	154	8	(8)
Euro	2,806	2,791	15	1	(1)
Saudi Riyal	4,445	7,926	(3,481)	174	(174)
	<u>250,928</u>	<u>183,585</u>	<u>67,343</u>	<u>3,716</u>	<u>(3,716)</u>
<i>31 December 2022</i>					
<i>Foreign currency</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net exposure</i>	<i>Effect on profit or loss for 5% increase in sensitivity</i>	<i>Effect on profit or loss for 5% decrease in sensitivity</i>
Sterling	432,674	157,815	274,859	13,743	(13,743)
Singapore Dollar	491	521	(30)	(2)	2
Egyptian Pound	1,365	281	1,084	54	(54)
Kuwait Dinar	864	750	114	6	(6)
Euro	2,606	2,487	119	6	(6)
	<u>438,000</u>	<u>161,854</u>	<u>276,146</u>	<u>13,807</u>	<u>(13,807)</u>

Price risk

Price risk is the risk that the fair values of securities decrease as the result of changes in market values. The effect of price risk on the Group with all other variables held constant is as follows:

<i>31 December 2023</i>					
<i>Financial instrument</i>	<i>Net exposure</i>	<i>Effect on profit or loss for 5% increase in sensitivity</i>	<i>Effect on profit or loss for 5% decrease in sensitivity</i>	<i>Effect on other components of equity for 5% increase in sensitivity</i>	<i>Effect on other components of equity for 5% decrease in sensitivity</i>
<i>FVTPL</i>					
Equity Investment	17,612	881	(881)	-	-
Fixed Income	45,088	2,254	(2,254)	-	-
Fund Investment	274,551	13,727	(13,727)	-	-
<i>FVOCI</i>					
Fund Investment	562	-	-	28	(28)
	<u>337,813</u>	<u>16,862</u>	<u>(16,862)</u>	<u>28</u>	<u>(28)</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Price risk (continued)

Financial instrument	Net exposure	31 December 2022			
		Effect on profit or loss for 5% increase in sensitivity	Effect on profit or loss for 5% decrease in sensitivity	Effect on other components of equity for 5% increase in sensitivity	Effect on other components of equity for 5% decrease in sensitivity
FVTPL					
Equity Investment	71,418	3,571	(3,571)	-	-
Fixed Income	16,301	815	(815)	-	-
Fund Investment	580,321	29,016	(29,016)	-	-
FVOCI					
Equity Investment	562	-	-	28	(28)
	<u>668,602</u>	<u>33,402</u>	<u>(33,402)</u>	<u>28</u>	<u>(28)</u>

Below table highlights the geographical allocation of investments:

Assets	31 December 2023						Total
	UAE	GCC	MENA	North America	Europe	Asia	
FVTPL							
Equity Investment	17,612	-	-	-	-	-	17,612
Fixed Income	26,499	16,985	-	995	609	-	45,088
Fund Investment	25,727	14,148	-	-	234,676	-	274,551
FVOCI							
Fund Investment	-	-	-	-	562	-	562
	<u>69,838</u>	<u>31,133</u>	<u>-</u>	<u>995</u>	<u>235,847</u>	<u>-</u>	<u>337,813</u>

Assets	31 December 2022						Total
	UAE	GCC	MENA	North America	Europe	Asia	
FVTPL							
Equity Investment	71,418	-	-	-	-	-	71,418
Fixed Income	12,137	3,519	-	-	645	-	16,301
Fund Investment	120,285	14,148	-	-	445,888	-	580,321
FVOCI							
Fund Investment	-	-	-	-	562	-	562
	<u>203,840</u>	<u>17,667</u>	<u>-</u>	<u>-</u>	<u>447,095</u>	<u>-</u>	<u>668,602</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

25. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk of loss resulting from systems failure, human error, fraud or external events. Authority is delegated by the Board of Directors to Group Management Committees to set the Group wide operational policies to manage the risk and control environment and meet the expectations of the Board of Directors and shareholders.

Group Risk Management use a risk and control framework to identify, measure, manage and monitor risk throughout the Group and ensure adherence to Group wide policies.

Capital risk management

The primary objective of the Group's capital management is to ensure that the Group maintains a strong capital structure, in order to support its business and to maximise shareholders' return.

The Group's policy is to maintain a strong capital base well above the minimum requirements to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group considers its share capital, retained earnings and reserves as its capital and monitors the capital structure via the leverage ratio. The leverage ratio is monitored by both RCB and ALCO against internally set limits which have been approved by the Board

The capital structure of the Group in terms of the gearing ratio is as shown below:

	31 December 2023	<i>31 December 2022</i>
Borrowings	862,972	1,206,206
Payable to client	3,342	3,505
Customer deposits	9,763	14,546
Lease liabilities	22,184	33,408
	-	-
Payable against acquisition	181,487	172,876
FVTPL liabilities	18,399	142
Other financial liabilities	137,156	163,808
	<u>1,235,303</u>	<u>1,594,491</u>
Total debt	1,235,303	1,594,491
Total equity	349,711	1,520,181
Debt to equity ratio	<u>3.53</u>	<u>1.05</u>

26. COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2023	<i>31 December 2022</i>
Contingent liabilities	<u>524</u>	<u>3,560</u>

As at 31 December 2023, the Group has capital commitments of Nil (2022: 14,976) with respect to the project development.

