

SHUAA CAPITAL PSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 SEPTEMBER 2020

**Review report and condensed consolidated interim financial information
for the period from 1 January 2020 to 30 September 2020**

| Contents | Pages |
|---|--------------|
| Review report on condensed consolidated interim financial information | 1 |
| Condensed consolidated statement of financial position | 2 |
| Condensed consolidated statement of profit or loss | 3 |
| Condensed consolidated statement of other comprehensive income | 4 |
| Condensed consolidated statement of changes in equity | 5 |
| Condensed consolidated statement of cash flows | 6 |
| Notes to the condensed consolidated interim financial information | 7 – 30 |

SHUAA CAPITAL PSC

Condensed consolidated statement of financial position as at 30 September 2020 (unaudited)

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

| | Notes | 30 September 2020 Unaudited | 31 December 2019 Audited |
|--|-------|-----------------------------------|--------------------------------|
| Assets | | | |
| Cash and deposits with banks | 5 | 329,863 | 360,193 |
| Receivables and other debit balances | 6 | 191,588 | 159,775 |
| Loans, advances and finance leases | 7 | 373,191 | 415,802 |
| Inventories | 8 | - | 24,400 |
| Financial assets at fair value | 9 | 2,577,812 | 2,505,189 |
| Investments in associates | 10 | 645,580 | 693,650 |
| Property and equipment | | 75,178 | 73,692 |
| Goodwill and other intangible assets | 11 | 1,218,422 | 1,258,580 |
| Assets of disposal groups classified as held for sale | 32 | 11,457 | 28,219 |
| Total Assets | | 5,423,091 | 5,519,500 |
| Liabilities | | | |
| Borrowings | 12 | 2,292,183 | 2,250,069 |
| Payables and other credit balances | 13 | 553,242 | 593,251 |
| Other financial liabilities | 14 | 191,288 | 152,155 |
| Payables to unit holders | | 576,529 | 654,201 |
| Liabilities of disposal groups classified as held for sale | | - | 480 |
| Total Liabilities | | 3,613,242 | 3,650,156 |
| Equity | | | |
| Share capital | 15 | 2,535,720 | 2,535,720 |
| Share premium | | 52,579 | 52,579 |
| Statutory reserve | | 34,681 | 34,681 |
| Other reserves | 16 | (1,493,873) | (1,387,369) |
| Retained earnings | | 294,209 | 229,471 |
| Equity attributable to Owners | | 1,423,316 | 1,465,082 |
| Non-controlling interests (NCI) | | 386,533 | 404,262 |
| Total Equity | | 1,809,849 | 1,869,344 |
| Total Equity and Liabilities | | 5,423,091 | 5,519,500 |

The condensed consolidated interim statement of financial information was approved by the Board of Directors on 11 November 2020.


Fadhel Alali
Chairman


Jassim Alseddiqi
Chief Executive Officer

The accompanying notes form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC

Condensed consolidated statement of profit or loss for the period from 1 January 2020 to 30 September 2020 (unaudited)

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

| | | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|--|--------------|---|---|--|--|
| | <i>Notes</i> | | | | |
| Continuing operations | | | | | |
| Interest income | | 5,677 | 9,553 | 14,452 | 9,597 |
| Interest expense | | (2,635) | (4,096) | (4,114) | (4,096) |
| Net interest income | | 3,042 | 5,457 | 10,338 | 5,501 |
| Fee and commission income | | 64,685 | 43,514 | 173,289 | 67,939 |
| Fee and commission expense | | (4,656) | (847) | (10,367) | (14,099) |
| Net fee and commission income | | 60,029 | 42,667 | 162,922 | 53,840 |
| Advisory income | | 2,560 | 16,318 | 31,686 | 21,602 |
| Trading income | | 2,923 | 1,940 | 2,401 | 1,940 |
| Carried interest income | | - | 20,554 | - | 20,554 |
| Other operating income | 17 | 62 | 2,555 | 19,188 | 16,663 |
| Total operating income | | 68,616 | 89,491 | 226,535 | 120,100 |
| Staff costs | | (30,872) | (23,792) | (92,153) | (38,661) |
| Employee carried interest | | - | (8,222) | - | (8,222) |
| General and administrative expenses | 18 | (16,758) | (17,616) | (51,009) | (20,243) |
| Depreciation and amortisation | | (13,846) | (4,600) | (42,464) | (10,821) |
| (Charge)/reversal of impairment losses on financial instruments | 19 | (790) | (7,337) | 11,008 | (7,737) |
| Other operating expenses | 20 | (4,609) | (19,675) | (5,698) | (27,936) |
| Total operating expenses | | (66,875) | (81,242) | (180,316) | (113,620) |
| Net operating income | | 1,741 | 8,249 | 46,219 | 6,480 |
| Change in fair value gains/(losses) from financial assets at fair value through profit or loss (FVTPL) | | 231,399 | (104,728) | (169,181) | (107,852) |
| Dividend income | | (2,250) | 5,940 | 57,426 | 6,024 |
| (Loss) / gain on derivative financial liability | 13 | (4,429) | 69,656 | (3,923) | 69,251 |
| Income from investments in associates | | 22,202 | 2,409 | 21,199 | 2,409 |
| Finance cost | 21 | (41,594) | (36,933) | (133,235) | (64,491) |
| Finance (cost) / credit relating to unit holders | 22 | (139,538) | 80,124 | 102,115 | 80,124 |
| Other income / (expenses) | 23 | 248 | (5,003) | 166,658 | (21,837) |
| Profit / (loss) from continuing operations | | 67,779 | 19,714 | 87,278 | (29,892) |
| Profit from discontinued operations | | - | 1,710 | - | 1,710 |
| Profit / (loss) for the period | | 67,779 | 21,424 | 87,278 | (28,182) |
| Attributable to: | | | | | |
| Owners of the Parent | | 58,673 | 21,749 | 63,593 | (27,857) |
| Non-controlling interests | | 9,106 | (325) | 23,685 | (325) |
| | | 67,779 | 21,424 | 87,278 | (28,182) |
| Earnings/(loss) per share attributable to | | | | | |
| Owners from continuing operations (in AED) | | 0.023 | 0.01 | 0.025 | (0.02) |
| Earnings/(loss) per share attributable to | | | | | |
| Owners (in AED) | | 0.023 | 0.01 | 0.025 | (0.02) |

The accompanying notes form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC

Condensed consolidated statement of other comprehensive income for the period from 1 January 2020 to 30 September 2020 (unaudited)

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

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|--|---|---|--|--|
| <i>Notes</i> | | | | |
| Profit / (loss) for the period | 67,779 | 21,424 | 87,278 | (28,182) |
| Other comprehensive (loss) / income | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | |
| Exchange differences on translation of foreign operations | 16 | 7,825 | (22,057) | 7,825 |
| Net gain / (loss) on cash flow hedges | | | | |
| - Share of other comprehensive income / (loss) from investment in associates | 16,386 | (26,871) | (72,026) | (26,871) |
| - Others | 5,321 | (524) | 3,467 | (524) |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | 9,107 | (1,268) | (24,889) | (1,268) |
| Other comprehensive income / (loss) for the period | 57,168 | (20,838) | (115,505) | (20,838) |
| Total comprehensive income / (loss) for the period | 124,947 | 586 | (28,227) | (49,020) |
| Attributable to: | | | | |
| Owners of the Parent | 104,631 | (2,404) | (42,911) | (52,010) |
| Non-controlling interests | 20,316 | 2,990 | 14,684 | 2,990 |
| | 124,947 | 586 | (28,227) | (49,020) |

