SHUAA CAPITAL PSC

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated Financial Statements for the year ended 31 December 2020

Contents **Pages**

BOARD OF DIRECTORS' REPORT

SHUAA Capital psc ("SHUAA" or the "Company") and its subsidiaries, collectively (the "Group"), made significant strategic progress during the year, despite the unprecedented challenges arising from the global COVID-19 pandemic. As a result, the Group achieved strong growth in profitability resulting in a net profit of AED 125 million in FY2020 up 168% year-on-year with EBITDA also increasing to AED 349 million, up 89% year-on-year. This robust performance has also resulted in the Company's board of directors (the "Board of Directors") recommending the Group's first dividend post-merger of 3 fils per share, a total of AED 76 million, subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Against a backdrop of the global COVID-19 pandemic, as well as SHUAA's transformational post-merger integration programme following its merger with Abu Dhabi Financial Group in August 2019, the robust financial performance was underpinned by key strategic progress. In particular, management focused on increasing recurring revenues through the launch of new permanent capital vehicles but also on strengthening operations and profitability as well as realizing targeted synergies in the first full-year post-merger. The Group also made substantial progress on strengthening its governance and risk frameworks as well as its IT and system infrastructure.

The Group's progress in realizing its strategic agenda resulted in assets under management increasing to a record USD 14.1 billion at the year end. This coupled with substantial progress in operational efficiency, profitability measures and synergy realization, led to the Group delivering a Return of Equity (ROE) of 8.5% for FY 2020.

Segment Review

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 50 million and revenues of AED 148 million.

The Group's asset management activities delivered a strong performance, with a number of innovative new funds introduced, in line with the Group's planned build-up of permanent capital. In September, SHUAA launched the SHUAA Financing Opportunities Fund, its first dedicated financing fund focused on Sharia-compliant opportunities in the GCC. The fund now has over USD 70 million in commitments, supported by the Group's excellent track record in the private lending space where it has generated returns of circa 15% to date.

This fund was followed shortly thereafter in October by three further new funds, all launched under an ICC Fund Platform on the Abu Dhabi Global Market (ADGM) with USD 75 million in commitments. In addition, these latest Sharia-compliant funds and discretionary portfolios have reached USD 100 million in assets under management by the year end and two of the funds have already announced their first dividends. All of these funds demonstrate the Group's commitment to developing the Sharia-compliant investment market, where management sees significant growth opportunities, underpinned by strong investor appetite.

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 a full-year loss of AED 4 million and revenues of AED 26 million for the full year.

SHUAA's investment banking segment continues to be highly active and has assisted with USD 685 million of debt capital market issuances throughout the year. It also provided additional support to corporates, in light of the challenges posed by the global pandemic, by introducing specialized corporate restructuring solutions, as well as providing free advisory services and financial packages to small and medium enterprises (SMEs).

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 profit of AED 79 million and revenues of AED 365 million.

BOARD OF DIRECTORS' REPORT (continued)

Corporate (continued)

In line with our continued strategy to focus on our Company's two core business segments (asset management and investment banking) and strengthen our balance sheet, the Group progressed further on managing down non-strategic assets, from AED 306 million to AED 136 million during the year, a reduction of 66%. The Group has made AED 57 million of proactive valuation adjustments in Q4 2020 bringing the FY2020 total to AED 74 million which will help accelerate the closure of the unit ahead of the original target date.

Furthermore, SHUAA successfully completed its 2020 funding plan by issuing a USD 150 million bond, the first high-yield bond issuance in the MENA region since the outbreak of the COVID-19 pandemic. The issuance has helped optimize the funding and balance sheet structure as the Group continues to focus on overall de-leveraging in line with Group targets.

From an operational perspective, the Group's integration and transformation programme continues to progress. In particular, the Group-wide Enterprise Resource Planning (ERP) system, launched in Q4 2020, will optimize the Group's internal processes and facilitate operational efficiencies. This was a key step in SHUAA's integral and phased digital transformation programme which supports the strategy of scaling its platform, operating more efficiently and improving decision-making capabilities.

2020 Review and 2021 Outlook

Backed by a clear strategy for long-term growth, SHUAA has made excellent progress in realizing these plans through 2020. The Group achieved key milestones and landmark transactions, all whilst delivering a transformational integration which led to the more than doubling of profits year-on-year, proving the resilience and potential of our business model. SHUAA enters 2021 with a strengthened business – having realized further cost and revenue synergies, strengthened our balance sheet and continued introduction of innovative new products which will boost our recurring revenues for the long-term. In light of this momentum, together with the progress achieved in 2020, management remains confident about SHUAA's ability to build on its market-leading position and deliver significant value creation for its investors and its shareholders.

