SHUAA CAPITAL PSC

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Financial Statements for the year ended 31 December 2019

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BOARD OF DIRECTORS' REPORT

SHUAA Capital merged with Abu Dhabi Financial Group (ADFG) during 2019 in a transformational merger creating the leading asset management and investment banking platform in the region.

SHUAA Capital's first post-merger audited annual results for fiscal year 2019 highlighted the company's solid performance, ability to sustain revenues and capitalize on growth opportunities, and demonstrated the immediate positive outcome of the merger, despite challenging market conditions and geopolitical uncertainty.

Full-year net profit to shareholders of SHUAA Capital stood at AED 47 million with an EBITDA of AED 186 million.

Segment Review
As a result of the merger, ADFG was identified as the accounting acquirer (as per IFRS requirements). Accordingly, comparatives within this report for the newly combined segments are not provided, as they are no longer relevant. Consequently, the investment banking segment results only reflect the five-month period since the merger took place. SHUAA Capital's results prior to the merger remain disclosed on our website up to Q2 2019.

Asset Management
The asset management segment, which manages real estate funds and projects, investment portfolios and funds in the regional equities, fixed income and credit markets and provides investment solutions to clients, reported full-year profits of AED 140 million and revenues of AED 215 million.

The asset management segment maintained its growth trajectory, with assets under management reaching USD 14 billion, up 15% year-on-year, driven by the merger of both entities and a strong contribution from a landmark transaction which saw one of our entities finalize an agreement to manage a portfolio of assets valued at approximately USD 400 million. This increase in AUM supports our strategy of increasing recurring revenue streams and strengthening our non-capital-intensive asset management business.

Investment Banking
The investment banking segment, which provides corporate finance advisory, equity and debt capital markets, M&A expertise, private placements, structured investments and other services, reported profits of AED 8 million and revenues of AED 21 million during the five-month reporting period post-merger (AED 37 million revenue for the full year).

During the year, the investment banking segment continued to be one of the most active in the region, demonstrating expertise in managing high-profile capital market transactions and providing strategic advisory services to an extended client base. In 2019, our company managed several high-profile capital market transactions, including the reverse listing of PAL Holding and International Holdings Company on the Abu Dhabi Securities Exchange. We also played a leading role in the regional Sukuk (Shari'a-compliant bond) market as a mandate lead arranger for over USD 500 million of issuances, among them the GFH Financial Group's recent USD 300 million five-year Sukuk and The First Group's USD 135 million Sukuk.

Corporate
The corporate segment, which manages principal investments, non-core assets, corporate developments, treasury and other shared services related to the company, reported a full-year loss of AED 101 million and revenues of AED 42 million.

BOARD OF DIRECTORS' REPORT (continued)

This was driven by market-related fair value losses, despite being offset in part by the positive contribution from one-off associate income. In line with our strategy to focus on our company's two core business segments (asset management and investment banking) and strengthen our balance sheet by managing down non-strategic assets, we have achieved a 28% reduction in this regard in 2019. This was mainly through the sale of our brokerage arm (SHUAA Securities) and exit of our equities market-making business for a total deal value of approximately AED 100 million.

Backed by a profitable year and strong fundamentals for sustainable growth, our company has set clear goals for 2020 and beyond, supported by the board of directors: accelerating growth through further integration and synergies between the two combined entities, strengthening and growing SHUAA's core businesses, and diversifying SHUAA's product and service offering in order to access new revenue pools, increase recurring income and boost profitability.

The Board of Directors would 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

Mr. Fadhel Alali	(Chairman)
Mr. Ahmed Bin Braik	(Vice Chairman)
H.E. Hafsa Abdullah Mohamed Sharif Al Ulama	(Director)
Mr. Abubaker Seddiq Alkhoori	(Director)
Mr. Jasim Al Ali	(Director)
Mr. Masood Mahmood	(Director)
Mr. Ahmed Alahmadi	(Director)

Auditors

PricewaterhouseCoopers were appointed as external auditors and conducted an audit of the annual financial statements for the year ending 31 December 2019. The Board of Directors has recommended PricewaterhouseCoopers as the auditors for 2020 for approval by the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Fadhel Alali
Chairman
16 March 2020

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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

Emphasis of matter

We draw attention to Note 1 to the accompanying consolidated financial statements, which describes the reverse acquisition of the Company by Abu Dhabi Financial Group L.L.C. (ADFG). ADFG was identified as the "accounting acquirer" in this transaction and therefore the comparatives in the financial statements are those of ADFG. Our conclusion is not modified in respect of this matter.

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

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

Our audit approach

Overview

Key Audit Matters	• Measurement of Expected Credit Losses (ECL) • Valuation of financial instruments (Level 3) • Purchase price allocation • Consolidation – control assessment

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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of ECL The Group applies ECL on all its financial instruments measured at amortised cost and financial guarantee contracts including financing commitments. The Group exercises significant judgement and makes a number of assumptions in developing its ECL models, which include probability of default, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria. For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral. The Group's impairment policy under IFRS 9 is presented in Note 3.12 to the consolidated financial statements.	Our approach to addressing this key audit matter included the following procedures: • Understand key controls, including the overall governance and reporting structure over the model and key assumptions; • Testing the completeness and accuracy of the data used in the determination of ECL; • For a sample of exposures, testing the appropriateness of the Group's application of the staging criteria; and • For a sample of exposures, we assessed the appropriateness of determining Exposure at Default (EAD), including the consideration of repayments and collaterals;

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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of ECL (continued) We determined that the estimation of ECL is significant to the audit of the current year's consolidated financial statements due to: - Significant judgment required by management in the staging criteria applied to the financial instruments as well as in developing ECL models for calculating its impairment provisions; and effort necessary to evaluate audit evidence as the measurement of expected credit losses is a complex calculation that involves a large volume of data, interrelated inputs and assumptions.	• Involvement of our auditor's experts to assess the following areas: – the conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9; and – the appropriateness of the ECL calculation and its interrelated inputs, methodology and assumptions. • For the Stage 3 loans, the appropriateness of provisioning assumptions was independently assessed for a sample of exposures selected on the basis of risk and the significance of individual exposures. An independent view was formed on the levels of provisions recognised, based on the individual exposure and counterparty information available; and • Assessing the disclosures made in the consolidated financial statements to ensure compliance with IFRS 7 and IFRS 9.
Valuation of financial instruments (Level 3) The Group's securities portfolio includes certain level 3 securities for which the Group determines fair value using models and third-party net asset valuations (NAVs) that use significant unobservable inputs. Unobservable inputs require the use of significant judgment. The key unobservable inputs used in the NAVs of such unquoted securities includes discount rates, growth rates and adjusted book values. We determined that the fair value of unquoted securities is significant to the audit of the current year's consolidated financial statements due to the high degree of measurement uncertainty in the unobservability of the inputs used in the valuation models. Further details of financial instruments are disclosed in Note 27 to the consolidated financial statements.	Our approach to addressing this key audit matter included the following procedures: • Evaluation by our auditor's experts of the methodologies and significant inputs used by the Group in the valuation models; and • Testing, with involvement of our auditor's experts, the fair values of a sample of unquoted securities. Depending on the nature of the security, key unobservable inputs were compared to relevant information or independent estimates of fair value were developed and compared to the fair values determined by the Group.

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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation On 11 July 2019, the shareholders of the Company approved the reverse acquisition of the Company by Abu Dhabi Financial Group L.L.C. ("ADFG"), effective 1 August 2019. This transaction has been accounted for as a reverse acquisition in accordance with IFRS 3 whereby ADFG is determined to be the accounting acquirer of the Company. In addition, before the transaction, ADFG qualified as an investment entity under the requirements of IFRS 10 and measured investments in subsidiaries at fair value through profit or loss ("FVTPL"). Following the reverse acquisition, ADFG lost its investment entity status and all investments previously recorded at FVTPL have now been accounted for as a business combination in accordance with IFRS 3. We determined that the business combination accounting is significant to the audit of the current year's consolidated financial statements due to significant judgment exercised by management in: - the determination of the accounting acquirer under the reverse acquisition; - the determination of the purchase price consideration for each business combination; - determination of the fair value of assets and liabilities acquired in the transaction; - identification of Cash Generating Units ("CGU"); and - identification and measurement of intangible assets and determination of the useful lives to be assigned to the identified intangible assets. A number of assumptions were also made by management in the determination of the appropriate methodology, assumptions and valuation techniques. Further details on purchase price allocation are disclosed in Note 1 to the consolidated financial statements.	Our approach to addressing this key audit matter included the following procedures: • Assessing management's assumptions in relation to the accounting for the transaction as a reverse acquisition in accordance with the requirements of IFRS 3; • Testing the completeness and accuracy of the assets and liabilities included in the purchase price allocation; • Evaluating, with involvement of our auditor's experts, the methodologies and significant inputs used by the Group including the identification of CGUs and intangible assets and in the determination of the useful lives of the identified intangible assets; • Testing, with involvement of our auditor's experts, the fair value of a sample of the assets and liabilities acquired; • Validating the fair value adjustments recognized by management confirming that they are in accordance with the requirements of IFRS 3; and • Assessing the disclosures made in the consolidated financial statements to ensure compliance with IFRS 3.

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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Consolidation – control assessment Following ADFG's loss of investment entity status, all investments previously recorded at FVTPL have been assessed for consolidation under IFRS 10. A key criteria for consolidation under IFRS 10 requires control through ownership of a majority of the voting power of an investee. Control assessments can be judgemental and involve complex analysis which need to be carefully reviewed. We considered control assessment to be a key audit matter in view of the judgement involved and its potentially significant impact on the consolidated financial statements. Further details on this matter are disclosed in Note 1 and Note 4 to the consolidated financial statements.	Our approach to addressing this key audit matter included the following procedures: • Assessing voting power through inspection of ownership and related documents; • Assessing the Group's rights, to variable returns from the investee by inspecting underlying agreements; and • Assessing the ability of the Group to use its power over the investee to affect the amount of returns which the Group is entitled to earn from the investee.

Other information

Management is responsible for the other information. The other information comprises the Annual report (but does not include the consolidated financial statements and our auditor's report thereon). We obtained the Board of Directors' report prior to the date of this auditor's report and the remaining information of the Annual report 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.

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.

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.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, related safeguards.

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.

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

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. (2) of 2015, 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 Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

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

v) note 9 to the consolidated financial statements discloses the shares purchased by the Group during the financial year ended 31 December 2019;

vi) note 26 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 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Group, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019; and

viii) note 19 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2019.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
16 March 2020

Rami Sarhan
Registered Auditor Number: 1152
Place: Dubai, United Arab Emirates

Consolidated statement of financial position
as at 31 December 2019

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

	Notes	*31 December 2019 Audited*	*31 December 2018 Audited*
Assets			
Cash and deposits with banks	5	**360,193**	21,586
Receivables and other debit balances	6	**185,039**	87,798
Loans, advances and finance leases	7	**390,538**	319,157
Inventories	8	**24,400**	-
Financial assets at fair value	9	**2,505,189**	1,149,864
Investments in associates	10	**693,650**	-
Property and equipment	11	**73,692**	15,813
Goodwill and other intangible assets	12	**1,258,580**	-
Assets of disposal groups classified as held for sale	33	**28,219**	-
Total Assets		**5,519,500**	1,594,218
Liabilities			
Borrowings	13	**2,250,069**	1,032,349
Payables and other credit balances	14	**593,251**	236,629
Other financial liabilities	15	**152,155**	-
Payables to unit holders	23	**654,201**	-
Liabilities of disposal groups classified as held for sale	33	**480**	-
Total Liabilities		**3,650,156**	1,268,978
Equity			
Share capital	16	**2,535,720**	60,000
Share premium		**52,579**	52,579
Statutory reserve		**34,681**	30,000
Other reserves	17	**(1,387,369)**	-
Retained earnings		**229,471**	178,661
Equity attributable to Owners		**1,465,082**	321,240
Non-controlling interests (NCI)	32	**404,262**	4,000
Total Equity		**1,869,344**	325,240
Total Equity and Liabilities		**5,519,500**	1,594,218

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 16 March 2020.