The accompanying notes form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC

Condensed consolidated statement of changes in equity for the period from 1 January 2020 to 30 September 2020 (unaudited)

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

| | Share capital | Share premium | Statutory reserve (*) | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Non - controlling interests | Total |
|---|-------------------------|----------------------|-----------------------|---------------------------|-----------------------|---|-----------------------------|-------------------------|
| Balance at 1 January 2019 | 60,000 | 52,579 | 30,000 | - | 178,661 | 321,240 | 4,000 | 325,240 |
| Loss for the period | - | - | - | - | (27,857) | (27,857) | (325) | (28,182) |
| Other comprehensive loss for the period | - | - | - | (24,153) | - | (24,153) | 3,315 | (20,838) |
| Total comprehensive loss for the period | - | - | - | (24,153) | (27,857) | (52,010) | 2,990 | (49,020) |
| Transactions with the owners in their capacity as owners | | | | | | | | |
| Non-cash distribution | - | - | - | - | (1,000) | (1,000) | - | (1,000) |
| Acquisition of subsidiaries | 2,475,720 | - | - | (1,410,721) | 4,000 | 1,068,999 | 409,012 | 1,478,011 |
| Balance at 30 September 2019 (Unaudited) | <u>2,535,720</u> | <u>52,579</u> | <u>30,000</u> | <u>(1,434,874)</u> | <u>153,804</u> | <u>1,337,229</u> | <u>416,002</u> | <u>1,753,231</u> |
| Balance at 1 January 2020 (Audited) | <u>2,535,720</u> | <u>52,579</u> | <u>34,681</u> | <u>(1,387,369)</u> | <u>229,471</u> | <u>1,465,082</u> | <u>404,262</u> | <u>1,869,344</u> |
| Profit for the period | - | - | - | - | 63,593 | 63,593 | 23,685 | 87,278 |
| Other comprehensive loss for the period | - | - | - | (106,504) | - | (106,504) | (9,001) | (115,505) |
| Total comprehensive loss for the period | - | - | - | (106,504) | 63,593 | (42,911) | 14,684 | (28,227) |
| Transactions with the owners in their capacity as owners | | | | | | | | |
| Transactions with unit holders | - | - | - | - | 1,145 | 1,145 | - | 1,145 |
| NCI on exit of a subsidiary | - | - | - | - | - | - | (16,508) | (16,508) |
| Payment of dividend | - | - | - | - | - | - | (15,905) | (15,905) |
| Balance at 30 September 2020 (Unaudited) | <u>2,535,720</u> | <u>52,579</u> | <u>34,681</u> | <u>(1,493,873)</u> | <u>294,209</u> | <u>1,423,316</u> | <u>386,533</u> | <u>1,809,849</u> |

*) In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and SHUAA Capital PSC's (PSC's) Articles of Association, 10% of the profit for the year is to be transferred to a statutory reserve. SHUAA 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 SHUAA's Articles of Association

The accompanying notes form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC

Condensed consolidated statement of cash flows for the period from 1 January 2020 to 30 September 2020

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

| | <i>Notes</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|--|--------------|--|--|
| Cash flows from operating activities | | | |
| Profit / (loss) for the period | | 87,278 | (28,182) |
| Adjustments: | | | |
| Finance credit relating to unit holders | | (102,115) | (80,124) |
| Bargain purchase gain | | (7,100) | - |
| Foreign exchange loss | | 1,773 | 2,015 |
| Carried interest recognised – net | | - | (12,333) |
| Finance cost | | 133,235 | 64,491 |
| Fair value loss on financial assets at FVTPL | | 169,181 | 107,852 |
| Other income | | (112,882) | - |
| Gain from other investments, including associates. | | (21,199) | (2,409) |
| Non-cash distributions from associates | | 30,836 | - |
| Borrowing deferment income | | (10,158) | - |
| Loss / (Gain) on revaluation of derivative financial liabilities | | 3,923 | (69,251) |
| Employees' end of service benefit charge | | 2,703 | 1,157 |
| Provisions and allowances for impairment – net | | (11,008) | 7,737 |
| Impairment of goodwill | | 2,200 | - |
| Depreciation and amortization | | 42,464 | 10,821 |
| Operating cash flows before movements in working capital | | 209,131 | 1,774 |
| Decrease in inventories | | 23,546 | 12 |
| (Increase) / Decrease in receivables and other debit balances | | (87,401) | 56,603 |
| Decrease / (Increase) in loans and advances | | 48,010 | (3,478) |
| Decrease in payables and other credit balances | | (137,323) | (510,633) |
| Increase in financial liabilities | | 39,133 | 233,787 |
| Employees' end of service benefit paid | | (1,599) | (2,004) |
| Net cash generated from / (used in) operating activities | | 93,497 | (223,939) |
| Cash flows from investing activities | | | |
| Proceeds from disposal of investments | | 101,440 | 522,798 |
| Payments for the purchase of investments | | (83,644) | (487,706) |
| Net proceeds of property and equipment sale | | (510) | 1,632 |
| Carried interest received | | - | 20,554 |
| Carried interest paid | | - | (8,222) |
| Net cash generated from investing activities | | 17,286 | 49,056 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 129,702 | 20,573 |
| Repayment of borrowings | | (125,139) | (70,619) |
| Lease rentals paid | | (3,921) | (3,477) |
| Redemption of unit holders | | (13,606) | - |
| Dividends paid | | (15,905) | - |
| Cash outflow on disposal of a subsidiary | | (16,508) | - |
| Finance cost paid | | (95,916) | (56,320) |
| Net cash used in financing activities | | (141,293) | (109,843) |
| Net decrease in cash and cash equivalents | | (30,510) | (284,726) |
| Cash and cash equivalents at beginning of the period | | 360,193 | 21,586 |
| Impact of foreign currency translation | | (5,049) | 1,011 |
| Cash and cash equivalents acquired in business combination | | 691 | 800,559 |
| Cash and cash equivalent at beginning of the period from discontinued operations | | 4,538 | (240,578) |
| Restricted cash | | (16,950) | (70,438) |
| Cash and cash equivalents at end of the period | 5 | 312,913 | 227,414 |
| Cash flow from discontinued operations | | 11,744 | (214,948) |

During 2019, issuance of shares by SHUAA for acquisition of ADFG was a non-cash consideration and therefore not reflected above.

The accompanying notes form an integral part of this condensed consolidated interim financial information.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information
for the period from 1 January 2020 to 30 September 2020
(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.

Reverse acquisition

On the 1 August 2019, SHUAA acquired the business of Abu Dhabi Financial Group LLC (ADFG). The merger of SHUAA and ADFG resulted in the Consolidated SHUAA Group. 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 resulted in the previous ADFG shareholders having control over the new consolidated group (together referred to as “SHUAA” or the “Group”).

Under the requirements of IFRS 3 – Business Combinations one of the combining entities is required 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) is determined to be the accounting acquirer while SHUAA (legal acquirer) is determined to be the accounting acquiree, thus resulting in a reverse acquisition.

For purposes of a reverse acquisition, the comparative information presented in the condensed consolidated interim financial information and information prior to the acquisition are those of the accounting acquirer, ADFG and not SHUAA, the legal acquirer. Furthermore, as required under IFRS 3, the number of shares disclosed are those of SHUAA and not ADFG, however, the share capital in the statement of changes in equity is that of ADFG which has, therefore resulted in an adjustment within equity of AED 1.4 billion and an adjustment to the comparative earnings per share information.

