

SHUAA CAPITAL PSC and its Subsidiaries

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD FROM 1 JANUARY 2024 TO 31 MARCH 2024

SHUAA CAPITAL PSC and its subsidiaries

Condensed consolidated interim financial information
for the three months ended 31 March 2024

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Ref: BN/B3171/ July 2024

Report on review of the condensed consolidated interim financial information

To,
The Board of Directors,
SHUAA Capital PSC,
Dubai, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of SHUAA Capital PSC (the "Company") and its subsidiaries (together the 'Group') as at March 31, 2024, and the related condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows and notes for the three month period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with applicable International Accounting Standard 34, "Interim Financial Reporting" ("IAS-34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Emphasis of Matter

We draw attention to note 2.2 to the financial information which further describes that the Group has incurred a loss of AED 95 million during the period ended March 31, 2024, and accumulated loss of AED 916 million. The Group is in breach of the covenants on its bilateral facility and as a result of which AED 228 million loan is classified as repayable within twelve months, although the Group continues to meet its repayment obligation as per schedule. The Group has also amended and extended the agreement with the bondholders until 31 March 2025 and propose to raise the equity through the issuance of proposed Mandatory Convertible Bonds ("MCB").

Other matter

The consolidated financial statements and condensed consolidated financial information for the prior year/period ended 31 December 2023 and 31 March 2023 respectively were audited/reviewed by another auditor, who expressed an unmodified opinion on those statements/information dated 28 May 2024 and 10 May 2023 respectively.

For, Crowe Mak



Basil Naser
Partner
Registered Auditor Number: 5507
Dubai, United Arab Emirates
July 16, 2024



SHUAA CAPITAL PSC and its subsidiaries

Condensed consolidated interim statement of profit or loss for the three months ended 31 March 2024 (unaudited)

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

	<i>Notes</i>	<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>
Revenue	7	30,185	59,720
Other income/(expense)	8	11,578	(6,683)
Net foreign exchange gain/(loss)		2,356	(3,107)
Change in fair value (loss)/gain from financial assets at fair value through profit or loss (FVTPL)		(31,575)	13,218
Share of net loss of investments in associates accounted for using the equity method	12	(62,204)	(8,201)
Loss on derivative financial liability		-	(71)
Interest income		241	-
Total Income		(49,419)	54,876
Staff costs		(15,930)	(7,277)
Employee carried interest		-	(3,082)
Fee and commission expense		(1,025)	(1,150)
General and administrative expenses		(8,003)	(6,522)
Depreciation and amortisation		(2,515)	(3,272)
Provision of impairment losses on financial assets		(1,757)	(145)
Total expenses		(29,230)	(21,448)
(Loss)/profit before impairment of intangibles and finance costs		(78,649)	33,428
Finance cost	15.2	(13,080)	(13,755)
Other items		(4,214)	(8)
(Loss)/profit for the period before tax		(95,943)	19,665
Income tax credit for the period		1,213	-
(Loss)/profit for the period after tax		(94,730)	19,665
Attributable to:			
Owners of the Parent		(87,197)	14,713
Non-controlling interests		(7,533)	4,952
		(94,730)	19,665
Earnings per share attributable to Owners (in AED)	18	(0.03)	0.01

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC and its subsidiaries

Condensed consolidated interim statement of comprehensive income for the three months ended 31 March 2024 (unaudited)

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

		<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>
(Loss)/profit for the period	<i>Notes</i>	(94,730)	19,665
Other comprehensive (loss)/ income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	17	(12,726)	10,522
Net loss on cash flow hedges		(8,255)	(1,386)
Other comprehensive (loss)/income for the period		<u>(20,981)</u>	<u>9,136</u>
Total comprehensive (loss)/income for the period		<u>(115,711)</u>	<u>28,801</u>
Attributable to:			
Owners of the Parent		(105,074)	18,165
Non-controlling interests		(10,637)	10,636
		<u>(115,711)</u>	<u>28,801</u>

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC and its subsidiaries**Condensed consolidated interim statement of financial position at 31 March 2024
(unaudited)***(Currency - Thousands of U.A.E. Dirhams)*