Fadhel Alali
Chairman

Jassim Alseddiqi
Chief Executive Officer

Consolidated statement of profit or loss for the year ended 31 December 2019

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

	Notes	***31 December 2019*** ***Audited***	*31 December 2018* *Audited*
Continuing operations			
Interest income		**15,128**	-
Interest expense		**(1,528)**	-
Net interest income		**13,600**	-
Fee and commission income		**103,951**	26,696
Fee and commission expense		**(22,461)**	(6,128)
Net fee and commission income		**81,490**	20,568
Advisory income		**134,742**	72,355
Trading income		**4,215**	-
Carried interest income		**23,554**	2,860
Other operating income	18	**20,317**	26,313
Total operating income		**277,918**	122,096
Staff costs		**(88,601)**	(30,243)
Employee carried interest		**(9,422)**	(1,335)
General and administrative expenses	19	**(63,484)**	(35,507)
Depreciation and amortisation		**(30,960)**	(2,928)
Provision for impairment losses on financial instruments	20	**(22,109)**	(3,787)
Other operating expenses	21	**(18,006)**	(945)
Total operating expenses		**(232,582)**	(74,745)
Net operating income		**45,336**	47,351
Change in fair value (losses)/gains from financial assets at fair value through profit or loss (FVTPL)	9	**(235,625)**	156,097
Gain/(loss) on derivative financial liability	14.4	**70,744**	(82,853)
Gain on loss of control of a subsidiary	34	**105,998**	-
Income from investments in associates		**2,358**	-
Finance cost	22	**(107,968)**	(64,267)
Finance credit relating to unit holders	23	**140,398**	-
Other (expenses)/income	24	**(8,940)**	908
Profit from continuing operations		**12,301**	57,236
Profit from discontinued operations	33,34	**33,443**	-
Profit for the year		**45,744**	57,236
Attributable to:			
Owners of the Parent		**46,813**	53,236
Non-controlling interests		**(1,069)**	4,000
		45,744	57,236
Earnings per share attributable to Owners from continuing operations (in AED)	25	**0.01**	0.04
Earnings per share attributable to Owners (in AED)	25	**0.02**	0.04

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

Consolidated statement of other comprehensive income
for the year ended 31 December 2019

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

	Notes	***31 December 2019*** ***Audited***	*31 December 2018* *Audited*
Profit for the year		**45,744**	57,236
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	17	**57,854**	-
Net loss on cash flow hedges			
- Share of other comprehensive loss from investment in associates		**(5,798)**	-
- Others		**(131)**	-
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income (FVOCI)		**(4,117)**	-
Other comprehensive income for the year		**47,808**	-
Total comprehensive income for the year		**93,552**	57,236
Attributable to:			
Owners of the Parent		**70,164**	53,236
Non-controlling interests		**23,388**	4,000
		93,552	57,236

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

Consolidated statement of changes in equity for the year ended 31 December 2019

(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 2018	60,000	52,579	30,000	(1,829)	328,661	469,411	-	469,411
Impact on first time adoption of IFRS 15	-	-	-	-	(47,114)	(47,114)	-	(47,114)
Impact on first time adoption of IFRS 9	-	-	-	1,829	(6,122)	(4,293)	-	(4,293)
Balance at 1 January 2018 (Restated**)**	60,000	52,579	30,000	-	275,425	418,004	-	418,004
Profit for the year	-	-	-	-	53,236	53,236	4,000	57,236
Other comprehensive loss for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	53,236	53,236	4,000	57,236
Transactions with the owners in their capacity as owners								
Payment of dividends	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Balance at 31 December 2018	60,000	52,579	30,000	-	178,661	321,240	4,000	325,240
Balance at 1 January 2019	**60,000**	**52,579**	**30,000**	**-**	**178,661**	**321,240**	**4,000**	**325,240**
Profit for the year	-	-	-	-	**46,813**	**46,813**	**(1,069)**	**45,744**
Other comprehensive income for the year	-	-	-	**23,351**	-	**23,351**	**24,457**	**47,808**
Total comprehensive income for the year	**-**	**-**	**-**	**23,351**	**46,813**	**70,164**	**23,388**	**93,552**
Transactions with the owners in their capacity as owners								
Non-cash distribution (Note 1(iii))	-	-	-	-	**(1,000)**	**(1,000)**	-	**(1,000)**
Loss of control in subsidiary	-	-	-	-	**7,072**	**7,072**	**(40,639)**	**(33,567)**
Transactions with unit holders	-	-	-	-	**(1,394)**	**(1,394)**	-	**(1,394)**
Loss of investment entity	-	-	-	-	**4,000**	**4,000**	**310,745**	**314,745**
Acquisition of subsidiaries on business combination	**2,475,720**	-	-	**(1,410,720)**	-	**1,065,000**	**106,768**	**1,171,768**
Transfer to statutory reserve	-	-	**4,681**	-	**(4,681)**	-	-	-
Balance at 31 December 2019	**2,535,720**	**52,579**	**34,681**	**(1,387,369)**	**229,471**	**1,465,082**	**404,262**	**1,869,344**

(*) In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and Abu Dhabi Financial Group's (ADFG's) Articles of Association, 10% of the profit for the year is to be transferred to a statutory reserve. ADFG may resolve to discontinue such annual transfer when the reserve equals 50% of the capital. The reserve is not available for distribution except in cases stipulated by law and ADFG's Articles of Association

SHUAA CAPITAL PSC

Consolidated statement of cash flows
for the year ended 31 December 2019

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

	Notes	***31 December 2019 Audited***	*31 December 2018 Audited*
Cash flows from operating activities			
Profit for the year		**45,744**	57,236
Adjustments for (non-cash items):			
Finance credit relating to unit holders		**(140,398)**	-
Foreign exchange loss		**1,215**	(1,055)
Carried interest recognised – net		**(14,132)**	(1,525)
Finance cost		**107,968**	64,267
Net interest income		**(13,600)**	-
Fair value loss/(gain) on investments at FVTPL		**235,625**	(156,097)
Acquisition of investment in associate		**(80,990)**	-
Share of profit from investments in associates		**(2,358)**	-
Gain on loss of control from a subsidiary		**(105,998)**	-
Loss/(gain) on revaluation of derivative financial liabilities		**(70,744)**	82,853
Employees' end of service benefit charge		**1,157**	1,290
Provisions and allowances for impairment - net		**22,109**	-
Depreciation and amortisation		**30,960**	2,928
Operating cash flows before movements in working capital		**16,558**	49,897
Decrease in inventories		**934**	-
Decrease/(increase) in receivables and other debit balances		**66,047**	(7,147)
Decrease/(increase) in loans and advances		**18,968**	(126,224)
Decrease in payables and other credit balances		**(482,283)**	(4,069)
Increase in other financial liabilities		**392,263**	-
Employees' end of service benefit paid		**(1,723)**	(388)
Cash flows from operating activities of discontinued operations		**(381,287)**	-
Net cash used in operating activities		**(370,523)**	(87,931)
Cash flows from investing activities			
Acquisition of investments, net of cash and cash equivalents in acquired companies		**900,619**	(290,240)
Disposal of investments		**10,000**	200,962
Acquisition of property and equipment		**485**	(3,547)
Net interest received		**13,600**	-
Cash flow from investing activities of discontinued operations		**(2,891)**	-
Net cash generated from/ (used in) investing activities		**921,813**	(92,825)
Cash flows from financing activities			
Proceeds from borrowings		**33,112**	455,786
Repayment of borrowings		**(67,848)**	(65,802)
Lease rentals paid		**(15,002)**	-
Redemption to unit holders		**(11,374)**	-
Dividends paid		**-**	(150,000)
Finance cost paid		**(130,577)**	(55,229)
Cash flow from financing activities of discontinued operations		**(18,782)**	-
Net cash (used in)/generated from financing activities		**(210,471)**	184,755
Net increase in cash and cash equivalents		**340,819**	3,999
Cash and cash equivalents at beginning of the year	5	**21,586**	17,587
Foreign currency translation		**2,326**	-
Cash and cash equivalent from discontinued operations	33.1	**(4,538)**	-
Restricted cash		**(33,014)**	-
Cash and cash equivalents at end of the year	5	**327,179**	21,586
Cash flow from discontinued operations	33.1	**4,538**	-

- *Issuance of shares by SHUAA for acquisition of ADFG was a non-cash consideration and therefore not reflected above.*
- *Additions to property and equipment due to recognition of leases on initial application of IFRS 16 was a non-cash transaction and therefore is not reflected above.*

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

(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 is actively involved in public and private capital markets in the region.

Reverse acquisition

On the 1 August 2019, SHUAA acquired the business of Abu Dhabi Financial Group LLC (ADFG). The merger of SHUAA and ADFG would result in the Consolidated SHUAA Group which will offer significant additional benefits to all stakeholders including:

- i. Access to a customer centric full-service platform with improved distribution capabilities
- ii. Capitalising on a track record of success to strengthen positioning and performance
- iii. Providing a growth engine for accelerating asset management leadership through leveraging the existing platforms
- iv. Enhancement of shareholder returns through diversification of revenue streams and realization of synergies

Under the terms of the transaction SHUAA (the "legal acquirer") issued 1,470,720,000 new SHUAA shares, representing 58% of the shares of the merged group to ADFG shareholders in return for transferring the entire share capital of ADFG ("legal acquiree"). Prior to the merger, the ADFG shareholders held a 48% in SHUAA and subsequently, the ADFG shareholders have a 78% interest in the combined group. This will result in the previous ADFG shareholders having control over the new consolidated group.

Under the requirements of IFRS 3 – Business Combinations requires one of the combining entities to be identified as the accounting acquirer and in some cases, the accounting acquirer may not be the same as the legal acquirer. Subsequent to the transaction, as noted above, the ADFG shareholders held the majority of shares of the combined entity, thereby gaining control over the combined entity. ADFG (the legal acquiree) was determined as the accounting acquirer while SHUAA (legal acquirer) was determined to be the accounting acquiree resulting in a reverse acquisition.

For purposes of a reverse acquisition, the information presented in the financial statements in the comparative and prior to the acquisition were those of the accounting acquirer, ADFG and not SHUAA, the legal acquirer, as disclosed in the previous years' financial statements. Furthermore, the number of shares as required under IFRS 3 is that of SHUAA and not ADFG, however, the share capital in the statement of changes in equity was that of ADFG. This resulted in an adjustment within equity of AED 1.4 billion. Refer to note 25 for further details. This also resulted in adjustment to earnings per share for the previous year.

A. Consideration transferred

The acquisition date fair value of the equity instrument of the accounting acquirer, ADFG is used to determine the consideration for the combination. The outstanding issued shares of ADFG at the date of merger was 40,000 and ADFG acquired 58% of the combined entity. ADFG, as the accounting acquirer issued shares to the shareholders of SHUAA that represent 42% ownership in the acquired entity. To this end ADFG issued 28,966 shares for the purposes of determining the purchase consideration for the acquisition of SHUAA. The fair value of ADFG shares at the date of merger was AED 36,768 per share.