Details of the above transaction and its implications were presented in the Group’s consolidated financial statements for the year ended 31 December 2019.

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.

Activities

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. The principal activities of ADFG and its subsidiaries are to carry out commercial and real estate investment activities, establishment and management of enterprises, consultancy services, investment banking and trading in securities.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

1. LEGAL STATUS AND ACTIVITIES (continued)

Group Structure

The extent of the Group's ownership in the material subsidiaries and associates with their principal activities have been listed below:

| <u>Name of the entity</u> | <u>Place of incorporation</u> | <u>Principal activity</u> | <u>Effective ownership interest %</u> <i>30 September 2020</i> | <u>Effective ownership interest %</u> <i>31 December 2019</i> |
|--|-------------------------------|--|---|--|
| <u>Material Subsidiaries</u> | | | | |
| AD CapManage Ltd. (BVI) | B.V.I. | Commercial enterprise investment, institution & management | 100.0% | 100.0% |
| ADCM Ltd | Cayman Islands | Investment management | 100.0% | 100.0% |
| ADCM 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% | 100.0% |
| 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% | 100.0% |
| Gulf Finance Corporation PJSC | UAE | Financing | 100.0% | 100.0% |
| SHUAA Capital PSC | UAE | Financial services and investments holding | 100.0% | 100.0% |
| SHUAA Capital International Limited* | UAE | Market Making / Liquidity Provider | 100.0% | 100.0% |
| SHUAA Capital Saudi Arabia CJSC | Saudi Arabia | Financial services | 100.0% | 100.0% |
| SHUAA Securities Egypt SAE | Egypt | Brokerage | 100.0% | 100.0% |
| Integrated Capital PJSC | UAE | Financial services | 96.0% | 96.0% |
| Asia for Economic Consultancy LLC | Jordan | Consultancy | 94.3% | 94.3% |
| Amwal International Investment Company KSCP | Kuwait | Financial services | 87.2% | 87.2% |
| NCM Investment Company K.S.C (Closed) | Kuwait | Brokerage and Trading | 44.5% | 44.5% |
| Spadille Limited** | Jersey | Investment holding | 85.0% | 85.0% |
| Northacre Limited** | UK | Development management | 83.9% | 83.9% |
| Goldilocks Investment Company Limited** (ii) | UAE | Investment holding | 36.2% | 35.4% |
| Squadron Properties** (ii) | Cayman Islands | Investment holding | 33.0% | 33.0% |
| Astrea Asset Management Limited** (ii) | UK | Property management | 33.0% | 33.0% |
| Shine SPV 1 Limited | UAE | Special Purpose Vehicle | 100% | 100% |
| Eagle T2 | Cayman Islands | Investment holding | 100% | 100% |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

1. LEGAL STATUS AND ACTIVITIES (continued)

Group Structure (continued)

| <u>Name of the entity</u> | <u>Place of incorporation</u> | <u>Principal activity</u> | <u>Effective ownership interest %</u> <i>30 September 2020</i> | <u>Effective ownership interest %</u> <i>31 December 2019</i> |
|--------------------------------------|-------------------------------|-------------------------------|---|--|
| Material Associates | | | | |
| City Engineering LLC | UAE | Contracting | 40.0% | 40.0% |
| Qannas Investments Limited (“QIL”) | Cayman Islands | Investment holding | 35.5% | 31.9% |
| SHUAA Hospitality Fund I L.P. (iv) | Cayman Islands | Investment holding | 27.0% | 27.0% |
| SHUAA Saudi Hospitality Fund I (iii) | Saudi Arabia | Investment holding | 26.3% | 26.3% |
| Mirfa Power Holding Company PJSC | UAE | Investment holding | 25.0% | 25.0% |
| ADCORP Limited* | UAE | Islamic financial institution | 19.8% | 19.8% |
| Khaleeji Commercial Bank B.S.C. (iv) | Bahrain | Islamic retail bank | 3.9% | 3.9% |

*These subsidiaries and associate are under liquidation.

**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 this condensed consolidated interim financial information.
- (iii) SHUAA Hospitality Fund I L.P., a closed ended private equity investment fund registered as an exempted limited partnership in the Cayman Islands. As a consequence of cross investment holdings by this fund the Group indirectly owns 26.3% of SHUAA Saudi Hospitality Fund I, a closed ended investment fund regulated by the Capital Markets Authority in Saudi Arabia. Shuaa acts as an agent to the fund and not as principal.
- (iv) 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.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated interim financial information is presented in thousands of United Arab Emirates Dirhams since that is the country in which the parent is domiciled and the majority of the Group's business is transacted.

The condensed consolidated interim financial information has been prepared on the historical cost convention as modified for the measurement at fair value of certain financial instruments.

The condensed consolidated interim financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2019. In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2019, except for the following accounting policies which are applicable from 1 January 2020.

New and revised IFRS adopted in the condensed consolidated interim financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in this interim condensed consolidated financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- **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.
- **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.
- **Amendments to IFRS 9, IAS 39 and IFRS 7** – Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.
- **Amendments to Conceptual framework** – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

3. CHANGES IN ACCOUNTING POLICIES (continued)

New and revised IFRS adopted in the condensed consolidated interim financial information (continued)

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions - As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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.

1 January 2023

The standard applies to annual periods beginning on or after 1 January 2023, 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.

- **Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities** - These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

1 January 2022

- **Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**

1 January 2022

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the preparation of the Group's condensed consolidated interim financial information, management has made a number of critical estimates and judgments in a manner consistent with those described in the Group's annual consolidated financial statements for the year ended 31 December 2019. The broad effects of the COVID-19 pandemic on the Group are described in note 26 and the effects on the Group's development of critical estimates during the first nine-month period of 2020 are described below;

Fair value measurement of financial assets at FVTPL and FVTOCI

Fair values for the Group's financial assets at FVTPL and FVTOCI (level 3) are measured using market or income approaches. Considerable judgment may be required in developing estimates of fair value, particularly for financial instruments classified as Level 3 in the fair value hierarchy as such estimates incorporate market unobservable inputs that require management to use its own assumptions. While the Group's valuation techniques for Level 3 financial instruments remained unchanged during the first nine-month period of 2020, the development of market unobservable inputs included added estimation uncertainty due to the global economic and social disruption caused by the ongoing and developing COVID-19 pandemic. Estimates of the amount and timing of future cash flows, discount rates, growth rates and other inputs incorporated into fair value measurements of Level 3 financial instruments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic.

The uncertainty in those assumptions have been incorporated into the Group's valuations of Level 3 financial instruments primarily through updated cash flows and discount rate, as applicable. See note 27 for details of the Group's Level 3 financial instruments. Additional volatility in the fair values of Level 3 financial instruments may arise in future periods if actual results differ materially from the company's estimates.

Determination of recoverable amounts for goodwill, indefinite-lived intangible assets and investments in associates

Goodwill and intangible assets are assessed at least annually for impairment, or more frequently if there are indicators of impairment, by comparing the carrying value of the cash-generating unit ("CGU") or group of CGUs to which these assets are allocated to their recoverable amounts. The Group typically uses discounted cash flows to estimate the recoverable amount of a CGU or group of CGUs to which goodwill or intangible assets have been allocated. During the second quarter of 2020 the Group updated its impairment assessments on its goodwill, intangible assets and investments in associates based on current market conditions, which included increased estimation uncertainty in determining discounted cash flows and the underlying assumptions about discount rates, working capital requirements and other inputs, due to the unpredictable duration and impacts of the COVID-19 pandemic. During the third quarter of 2020 the Group did not identify any significant changes in the estimation and assumptions used for the impairment assessment performed in the second quarter of 2020.