	<i>Notes</i>	31 March 2024 <i>Unaudited</i>	<i>31 December 2023</i> <i>Audited</i>
Assets			
Cash and cash equivalents	9	32,994	27,343
Deposit held with bank		-	5,835
Receivables and other debit balances	10	175,646	151,408
Loans, advances and finance leases	11	106,743	108,110
Financial assets at fair value	20.1	259,914	337,813
Investments in associates	12	458,591	529,038
Property and equipment		20,084	20,515
Goodwill and other intangible assets	13	539,060	541,438
Total assets		1,593,032	1,721,500
Liabilities			
Payables and other credit balances	14	357,744	371,661
Other financial liabilities		139,682	137,156
Borrowings	15	861,606	862,972
Total liabilities		1,359,032	1,371,789
Equity			
Share capital	16	2,535,720	2,535,720
Share premium		52,579	52,579
Statutory reserve		49,631	49,631
Other reserves	17	(1,483,013)	(1,465,136)
Retained earnings		(915,787)	(828,590)
Equity attributable to Owners		239,130	344,204
Non-controlling interests (NCI)		(5,130)	5,507
Total equity		234,000	349,711
Total equity and liabilities		1,593,032	1,721,500

This condensed consolidated interim financial information was approved by the Board of Directors on 16 July 2024 and signed on their behalf by:



Nabil Ramadhan
Vice-Chairman



Wafik Beh Mansour
Group Chief Executive Officer

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC and its subsidiaries

Condensed consolidated interim statement of changes in equity for the three months ended 31 March 2024 (unaudited)

(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 2023 (Audited)	2,535,720	52,579	49,631	(1,467,476)	76,579	1,247,033	273,148	1,520,181
Profit for the period	-	-	-	-	14,713	14,713	4,952	19,665
Other comprehensive income for the period	-	-	-	3,452	-	3,452	5,684	9,136
Total comprehensive income for the period	-	-	-	3,452	14,713	18,165	10,636	28,801
Share of buy back of treasury shares of associate	-	-	-	(1,464,024)	(3,488)	(3,488)	(683)	(4,171)
Balance at 31 March 2023 (Unaudited)	2,535,720	52,579	49,631	(1,464,024)	87,804	1,261,710	283,101	1,544,811
Balance at 1 January 2024 (Audited)	2,535,720	52,579	49,631	(1,465,136)	(828,590)	344,204	5,507	349,711
Loss for the period	-	-	-	-	(87,197)	(87,197)	(7,533)	(94,730)
Other comprehensive loss for the period	-	-	-	(17,877)	-	(17,877)	(3,104)	(20,981)
Total comprehensive loss for the period	-	-	-	(17,877)	(87,197)	(105,074)	(10,637)	(115,711)
Balance at 31 March 2024 (Unaudited)	2,535,720	52,579	49,631	(1,483,013)	(915,787)	239,130	(5,130)	234,000

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC and its subsidiaries

Condensed consolidated interim statement of cash flows

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

		<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>
Cash flows from operating activities	<i>Notes</i>		
(Loss)/profit for the period		(94,730)	19,665
Adjustments:			
Loss on disposal of associates	8	3,142	27,978
Foreign exchange loss/(gain)		(2,356)	3,107
Carried interest recognised – net		(10,664)	3,082
Finance cost		13,080	13,755
Net interest income		(241)	-
Fair value loss/(gain) on investments at FVTPL		31,575	(13,218)
Share of loss from investments in associates	12	62,204	8,201
Loss on revaluation of derivative financial liabilities		-	71
Employees' end of service benefit charge		795	773
Provisions for impairment losses – net		1,757	145
Depreciation and amortization		2,515	3,272
Operating cash flows before movements in working capital		<u>7,077</u>	<u>66,831</u>
Decrease in deposits held with bank		5,835	-
Increase in receivables and other debit balances		(25,995)	(13,980)
Decrease in loans, advances and finance leases		1,367	6,398
Decrease in payables and other credit balances		(3,390)	(14,991)
Decrease/(increase) in other financial liabilities		351	(1,371)
Net cash (used) in / generated from operations		<u>(14,755)</u>	<u>42,887</u>
Employees' end of service benefit paid		(6,442)	(7,196)
Net cash (used) in / generated from operating activities		<u>(21,197)</u>	<u>35,691</u>
Cash flows from investing activities			
Payments for the purchase of investments		(2,129)	(16,558)
Proceeds from disposal of investments		49,397	30,010
Net interest received		241	-
Distribution from associate		2,031	5,617
Net cash generated from investing activities		<u>49,540</u>	<u>19,069</u>
Cash flows from financing activities			
Repayment of borrowings		(19,924)	(11,608)
Lease rentals paid		(1,937)	(1,916)
Finance cost paid		(831)	(7,112)
Net cash used in financing activities		<u>(22,692)</u>	<u>(20,636)</u>
Net increase in cash and cash equivalents		5,651	34,124
Cash and cash equivalents at beginning of the period	9	<u>26,093</u>	<u>62,901</u>
Cash and cash equivalents at end of the period		<u>31,744</u>	<u>97,025</u>

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2024

(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.