27. CLIENTS' FUNDS UNDER MANAGEMENT

A subsidiary of the Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates. As at 31 December 2023, clients' assets amounting to AED 9.0 billion (31 December 2022: AED 9.5 billion) were managed in a fiduciary capacity, without risk or recourse to the Group. These funds are off balance sheet items and do not constitute part of the Group's assets.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

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28. INTEREST IN MATERIAL SUBSIDIARIES

Summarized financial information of material subsidiaries with NCI is as follows:

	SHUAA Capital Group	Spadille Group	Squadron Group
Summarized statement of financial position			
Assets	564,020	76,829	19,105
Liabilities	(431,328)	(10,964)	(4,162)
Net assets	<u>132,692</u>	<u>65,865</u>	<u>14,943</u>
Summarized statement of comprehensive income			
Revenue	(5,411)	17,167	2,605
Loss for the year	(84,349)	(190,734)	(205,493)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	<u>(84,349)</u>	<u>(190,734)</u>	<u>(205,493)</u>
NCI - 1 January 2023	82,387	32,908	157,854
NCI movement in 2023	(96,618)	(28,760)	(142,264)
NCI - 31 December 2023	<u>(14,231)</u>	<u>4,148</u>	<u>15,590</u>
Summarised cash flows			
Cash flows generated (used in)/generated from operating activities	(26,260)	27	(10,223)
Cash flows (used in)/generated from investing activities	22,388	(645)	-
Cash flows (used in)/generated from financing activities	(10,710)	-	(125)
Net (decrease)/increase in cash and cash equivalents	<u>(14,582)</u>	<u>618</u>	<u>(10,348)</u>

29. DISCONTINUED OPERATIONS

	31 December 2023	<i>31 December 2022</i>
29.1 Assets of a disposal group classified as held for sale		
Assets held for sale	-	50,204
Assets of a disposal group classified as held for sale (A)	-	135,926
	<u>-</u>	<u>186,130</u>
29.2 Liabilities of a disposal group classified as held for sale (A)	-	68,019
	<u>-</u>	<u>68,019</u>

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Notes to consolidated financial statements for the year ended 31 December 2023

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29. DISCONTINUED OPERATIONS (continued)

Details of financial results and the cash flows of the discontinued operations are provided below:

	31 December 2023	31 December 2022
29.3 Profit from discontinued operations		
Total operating income	-	27,635
Total operating expenses	-	(160,231)
Loss from discontinued operations	<u>-</u>	<u>(132,596)</u>
29.4 Cash flows from discontinued operations		
Cash flows used in operating activities	-	(76,601)
Cash flows generated from investing activities	-	158,300
Cash flows used in financing activities	-	(223,555)
Net cash flow used in discontinued operations	<u>-</u>	<u>(141,856)</u>

30. TAX

Changes to Laws and regulations

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 9 December 2022 UAE Federal Decree-Law no 47 of 2022 was published setting in place an income tax for Corporations and Businesses for the first time. The taxable income threshold of AED 375 thousand which the 9% tax will apply was set in place by Cabinet Decision No 116 of 2022 which was published on 16 January 2023 and at this point the tax law was considered enacted and substantively enacted for accounting purposes.

While current taxes are not payable on profits generated before the Company's first tax year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base.

Based on the assessment, the Company has noted potential deferred tax impact of AED 40.8 million for the year ended 31 December 2023. The Company will continue to assess the expected impact and continue to evaluate its interpretation in light of the decisions and related guidance.

31. SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that require adjustments to or disclosures in the financial statements as at and for the year ended 31 December 2023 except the following:

- On 19 April 2024, the Group successfully secured an agreement with Noteholders to amend and extend the terms of the outstanding bonds payable until 31 March 2025. The agreement offers the Noteholders the opportunity to convert their notes into equity via an MCB exchange offer. The notes not converting to equity will be subject to a redemption at 80% discount which is expected to contribute to gain on material extinguishment of liability for the Group (refer to Note 2 for details).
- Given the aforementioned agreement, the Company plans to raise equity to settle the non-converting bondholders at a discount subject to regulatory and shareholder approvals.
- The Company's shares were suspended from trading on the Dubai Financial Markets (DFM) since 1 April 2024 due to delayed disclosure of the FY 2023 consolidated financial statements. The Group expects the shares to commence trading once the annual audited FY 2023 consolidated financial statements and the quarterly reviewed financial statements are disclosed to the market.

SHUAA CAPITAL PSC

Notes to consolidated financial statements for the year ended 31 December 2023

(Currency - Thousands of U.A.E. Dirhams)

32. COMPARATIVE INFORMATION

32.1 Changes in presentation of the consolidated statement of profit or loss

- During the current year, the Group has reclassified fee and commission expense which was previously netted off against revenue. Fee and commission expense is now shown as a separate line item in the consolidated statement of profit or loss to comply with the requirements of IAS 1. The following adjustment has been passed to the comparative information in respect of this reclassification to comply with the requirements of IAS 1:

	Consolidated statement of profit or loss		
	31 December 2022 Before	Adjustments	31 December 2022 After
Revenue	265,739	21,917	287,656
Fee and commission expense	-	(21,917)	(21,917)