The fair value of the 1.470 billion shares issued as part of the consideration paid for was based on the published share price on 1 August 2019 of AED 1 per share of SHUAA.

The following table summarises the acquisition date fair value of consideration transferred.

	% Ownership	Amount
Fair Valuation		
Fair value ADFG - Accounting Acquirer	58%	1,470,720
Fair value of SHUAA – Accounting Acquiree	42%	1,065,000
Combined Fair value	**100%**	**2,535,720**
Shares	**% Ownership**	**Units**
ADFG outstanding shares pre-transaction	58%	40,000
Shares to be issued by ADFG to SHUAA to achieve post-merger capital structure	42%	28,966
Capital structure of ADFG post-merger (Reverse acquisition)	**100%**	**68,966**

Share swap ratio - 36,768 New SHUAA ordinary shares for each share of ADFG

Consideration transferred for reverse acquisition (28,966*36,768)	**1,065,000**

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

1. LEGAL STATUS AND ACTIVITIES (continued)

B. Acquisition-related costs

The Group incurred acquisition-related costs of 19,676 (31 December 2018: Nil) on legal fees, valuation and due diligence costs. These costs have been included in 'Other income/(expenses)' (Note 24).

C. Consideration and purchase price allocation

The consideration paid by the Group was based on results of an external appraisal of SHUAA's business taken as a whole. In accordance with IFRS 3 "Business Combinations", the Group accounted for the acquisition based on fair values of the identifiable assets acquired and liabilities assumed as set out in the table below:

	Attributed Fair Value as at 31 July 2019
Assets:	
Cash and deposits with banks	**732,059**
Receivables and debit balances	**144,138**
Loans advances and finance leases	**503,963**
Financial Assets at FVTPL	**312,241**
Financial Assets at FVOCI	**98,578**
Investments in Associates	**151,352**
Property and equipment	**40,393**
Other intangibles	**129,630**
Total assets acquired	**2,112,354**
Liabilities	
Borrowings	**460,551**
Payables and other credit balances	**816,734**
Other Financial liabilities	**194,827**
Total liabilities acquired	**1,472,112**
Fair value of identifiable net assets acquired	**640,242**
Less: Non-controlling interest	**(106,768)**
	533,474
Goodwill on acquisition	**531,526**
Purchase consideration for reverse acquisition	**1,065,000**

For the non-controlling interests in SHUAA, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. As such, the non-controlling interest represents share in net assets of SHUAA attributable to owners of non-controlling interest.

The fair values of assets and liabilities acquired are based on discounted cash flow models. The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the appraisal report, the following items were included in the purchase price allocation:

- Trade Licenses
- Customer Relationships
- Trademark

The goodwill is primarily attributable to the profitability of the acquired business, the significant synergies and combined cost savings expected to arise.

1. LEGAL STATUS AND ACTIVITIES (continued)

D. Contingent liabilities

Contingent liabilities acquired from subsidiaries amounted to 8,970.

E. Revenue and profit contributed by the acquiree

Impact of acquisitions on the results of the Group:

The acquired business contributed revenues of 68,033 and net loss of 9,818 to the Group for the period from 1 August to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been higher by 109,123 and lower by 51,746 respectively.

Restructure prior to SHUAA acquisition

Prior to the acquisition, the following transactions were entered into:

(i) During the year the shares in Abu Dhabi Capital Management LLC (“ADCM LLC”) were transferred from ADFG to facilitate the merger transaction.

(ii) In 2016, the Group established Shine Investments in Commercial Projects owned by Abu Dhabi Financial Group LLC ("Shine") to acquire shares in SHUAA Capital PSC ("SHUAA"). During the year, the Group increased its shareholding in Shine from 80% as at 31 December 2018 to 100% and thereafter transferred the entire shareholding to the shareholders of ADFG.

This implied that the Strategic Investor acquired 58% of the combined entity. Prior to the proposed merger, the Strategic Investor was a wholly owned subsidiary of ADFG. The Strategic Investor was distributed to the Shareholders of ADFG and thereafter, the shareholders of the Strategic Investor transferred their shareholding in ADFG to the Strategic Investor and ADFG became a wholly owned subsidiary of the Strategic Investor.

The transactions had no material impact as all investments were previously carried at fair value and did not result in any gains and losses on transfer.

Investment Entities – exemption from consolidation

The *IFRS 10 - Consolidated Financial Statements* standard introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent entity that is an investment entity to measure its subsidiaries at fair value through profit or loss (FVTPL), in accordance with IFRS 9 instead of consolidating those subsidiaries. Prior to the merger with the Company, ADFG met the definition of an investment entity and accounted for certain subsidiaries at FVTPL. Following the merger ADFG ceased to be an investment entity effective 1 August 2019. Consequently, the subsidiaries which were previously measured at FVTPL are consolidated using acquisition accounting under IFRS 3.

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

1. LEGAL STATUS AND ACTIVITIES (continued)

Details of subsidiaries consolidated by the Group during the year due to cessation of investment entity status are as follows:

Effective date of consolidation - 31 July 2019	**Spadille Group**	**Squadron Group**	***QIL Group**	**Goldilocks Investment Company Limited**	**Total**
Effective ownership interest (%)	85%	33%	74%	36.52%	
Purchase consideration	528,399	112,141	123,067	440,084	**1,203,691**
Fair value of net assets acquired					
Cash and deposits with banks	6,235	8,223	14,682	37,486	**66,626**
Receivables and other debit balances	3,078	19,186	7,524	3,929	**33,717**
Loans, advances and finance leases	-	-	60,477	20,422	**80,899**
Inventories	23,272	-	-	-	**23,272**
Financial assets at fair value through profit or loss (FVTPL)	283,616	-	120,065	2,035,574	**2,439,255**
Financial assets at fair value through other comprehensive (FVOCI)	44,662	-	-	-	**44,662**
Investments in associates	-	-	-	-	**-**
Property and equipment	1,261	485	3,282	-	**5,028**
Other intangible assets	13,900	112,000	809	-	**126,709**
Borrowings	(12,084)		(9,918)	(824,849)	**(846,851)**
Payables and other credit balances	(7,901)	(15,836)	(36,666)	(58,359)	**(118,762)**
Other financial liabilities	-	(1,608)	(4,553)	-	**(6,161)**
Net identifiable assets acquired	356,039	122,450	155,702	1,214,203	**1,848,394**
Payable to unit holders	-	-	-	(774,119)	**(774,119)**
Non-controlling interest	(44,366)	(227,681)	(38,698)	-	**(310,745)**
Goodwill	216,726	217,372	6,063	-	**440,161**
Net Assets acquired	528,399	112,141	123,067	440,084	**1,203,691**
Fair value as at 31 December 2018	93,159	117,645	25,835	293,294	529,933

*Refer Note 34

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

1. LEGAL STATUS AND ACTIVITIES (continued)

Group Structure

The principal activities of ADFG 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:

Name of the entity	**Place of incorporation**	**Principal activity**	**Effective ownership interest %** *31 December 2019*	Effective ownership interest % *31 December 2018*
Material Subsidiaries				
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 Altus Investment Management Ltd	UAE	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%**	50.0%
Horizon Investments- Sole Prop LLC	UAE	Investment holding	**100.0%**	100.0%
Integrated EE Holdings	Montenegro	Project management	**100.0%**	100.0%
Integrated Alternative Finance Limited	UAE	Arranging credit, custody and advising on financial products	**100.0%**	100.0%
Gulf Finance Corporation CJSC	Saudi Arabia	Financing	**100.0%**	-
Gulf Finance Corporation PJSC	UAE	Financing	**100.0%**	-
SHUAA Capital PSC	UAE	Financial services and investments holding	**100.0%**	-
SHUAA Capital International Limited*	UAE	Market Making / Liquidity Provider	**100.0%**	-
SHUAA Capital Saudi Arabia CJSC	Saudi Arabia	Financial services	**100.0%**	-
SHUAA Securities Egypt SAE	Egypt	Brokerage	**100.0%**	-
SHUAA Securities LLC*	UAE	Brokerage	**100.0%**	-
Integrated Capital PJSC	UAE	Financial services	**96.0%**	-
Asia for Economic Consultancy LLC	Jordan	Consultancy	**94.3%**	-
Amwal International Investment Company KSCP	Kuwait	Financial services	**87.2%**	-
Spadille Limited**	Jersey	Investment holding	**85.0%**	30.9%
Northacre Limited**	UK	Development management	**83.9%**	30.5%
Goldilocks Investment Company Limited** (ii)	UAE	Investment holding	**35.4%**	21.6%
Squadron Properties** (ii)	Cayman Islands	Investment holding	**33.0%**	33.0%
Astrea Asset Management Limited** (ii)	UK	Property management	**33.0%**	33.0%

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

1. LEGAL STATUS AND ACTIVITIES (continued)

Name of the entity	**Place of incorporation**	**Principal activity**	**Effective ownership interest %** *31 December 2019*	Effective ownership interest % *31 December 2018*
Material Subsidiaries (continued)				
Abu Dhabi Capital Management LLC (iii)	UAE	Financial consultation	**-**	100.0%
Shine Investments in Commercial Projects owned by ADFG – sole proprietorship L.L.C. ("Shine") (iv)	UAE	Commercial enterprises investment, institution and management	**-**	80.0%
Material Associates				
City Engineering LLC	UAE	Contracting	**40.0%**	-
Qannas Investments Limited ("QIL")	Cayman Islands	Investment holding	**31.9%**	18.8%
SHUAA Hospitality Fund I L.P. (vi)	Cayman Islands	Investment holding	**27.0%**	-
SHUAA Saudi Hospitality Fund I (v)	Saudi Arabia	Investment holding	**26.3%**	-
Mirfa Power Holding Company PJSC	UAE	Investment holding	**25.0%**	25.0%
ADCORP Limited (vi)	UAE	Islamic financial institution	**19.8%**	9.9%
Khaleeji Commercial Bank B.S.C. (vi)	Bahrain	Islamic retail bank	**4.0%**	-

*These subsidiaries have been classified as held for sale (Note 34)
**Not consolidated until 1 August 2019 as ADFG was an investment entity and measured its investments at fair value through profit or loss other than those subsidiaries providing services related to the Group's investment activities in accordance with the requirements of IFRS 10.

(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. Accordingly, the above-mentioned entities have been consolidated in these financial statements.

(iii) During the year the shares in Abu Dhabi Capital Management LLC ("ADCM LLC") were transferred from ADFG to facilitate the merger transaction.

(iv) In 2016, the Group established Shine Investments in Commercial Projects owned by Abu Dhabi Financial Group LLC ("Shine") to acquire shares in SHUAA Capital PSC ("SHUAA"). During the year, the Group increased its shareholding in Shine from 80% as at 31 December 2018 to 100% and thereafter transferred the entire shareholding to the shareholders of ADFG.

(v) 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 acts as an agent to the fund and not as principal.

(vi) The Group has treated the above-mentioned entities as associates although it has less than 20% voting rights in these entities based on its ability to significantly influence the operating and financial policy decisions of these entities through its representation on the board of directors of these entities.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

2.1 New and revised IFRS adopted in the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior year.

- **IFRS 16, 'Leases'** - This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

  For lessors, the accounting remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease 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 has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has opted to measure right-of-use assets at the amount of the respective lease liabilities adjusted by the amount of any previously recognized prepaid or accrued lease payments and therefore, there is no impact on the retained earnings. The Group has presented right of use assets within 'Property and equipment' and lease liabilities within 'Payable and other credit balances' in the consolidated statement of financial position.