These interim condensed consolidated financial information include the assets, liabilities and results of operations of the Group and its subsidiaries as disclosed in the Group's annual consolidated financial statements as at 31 December 2023.

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 UAE and GCC markets, and are actively involved in public and private capital markets in the region.

Changes to laws and regulations

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

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Law") to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above which taxable entities would be subject to a 9% corporate tax rate.

The Corporate Tax regime will become effective for the accounting year beginning on or after 1 June 2023 hence for the Group it will be effective from 1 January 2024. Management acknowledges that a number of regulations with regards to the application of tax legislation are published and as such management will continue to monitor developments in order to assess the impact of corporate tax including any deferred tax implications on the Group.

2. BASIS OF PREPARATION

2.1 Basis of preparation

These condensed consolidated interim financial information and accompanying notes for the period ended 31 March 2024 have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" and comply with the applicable requirements of the laws in the U.A.E. As per the requirements of IAS 34, the condensed consolidated interim financial information does not include all the information required for full annual consolidated financial information and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2023 which have been prepared in accordance with International Financial Reporting Standards (IFRS). These condensed consolidated interim financial information of the Group are prepared under the historical cost basis except for certain financial instruments which are measured at fair value. In addition, results for the three months ended 31 March 2024 are neither audited nor are they necessarily indicative of the results that may be expected for the full financial year ending 31 December 2024.

2.2 Going concern

The Group has incurred a loss of AED 95 million (31 March 2023: Net Profit 20 million) during the three-month period to 31 March 2024 which has resulted in accumulated losses of AED 916 million (31 December 2023: 829 million) as at that date.

In assessing the appropriateness of applying the going concern basis in the preparation of these condensed consolidated interim financial information, the Board of Directors have considered the Group's operational profitability, liquidity and forecasted cash flows, taking into account reasonably possible outcomes over a 12-month period from the date of approval of these condensed consolidated interim financial information.

Further, the Group has AED 824 million of borrowings repayable within the next twelve months from the date of approval of these condensed consolidated interim financial information, including bilateral facilities ("Term Loan") of AED 228 million due to a bank which was classified as repayable within twelve

SHUAA CAPITAL PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2024

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

2. BASIS OF PREPARATION (continued)

2.2 Going concern (continued)

months as a result of unremediated covenant breaches. In reference to the term loan, the Group continues to make repayments on due dates including a scheduled loan amortization payment completed most recently. The Group also has a bond repayable of AED 499 million for which the Group has reached an agreement on 19 April 2024 with the bondholders for an amendment and extension for the settlement of the bonds until 31 March 2025.

The Group's management team continues to work towards executing on its plans to issue Mandatory Convertible Bonds ("MCBs") as set out in the approved annual consolidated financial statements of the Group as at 31 December 2023. Management expects that a minimum of 50% of the outstanding bonds will be converted into equity and the remaining non-converting bondholders will be settled at an 80% discount. The Group intends to raise up to AED 367 million of equity capital which will partially be utilized to repay the non-converting bondholders and expects to conclude the MCB offering before the end of 2024.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023 except for the adoption of new standards effective as of 1 January 2024 where appropriate. The Group has not adopted any other standard, interpretation or amendment that has been issued that is not yet effective. Several amendments apply for the first time in 2024 and adopted by the Group. These amendments do not have significant impact on the interim condensed consolidated financial information of the Group and therefore further disclosures have not been made.

4. TAXATION

Current income tax

The taxable current liabilities for the current period are measured at expected value payable to the tax authority, using the current tax rates (and tax laws) The tax charged for the period ended 31 March 2024 is Nil as the entities would be forming a tax group for corporate tax purpose and on this basis the current estimates suggests there would be no taxable income during the year at a tax group level.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the Group's future business plans. Deferred tax assets are reassessed at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are set-off only if certain conditions are met.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the preparation of the Group's condensed consolidated interim financial information, management has made a number of critical estimates and judgments in a manner consistent with those described in the Group's annual consolidated financial statements for the year ended 31 December 2023.