The uncertainty in those assumptions have been incorporated into the Group's discounted cash flows used to determine recoverable amounts primarily through the adjustment of cash flows and discount rates, as applicable. Additional volatility in the recoverable amounts of goodwill, intangible assets and investments in associates may arise in future periods if actual results differ materially from the Group's estimates.

5. CASH AND DEPOSITS WITH BANKS

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|------------------------------|--|---|
| Cash on hand | 27 | 67 |
| Balances held with banks | 329,836 | 360,126 |
| Cash and deposits with banks | 329,863 | 360,193 |
| Less: Restricted deposits | (16,950) | (33,014) |
| Cash and cash equivalents | 312,913 | 327,179 |

The rate of interest on the deposits held during the period ended 30 September 2020 ranged from 2% to 7.5% (31 December 2019: 2% to 7.5%) per annum.

Cash and deposits with banks include deposits of 16,950 (31 December 2019: 33,014) with banks, which are held as collateral against the Group's banking facilities. For the purposes of consolidated statement of cash flows, cash and cash equivalents are stated net of these deposits.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

6. RECEIVABLES AND OTHER DEBIT BALANCES

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|--|--|---|
| Trade receivables – net of loss allowance (Note 6.1) | 74,352 | 52,102 |
| Advances and deposits | 5,050 | 8,172 |
| Prepayments | 8,692 | 11,991 |
| Reverse repurchase agreements | - | 1,917 |
| Carried interest | 2,256 | 2,256 |
| Accrued income | 34,563 | 21,735 |
| Receivables from managed funds | 62,028 | 48,118 |
| Receivables against unsettled trades | 1,510 | - |
| Others | 3,137 | 13,484 |
| | <u>191,588</u> | <u>159,775</u> |
| Trade receivables and managed funds – net of loss allowance | | |
| Trade receivables and managed funds | 153,474 | 122,591 |
| Loss allowance | (17,094) | (22,371) |
| | <u>136,380</u> | <u>100,220</u> |

6.1 Included in trade receivables is an amount of 16,967 (31 December 2019: 9,123) due from related parties (Note 25).

7. LOANS, ADVANCES AND FINANCE LEASES

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|--|--|---|
| Loans and advances - net of provision for impairment | 108,232 | 194,070 |
| Finance leases – net of allowance for uncollectible lease payments | 196,942 | 171,570 |
| Margin lending - net of provision for impairment | 68,017 | 50,162 |
| | <u>373,191</u> | <u>415,802</u> |

As at 30 September 2020, the underlying collateral for loans and advances were valued at 488,785 (31 December 2019: 324,462). Provisions are made for the uncovered portion of the loans and advances.

8. INVENTORIES

Inventories include completed projects/property developed by a group subsidiary amounting to Nil (31 December 2019: 24,400).

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

9. FINANCIAL ASSETS AT FAIR VALUE

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

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|-------------------------|--|---|
| Equity investments | 1,803,130 | 1,996,571 |
| Fixed income securities | 100,907 | 49,370 |
| Fund investments | 555,936 | 314,157 |
| | <u>2,459,973</u> | <u>2,360,098</u> |

During the period, the Group recognised fair value losses amounting to (169,181) (30 September 2019: (107,852)), on investments carried at FVTPL.

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

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|--------------------|--|---|
| Equity investments | 69,825 | 93,435 |
| Fund investments | 48,014 | 51,656 |
| | <u>117,839</u> | <u>145,091</u> |

The above non-derivative equity investments are not held for trading and have been designated by the Group as at FVTOCI at initial recognition. These include changes in fair value losses recognised during the period amounting to (24,889) (30 September 2019: (1,268)).

10. INVESTMENTS IN ASSOCIATES

The Group has following investments in associates:

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|---|--|---|
| UAE | 220,750 | 323,594 |
| GCC | 76,155 | 85,093 |
| Others | 348,675 | 284,963 |
| | <u>645,580</u> | <u>693,650</u> |
| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
| Opening balance | 693,650 | - |
| Additions | 33,593 | 82,797 |
| Acquisitions from business combination | - | 151,352 |
| Acquisition of associate on loss of control | - | 202,166 |
| Acquisition on loss of investment entity status | - | 270,775 |
| Share of profit of associates | 27,384 | 2,358 |
| Share of other comprehensive loss of associates | (72,026) | (5,798) |
| Impairment | (6,185) | - |
| Dividends and other distributions | (30,836) | - |
| Disposals | - | (10,000) |
| | <u>645,580</u> | <u>693,650</u> |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

11. GOODWILL AND OTHER INTANGIBLE ASSETS

| | <i>Goodwill</i> | <i>Trademark</i> | <i>Customer Relationships</i> | <i>Trade Licenses</i> | <i>Total</i> |
|---|-----------------|------------------|-------------------------------|-----------------------|------------------|
| Cost | | | | | |
| Balance at beginning of the period | 1,016,217 | 16,760 | 215,500 | 23,277 | 1,271,754 |
| Impairment | (2,200) | - | - | - | (2,200) |
| Impact of foreign currency translation | (15,410) | - | - | - | (15,410) |
| Disposals | - | - | (251) | - | (251) |
| Balance at end of the period | 998,607 | 16,760 | 215,249 | 23,277 | 1,253,893 |
| Accumulated amortisation | | | | | |
| Balance at beginning of the period | - | 257 | 12,910 | 7 | 13,174 |
| Charge for the period | - | 678 | 21,635 | - | 22,313 |
| Disposals | - | - | (16) | - | (16) |
| Balance at end of the period | - | 935 | 34,529 | 7 | 35,471 |
| Net book value | | | | | |
| Net book value as at 30 September 2020 (Unaudited) | 998,607 | 15,825 | 180,720 | 23,270 | 1,218,422 |
| Net book value as at 31 December 2019 (Audited) | 1,016,217 | 16,503 | 202,590 | 23,270 | 1,258,580 |

The Group performs impairment tests on Goodwill and Trade Licenses at least 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. The Group concluded there were no significant impairments of its goodwill and intangible assets during the first nine-month period of 2020.

The carrying amount of Goodwill and Trade licenses as at 30 September 2020 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% increase in Discount rate | 1% decrease in Growth rate | Customer relationships |
|------------------------------|----------------|----------------|-------------|---------------|------------------------------|----------------------------|------------------------|
| Asset Management – Astrea | 231,217 | - | 1.5% | 5.5% | (70,518) | (37,080) | 105,778 |
| Asset Management – Northacre | 238,065 | - | - | 6.0% | (3,714) | - | 5,344 |
| Asset Management | 197,468 | 5,300 | 2.0% | 15.0% | (98,498) | (65,339) | 32,964 |
| Investment Banking | 162,215 | 4,000 | 2.0% | 16.0% | (15,498) | (9,094) | - |
| NCM | 81,313 | 9,200 | 2.5% | 15.5% | (14,769) | (9,207) | 22,774 |
| Brokerage | 1,676 | - | 7.0% | 23.0% | (201) | (127) | - |
| Fixed Income Trading | 58,746 | - | 2.0% | 15.5% | (7,478) | (4,646) | 13,860 |
| Investment Solutions | 27,907 | 300 | 2.0% | 15.5% | (17,152) | (11,513) | - |
| Lending | - | 4,470 | 2.0% | 12.0% | (8,187) | (5,743) | - |
| | 998,607 | 23,270 | | | | | 180,720 |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

12. BORROWINGS

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|---|--|---|
| Secured | | |
| Due to banks | 1,543,051 | 1,624,315 |
| Due to other financial institutions (Note 12.1) | 62,542 | 53,928 |
| Others | 75,765 | - |
| | <u>1,681,358</u> | <u>1,678,243</u> |
| Unsecured | | |
| Due to banks | 84,914 | 94,482 |
| Due to other financial institutions | - | 44,374 |
| Bonds payable | 339,165 | 332,378 |
| Others (Note 12.1 and 12.2) | 186,746 | 100,592 |
| | <u>610,825</u> | <u>571,826</u> |
| | <u>2,292,183</u> | <u>2,250,069</u> |

12.1 This include borrowings amounting to 121,099 (31 December 2019: 120,193) due to related parties with an interest rate of 7.3% to 8% p.a (2019: 7.3% to 8% p.a).