  On adoption of IFRS 16 Leases, the Group has recognised the following right of use assets and lease liabilities, using incremental borrowing rates ranging from 6-8%:

	31 December 2019
Operating lease commitments disclosed as at 31 December 2018	63,180
Discounted using the Group's incremental borrowing rate at the date of initial application	49,949
Add: Finance lease liabilities recognised as at 31 December 2018	-
Lease liability recognised as at 1 January 2019	49,949

  The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

	Note	**Impact of adopting IFRS 16**
Property and equipment - 'Right-of-use assets'	11	35,345
Loans, advances and finance leases	7	18,710
Payables and other credit balances	14	49,949

- **Amendment to IFRS 9, 'Financial instrument'** - The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. The amendment also confirms that modifications in financial liabilities will result in the immediate recognition of a gain or loss.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

2.1 New and revised IFRS adopted in the consolidated financial statements (continued)

- **IFRIC 23 Uncertainty over Income Tax Treatments –** The interpretation addresses the determination of taxable profit (tax loss) tax bases, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

  - Whether tax treatments should be considered collectively
  - Assumptions for taxation authorities
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, and tax rates
  - The effect of changes in facts and circumstances

2.2 New and revised IFRS in issue but not yet effective and not early adopted

New and revised IFRS	Effective for annual periods beginning on or after
• **IFRS 17, 'Insurance contracts'** - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard applies to annual periods beginning on or after 1 January 2022, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.	1 January 2022
• **Amendments to IFRS 3 -** This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.	1 January 2020
• **Amendments to IAS 1 and IAS 8** - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS and applicable provisions of Federal Law No 2 of 2015 (as amended) of United Arab Emirates. The consolidated financial statements are presented in thousands of United Arab Emirates Dirhams since that is the country in which the parent (ADFG) is domiciled and the majority of the Group's business is transacted.

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.

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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

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.

Artworks and paintings included under property and equipment are not depreciated. Subsequent to initial measurement, these assets are measured at fair value.

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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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.

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.

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.

Dividend income

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognised in the consolidated statement of profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognised in other comprehensive income and accumulated in a separate component of equity.

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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 27).

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

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).

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

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.

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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

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.

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.

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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

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.

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 28.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

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.

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 cashflow 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.

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. 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Investment in associates (continued)

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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 bases over the intangible asset's estimated useful lives over the following periods:

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

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 Non-current assets classified as 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 recognised in the statement of profit or loss.

The financial results of a 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 ADFG.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

While applying the accounting policies as stated in note 4, 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:

4.1 Critical judgement in applying Group's accounting policies

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 DPDs (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.

Accounting acquirer

One of the most important steps in a business combination is to identify the acquirer in the transaction. From an accounting perspective the legal acquirer may not be the accounting acquirer. In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly called 'reverse acquisitions', the issuing entity is the acquiree.

As per IFRS 3, several factors determine accounting acquirer - the relative voting rights in the combined entity after the business combination, the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest, the composition of the governing body of the combined entity, the composition of the senior management of the combined entity, the terms of the exchange of equity interests and relative size (measured in, for example, assets, revenues or profit) of each combining entity.

In the merger transaction with SHUAA, the Group made an assessment of accounting acquirer as per IFRS 3 qualitative and quantitative factors and determined that the acquiring entity for accounting purposes is the entity with a controlling financial interest after the combination took place, being ADFG.

(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 - 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.

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.

Treatment as associates of entities in which the Group holds less than 20% of voting rights

Determine whether the group exercises significant influence over an investee in which the Group holds less than 20% of voting rights is judgmental and involves a critical assessment. As it can sometimes be difficult to determine whether the Group has significant influence over an investee, management makes judgements about its ability to influence the financial and operating policy decisions of the investee. In many instances, elements are present that, considered in isolation, indicate significant influence or lack of significant influence 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 significant influence, the investee entity is recorded as an investment in associate.

Refer note 1(vii) where management made critical judgement in assessing the relationship with its investees in which it holds less than 20% of voting rights

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

As explained in Note 1, prior to the merger transaction ADFG met definition of investment entity as it reported to its investors via quarterly investor information, and to its management, via internal management reports, on a fair value basis. All investments were reported at fair value to the extent allowed by IFRS in the Company's annual reports. The Company had clearly documented exit strategy for all of its investments.

Management had also concluded that the Company meets the additional characteristics of an investment entity, in that it had more than one investment; the investments are predominantly in the form of equities and similar securities; it had more than one investor and its investors are not related parties.

(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

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 forecasts published by the Central Bank of UAE. The Group uses 2 year oil prices forecast for the sensitivity analysis. 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.

Fair value measurement of financial assets at FVTPL

The valuation of the Group's financial assets at FVTPL is generally based on recent market transactions on an arm's length basis, in the absence of an active market. 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 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 and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

5. CASH AND DEPOSITS WITH BANKS

	31 December 2019	*31 December 2018*
Cash on hand	**67**	42
Balances held with banks	**360,126**	21,544
Cash and deposits with banks	**360,193**	21,586
Less: Restricted deposits	**(33,014)**	-
Cash and cash equivalents	**327,179**	21,586

The rate of interest on the deposits held during the year ended 31 December 2019 ranged from 0.5% to 2% (31 December 2018: 0.5%) per annum.

Cash and deposits with banks include deposits of 33,014 (31 December 2018: Nil) with banks, which are held as collateral against the Group's banking facilities including the Central Bank of the UAE guarantee. For the purposes of consolidated statement of cash flows, cash and cash equivalents are stated net of these deposits.

6. RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2019	*31 December 2018*
Trade receivables – net of loss allowance (6.1)	**77,366**	77,431
Advances and deposits	**8,172**	2,895
Prepayments	**11,991**	2,834
Reverse repurchase agreements (6.2)	**1,917**	-
Carried interest	**2,256**	4,228
Accrued income	**21,735**	-
Receivables from managed funds	**48,118**	-
Others	**13,484**	410
	185,039	87,798
Trade receivables and managed funds – net of loss allowance		
Trade receivables	**147,855**	82,511
Loss allowance	**(22,371)**	(5,080)
	125,484	77,431
Movement in loss allowance:		
Opening balance	**5,080**	-
Impact of first-time adoption of IFRS 9	**-**	4,293
Charge for the year	**17,291**	787
Closing balance	**22,371**	5,080

6.1 Included in trade receivables is an amount of 9,123 (31 December 2018: 2,307) due from related parties (Note 26).

6.2 This represents assets arising out of reverse repurchase agreements entered with financial institutions. Securities bought subject to these arrangements remain off-balance sheet and the amounts paid to the counter party are included as asset.

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

7. LOANS, ADVANCES AND FINANCE LEASES

	31 December 2019	*31 December 2018*
Loans and advances - net of provision for impairment	**168,806**	319,157
Finance leases – net of allowance for uncollectible lease payments	**171,570**	-
Margin lending - net of provision for impairment	**50,162**	-
	390,538	319,157

(a) Loans and advances

	31 December 2019	*31 December 2018*
Total loans and advances	**173,129**	319,157
Cumulative provision for impairment	**(4,323)**	-
	168,806	319,157
Movement in cumulative provision for impairment:		
Opening balance	**-**	-
Charge for the year	**(4,323)**	-
Closing balance	**(4,323)**	-

Cumulative provision for impairment includes day-1 ECL amounting to 5,000 recorded on the effective date of business combination (Note 1).

As at 31 December 2019, the underlying collateral for loans and advances were valued at 324,462 (31 December 2018: 507,442). Provisions are made for the uncovered portion of the loans and advances.

(b) Finance leases

	31 December 2019	*31 December 2018*
Current finance lease receivables	**89,246**	-
Non-current financial lease receivables	**83,089**	-
Allowances for uncollectible lease payments	**(765)**	-
	171,570	-
Movement in allowances for uncollectible lease payments:		
Opening balance	**-**	-
Charge for the year	**(839)**	-
Reversals during the year	**74**	-
Closing balance	**(765)**	-

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

7. LOANS, ADVANCES AND FINANCE LEASES (continued)

Leasing arrangements – the Group as lessor

The Group entered into finance lease arrangements to lease out certain of its equipment to its customers. The average term of finance leases entered into is between 2 and 4 years. Furthermore, the Group has sub-let a portion of its leased office premises to third parties.

	Minimum lease payments		***Present value of minimum lease***	
	31 December 2019	*31 December 2018*	***31 December 2019***	*31 December 2018*
Not later than one year	**108,052**	-	**146,386**	-
Later than one year and not later than five years	**93,921**	-	**25,949**	-
	201,973	-	**172,335**	-
Less: unearned finance income	**(29,638)**	-	**-**	-
Present value of minimum lease payments receivable	**172,335**	-	**172,335**	-
Allowances for uncollectible lease payments	**(765)**	-	**(765)**	-
	171,570	-	**171,570**	-

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 2019, the underlying collateral for finance leases were valued at 400,419 (31 December 2018: Nil). Provisions are made for the uncovered portion of the lease.

(c) Margin lending

The Group extends margins to clients for the purpose of trading in quoted securities. These advances are short term in nature and are secured by the underlying securities held in custody by the Group.

	31 December 2019	*31 December 2018*
Total margin lending	**50,364**	-
Cumulative provision for impairment	**(202)**	-
	50,162	-
Movement in cumulative provision for impairment:		
Opening balance	-	-
Charge for the year	**(202)**	-
Closing balance	**(202)**	-

As at 31 December 2019, the underlying securities were valued at 472,673 (31 December 2018: Nil). Provisions are made for the uncovered portion of margins.

Some of the underlying securities in an amount of 59,190 (31 December 2018: Nil) are pledged under repurchase agreements with financial institutions.

The effect of collateral on assets is as follows as at 31 December 2019:

	Over collateralized		**Under collateralized**	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans and advances	**166,273**	**305,368**	**2,533**	**19,094**
Finance leases	**162,720**	**383,476**	**8,850**	**16,943**
Margin lending	**49,394**	**472,673**	**768**	**-**
	378,387	**1,161,517**	**12,151**	**36,037**

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

8. INVENTORIES

Inventories include completed projects/property developed by a group subsidiary amounting to 24,400 (31 December 2018: Nil). These were acquired as part of the business combination.

9. FINANCIAL ASSETS AT FAIR VALUE

a) At fair value through profit or loss (FVTPL)

	31 December 2019	*31 December 2018*
Equity investments	**1,996,571**	608,161
Fixed income securities	**49,370**	3,280
Fund investments	**314,157**	538,423
	2,360,098	1,149,864

During the year, the Group recognised fair value (losses)/gains amounting to (235,625) (31 December 2018: 156,097), on investments carried at FVTPL.

b) At fair value through other comprehensive income (FVOCI)

	31 December 2019	*31 December 2018*
Equity investments	**93,435**	-
Fund investments	**51,656**	-
	145,091	-

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)/gains amounting to (4,117) recognised during the year (31 December 2018: Nil).

FVTPL and FVOCI investments include securities with market value of 1,896,921 (31 December 2018: 154,893) which are pledged against borrowings (Note 13).