SHUAA CAPITAL PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2024

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

6. SEGMENTAL INFORMATION

For internal management purposes the Group is organised into three operating segments, all of which are based on business units:

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

	<i>1 January to 31 March 2024 (Unaudited)</i>			
	<i>Asset</i>	<i>Investment</i>	<i>Corporate</i>	<i>Total</i>
	<i>Management</i>	<i>Banking</i>		
Fee and commission income	24,950	1,612	725	27,287
Advisory income	-	386	-	386
Trading income	-	2,172	-	2,172
Other operating income	-	-	340	340
Total revenues	24,950	4,170	1,065	30,185
Staff costs	(11,348)	(2,381)	(2,201)	(15,930)
Fee and commission expense	(784)	-	(241)	(1,025)
General and administrative expenses	(7,067)	(2,442)	(1,396)	(10,905)
Depreciation and amortization	(1,335)	(1,154)	(26)	(2,515)
Provision for impairment losses on financial instruments	-	-	(1,757)	(1,757)
Other operating (expenses) / income	2,443	461	(1,860)	1,044
Total expenses	(18,091)	(5,516)	(7,481)	(31,088)
Profit/(loss) before other income and finance cost	6,859	(1,346)	(6,416)	(903)
Fair value gains/(losses) from investments	28,849	-	(60,424)	(31,575)
Share of loss from investments in associates	-	-	(62,204)	(62,204)
Finance cost	(1,135)	(637)	(11,308)	(13,080)
Net interest income	-	-	241	241
Other income/(expense)	(128)	1,031	10,675	11,578
Profit/(loss) for the period before tax	34,445	(952)	(129,436)	(95,943)
Income tax credit for the period	-	-	1,213	1,213
Profit/(loss) for the period after tax	34,445	(952)	(128,223)	(94,730)
Profit for the period attributable to NCI	193	-	7,340	7,533
Profit/(loss) for the period attributable to Owners	34,638	(952)	(120,883)	(87,197)
Revenue generated from external customers (fee & commission)	24,950	1,612	725	27,287

	<i>At 31 March 2024 (Unaudited)</i>			
	<i>Asset</i>	<i>Investment</i>	<i>Corporate</i>	<i>Total</i>
	<i>Management</i>	<i>Banking</i>		
Assets	534,953	332,652	725,427	1,593,032
Liabilities	60,696	45,505	1,252,831	1,359,032

SHUAA CAPITAL PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2024

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

6. SEGMENTAL INFORMATION (continued)

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

	<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>		
Revenues				
Total revenue from reportable segments	30,185	67,769		
Revenue reported in other segmental line items	(90,268)	(12,893)		
	-----	-----		
Total income	(60,083)	54,876		
	-----	-----		
Total (loss)/profit before tax from reportable segments	(95,943)	19,665		
	-----	-----		
Consolidated (loss)/profit before tax	(95,943)	19,665		
	-----	-----		
	<i>1 January to 31 March 2023 (Unaudited)</i>			
	Asset Management	Investment Banking	Corporate	Total
Net fee and commission income	53,002	947	(627)	53,322
Advisory income	-	1,690	-	1,690
Trading income	-	3,169	-	3,169
Other operating income	-	-	388	388
	-----	-----	-----	-----
Total revenues	53,002	5,806	(239)	58,569
	-----	-----	-----	-----
Staff costs	(2,490)	(3,760)	(1,027)	(7,277)
Employee carried interest	(3,082)	-	-	(3,082)
General and administrative expenses	(5,186)	(2,063)	(640)	(7,889)
Depreciation and amortisation	(1,694)	(1,549)	(29)	(3,272)
Provision for impairment losses on financial instruments	-	-	(145)	(145)
Other operating expenses	1,083	32	(2,860)	(1,745)
	-----	-----	-----	-----
Total expenses	(11,369)	(7,340)	(4,701)	(23,410)
	-----	-----	-----	-----
Profit/(loss) before other income and finance cost	41,633	(1,534)	(4,940)	35,159
Fair value gains from investments	-	-	13,218	13,218
Loss from derivative financial liability	-	-	(71)	(71)
Share of loss from investments in associates	-	-	(8,201)	(8,201)
Finance cost	(1,796)	(402)	(11,557)	(13,755)
Other income/expense	270	13	(6,968)	(6,685)
	-----	-----	-----	-----
Profit/(loss) for the period	40,107	(1,923)	(18,519)	19,665
(Loss)/profit for the period attributable to NCI	(8,862)	-	3,910	(4,952)
	-----	-----	-----	-----
Profit/(loss) for the period attributable to Owners	31,245	(1,923)	(14,609)	14,713
	-----	-----	-----	-----
Revenue generated from external customers (fee & commission)	53,002	947	8,573	62,522