The Board 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. Masood Mahmood	(Director)
Mr. Murshed Al Redaini	(Director)
Mr. Christopher Ward	(Director)

Auditors

PricewaterhouseCoopers were appointed as external auditors and conducted an audit of the annual financial statements for the year ending 31 December 2020. The Board of Directors has recommended PricewaterhouseCoopers as the auditors for 2021 for approval by the shareholders at the forthcoming annual general meeting.

On behalf of the Board

Fadhel Alali
Chairman
10 March 2021

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 2020, 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 2020;
- 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 significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

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

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

Our audit approach

Overview

Key Audit Matters	• Business combination and subsequent classification as held for sale • Impairment of goodwill and indefinite-life intangible assets • Measurement of Expected Credit Losses (ECL) • Valuation of financial instruments (Level 3) • 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
Business combination and subsequent classification as held for sale In December 2020, the Company acquired the business of Stanford Marine Group ("SMG") through Thalassa Investments LP, effective 31 December 2020. This transaction has been initially accounted for as a business combination in accordance with IFRS 3 and subsequently classified as held for sale under IFRS 5. We determined that the business combination accounting is significant to the audit of the current year's consolidated financial statements due to significant judgments exercised by management in: - the determination of the fair value of purchase price consideration for business combination; - determination of the provisional fair value of assets and liabilities acquired in the transaction; and	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 business combination in accordance with the requirements of IFRS 3; • Testing the completeness and accuracy of the assets and liabilities included in the provisional purchase price allocation; • Testing, with the involvement of our experts, the fair value of a sample of the assets and liabilities acquired; • Validating that the fair value adjustments recognized are in accordance with the requirements of IFRS 3;

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
- determination if the criteria for classification as held for sale are met. A number of assumptions were made by management in the determination of the appropriate methodology, assumptions and valuation techniques. Under IFRS, on acquisition, an entity has 12 months to undertake the purchase price allocation. Any difference between the fair values and the fair value of the consideration is recognized either as goodwill or as gain from bargain purchase. Further details on purchase price allocation are disclosed in Note 1. As at 31 December 2020, the Group exited 42.6% of its stake in Thalassa Investments LP without loss of control and the resulting impact was recognized in equity. In accordance with IFRS 5 the remaining stake was classified as held for sale as at 31 December 2020.	• Assessing the appropriateness of disclosures made in the consolidated financial statements to ensure compliance with IFRS 3; and • Assessing the appropriateness of classification as held for sale and the related disclosures in accordance with IFRS 5 at 31 December 2020.
Impairment of goodwill and indefinite-life intangible assets As part of the purchase price allocation performed in 2019, significant goodwill and indefinite-life intangible assets have been identified and recorded in the Group's consolidated statement of financial position as at 31 December 2020. As per IAS 36, management is required at least on an annual basis to assess whether there is any indication that an asset may be impaired and if so, perform an assessment to determine any impairment using the higher of fair value less costs to sell and value in use.	Our approach to addressing this key audit matter included the following procedures: • Comparing the budgeted cash flows for the year to the actual performance. • Reviewing the methodology and significant inputs used by management and performing the following procedures to obtain an understanding of the cash flows related to each cash generating unit ("CGU"): ○ Inquiry with management on business plans; ○ Review of supporting business plans, management budgets and forecasts; and

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

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment of goodwill and indefinite-life intangible assets (continued)

During 2020, due to high unpredictability and business disruption caused by COVID-19, impairment indicators were noted.

We determined that the impairment of goodwill and indefinite life intangible assets is significant to the audit of the current year's consolidated financial statements due to materiality of the amounts involved and significant judgment exercised by management in:

● the determination of the expected cash flows related to each CGU;
● the determination of the discount rates used by management in the value in use calculations; and
● the determination of the growth rates used by management in the expected cash flows.
</td><td>
○ Reviewing minutes of meetings in relation to future plans.

● Reviewing and comparing the appropriateness of discount rates used by management in the value in use calculations to industry benchmarks and economic forecasts;

● Reviewing management's assumptions for expected cash flows in accordance with the requirements of IAS 36 Impairment of assets; and

● Assessing the appropriateness of disclosures made in relation to the goodwill and indefinite-life intangible assets.
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<tr><td>
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 3.14 to the consolidated financial statements.