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

10. INVESTMENTS IN ASSOCIATES

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

	31 December 2019						
	QIL	*SHUAA Hospitality Fund I L.P.*	*SHUAA Saudi Hospitality Fund I*	*Mirfa Power Holding Company PJSC*	*ADCORP Limited*	*Others*	*Total*
Movement							
As at 1 January 2019	-	-	-	-	-	-	-
Acquisitions from business combination (*)	-	**52,842**	**20,845**	-	**39,386**	**38,279**	**151,352**
Acquisition of associate on loss of control (Note 34)	**202,166**	-	-	-	-	-	**202,166**
Acquisition on loss of investment entity status (**)	-	-	-	**233,451**	**37,324**	-	**270,775**
Additions	**82,797**	-	-	-	-	-	**82,797**
Share of profit/(loss) of associates	-	**(1,809)**	**(909)**	**9,507**	**1,309**	**(5,740)**	**2,358**
Share of other comprehensive income/(loss) of associates	-	-	-	**(5,798)**	-	-	**(5,798)**
Disposals	-	-	-	-	-	**(10,000)**	**(10,000)**
As at 31 December 2019	**284,963**	**51,033**	**19,936**	**237,160**	**78,019**	**22,539**	**693,650**
As at 31 December 2018	-	-	-	-	-	-	-

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 2019						
	QIL	*SHUAA Hospitality Fund I L.P.*	*SHUAA Saudi Hospitality Fund I*	*Mirfa Power Holding Company PJSC*	*ADCORP Limited*	*Others*	*Total*
Summarised statement of financial position							
Assets							
- Current	76,428	294	6,793	456,647	337,207	5,251,701	6,129,070
- Non-current	1,999,789	194,490	496,241	4,950,549	131,086	3,944,001	11,716,156
Total assets	2,076,217	194,784	503,034	5,407,196	468,293	9,195,702	17,845,226
Liabilities							
- Current	104,945	781	16,943	546,066	15,260	1,777,244	2,461,239
- Non-current	1,053,000	-	120,006	4,339,554	64,789	1,577,116	7,154,465
Total liabilities	1,157,945	781	136,949	4,885,620	80,049	3,354,360	9,615,704
Net Assets	**918,272**	**194,003**	**366,085**	**521,576**	**388,244**	**5,841,342**	**8,229,522**
Summarised statement of comprehensive income							
Revenue	**9,037**	-	**2,905**	**531,302**	**29,621**	**192,800**	**765,665**
Profit/(loss) for the year	**341,991**	**(24,025)**	**(38,881)**	**91,640**	**12,176**	**(151,904)**	**230,997**
Other comprehensive income/(loss) for the year	-	-	-	**(54,274)**	-	-	**(54,274)**
Total comprehensive income/(loss) for the year	**341,991**	**(24,025)**	**(38,881)**	**37,366**	**12,176**	**(151,904)**	**176,723**

(*) Investment in associates were acquired as part of the business combination

(**) Acquisitions of associates on loss of investment entity status are coming from QIL, Mirfa Power Holding Company PJSC and ADCORP Limited

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

11. PROPERTY AND EQUIPMENT

	31 December 2019							
	Leasehold Improvements	***Office equipment***	***Motor vehicles***	***Furniture and fixture***	***Land & buildings***	***Artworks and paintings***	***Right-of-use assets***	***Total***
Cost								
Balance at beginning of the year	**12,106**	**4,928**	**374**	**1,944**	**-**	**1,029**	**-**	**20,381**
Impact of adoption of IFRS 16 (Note 2.1)	**-**	**-**	**-**	**-**	**-**	**-**	**35,345**	**35,345**
Acquired on acquisition of subsidiaries	**8,389**	**3,747**	**401**	**1,770**	**10,520**	**-**	**13,955**	**38,782**
Acquired on loss of investment entity status	**2,526**	**382**	**-**	**2,097**	**-**	**23**	**-**	**5,028**
Additions	**1,273**	**487**	**-**	**91**	**-**	**328**	**-**	**2,179**
Disposals	**(2,141)**	**(2,390)**	**(2)**	**(61)**	**-**	**(24)**	**(1,229)**	**(5,847)**
Deconsolidation	**(2,421)**	**(719)**	**(2)**	**-**	**(140)**	**-**	**-**	**(3,282)**
Exchange rate translation	**282**	**-**	**-**	**-**	**-**	**1**	**-**	**283**
Balance at end of the year	**20,014**	**6,435**	**771**	**5,841**	**10,380**	**1,357**	**48,071**	**92,869**
Accumulated depreciation								
Balance at beginning of the year	**1,282**	**2,215**	**133**	**938**	**-**	**-**	**-**	**4,568**
Charge for the year (11.2)	**2,649**	**2,614**	**154**	**1,976**	**193**	**-**	**10,207**	**17,793**
Disposals	**(1,688)**	**(1,435)**	**-**	**(61)**	**-**	**-**	**-**	**(3,184)**
Balance at end of the year	**2,243**	**3,394**	**287**	**2,853**	**193**	**-**	**10,207**	**19,177**
Net book value								
Balance at end of the year	**17,771**	**3,041**	**484**	**2,988**	**10,187**	**1,357**	**37,864**	**73,692**

	31 December 2018							
	Leasehold Improvements	*Office equipment*	*Motor vehicles*	*Furniture and fixture*	*Land & buildings*	*Artworks and paintings*	*Right-of-use assets*	*Total*
Cost								
Balance at beginning of the year	13,141	2,014	374	498	-	807	-	16,834
Transfers	(2,781)	1,394	-	1,387	-	-	-	-
Additions	1,746	1,520	-	59	-	222	-	3,547
Balance at end of the year	12,106	4,928	374	1,944	-	1,029	-	20,381
Accumulated depreciation								
Balance at beginning of the year	199	970	58	413	-	-	-	1,640
Charge for the year	1,083	1,245	75	525	-	-	-	2,928
Balance at end of the year	1,282	2,215	133	938	-	-	-	4,568
Net book value								
Balance at end of the year	10,824	2,713	241	1,006	-	1,029	-	15,813

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

11. PROPERTY AND EQUIPMENT (continued)

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

	31 December 2019	*1 January 2019*
Buildings (*)	**47,938**	28,829
Office equipment	**133**	-
Total right-of-use assets	**48,071**	28,829

(*) 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 7).

11.2 The depreciation charge for right-of-use assets pertains mainly to office premises.

	31 December 2019
Buildings	**10,176**
Office equipment	**31**
	10,207

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	31 December 2019				
	Goodwill	*Trademark/Brand*	*Customer Relationships*	*Trade Licenses*	*Total*
Cost					
Balance at beginning of the year	**-**	**-**	**-**	**7**	**7**
Acquired on loss of investment entity status	**440,161**	**3,500**	**122,400**	**-**	**566,061**
Deconsolidation	**(6,063)**	**-**	**-**	**-**	**(6,063)**
Acquired on acquisition of subsidiaries	**531,526**	**13,260**	**93,100**	**23,270**	**661,156**
Impact of foreign currency translation	**50,593**	**-**	**-**	**-**	**50,593**
Balance at end of the year	**1,016,217**	**16,760**	**215,500**	**23,277**	**1,271,754**
Accumulated amortisation					
Balance at beginning of the year	-	-	-	**7**	**7**
Impact of foreign currency translation	-	-	-	-	-
Charge for the year	**-**	**257**	**12,910**	**-**	**13,167**
Balance at end of the year	**-**	**257**	**12,910**	**7**	**13,174**
Net book value					
Net book value as at 31 December 2019	**1,016,217**	**16,503**	**202,590**	**23,270**	**1,258,580**
Net book value as at 31 December 2018	-	-	-	-	-

This includes goodwill and other intangibles arisen upon cessation of investment entity (Note 1) and acquisition of subsidiaries as part of the business combination (Note 1) mainly on account of expected synergies, efficient business management, high standards of policies, compliances with relevant regulatory framework and integrity, experience and other strength of the workforce and management. Accordingly, the goodwill recognized represents the excess of the fair value of the net assets acquired over the proportionate share acquired in identifiable net assets.

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

12. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The Group performs impairment tests on Goodwill and Trade Licenses annually. Management assessed the recoverable amount for the Cash-Generating Units ("CGUs") using value in use ("VIU"). VIU calculations were determined using cash flow projections from financial budgets approved by the Group's senior management covering a one to five-year period. The discount rate applied to cash flow projections represent the cost of capital adjusted for an appropriate risk premium for these cash-generating units. 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 Group has also performed a sensitivity analysis by varying key inputs by a reasonable margin. Based on the current impairment assessment, goodwill is not impaired as at 31 December 2019.

The carrying amount of Goodwill and Trade licenses as at 31 December 2019 allocated to each CGU along with the key inputs used for VIU calculations and sensitivity analysis are summarized as follows:

CGU	**Goodwill**	**Trade licenses**	**Growth rate**	**Discount rate**	**1% change in Discount rate**	**1% change in Growth rate**
Asset Management – Astrea	247,129	-	1.5%	5.5%	(86,497)	(83,366)
Asset Management – Northacre	237,563	-	-	6.0%	(5,080)	-
Asset Management – Real Estate	197,468	5,300	2.0%	15.0%	(29,831)	(19,021)
Investment Banking	162,215	4,000	16.0%	2.0%	(16,940)	(10,338)
NCM	81,313	9,200	15.5%	2.5%	(18,148)	(11,384)
Brokerage	3,876	-	23.0%	7.0%	(441)	(259)
Fixed Income Trading	58,746	-	15.5%	2.0%	(8,022)	(5,017)
Investment Solutions	27,907	300	15.5%	2.0%	(3,093)	(1,930)
Lending	-	4,470	14.0%	2.0%	(7,556)	(4,914)
	1,016,217	**23,270**				

13. BORROWINGS

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

	31 December 2019	*31 December 2018*
Secured		
Due to banks	**1,433,817**	471,388
Due to other financial institutions	**244,426**	102,944
	1,678,243	574,332
Unsecured		
Due to banks	**94,481**	-
Due to other financial institutions (Note 13.1)	**144,967**	91,453
Bonds payable	**332,378**	366,564
	571,826	458,017
	2,250,069	1,032,349

13.1 These include borrowings amounting to 105,262 (31 December 2018: 63,458) due to related parties with an interest rate of 7.3% to 8% p.a (2018: 7.1% to 8% p.a).

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

13. BORROWINGS (continued)

	31 December 2019	*31 December 2018*
Secured		
Repayable within twelve months	**1,475,591**	574,332
Repayable after twelve months	**202,652**	-
	1,678,243	574,332
Unsecured		
Repayable within twelve months	**500,173**	91,453
Repayable after twelve months	**71,653**	366,564
	571,826	458,017
	2,250,069	1,032,349

13.2 Summary of borrowing arrangements:

Facility type	**Facility amount**	**Original Tenor**	**Effective interest/profit rate**	**Collateral**
Term Loan	**831,181**	1 to 5 years	7% - 7.5%	**1,483,896**
Bond	**332,378**	1 to 5 years	6.75%	-
Murabaha facility	**910,713**	within 1 year	5% - 5.5%	**1,454,295**
Revolving Facility	**175,797**	within 1 year	7.5% - 8%	**283,789**
	2,250,069			**3,221,980**

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

13.3 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.