12.2 This includes 82,883 (31 December 2019: Nil) related to funding received by a subsidiary from its regulator to finance and support Small and Medium-Sized Entities (SME) lending activity of the subsidiary.

Maturity profile of borrowings at the end of the reporting period are as follows:

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|--------------------------------|--|---|
| Secured | | |
| Repayable within twelve months | 1,079,686 | 1,475,591 |
| Repayable after twelve months | 601,672 | 202,652 |
| | <u>1,681,358</u> | <u>1,678,243</u> |
| Unsecured | | |
| Repayable within twelve months | 445,754 | 500,173 |
| Repayable after twelve months | 165,071 | 71,653 |
| | <u>610,825</u> | <u>571,826</u> |
| | <u>2,292,183</u> | <u>2,250,069</u> |

As at 30 September 2020, there was a technical breach relating to a Group banking facility. The Group had a shortfall in the collateral value of the facility. Accordingly, the affected facility amounting to 232,500 is classified as current borrowings. The underlying collateral for this facility amounted to 252,097. The breach has since been remediated subsequent to the reporting period end.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

13. PAYABLES AND OTHER CREDIT BALANCES

Payables and other credit balances comprise the following:

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|---|--|---|
| Payable to clients | 34,121 | 36,021 |
| Customer deposits | 48,800 | 57,748 |
| Accruals | 50,468 | 61,173 |
| Lease liabilities | 37,516 | 51,418 |
| Repurchase agreements | 62,977 | 52,058 |
| Payables against acquisition and investment | 118,458 | 99,130 |
| Unclaimed dividends payable | 33,475 | 33,480 |
| FVTPL liabilities (i) | 23,225 | 38,711 |
| Accrued carried interest | 35,299 | 53,642 |
| End of service benefits | 18,098 | 16,994 |
| Provisions | 9,755 | 16,606 |
| Deferred revenue | 9,877 | 4,381 |
| Other payables | 71,173 | 71,889 |
| | <u>553,242</u> | <u>593,251</u> |

- (i) In 2019, a derivative financial instrument was cancelled which resulted in a gain of AED 69,251 recorded in (Loss) / gain on derivative financial liability in the condensed consolidated statement of profit or loss.

14. OTHER FINANCIAL LIABILITIES

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|--------------------------------|--|---|
| Repayable within twelve months | 137,216 | 152,155 |
| Repayable after twelve months | 54,072 | - |
| | <u>191,288</u> | <u>152,155</u> |

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

15. SHARE CAPITAL

| | <i>Number of shares</i> | <i>Value</i> |
|-------------------------|-------------------------|--------------|
| As at 30 September 2020 | 2,535,720 | 2,535,720 |
| As at 31 December 2019 | 2,535,720 | 2,535,720 |

The merger transaction between SHUAA and ADFG was given effect on 1 August 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:

| | <i>Units (in '000)</i> | <i>%</i> |
|---|------------------------|------------|
| 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 | <u>2,535,720</u> | <u>100</u> |
| Effect of business combination on share capital | 2,535,680 | |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

15. SHARE CAPITAL (continued)

Authorised, issued and fully paid share capital comprises 2,535,720,000 shares (31 December 2019: 2,535,720,000 shares) of AED 1 per share (31 December 2019: AED 1 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 24).

16. OTHER RESERVES

| | <i>Merger reserve (16.1)</i> | <i>Investment revaluation reserve</i> | <i>Cash flow hedge reserve (16.2)</i> | <i>Translation reserve</i> | <i>Total</i> |
|---|----------------------------------|---|---|--------------------------------|--------------------|
| As at 1 January 2020 | (1,410,720) | (3,847) | (5,929) | 33,127 | (1,387,369) |
| Remeasurement of equity investments carried at FVTOCI | - | (24,889) | | - | (24,889) |
| Cash flow hedge | - | - | (68,559) | - | (68,559) |
| Translation of operations of foreign subsidiaries | - | - | - | (22,057) | (22,057) |
| NCI share | - | (50) | - | 9,051 | 9,001 |
| As at 30 September 2020 (Unaudited) | (1,410,720) | (28,786) | (74,488) | 20,121 | (1,493,873) |
| As at 31 December 2019 (Audited) | (1,410,720) | (3,847) | (5,929) | 33,127 | (1,387,369) |

16.1 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).

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

17. OTHER OPERATING INCOME

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|---------------------------|---|---|--|--|
| Other income | 301 | 2,555 | 12,651 | 11,932 |
| Board representation fees | (239) | - | 6,537 | 4,731 |
| | 62 | 2,555 | 19,188 | 16,663 |

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

18. GENERAL AND ADMINISTRATIVE EXPENSES

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|--|---|---|--|--|
| Professional fees | (6,403) | (3,744) | (16,431) | (4,748) |
| Administration, technology and communication | (4,624) | (4,912) | (14,753) | (6,060) |
| Office costs | (1,537) | (1,759) | (4,769) | (3,343) |
| Corporate marketing and branding costs | (1,751) | (1,934) | (5,610) | (2,229) |
| Business travel expenses | (36) | (206) | (434) | (300) |
| Others | (2,407) | (5,061) | (9,012) | (3,563) |
| | (16,758) | (17,616) | (51,009) | (20,243) |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

19. REVERSAL / (CHARGE) OF IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|---|---|---|--|--|
| Reversal / (charge) of impairment losses on Loans, advances and finance leases | 766 | (5,770) | 5,399 | (5,770) |
| (Charge) / reversal of impairment losses on Receivables and other debit balances | (1,556) | (1,567) | 5,609 | (1,967) |
| | (790) | (7,337) | 11,008 | (7,737) |

20. OTHER OPERATING EXPENSES

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|---------------------------|---|---|--|--|
| Director fee | (806) | (1,050) | (2,180) | (2,650) |
| Net foreign exchange loss | (3,399) | (2,069) | (1,773) | (2,015) |
| Others | (404) | (16,556) | (1,745) | (23,271) |
| | (4,609) | (19,675) | (5,698) | (27,936) |

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

21. FINANCE COST

Finance cost includes interest of 18,787 (30 September 2019: 20,501) on the Bonds payable.

22. 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 102,115 (30 September 2019: 80,124). As at 30 September 2020, the payables to unit holders amounted to 576,529 (31 December 2019: 654,201).