SHUAA CAPITAL PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2024

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

6. SEGMENTAL INFORMATION (continued)

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

7. REVENUE

	<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>
Fees and commission income	27,287	54,473
Trading income	2,172	3,169
Advisory income	386	1,690
Other operating income (Note 7.1)	340	388
	<u>30,185</u>	<u>59,720</u>

7.1 OTHER OPERATING INCOME

	<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>
Other income	332	388
Board representation fees	8	-
	<u>340</u>	<u>388</u>

Other income and expenses include income related to other operating activities which are other than the primary activities of the Group.

8. OTHER INCOME/(EXPENSE)

	<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>
Loss on disposal of associate	(3,142)	(27,978)
Others	14,720	21,295
	<u>11,578</u>	<u>(6,683)</u>

9. CASH AND CASH EQUIVALENTS

	<i>31 March 2024 Unaudited</i>	<i>31 December 2023 Audited</i>
Cash in hand	128	110
Balances held with banks	32,866	27,233
Cash and deposits with banks	32,994	27,343
Less: Restricted deposits	(1,250)	(1,250)
Cash and cash equivalents	<u>31,744</u>	<u>26,093</u>

SHUAA CAPITAL PSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the three months ended 31 March 2024

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

10. RECEIVABLES AND OTHER DEBIT BALANCES

	<i>31 March 2024</i> <i>Unaudited</i>	<i>31 December 2023</i> <i>Audited</i>
Trade receivables – net of loss allowance (10.1)	46,389	32,593
Receivables from managed funds	7,852	7,852
Advances and deposits	3,770	4,180
Prepayments	6,388	5,775
Accrued income	20,917	26,372
Others (10.2)	90,330	74,636
	<u>175,646</u>	<u>151,408</u>
Trade receivables and managed funds – net of loss allowance		
Trade receivables and managed funds	111,859	96,306
Loss allowance	(57,618)	(55,861)
	<u>54,241</u>	<u>40,445</u>

10.1 Included in trade receivables is an amount of 496 (31 December 2023: 487) due from related parties (Note 19).

10.2 This includes 42,166 (31 December 2023: 42,166) receivable from the disposal of a subsidiary in 2022 and 41,000 (31 December 2023: Nil) receivable from exiting a fund investment in 2024.

11. LOANS, ADVANCES AND FINANCE LEASES

During the three-month period ended 31 March 2024, no charge (three-month period ended 31 March 2023: 145) was made against expected credit losses on loans given by the Group.

As at 31 March 2024, the underlying collateral for loans, advances and finance leases were valued at 285,417 (31 December 2023: 285,417).

12. INVESTMENTS IN ASSOCIATES

	<i>31 March 2024</i> <i>Unaudited</i>	<i>31 December 2023</i> <i>Audited</i>
Opening balance	529,038	947,599
Share of loss of associates	(62,204)	(136,158)
Share of buy back of treasury shares of associate	-	(12,977)
Impairments	-	(3,000)
Dividends and other distributions	(2,031)	(11,438)
Loan Settlement	-	(124,409)
Disposal	(6,212)	(130,579)
Closing balance	<u>458,591</u>	<u>529,038</u>

The below table highlights the geographical allocation of associates:

	<i>31 March 2023</i> <i>Unaudited</i>	<i>31 December 2023</i> <i>Audited</i>
UAE	458,591	529,038
	<u>458,591</u>	<u>529,038</u>