					Non-cash changes		
	At 1 January 2019	***Acquisitions on business combination***	***Acquisition on loss of investment entity status***	***Financing cash flows (i)***	***Other charges (ii)***	***Foreign currency exchange difference***	***At 31 December 2019***
Due to banks	**471,388**	**441,699**	**665,347**	**(64,737)**	**12,800**	**1,801**	**1,528,298**
Due to other financial institutions	**194,397**	**-**	**158,495**	**30,221**	**5,285**	**995**	**389,393**
Bonds payable	**366,564**	**-**	**(38,098)**	**(220)**	**4,132**	**-**	**332,378**
	1,032,349	**441,699**	**785,744**	**(34,736)**	**22,217**	**2,796**	**2,250,069**

					Non-cash changes		
	At 1 January 2018	*Acquisitions on business combination*	*Acquisition on loss of investment entity status*	*Financing cash flows (i)*	*Other charges (ii)*	*Foreign currency exchange difference*	*At 31 December 2018*
Due to banks	165,687	-	-	302,586	3,115	-	471,388
Due to other financial institutions	99,017	-	-	87,398	9,519	(1,537)	194,397
Bonds payable	360,090	-	-	-	6,474	-	366,564
	624,794	-	-	389,984	19,108	(1,537)	1,032,349

(i) Net cash flows from proceeds and repayment of borrowings
(ii) Other charges include interest accruals and repayments

13.4 As at 31 December 2019 there was a technical breach relating to one of the bank borrowings. A waiver of the breach was received from the bank prior to the date of signing these financial statements.

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

14. PAYABLES AND OTHER CREDIT BALANCES

Payables and other credit balances comprise the following:

	31 December 2019	*31 December 2018*
Payable to clients	**36,021**	12,412
Customer deposits	**57,748**	-
Accruals	**61,173**	17,131
Lease liabilities (note 14.1)	**51,418**	-
Repurchase agreements (14.2)	**52,058**	-
Payables against acquisition	**99,130**	16,815
Unclaimed dividends payable	**33,480**	-
FVTPL liabilities	**34,230**	-
Realised carried interest payable to employees	**13,751**	11,692
End of service benefits	**16,994**	2,539
Provisions (note 14.3)	**16,606**	-
Carried interest rebates payable	**39,891**	12,256
Deferred revenue	**4,381**	1,263
Capital call payables	**-**	26,065
Derivative financial liability (14.4)	**4,481**	119,154
Other payables	**71,889**	17,302
	593,251	236,629

14.1 Lease liabilities

	31 December 2019	31 *December 2018*
Current	**15,997**	-
Non-current	**35,421**	-
	51,418	**-**

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

14.2 Repurchase agreements

Represents liabilities arising out of repurchase agreements entered with financial institutions. Securities sold subject to repurchase agreements are disclosed as pledged assets (refer Note 7c). The amounts received from the counterparty is included as liability.

14.3 Provisions

All the provisions are classified as current.

14.3.1 Movement in provisions

	31 December 2019	31 *December 2018*
As at 1 January 2019	**-**	
Acquired through business combinations	**9,095**	-
Charged to profit or loss	**7,511**	-
As at 31 December 2019	**16,606**	-

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

14. PAYABLES AND OTHER CREDIT BALANCES (continued)

14.4 Derivative financial liability

Balances as at 31 December comprise of the following:

	31 December 2019	*31 December 2018*
Interest rate swaps	**4,481**	-
Put option (i)	-	49,902
Other derivative financial instrument (ii)	-	69,252
	4,481	119,154

(i) The put option matured on 31 December 2018 and the derivative liability was settled subsequently.

(ii) The derivative financial instruments was cancelled during the year resulting in a gain of AED 69,252 and other gains from other derivative amounting to AED 1,492.

14.5 All other balances above, except as disclosed in note 28, are expected to be settled within 12 months after the end of the reporting period.

15. OTHER FINANCIAL LIABILITIES

These comprise of term and wakalah investment certificates as well as other debt obligations. All balances are expected to be settled within 12 months after the end of the reporting period.

16. SHARE CAPITAL

The merger transaction between SHUAA and ADFG was given effect by the issuance of 1,471 million ordinary shares of AED 1 by SHUAA to the existing shareholders of ADFG. The newly issued shares added to the existing share capital of SHUAA (i.e. 1,065 million shares) constitutes the share capital of the legal entity / acquirer after the merger, i.e. the Combined Entity. The value of the share capital of the combined entity is 2,536 million. The table below represents the effect of the merger transaction on the number of shares of the Group as of the date of the merger:

	Units (in '000)	***%***
Outstanding shares of ADFG	40	
Exchange ratio	36.768	
Number of shares issued by SHUAA to ADFG	1,470,720	58
Outstanding shares of SHUAA	1,065,000	42
Total shares of SHUAA post combination	2,535,720	100
Effect of business combination on share capital	2,535,680	

Authorised, issued and fully paid share capital comprises 2,535,720,000 shares (31 December 2018: 40,000 shares) of AED 1 per share (31 December 2018: AED 1,500 per share). Each share carries one vote and the right to receive dividends. The number of shares has been restated for the purpose of computation of earnings/(loss) per share (Note 25).

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

17. OTHER RESERVES

	Merger reserve (17.1)	*Investment revaluation reserve*	*Cash flow hedge reserve (17.2)*	*Translation reserve*	*Total*
As at 1 January 2019	-	-	-	-	-
Remeasurement of equity investments carried at FVOCI	-	**(4,117)**	-	-	**(4,117)**
Cash flow hedge	-	-	**(5,929)**	-	**(5,929)**
Translation of operations of foreign subsidiaries	-	-	-	**57,854**	**57,854**
NCI share	-	**270**	-	**(24,727)**	**(24,457)**
Other comprehensive (loss)/income	-	**(3,847)**	**(5,929)**	**33,127**	**23,351**
Acquisition of subsidiaries	**(1,410,720)**	-	-	-	**(1,410,720)**
As at 31 December 2019	**(1,410,720)**	**(3,847)**	**(5,929)**	**33,127**	**(1,387,369)**
As at 31 December 2018	-	-	-	-	-

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).

17.2 This includes share of cash flow hedge reserve of associate.

18. OTHER OPERATING INCOME

	31 December 2019	*31 December 2018*
Other income	**14,143**	10,983
Dividend income	**84**	15,330
Board representation fees	**6,090**	-
	20,317	26,313

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

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

19. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019	*31 December 2018*
Professional fees	**(27,128)**	(12,767)
Administration, technology and communication	**(13,624)**	(11,490)
Office costs	**(6,549)**	(7,872)
Corporate marketing and branding costs	**(4,084)**	(1,251)
Business travel expenses	**(951)**	(969)
Others	**(11,148)**	(1,158)
	(63,484)	(35,507)

There is no payment for social contribution in 2019.

20. PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	31 December 2019	*31 December 2018*
Loans, advances and finance leases	**(4,818)**	-
Allowances for doubtful receivables and other assets (20.1)	**(17,291)**	(3,787)
	(22,109)	(3,787)

20.1 Charge for the year amounting to 4,818 is attributable to financial instruments acquired during the year and 17,291 is attributable to allowances for doubtful receivables and other assets.

21. OTHER OPERATING EXPENSES

	31 December 2019	*31 December 2018*
Director fee	**(4,849)**	(2,000)
Net foreign exchange (loss)/gain	**(1,215)**	1,055
Corporate tax	**(434)**	-
Others	**(11,508)**	-
	(18,006)	(945)

22. FINANCE COST

Finance cost includes interest of 27,871 (31 December 2018: 27,484) on the bond.

23. FINANCE CREDIT RELATING TO UNIT HOLDERS

The 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 amounting to 140,398 (31 December 2018: Nil). As at 31 December 2019, the payables to unit holders amounted to 654,201 (31 December 2018: Nil).

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

24. OTHER INCOME/(EXPENSES)

Other income/(expenses) include an amount of 19,676 (31 December 2018: Nil) expensed by the Group in respect of acquisition-related costs (Note 1).

25. EARNINGS/(LOSS) PER SHARE

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

	31 December 2019	*31 December 2018 (Restated)*
Profit attributable to the Owners from continuing operations	**12,301**	53,236
Profit attributable to the Owners	**46,813**	53,236
Weighted average number of ordinary shares	**1,914,470**	1,470,720
Earnings per share attributable to Owners from continuing operations	**0.01**	0.04
Earnings per share attributable to Owners	**0.02**	0.04

In accordance with the requirements of IFRS 3, the basic earnings per share in the consolidated financial statements, following a reverse acquisition, for the comparative period have been restated. The basic earnings per share for the comparative period was calculated by dividing ADFG's profit attributable to ordinary shareholders in each of those periods by ADFG's historical weighted average number of ordinary shares that were outstanding, multiplied by the exchange ratio established by the business combination agreement.

Diluted earnings per share as of 31 December 2019 and 31 December 2018 are equivalent to basic earnings per share.

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

26. 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.

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

	31 December 2019	*31 December 2018*
Receivables and other debit balances		
Shareholders	**2,827**	31
Associates	**1,697**	2,276
Other related parties	**4,599**	-
	9,123	2,307
Loan, advances and finance leases		
Associates	**71,958**	-
Borrowings		
Associates	**29,982**	-
Shareholders	**75,280**	63,458
	105,262	63,458
Payables and other credit balances		
Associates	**42,171**	29,465
Shareholders	**83,774**	63,429
	125,945	92,894

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

	31 *December 2019*	*31 December 2018*
Directors remuneration	**4,682**	2,000
Key management compensation:		
Salaries, bonuses and other benefits	**22,556**	8,536
Post-employment benefits	**381**	144
	22,937	8,680
Revenue earned from related parties		
Other related parties	**20,266**	-
Associates	**-**	42,384
Finance cost on the borrowings from significant shareholders	**5,560**	3,969
Assets swapped with related parties		
Significant shareholders (Note 1 iv)	**378,576**	-

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

27. FINANCIAL INSTRUMENTS

27.1 Financial assets

	31 December 2019	*31 December 2018*
Financial assets at amortised cost		
Cash and deposits with banks	**360,193**	21,586
Receivables and other debit balances	**185,039**	87,798
Loans, advances and finance leases	**390,538**	319,157
	935,770	428,541
Financial assets at FVTPL		
Equity investments	**1,996,571**	608,161
Fixed income securities	**49,370**	3,280
Fund investments	**314,157**	538,423
	2,360,098	1,149,864
Financial assets at FVOCI		
Equity investments	**93,435**	-
Fund investments	**51,656**	-
	145,091	-
Total financial assets	**3,440,959**	1,578,405
Current	**3,009,193**	438,092
Non-current	**431,766**	1,140,313
	3,440,959	1,578,405

27.2 Financial liabilities

	31 December 2019	*31 December 2018*
Financial liabilities at amortised cost		
Borrowings	**2,250,069**	1,032,349
Payables and other credit balances	**554,540**	117,475
Other financial liabilities	**152,155**	-
	2,956,764	1,149,824
Financial liabilities at FVTPL		
Payables and other credit balances	**38,711**	119,154
Payable to unit holders	**654,201**	-
	692,912	119,154
Total financial liabilities	**3,649,676**	1,268,978
Current	**2,753,522**	335,414
Non-current	**896,154**	933,564
	3,649,676	1,268,978

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

27. FINANCIAL INSTRUMENTS (continued)

27.3 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 2019			
	Level 1	***Level 2***	***Level 3***	***Total***
Financial Assets				
FVTPL				
-Equity investments	**1,950,473**	**25,129**	**20,969**	**1,996,571**
-Fixed income investments	**48,216**	**25**	**1,129**	**49,370**
-Fund investments	**-**	**16,645**	**297,512**	**314,157**
FVOCI				
-Equity investments	**93,435**	**-**	**-**	**93,435**
-Fund investments	**-**	**-**	**51,656**	**51,656**
	2,092,124	**41,799**	**371,266**	**2,505,189**
Financial Liabilities				
FVTPL	**34,230**	**4,481**	**-**	**38,711**
Payable to unit holders	**-**	**654,201**	**-**	**654,201**
	34,230	**658,682**	**-**	**692,912**

	31 December 2018			
	Level 1	*Level* 2	*Level* 3	*Total*
Financial Assets				
FVTPL				
-Equity investments	-	-	608,161	608,161
-Fixed income investments	-	-	3,280	3,280
-Fund investments	948	-	537,475	538,423
	948	-	1,148,916	1,149,864
Financial Liabilities				
FVTPL	-	119,154	-	119,154

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 and market liquidity discounts.