23. OTHER INCOME/(EXPENSES)

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|---|---|---|--|--|
| One-time transaction claw back (Note 23.1) | - | - | 112,882 | - |
| Reversal of rebate payable | - | - | 15,509 | - |
| Borrowing deferment income | - | - | 10,158 | - |
| Finance lease modification charge | (1,562) | - | (13,426) | - |
| Gain on sale of financial asset carried at amortised cost | - | - | 16,724 | - |
| Bargain purchase gain | - | - | 7,100 | - |
| Others | 1,810 | (5,003) | 17,711 | (21,837) |
| | 248 | (5,003) | 166,658 | (21,837) |

23.1 This relates to a one-time payment associated with a claw back from a previous transaction the Group executed.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

24. 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

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|--|---|---|--|--|
| Profit/(loss) attributable to the Owners | <u>58,673</u> | <u>21,749</u> | <u>63,593</u> | <u>(27,857)</u> |
| Weighted average number of ordinary shares | <u>2,535,720</u> | <u>2,180,720</u> | <u>2,535,720</u> | <u>1,707,387</u> |
| Earnings/(loss) per share attributable to Owners | <u><u>0.023</u></u> | <u><u>0.01</u></u> | <u><u>0.025</u></u> | <u><u>(0.02)</u></u> |

In accordance with the requirements of IFRS 3, following a reverse acquisition (Note 1), the basic earnings per share for the comparative period has 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 in the business combination agreement.

Diluted earnings per share as of 30 September 2020 and 30 September 2019 are equivalent to basic earnings per share.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

25. 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 was as follows:

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|---|--|---|
| Receivables and other debit balances | | |
| Shareholders | 913 | 2,827 |
| Associates | 16,054 | 1,697 |
| Other related parties | - | 4,599 |
| | <u>16,967</u> | <u>9,123</u> |
| Loan, advances and finance leases | | |
| Associates | 105,000 | 100,931 |
| Borrowings | | |
| Associates | 45,869 | 44,913 |
| Shareholders | 75,230 | 75,280 |
| | <u>121,099</u> | <u>120,193</u> |
| Payables and other credit balances | | |
| Associates | 44,058 | 42,171 |
| Shareholders | - | 83,774 |
| | <u>44,058</u> | <u>125,945</u> |

Significant transactions with related parties included in these condensed consolidated interim financial information are as follows:

| | <i>1 July to 30 September 2020 (3 months) Unaudited</i> | <i>1 July to 30 September 2019 (3 months) Unaudited</i> | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|---|---|---|--|--|
| Directors remuneration | 975 | 1,017 | 2,349 | 2,617 |
| Key management compensation: | | | | |
| Salaries, bonuses and other benefits | 2,800 | 3,387 | 9,193 | 14,335 |
| Post-employment benefits | 78 | 124 | 257 | 319 |
| | <u>2,878</u> | <u>3,511</u> | <u>9,450</u> | <u>14,654</u> |
| Revenue earned from related parties | | | | |
| Other related parties | 5,028 | 6,449 | 15,015 | 19,643 |
| Finance cost on the borrowings from significant shareholders | 1,373 | 1,138 | 3,989 | 3,375 |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

26. FINANCIAL RISK MANAGEMENT

Overview

There were no significant changes in the types of the Group's risk exposures or the processes used by the Group for managing those risk exposures at 30 September 2020 compared to those identified and disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019, except as discussed below.

COVID-19 pandemic

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. While it is not possible to accurately predict the full impact that COVID-19 will have on the results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations.

COVID-19 impact on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. Accordingly, the Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt, the Group has adjusted the macro-economic factors in the ECL model on the basis of available information.

The Group has also reassessed its exposures as at period end and observed no significant deterioration in credit risk due to COVID-19.

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.

| | 30 September 2020 | | | | | 31 December 2019 |
|----------------------------------|-------------------|---------|---------|-------|---------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Total |
| <u>Loans and advances</u> | | | | | | |
| Performing | 105,310 | - | - | - | 105,310 | 160,495 |
| Non-performing | - | - | - | 1,384 | 1,384 | 37,898 |
| Gross loans and advances | 105,310 | - | - | 1,384 | 106,694 | 198,393 |
| Allowance for impairment | (924) | - | - | 2,462 | 1,538 | (4,323) |
| Carrying amount | 104,386 | - | - | 3,846 | 108,232 | 194,070 |

| | 30 September 2020 | | | | | 31 December 2019 |
|------------------------------|-------------------|---------|---------|--------|---------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Total |
| <u>Finance leases</u> | | | | | | |
| Performing | 181,548 | - | - | - | 181,548 | 124,633 |
| Non-performing | - | 5,227 | - | 11,289 | 16,516 | 47,702 |
| Finance leases | 181,548 | 5,227 | - | 11,289 | 198,064 | 172,335 |
| Allowance for impairment | (1,224) | (24) | - | 126 | (1,122) | (765) |
| Carrying amount | 180,324 | 5,203 | - | 11,415 | 196,942 | 171,570 |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information
for the period from 1 January 2020 to 30 September 2020 (continued)

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit quality analysis and measurement of ECL

| | 30 September 2020 | | | | 31 December 2019 | |
|--------------------------|-------------------|---------|---------|-------|------------------|--------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Total |
| Margin Lending | | | | | | |
| Performing | 67,454 | - | - | - | 67,454 | 46,940 |
| Non-performing | - | - | - | 1,070 | 1,070 | 3,424 |
| Margin Lending | 67,454 | - | - | 1,070 | 68,524 | 50,364 |
| Allowance for impairment | - | - | - | (507) | (507) | (202) |
| Carrying amount | 67,454 | - | - | 563 | 68,017 | 50,162 |

| 2020 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|--|---------------|--------------|--------------|-------|---------|
| | 12 months ECL | Lifetime ECL | Lifetime ECL | | |
| Loans, advances and finance leases | | | | | |
| Balance at 1 January | (5,832) | (24) | - | 566 | (5,290) |
| Allowance for impairment – Charge for the year | (356) | - | - | (306) | (662) |
| Write off | - | - | - | - | - |
| Reversal of allowance | 4,240 | - | - | 1,821 | 6,061 |
| Other allowances | (200) | - | - | - | (200) |
| <i>Changes in allowance for impairment</i> | - | - | - | - | - |
| - Transfer to Stage 1 | - | - | - | - | - |
| - Transfer to Stage 2 | - | - | - | - | - |
| - Transfer to Stage 3 | - | - | - | - | - |
| Closing balance at 30 September | (2,148) | (24) | - | 2,081 | (91) |

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.

| 2020 | | | | Total | Total |
|--|-----------|-------------|-----------|-------------------|------------------|
| | 0-30 days | 31-180 days | >180 days | 30 September 2020 | 31 December 2019 |
| Trade receivables and managed funds | | | | | |
| Gross carrying amount | 22,253 | 57,060 | 74,161 | 153,474 | 122,591 |
| ECL | (88) | (193) | (16,813) | (17,094) | (22,371) |
| | 22,165 | 56,867 | 57,348 | 136,380 | 100,220 |

Liquidity management

Global stress in the markets brought on by the COVID-19 crisis and the decline in oil prices (from ~US\$ 70 in January to currently ~US\$ 40 per barrel) have adversely affected the wider economy and resulted in the lack of liquidity in funding markets. The Group has already taken various measures to manage the funding and liquidity risk including closely monitoring cash flows and forecasts.