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

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	<i>Customer</i>				<i>Total</i>
	<i>Goodwill</i>	<i>Trademark</i>	<i>Relationships</i>	<i>Trade Licenses</i>	
Cost					
Balance at beginning of the period	517,999	7,993	34,249	7,607	567,848
Impact of foreign currency translation	(1,948)	-	-	-	(1,948)
Balance at end of the period	<u>516,051</u>	<u>7,993</u>	<u>34,249</u>	<u>7,607</u>	<u>565,900</u>
Accumulated amortisation					
Balance at beginning of the period	-	2,005	24,398	7	26,410
Charge for the period	-	120	310	-	430
Impairment	-	-	-	-	-
Balance at end of the period	<u>-</u>	<u>2,125</u>	<u>24,708</u>	<u>7</u>	<u>26,840</u>
Net book value at 31 March 2024 (Unaudited)	<u>516,051</u>	<u>5,868</u>	<u>9,541</u>	<u>7,600</u>	<u>539,060</u>
Net book value at 31 December 2023 (Audited)	517,999	5,988	9,851	7,600	541,438

During the three months period to 31 March 2024 the Group did not identify any significant changes in the estimation, assumptions (excluding cashflows of cash generating units) or the sensitivities used for the impairment assessment performed at 31 December 2023 and which were disclosed in the financial statements for the year ended 31 December 2023 (31 December 2023: the Group recognized an impairment of AED 365 million in respect of Group's revised real estate CGU strategy which now focuses primarily on the UAE real estate market as opposed to the UK real estate market).

14. PAYABLES AND OTHER CREDIT BALANCES

	<i>31 March 2024 Unaudited</i>	<i>31 December 2023 Audited</i>
Payable to clients	3,196	3,342
Customer deposits	9,788	9,763
Accruals	37,878	42,601
Lease liabilities	20,936	22,184
Payables against acquisition	179,275	181,487
FVTPL liabilities	19,168	18,399
Realised carried interest payable to employees	-	10,664
End of service benefits	8,191	10,543
Provisions	376	371
Deferred revenue	474	1,908
Deferred Tax Liability	39,641	40,854
Other payables	38,821	29,545
	<u>357,744</u>	<u>371,661</u>

The maturity profile of payables and other credit balances at the end of the reporting period is as follows:

	<i>31 March 2024 Unaudited</i>	<i>31 December 2023 Audited</i>
Repayable within twelve months	288,976	280,498
Repayable after twelve months	68,768	91,163
	<u>357,744</u>	<u>371,661</u>

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

15. BORROWINGS

	<i>31 March 2024</i> <i>Unaudited</i>	<i>31 December 2023</i> <i>Audited</i>
Secured		
Due to banks	227,679	230,969
Due to other financial institutions (Note 15.1)	29,879	29,881
Others	63,134	64,986
	<u>320,692</u>	<u>325,836</u>
Unsecured		
Due to banks	23,090	28,378
Bonds and Sukuk payable	517,824	508,758
	<u>540,914</u>	<u>537,136</u>
	<u><u>861,606</u></u>	<u><u>862,972</u></u>

15.1 These include borrowings amounting to 29,879 (31 December 2023: 29,881) due to related parties with an interest rate of 8% p.a. (2023: 7.3% to 8% p.a.).

15.2 Finance cost includes interest of 9,581 for the reviewed period (31 March 2023: 10,330) on the Bonds payable.

The maturity profile of borrowings at the end of the reporting period is as follows:

	<i>31 March 2024</i> <i>Unaudited</i>	<i>31 December 2023</i> <i>Audited</i>
Secured		
Repayable within twelve months	320,692	325,836
	<u>320,692</u>	<u>325,836</u>
Unsecured		
Repayable within twelve months	503,244	496,041
Repayable after twelve months	37,670	41,095
	<u>861,606</u>	<u>862,972</u>

16. SHARE CAPITAL

	<i>Number of shares</i> <i>(in '000s)</i>	<i>Value</i>
31 March 2024 (Unaudited)	2,535,720	2,535,720
31 December 2023 (Audited)	2,535,720	2,535,720

Authorised, issued and fully paid share capital comprises 2,535,720,000 shares (31 December 2023: 2,535,720,000 shares) of AED 1 (31 December 2023: AED 1 per share). Each share carries one vote and the right to receive dividends.

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17. OTHER RESERVES

	<i>Merger reserve (17.1)</i>	<i>Investment revaluation reserve</i>	<i>Cash flow hedge reserve</i>	<i>Translation reserve</i>	<i>Total</i>
At 1 January 2024 (Audited)	(1,410,720)	(65,190)	11,345	(571)	(1,465,136)
Cash flow hedge	-	203	(8,458)	-	(8,255)
Translation of operations of foreign subsidiaries	-	-	-	(12,726)	(12,726)
NCI share	-	-	-	3,104	3,104
At 31 March 2024 (Unaudited)	(1,410,720)	(64,987)	2,887	(10,193)	(1,483,013)
At 31 December 2023 (Audited)	(1,410,720)	(65,190)	11,345	(571)	(1,465,136)

17.1 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).