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

27. FINANCIAL INSTRUMENTS (continued)

27.3 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, unquoted 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 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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/19	31/12/18				
FVTPL						
Equity investments	**20,969**	608,161	3	Discounted cash flow[1]	Discount rate and growth rate	The higher the discount rate, the lower the fair value
Fixed Income	**1,129**	3,280	3	Discounted cash flow[1]	Discount rate	The higher the discount rate, the lower the fair value
Fund investments	**297,512**	537,475	3	NAV[2]	Net asset value adjusted with market risk	The higher the market risk, the lower the fair value
FVOCI						
Fund investments	**51,656**	-	3	NAV[2]	Net asset value	The higher the market risk, the lower the fair value

[1]Discounted cash flow models are used to fair value our investments. The cash flow model includes assumptions related to future cash inflows/outflows, discount rate and growth rate..

[2]Net asset value represents the estimated value of a security based on valuations received from the investment or fund manager. 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 1 and level 3.

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

	31 December 2019								
	Balance at 1 January 2019	*Acquired on business combination*	*Acquired on loss of investment entity status*	*Additions*	*Disposal*	*Gain/(loss) through P&L*	*Gain/(loss) through OCI*	*Transfers from/(to) levels 1 & 2*	*Balance at 31 December 2019*
FVTPL									
Equity Investment	**608,161**	**22,610**	**(391,710)**	**272,395**	**(396,696)**	**(93,791)**	**-**	**-**	**20,969**
Fixed Income	**3,280**	**1,130**	**-**	**15,798**	**(19,078)**	**(1)**	**-**	**-**	**1,129**
Fund Investment	**537,475**	**30,343**	**(455,195)**	**224,976**	**(90,000)**	**49,913**	**-**	**-**	**297,512**
FVOCI									
Fund Investment	**-**	**48,183**	**-**	**-**	**-**	**-**	**3,473**	**-**	**51,656**
	1,148,916	**102,266**	**(846,905)**	**513,169**	**(505,774)**	**(43,879)**	**3,473**	**-**	**371,266**

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

27. FINANCIAL INSTRUMENTS (continued)

27.3 Fair value of financial instruments (continued)

	31 December 2018							
	Balance at 1 January 2018	*Acquired on business combination*	*Additions*	*Disposal*	*Gain/(loss) through P&L*	*Gain/(loss) through OCI*	*Transfers from/(to) levels 1 & 2*	*Balance at 31 December 2018*
FVTPL								
Equity Investment	235,158	-	69,315	-	47,258	-	256,430	608,161
Fixed Income	14,592	-	3,280	(14,592)	-	-	-	3,280
Fund Investment	252,172	-	179,993	(37,591)	142,901	-	-	537,475
	501,922	-	252,588	(52,183)	190,159	-	256,430	1,148,916

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

	31 December 2019	*31 December 2018*
Realised and unrealised (losses)/gains	**(43,879)**	190,159

Impact on fair value of level 3 financial assets measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

	31 December 2019		*31 December 2018*	
	Carrying amount	***Effect of reasonably possible alternative assumptions***	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
Held at FVTPL				
Equity Investment	**20,969**	**1,048**	608,161	30,408
Fixed Income	**1,129**	**56**	3,280	164
Fund Investment	**297,512**	**14,876**	537,475	26,874
Held at FVOCI				
Fund Investments	**51,656**	**2,583**	-	-
	371,266	**18,563**	1,148,916	57,446

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable models inputs as follows:

- For debt securities, the Group adjusted the probability of default and loss given default assumptions by increasing and decreasing the fair value of the instrument by 5%.
- For fund and equity investments, the Group adjusted the liquidity discount rate assumptions used in the valuation model within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of each investment.

The fair values of the Group's other financial instruments are not materially different from their carrying values.

28. 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.

28. FINANCIAL RISK MANAGEMENT (continued)

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. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

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.

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 unlikeliness 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.

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

28. FINANCIAL RISK MANAGEMENT (continued)

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 2019	*Gross maximum exposure 31 December 2018*
Cash and deposits with banks	**360,193**	21,586
Receivables and other debit balances	**185,039**	87,798
Loans, advances and finance leases	**390,538**	319,157
Total credit risk exposure	**935,770**	428,541

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:

			31 December 2019				
Assets	***UAE***	***GCC***	***MENA***	***North America***	***Europe***	***Asia***	***Total***
Cash and deposits with banks	**182,131**	**103,353**	**12,787**	**1,184**	**56,228**	**4,510**	**360,193**
Receivables and other debit balances	**103,018**	**46,093**	**5,777**	**-**	**30,135**	**16**	**185,039**
Loans, advances and finance leases	**155,981**	**192,718**	**41,689**	**-**	**18**	**132**	**390,538**
	441,130	**342,164**	**60,253**	**1,184**	**86,381**	**4,658**	**935,770**

			31 December 2018				
Assets	*UAE*	*GCC*	*MENA*	*North America*	*Europe*	*Asia*	*Total*
Cash and deposits with banks	21,586	-	-	-	-	-	21,586
Receivables and other debit balances	73,032	391	-	-	14,375	-	87,798
Loans, advances and finance leases	319,157	-	-	-	-	-	319,157
	413,775	391	-	-	14,375	-	428,541

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.

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.

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

28. FINANCIAL RISK MANAGEMENT (continued)

	31 December 2019					31 December 2018
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	Total
Loans and advances						
Performing	135,231	-	-	-	135,231	319,157
Non-performing	-	-	-	37,898	37,898	-
Gross loans and advances	135,231	-	-	37,898	173,129	319,157
Allowance for impairment	(4,965)	-	-	642	(4,323)	-
Carrying amount	130,266	-	-	38,540	168,806	319,157

	31 December 2019					31 December 2018
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	Total
Finance leases						
Performing	121,491	3,142	-	-	124,633	-
Non-performing	-	-	-	47,702	47,702	-
Finance leases	121,491	3,142	-	47,702	172,335	-
Allowance for impairment	(868)	(24)	-	127	(765)	-
Carrying amount	120,623	3,118	-	47,829	171,570	-

	31 December 2019					31 December 2018
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	Total
Margin Lending						
Performing	46,940	-	-	-	46,940	-
Non-performing	-	-	-	3,424	3,424	-
Margin Lending	46,940	-	-	3,424	50,364	-
Allowance for impairment	-	-	-	(202)	(202)	-
Carrying amount	46,940	-	-	3,222	50,162	-

2019	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**
Loans, advances and finance leases					
Balance at 1 January	-	-	-	-	-
Allowance for impairment – Charge for the year	(5,832)	(24)	-	507	(5,350)
Write off	-	-	-	60	60
Reversal of allowance					
Changes in allowance for impairment	-	-	-	-	-
- Transfer to Stage 1	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-
Closing balance at 31 December	(5,832)	(24)	-	566	(5,290)

The total amount of undiscounted ECLs at initial recognition for POCI financial assets reversed during 2019 was 507 (31 December 2018: Nil).

The Group did not have any impairment on loans, advances and finance leases as at 31 December 2018.

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

28. FINANCIAL RISK MANAGEMENT (continued)

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.

2019	**0-30 days**	**31-180 days**	**>180 days**	**Total 31 December 2019**	Total 31 December 2018
Trade receivables and managed funds					
Gross carrying amount	**60,549**	**30,561**	**56,745**	**147,855**	82,511
ECL	**(5,677)**	**(1,146)**	**(15,548)**	**(22,371)**	(5,080)
	54,872	**29,415**	**41,197**	**125,484**	77,431

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'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 Group Assets and Liabilities Committee sets minimum liquidity ratios and cash balance requirements. 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 three primary measures of liquidity used by the Group are stock of liquid assets, surplus cash capital and net funding requirement. Liquid assets include cash and cash equivalents and other short-term financial assets. Cash capital is defined as the aggregate of the Group's capital base, intra-group liabilities maturing later than 12 months and any undrawn committed facilities by the Group. Cash capital is used to fund long term funding requirements including investment in associates, investment securities and property and equipment**.** Net funding requirement is the liquid assets necessary to fund the cash obligations and commitments.

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

28. FINANCIAL RISK MANAGEMENT (continued)

The maturity profile of assets and 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.

	Less than 3 Months	*3-12 Months*	*1-5 years*	*More than 5 years*	*Grand total*
Cash and deposits with banks	335,496	2,361	19,305	3,031	360,193
Receivables and other debit balances	98,167	84,304	2,568	-	185,039
Loans, advances and finance leases	161,507	174,850	54,181	-	390,538
Inventories	24,349	51	-	-	24,400
Financial assets at fair value through profit or loss (FVTPL)*	642,763	1,416,310	301,025	-	2,360,098
Financial assets at fair value through other comprehensive income (FVOCI)*	93,435	-	51,656	-	145,091
Investments in associates*	265,254	-	428,396	-	693,650
Property and equipment*	2,207	6,484	65,001	-	73,692
Goodwill and other intangible assets*	5,039	13,159	88,486	1,151,896	1,258,580
Assets of disposal groups classified as held for sale*	-	14,104	14,115	-	28,219
Total Assets	1,628,217	1,711,623	1,024,733	1,154,927	5,519,500
Borrowings	829,137	1,146,627	274,305	-	2,250,069
Payables and other credit balances	261,784	145,752	177,352	8,363	593,251
Other financial liabilities	-	152,155	-	-	152,155
Payables to unit holders*	-	218,067	436,134	-	654,201
Liabilities included in disposal groups classified as held for sale*	-	480	-	-	480
Equity*	-	-	-	1,869,344	1,869,344
Total Liabilities and Equity	1,090,921	1,663,081	887,791	1,877,707	5,519,500
Net liquidity gap	537,296	48,542	136,942	(722,780)	-
Cumulative liquidity gap – 31 December 2019	537,296	585,838	722,780	-	-
Cumulative liquidity gap – 31 December 2018	23,070	102,678	229,500	-	

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

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

28. FINANCIAL RISK MANAGEMENT (continued)

	31 December 2019				
	Less than 3 months	***3 - 12 months***	***1 - 5 years***	***More than 5 years***	***Total***
Borrowings	**814,936**	**1,218,381**	**312,905**	**-**	**2,346,222**
Payables and other credit balances	**261,784**	**145,752**	**177,352**	**8,363**	**593,251**
Other financial liabilities	**18,017**	**130,578**	**-**	**-**	**148,595**
	31 December 2018				
	Less than 3 months	*3 - 12 months*	*1 - 5 years*		*Total*
Borrowings	255,521	417,239	415,443	-	1,088,203
Payables and other credit balances	77,919	65,624	93,086	-	236,629
Other financial liabilities	-	-	-	-	-

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 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.

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 2019			
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	**2,228,013**	**(16,710)**	**16,710**	**-**	**-**

		31 December 2018			
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	697,310	(5,230)	5,230	-	-

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

28. FINANCIAL RISK MANAGEMENT (continued)

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 2019.

There is no impact on the Group equity, other than the implied effect on profits.

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 2019. 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 2019, with all other variables held constant.