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

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

27. 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:

| | 30 September 2020 (Unaudited) | | | Total |
|------------------------------|-------------------------------|----------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial Assets | | | | |
| FVTPL | | | | |
| Equity investments | 1,798,041 | 2,805 | 2,284 | 1,803,130 |
| Fixed income investments | 89,209 | 10,565 | 1,133 | 100,907 |
| Fund investments | - | 110,840 | 445,096 | 555,936 |
| FVTOCI | | | | |
| Equity investments | 69,825 | - | - | 69,825 |
| Fund investments | - | - | 48,014 | 48,014 |
| | <u>1,957,075</u> | <u>124,210</u> | <u>496,527</u> | <u>2,577,812</u> |
| Financial Liabilities | | | | |
| FVTPL | | | | |
| Payable to unit holders | 22,831 | 394 | - | 23,225 |
| | - | 576,529 | - | 576,529 |
| | <u>22,831</u> | <u>576,923</u> | <u>-</u> | <u>599,754</u> |
| | | | | |
| | 31 December 2019 (Audited) | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| 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 |
| FVTOCI | | | | |
| -Equity investments | 93,435 | - | - | 93,435 |
| -Fund investments | - | - | 51,656 | 51,656 |
| | <u>2,092,124</u> | <u>41,799</u> | <u>371,266</u> | <u>2,505,189</u> |
| Financial Liabilities | | | | |
| FVTPL | | | | |
| Payable to unit holders | 34,230 | 4,481 | - | 38,711 |
| | - | 654,201 | - | 654,201 |
| | <u>34,230</u> | <u>658,682</u> | <u>-</u> | <u>692,912</u> |

Financial assets recorded at fair value

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

At fair value through profit or loss:

Investments carried at fair value through profit or loss 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.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At fair value through other comprehensive income:

Investments carried at FVTOCI 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.

| 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 |
|----------------------|---------------------------|-----------------------|----------------------|---|---|--|
| | 30/09/2020 (Unaudited) | 31/12/19 (Audited) | | | | |
| <i>FVTPL</i> | | | | | | |
| Equity investments | 2,284 | 20,969 | 3 | Discounted cash flow ¹ | Discount rate and growth rate | The higher the discount rate, the lower the fair value |
| Fixed Income | 1,133 | 1,129 | 3 | Discounted cash flow ¹ | Discount rate | The higher the discount rate, the lower the fair value |
| Fund investments | 445,096 | 297,512 | 3 | NAV ² | Net asset value adjusted with market risk | The higher the market risk, the lower the fair value |
| <i>FVTOCI</i> | | | | | | |
| Fund investments | 48,014 | 51,656 | 3 | NAV ² | Net asset value | The higher the market risk, the lower the fair value |

¹Discounted 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.

²Net 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 into/from 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:

| | 1 January to 30 September 2020 (9 months) Unaudited | | | | | | |
|-------------------|--|-----------|----------|-------------------------|------------------|-----------------------------|------------------------------|
| | Balance at 1 January 2020 | Additions | Disposal | (Loss)/gain through P&L | Loss through OCI | Transfers from levels 1 & 2 | Balance at 30 September 2020 |
| FVTPL | | | | | | | |
| Equity Investment | 20,969 | - | - | (18,685) | - | - | 2,284 |
| Fixed Income | 1,129 | - | - | 4 | - | - | 1,133 |
| Fund Investment | 297,512 | 149,769 | - | (2,185) | - | - | 445,096 |
| FVTOCI | | | | | | | |
| Fund Investment | 51,656 | - | - | - | (3,642) | - | 48,014 |
| | 371,266 | 149,769 | - | (20,866) | (3,642) | - | 496,527 |

| | 1 January to 30 September 2019 (9 months) Unaudited | | | | | | | |
|-------------------|--|---------------------------------------|-----------|-----------|------------------|------------------|-----------------------------|------------------------------|
| | Balance at 1 January 2019 | Acquired through business combination | Additions | Disposal | Loss through P&L | Loss through OCI | Transfers from levels 1 & 2 | Balance at 30 September 2019 |
| FVTPL | | | | | | | | |
| Equity Investment | 608,161 | (539,297) | 461,800 | (409,546) | (35,414) | - | - | 85,704 |
| Fixed Income | 3,280 | - | - | (3,280) | - | - | - | - |
| Fund Investment | 537,475 | (156,320) | 21,906 | (90,000) | (10,802) | - | - | 302,259 |
| FVTOCI | | | | | | | | |
| Fund Investment | - | 48,069 | - | - | - | (33) | - | 48,036 |
| | 1,148,916 | (647,548) | 483,706 | (502,826) | (46,216) | (33) | - | 435,999 |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

| | <i>1 January to 30 September 2020 (9 months) Unaudited</i> | <i>1 January to 30 September 2019 (9 months) Unaudited</i> |
|--------------------------------|--|--|
| Realised and unrealised losses | <u>(20,866)</u> | <u>(46,216)</u> |

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:

| | <i>30 September 2020 Unaudited</i> | <i>Effect of reasonably possible alternative assumptions</i> | <i>30 September 2019 Unaudited</i> | <i>Effect of reasonably possible alternative assumptions</i> |
|------------------------------|--|--|--|--|
| | <i>Carrying Amount</i> | | <i>Carrying amount</i> | |
| <u>Held at FVTPL</u> | | | | |
| Equity Investment | 2,284 | 114 | 85,704 | 4,285 |
| Fixed Income | 1,133 | 57 | - | - |
| Fund Investment | 445,096 | 22,255 | 302,259 | 15,113 |
| <u>Held at FVTOCI</u> | | | | |
| Fund Investments | 48,014 | 2,400 | 48,036 | 2,402 |
| | <u>496,527</u> | <u>24,826</u> | <u>435,999</u> | <u>21,800</u> |

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.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

28. SEGMENTAL INFORMATION

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

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

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

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

| <i>1 January to 30 September 2020 (Unaudited)</i> | | | | |
|--|-----------------------------|-------------------------------|------------------|------------------|
| | <i>Asset Management</i> | <i>Investment Banking</i> | <i>Corporate</i> | <i>Total</i> |
| Net fee and commission income | 83,234 | 1,508 | 78,180 | 162,922 |
| Advisory income | 13,095 | 18,207 | 384 | 31,686 |
| Net interest income | - | - | 10,338 | 10,338 |
| Trading income | 320 | 2,539 | (458) | 2,401 |
| Other operating income | 17,806 | - | 1,382 | 19,188 |
| Total revenues | 114,455 | 22,254 | 89,826 | 226,535 |
| Staff costs | (44,516) | (10,549) | (37,088) | (92,153) |
| General and administrative expenses | (20,687) | (5,609) | (24,713) | (51,009) |
| Depreciation and amortization | (24,145) | (6,602) | (11,717) | (42,464) |
| Provision for impairment losses on financial instruments | 1,142 | 321 | 9,545 | 11,008 |
| Other operating expenses | (2,436) | (941) | (2,321) | (5,698) |
| Total expenses | (90,642) | (23,380) | (66,294) | (180,316) |
| Profit/(loss) before other income and finance cost | 23,813 | (1,126) | 23,532 | 46,219 |
| Fair value losses from investments | 420 | (652) | (168,949) | (169,181) |
| Loss from derivative financial liability | - | - | (3,923) | (3,923) |
| Share of profit from investment in associates | - | - | 21,199 | 21,199 |
| Finance cost | (3,960) | (2,189) | (127,086) | (133,235) |
| Finance credit relating to unit holders | - | - | 102,115 | 102,115 |
| Other income/(expenses) | 16,870 | 1,481 | 205,733 | 224,084 |
| Profit/(loss) for the period from continuing operations | 37,143 | (2,486) | 52,621 | 87,278 |
| Less: Profit for the period attributable to NCI | 114 | - | 23,571 | 23,685 |
| Profit/(loss) for the period attributable to Owners | 37,029 | (2,486) | 29,050 | 63,593 |
| Revenue generated from external customer (fee & commission) | 83,234 | 1,508 | 78,180 | 162,922 |
| Revenue generated from within the group (fee & commission) | 8,339 | - | - | 8,339 |
| | <u>91,573</u> | <u>1,508</u> | <u>78,180</u> | <u>171,261</u> |