18. EARNINGS PER SHARE

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

	<i>3 months to 31 March 2024 Unaudited</i>	<i>3 months to 31 March 2023 Unaudited</i>
(Loss)/profit attributable to the Owners from continuing operations after tax	(87,197)	14,713
(Loss)/profit attributable to the Owners after tax	(87,197)	14,713
Weighted average number of ordinary shares (thousands)	2,535,720	2,535,720
Earnings per share attributable to the Owners (in AED)	(0.03)	0.01

Diluted earnings per share as of 31 March 2024 and 31 March 2023 are equivalent to basic earnings per share.

19. 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.

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19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The nature of significant related party transactions and the amounts due to/from related parties were as follows:

	<i>31 March 2024 Unaudited</i>	<i>31 December 2023 Audited</i>
Receivables and other debit balances		
Associates	496	487
Borrowings		
Associates	29,879	29,881
Other financial liabilities		
Associates	12,327	12,114
Other related parties	27,328	26,857

20. FINANCIAL INSTRUMENTS

20.1 Fair value of financial instruments

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 uncertainty in those assumptions have been incorporated into the Group's valuations of Level 3 financial instruments primarily through updated cash flows and discount rates, as applicable. Additional volatility in the fair values of Level 3 financial instruments may arise in future periods if actual results differ materially from the Group's estimates.

The Group's valuation techniques for Level 3 financial instruments remained unchanged during the three months ended 31 March 2024

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.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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20. FINANCIAL INSTRUMENTS (continued)

20.1 Fair value of financial instruments (continued)

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

	<i>31 March 2024 (Unaudited)</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Financial Assets				
FVTPL				
-Equity investments	1,022	-	18,019	19,041
-Fixed income investments	24,051	14,281	-	38,332
-Fund investments	-	2,955	199,024	201,979
FVTOCI				
-Fund investments	-	-	562	562
	<u>25,073</u>	<u>17,236</u>	<u>217,605</u>	<u>259,914</u>
Financial Liabilities				
FVTPL	19,168	-	-	19,168
	<u>19,168</u>	<u>-</u>	<u>-</u>	<u>19,168</u>
<i>31 December 2023 (Audited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
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
FVTOCI				
-Fund 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>

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 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, net asset values and market liquidity discounts. Investments classified as FVTPL falling under level 2 category have been valued using Net Asset Value and adjusted quoted prices in respect of investments under inactive markets.

At fair value through other comprehensive income:

Financial assets carried at FVTOCI 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.

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20. FINANCIAL INSTRUMENTS (continued)

20.1 Fair value of financial instruments (continued)

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		Sensitivity analysis	Relationship of unobservable inputs to fair value
					2024	2023		
<i>FVTPL</i>								
Equity investments	18,019	3	NAV ²	Net asset value	+/- 901	+/- 832	± 5% change in NAV, impacts fair value	The higher the discount rate, the lower the fair value
Fund investments	199,024	3	Discounted cash flow ¹ and NAV ²	Net asset value adjusted with market risk	+/- 9,951	+/- 13,580	± 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>FVTOCI</i>								
Fund investments	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

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.

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21. 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.

Liquidity risk and risk management

Liquidity risk is the risk that it 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. To limit this risk, management has arranged diversified funding sources, managed assets with liquidity in mind and monitored liquidity daily.

In addition, the Group has strengthened 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.

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 & Governance Committee of the Board ("RGCB") 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.

22. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2024</i> <i>Unaudited</i>	<i>31 December 2023</i> <i>Audited</i>
Contingent liabilities	<u>515</u>	<u>524</u>

At 31 March 2024, the Group had capital commitments of Nil (31 December 2023: Nil) with respect to project development.

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23. SUBSEQUENT EVENT

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the financial statements as at and for the quarter ended 31 March 2024 except the following:

- The Group continues to service the term loan with outstanding balance of AED 228 million due to a bank and has most recently completed a repayment on the due date as per the loan repayment schedule.
- 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 remaining 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.
- 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 Q1 2024 consolidated financial information. The Group expects the shares to commence trading once these quarterly reviewed financial statements are disclosed to the market.