Foreign currency	***Assets***	***Liabilities***	***Net exposure***	***Effect on profit or loss for 5% increase in sensitivity***	***Effect on profit or loss for 5% decrease in sensitivity***
Sterling	**256,971**	**29,218**	**227,754**	**11,388**	**(11,388)**
Singapore Dollar	**24,196**	**-**	**24,196**	**1,210**	**(1,210)**
Egyptian Pound	**217**	**-**	**217**	**11**	**(11)**
Kuwait Dinar	**296**	**55**	**240**	**12**	**(12)**
Euro	**-**	**245**	**(245)**	**(12)**	**12**
QAR	**205**	**-**	**205**	**10**	**(10)**
	281,885	**29,518**	**252,367**	**12,619**	**(12,619)**

			31 December 2018		
Foreign currency	*Assets*	*Liabilities*	*Net exposure*	*Effect on profit or loss for 5% increase in sensitivity*	*Effect on profit or loss for 5% decrease in sensitivity*
Sterling	60,082	5,440	54,642	12,801	(12,801)

The UAE Dirham, Saudi Riyal, Qatari Riyal, Omani Riyal, Bahraini Dinar and Jordanian Dinar are pegged to the US Dollar. As a result, balances in these currencies do not result in foreign currency risk for the Group.

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

28. FINANCIAL RISK MANAGEMENT (continued)

Equity price risk

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

		31 December 2019			
Financial instrument	***Net exposure***	***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	**1,975,601**	**98,780**	**(98,780)**	**-**	**-**
Fixed Income	**48,239**	**2,412**	**(2,412)**	**-**	**-**
Fund Investment	**16,646**	**832**	**(832)**	**-**	**-**
FVOCI					
Equity Investment	**93,435**	**-**	**-**	**4,672**	**(4,672)**
	2,133,921	**102,024**	**(102,024)**	**4,672**	**(4,672)**

		31 December 2018			
Financial instrument	Net exposure	*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	948	47	(47)	-	-

Below table highlights the geographical allocation of investments

				31 December 2019			
Assets	***UAE***	***GCC***	***MENA***	***North America***	***Europe***	***Asia***	***Total***
FVTPL							
Equity Investment	**1,968,305**	**2,976**	**891**	**-**	**-**	**24,398**	**1,996,570**
Fixed Income	**21,641**	**17,009**	**2,055**	**-**	**7,974**	**689**	**49,368**
Fund Investment	**11,660**	**16,646**	**-**	**30,342**	**255,510**	**-**	**314,158**
FVOCI							
Equity Investment	**93,435**	**-**	**-**	**-**	**-**	**-**	**93,435**
Fund Investment	**51,656**	**-**	**-**	**-**	**-**	**-**	**51,656**
	2,146,697	**36,631**	**2,946**	**30,342**	**263,484**	**25,087**	**2,505,187**

				31 December 2018			
Assets	*UAE*	*GCC*	*MENA*	*North America*	*Europe*	*Asia*	*Total*
FVTPL							
Equity Investment	397,356	-	-	-	210,805	-	608,161
Fixed Income	3,280	-	-	-	-	-	3,280
Fund Investment	305,902	-	-	-	232,521		538,423
	706,538	-	-	-	443,326	-	1,149,864

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

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

	31 December 2019	*31 December 2018*
Borrowings	**2,250,069**	1,032,349
Customer deposits	**57,748**	-
Lease liabilities	**51,418**	-
Repurchase agreements	**52,058**	-
Other financial liabilities	**152,155**	-
Cash and cash equivalents	**(327,179)**	(21,586)
Net debt	**2,236,269**	1,010,763
Total equity	**1,869,344**	325,240
Net debt to equity ratio	**1.20**	3.11

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

29. SEGMENTAL INFORMATION

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

Asset Management manage 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.

	31 December 2019			
	Asset Management	*Investment Banking*	*Corporate*	*Total*
Net fee and commission income	58,594	560	22,336	81,490
Advisory income	118,330	15,422	990	134,742
Net interest income/(expense)	121	575	12,904	13,600
Trading income	57	4,121	37	4,215
Carried interest income	23,554	-	-	23,554
Other operating income	14,786	16	5,515	20,317
Total revenues	**215,442**	**20,694**	**41,782**	**277,918**
Staff costs	(53,285)	(4,179)	(31,137)	(88,601)
Employee carried interest	(9,422)	-	-	(9,422)
General and administrative expenses	(29,361)	(2,832)	(31,291)	(63,484)
Depreciation and amortisation	(11,563)	(2,841)	(16,555)	(30,959)
Provision for impairment losses on financial instruments	(3,737)	(379)	(17,993)	(22,109)
Other operating expenses	(15,593)	(326)	(2,087)	(18,006)
Total expenses	**(122,961)**	**(10,557)**	**(99,063)**	**(232,581)**
Profit/(loss) before other income and finance cost	**92,481**	**10,137**	**(57,281)**	**45,337**
Fair value losses from investments	(22,513)	(583)	(212,529)	(235,625)
Gain/(loss) from derivative financial liability	70,234	-	510	70,744
Gain on loss of control	-	-	105,998	105,998
Share of profit from investment in associates	-	-	2,358	2,358
Finance cost	(4,152)	(1,925)	(101,891)	(107,968)
Finance credit relating to unit holders	-	-	140,398	140,398
Other income/(expenses)	5,354	185	(14,480)	(8,941)
Profit/(loss) for the year from continuing operations	**141,404**	**7,814**	**(136,917)**	**12,301**
Profit for the year from discontinued operations	**-**	**-**	**33,443**	**33,443**
(Loss)/profit for the year attributable to NCI	**1,301**	**-**	**(2,370)**	**(1,069)**
Profit/(loss) for the year attributable to Owners	**140,103**	**7,814**	**(101,104)**	**46,813**
Revenue generated from external customer (fee & commission)	54,014	560	22,336	76,910
Revenue generated from within the group (fee & commission)	4,580	-	-	4,580
	58,594	**560**	**22,336**	**81,490**

	As at 31 December 2019			
	Asset Management	*Investment Banking*	*Corporate*	*Total*
Assets	**1,106,617**	**381,017**	**4,031,866**	**5,519,500**
Liabilities	**509,747**	**114,912**	**3,025,497**	**3,650,156**

Comparatives have not been provided as previously the Group only had 1 operating segment, i.e. 'Asset Management'. Furthermore, 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 (Note 33).
The accounting policies of each of the reportable segments are consistent with those of the Group.

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

30. COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2019	*31 December 2018*
Contingent liabilities	**94,996**	-

As at 31 December 2019, the Group has capital commitments of 206,933 (2018: 223,457) with respect to the project development.

31. 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 2019, clients' assets amounting to 7 billion (31 December 2018: 5.2 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.

32. INTEREST IN MATERIAL SUBSIDIAIRES

Summarised financial information of material subsidiaries (Note 1) with NCI is as follows:

	SHUAA Capital Group	**Spadille Group**	**Squadron Group**
Summarised statement of financial position			
Assets	1,676,669	336,657	396,861
Liabilities	(529,019)	(26,383)	(20,324)
Net assets	1,147,650	310,274	376,537
Summarised statement of comprehensive income			
Revenue	68,033	6,543	17,364
Profit/(loss) for the year	(9,818)	(4,795)	5,764
Other comprehensive income/(loss) for the year	(3,260)	-	-
Total comprehensive income/(loss) for the year	(13,078)	(4,795)	5,764
NCI - 1 August 2019	106,768	44,366	227,680
Total comprehensive income allocated to NCI	(563)	2,901	23,110
NCI - 31 December 2019	106,205	47,267	250,790
Summarised cash flows			
Cash flows from operating activities	(216,855)	1,205	3,265
Cash flows from investing activities	280,355	-	(2,890)
Cash flows from financing activities	(133,543)	(51)	-
Net increase/(decrease) in cash and cash equivalents	(70,043)	1,154	375

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

33. DISCONTINUED OPERATIONS

Assets of a disposal group classified as held for sale	***31 December 2019***	*31 December 2018*
Assets held for sale (*)	**11,457**	-
Assets of a disposal group classified as held for sale	**16,762**	-
	28,219	-

Subsequent to the merger transaction (Note 1), the Group decided that it will exit non-core businesses engaged in brokerage and market making activities, comprising operation of SHUAA Securities LLC (“SSL”) and SHUAA Capital International Limited (“SCIL”) following which it started an active search for buyers. Since the brokerage and market making business constitutes a separate major line of business, the entities have been classified as discontinued operations. As a result, the financial results and cash flows of the both the entities have been disclosed as discontinued operations in the statement of profit or loss and statement of cash flows respectively.

In November 2019, the Group concluded sale of SSL. The assets and liabilities of SCIL have been classified as held for sale.

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

33.1 Assets of a disposal group classified as held for sale (SCIL)	***31 December 2019***	*31 December 2018*
Cash and deposits with banks	**4,538**	-
Receivables and other debit balances	**6,457**	-
Loans, advances and finance leases	**-**	-
Financial assets at fair value through profit or loss (FVTPL)	**5,682**	-
Property and equipment	**85**	-
	16,762	-
33.2 Liabilities associated with disposal group classified as held for sale (SCIL)		
Borrowings	**-**	-
Payables and other credit balances	**480**	-
	480	-
33.3 Profit/(loss) from discontinued operations (SCIL)		
Total operating income	**5,655**	-
Total operating expenses	**(4,007)**	-
Profit/(loss) for the period from discontinued operations	**1,648**	-
33.4 Cash flows from discontinued operations (SCIL and SSL)		
Cash flows from operating activities	**(381,287)**	-
Cash flows from investing activities	**4,566**	-
Cash flows from financing activities	**(18,782)**	-
Net cash flow from discontinued operations	**(395,503)**	-

*Includes value of a plot of land received as distribution in kind from an associate amounting to 4,000 and an investment of 7,457. The Group intends to sell the assets in the near term.

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

34. LOSS OF CONTROL IN SUBSIDIARIES

Details of assets, liabilities, financial performance and cash flows of subsidiaries over which control was lost during the year are as follows:

	31 December 2019	
	QIL	***SSL (Note 33)***
Assets		
Net assets	**96,168**	**66,075**
Gain/(loss) on disposal of subsidiary		
Consideration received	**202,166**	**98,501**
Net assets disposed of	**(96,168)**	**(66,706)**
Gain on disposal	**105,998**	**31,795**
Net cash flows on disposal of subsidiary		
Consideration received in cash and cash equivalents	**-**	**98,501**
Less: Cash and cash equivalent balances disposed	**-**	**(231,174)**
Net cash inflow/(outflow)	**-**	**(132,673)**

During the year ADFG's effective ownership interest in QIL initially increased from 18.8% as at 31 December 2018 to 74% due to the asset swap under Shine carve out. Therefore, with effect from 1st August 2019 until 30 December 2019 ADFG obtained control of QIL. On 31 December 2019, QIL issued new shares to a third party which resulted in transfer of control from ADFG. Subsequently QIL was deconsolidated on 31 December 2019 and ADFG's residual interest of 31.9% was recognised as an investment associate at the reporting date. The loss of control arising from QIL has resulted in a gain of 105,998 (31 December 2018: Nil) recognised in 2019.

35. COMPARATIVES FIGURES

Certain comparative figures have been reclassified/regrouped, wherever necessary, as to conform to the presentation adopted in these consolidated financial statements.

36. SUBSEQUENT EVENTS

Subsequent to the year end, the Group discontinued its active search for a buyer for SCIL and the Board of Directors approved to sell the operations and liquidate the assets and liabilities which were classified as held for sale as at the reporting date.

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's IFRS 9 estimates of expected credit loss provisions in 2020. In addition, economic uncertainty and market volatility have been exacerbated by the sharp drop in the oil price.