As at 30 September 2020 (Unaudited)

| | <i>Asset Management</i> | <i>Investment Banking</i> | <i>Corporate</i> | <i>Total</i> |
|--------------------|-----------------------------|-------------------------------|-------------------------|-------------------------|
| Assets | <u>1,107,282</u> | <u>386,928</u> | <u>3,928,881</u> | <u>5,423,091</u> |
| Liabilities | <u>447,053</u> | <u>245,291</u> | <u>2,920,898</u> | <u>3,613,242</u> |

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

28. SEGMENTAL INFORMATION (continued)

| | <i>1 January to 30 September 2019 (Unaudited)</i> | | | |
|--|---|-------------------------------|------------------|------------------|
| | <i>Asset Management</i> | <i>Investment Banking</i> | <i>Corporate</i> | <i>Total</i> |
| Net fee and commission income | 47,237 | 798 | 5,805 | 53,840 |
| Advisory income | 5,397 | 15,710 | 495 | 21,602 |
| Net interest income/(expense) | (23) | 254 | 5,270 | 5,501 |
| Trading income | - | 1,940 | - | 1,940 |
| Carried interest income | 20,554 | - | - | 20,554 |
| Other operating income | 12,551 | - | 4,112 | 16,663 |
| Total revenues | 85,716 | 18,702 | 15,682 | 120,100 |
| Staff costs | (22,482) | (1,658) | (14,521) | (38,661) |
| Employee carried interest | (8,222) | - | - | (8,222) |
| General and administrative expenses | (10,116) | (1,112) | (9,015) | (20,243) |
| Provision for impairment losses on financial instruments | (1,098) | (15) | (6,624) | (7,737) |
| Other operating expenses | (29,651) | (265) | (8,841) | (38,757) |
| Total expenses | (71,569) | (3,050) | (39,001) | (113,620) |
| Profit/(loss) before other income and finance cost | 14,147 | 15,652 | (23,319) | 6,480 |
| Fair value losses from investments | (24,871) | (267) | (82,714) | (107,852) |
| Gain/(loss) from derivative financial liability | - | - | - | - |
| Share of profit from investment in associates | - | - | 2,409 | 2,409 |
| Finance cost | (12,284) | - | (52,207) | (64,491) |
| Finance credit relating to unit holders | - | - | 80,124 | 80,124 |
| Other income/(expenses) | 71,878 | - | (18,440) | 53,438 |
| Profit/(loss) for the period from continuing operations | 48,870 | 15,385 | (94,147) | (29,892) |
| Profit for the period from discontinued operations | - | - | 1,710 | 1,710 |
| Less: Profit/(loss) for the period attributable to NCI | 2,277 | - | (2,602) | (325) |
| Profit/(loss) for the period attributable to Owners | 46,593 | 15,385 | (89,835) | (27,857) |
| Revenue generated from external customer (fee & commission) | 47,237 | 798 | 5,805 | 53,840 |
| Revenue generated from within the group (fee & commission) | 797 | - | - | 797 |
| | 48,034 | 798 | 5,805 | 54,637 |

| | <i>As at 31 December 2019 (Audited)</i> | | | |
|-------------|---|-------------------------------|------------------|--------------|
| | <i>Asset Management</i> | <i>Investment Banking</i> | <i>Corporate</i> | <i>Total</i> |
| Assets | 1,106,617 | 381,017 | 4,031,866 | 5,519,500 |
| Liabilities | 509,747 | 114,912 | 3,025,497 | 3,650,156 |

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 32).

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

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

29. MATURITY PROFILE

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.

| | <i>Less than 3 Months</i> | <i>3-12 Months</i> | <i>1-5 years</i> | <i>More than 5 years</i> | <i>Grand total</i> |
|---|-------------------------------|------------------------|----------------------|------------------------------|------------------------|
| Cash and deposits with banks | 290,497 | 39,366 | - | - | 329,863 |
| Receivables and other debit balances | 54,285 | 112,168 | 25,135 | - | 191,588 |
| Loans, advances and finance leases | 172,248 | 83,970 | 116,973 | - | 373,191 |
| Financial assets at fair value through profit or loss (FVTPL)* | 1,279,758 | 776,495 | 401,171 | 2,549 | 2,459,973 |
| Financial assets at fair value through other comprehensive | - | 69,825 | 48,014 | - | 117,839 |
| Investments in associates* | 12,992 | 69,400 | 563,188 | - | 645,580 |
| Property and equipment* | 122 | 1,205 | 52,995 | 20,856 | 75,178 |
| Goodwill and other intangible assets* | - | - | 23,759 | 1,194,663 | 1,218,422 |
| Assets of disposal groups classified as held for sale* | - | 11,457 | - | - | 11,457 |
| Total Assets | 1,809,902 | 1,163,886 | 1,231,235 | 1,218,068 | 5,423,091 |
| Borrowings | 1,190,993 | 334,447 | 519,124 | 247,619 | 2,292,183 |
| Payables and other credit balances | 280,772 | 215,062 | 54,608 | 2,800 | 553,242 |
| Other financial liabilities | 87,216 | 50,000 | 54,072 | - | 191,288 |
| Payables to unit holders | - | - | - | 576,529 | 576,529 |
| Equity * | - | - | - | 1,809,849 | 1,809,849 |
| Total Liabilities and Equity | 1,558,981 | 599,509 | 627,804 | 2,636,797 | 5,423,091 |
| Net liquidity gap | 250,921 | 564,377 | 603,431 | (1,418,729) | - |
| Cumulative liquidity gap – 30 September 2020 (Unaudited) | 250,921 | 815,298 | 1,418,729 | - | - |
| Cumulative liquidity gap – 31 December 2019 (Audited) | 537,296 | 585,838 | 722,780 | - | - |

30. COMMITMENTS AND CONTINGENT LIABILITIES

| | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> |
|------------------------|--|-------------------------------------|
| Contingent liabilities | 46,664 | 94,996 |

As at 30 September 2020, the Group has capital commitments of 133,323 (2019: 206,933) with respect to the project development.

SHUAA CAPITAL PSC

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 30 September 2020 (continued)

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

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 30 September 2020, clients' assets amounting to 7.2 billion (31 December 2019: 7 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. DISCONTINUED OPERATIONS

| Assets of a disposal group classified as held for sale | 30 September 2020 Unaudited | 31 December 2019 Audited |
|--|--|---|
| Assets held for sale (note 32.1) | 11,457 | 11,457 |
| Assets of a disposal group classified as held for sale (note 32.2) | - | 16,762 |
| | <u>11,457</u> | <u>28,219</u> |

32.1 Includes value of a plot of land received as distribution in kind from an associate amounting to 4,000 (31 December 2019: 4,000) and an investment of 7,457 (31 December 2019: 7,457). The Group intends to sell the assets in the near term.

32.2 During the period, the Group decided to wind down activities of SHUAA Capital International Limited instead of exiting this asset by way of sale.

33. SUBSEQUENT EVENT

On 28 October 2020, the Company issued a USD 150 million unsecured 3-year bond with a 7.5% fixed rate coupon. The purpose of the issuance was to refinance existing debt. On 2 November 2020 the Company refinanced in full the USD 100 million bond issued in November 2017 by ADFG FC Limited.

34. COMPARATIVES FIGURES

Certain comparative figures have been reclassified/regrouped, wherever necessary, as to conform to the presentation adopted in this condensed consolidated interim financial information.