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
</td><td>
Our approach to addressing this key audit matter included the following procedures:

● Understanding key controls including the overall governance and reporting structure over the ECL model and key assumptions used;

● Testing the completeness and accuracy of the data used in the calculation of ECL;

● Verifying the appropriateness of the Group's application of the staging criteria for a sample of exposures;

● For a sample of exposures, we assessed the appropriateness of determining Exposure at Default (EAD), including the consideration of repayments and collateral;

● Assessing the conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9;

● Assessing the reasonableness of Loss Given Default ("LGD") and exposure at default ("EAD") for the Group's classes of financial assets;
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Independent auditor's report to the shareholders of SHUAA Capital PSC (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Measurement of ECL

- 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 which have significantly increased as a result of COVID-19.

Further details on credit risk management are disclosed in Note 28.</td><td>• Involvement of auditor's experts to assess the following areas:
○ ECL modelling methodology and calculations used to compute the Probability of default ("PD"). The appropriateness of methodology was assessed giving specific consideration to COVID 19 and management overlays.
○ Reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk.
○ The appropriateness of the ECL calculation and its interrelated inputs, methodology and assumptions.

• For the Stage 3 exposures, the appropriateness of provisioning assumptions were 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 exposures and counterparty information available; and

• Assessing the disclosures made in the consolidated financial statements to ensure compliance with IFRS 7 and IFRS 9.</td></tr>
<tr><td>Valuation of financial instruments (Level 3)

The Group's securities portfolio includes certain level 3 securities for which the Group determines the fair value using discounted cash flow models, residual value and third-party net asset valuations (NAVs) that use significant unobservable inputs.

Unobservable inputs require the use of significant judgement. The key unobservable inputs used in the models of such unquoted securities includes discount rates, growth rates and adjusted book values.</td><td>Our approach to addressing this key audit matter included the following procedures:

• Evaluation by our experts of the methodologies and significant inputs used by the Group in the valuation models; and</td></tr>
</table>

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments (Level 3) 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.	• Testing, with involvement of our experts, the fair values of a sample of unquoted securities. Depending on the nature of the security, key unobservable inputs were compared to relevant information or independent estimates of fair value were developed and compared to the fair values determined by the Group; and • Assessing the disclosures made in the consolidated financial statements to ensure compliance with IFRS 7 and IFRS 9.
Consolidation – control assessment A key criteria for consolidation under IFRS 10 requires control through ownership of a majority of the voting power of an investee and exposure or rights to variable returns Control assessments can be judgmental and involve complex analysis which need to be carefully reviewed. Considering the Group's nature of business, 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 the existence of power over specified assets. 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 are disclosed in Note 1 and 4.	Our approach to addressing this key audit matter included the following procedures: • Assessing the potential voting power through inspection of ownership and related documents; • Assessing the Group's exposure or 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 express any form of assurance conclusion thereon.

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

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.

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.

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

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 Board of Directors' Report is consistent with the books of account of the Group;

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

Report on other legal and regulatory requirements (continued)

v) as disclosed in note 9 to the consolidated financial statements the Group has purchased or invested in shares during the year ended 31 December 2020;

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 2020 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 2020; and

viii) note 19 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2020.

PricewaterhouseCoopers
10 March 2021

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

Consolidated statement of financial position
as at 31 December 2020

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

	Notes	***31 December 2020 Audited***	*31 December 2019 Audited*
Assets			
Cash and deposits with banks	5	**416,975**	360,193
Receivables and other debit balances	6	**214,292**	159,775
Loans, advances and finance leases	7	**346,232**	415,802
Inventories	8	**-**	24,400
Financial assets at fair value	9	**2,428,999**	2,505,189
Investments in associates	10	**434,312**	693,650
Property and equipment	11	**42,762**	73,692
Goodwill and other intangible assets	12	**1,241,797**	1,258,580
Assets held for sale	33	**922,943**	28,219
Total assets		**6,048,312**	5,519,500
Liabilities			
Payables and other credit balances	14	**511,160**	593,251
Other financial liabilities	15	**149,983**	152,155
Borrowings	13	**2,395,701**	2,250,069
Payables to unit holders	23	**578,757**	654,201
Liabilities of disposal groups classified as held for sale	33	**386,534**	480
Total liabilities		**4,022,135**	3,650,156
Equity			
Share capital	16	**2,535,720**	2,535,720
Share premium		**52,579**	52,579
Statutory reserve		**47,207**	34,681
Other reserves	17	**(1,439,146)**	(1,387,369)
Retained earnings		**293,727**	229,471
Equity attributable to Owners		**1,490,087**	1,465,082
Non-controlling interests (NCI)	32	**536,090**	404,262
Total equity		**2,026,177**	1,869,344
Total equity and liabilities		**6,048,312**	5,519,500

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 10 March 2021.

Fadhel Alali
Chairman

Jassim Alseddiqi
Chief Executive Officer

Consolidated statement of profit or loss for the year ended 31 December 2020

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

	Notes	***31 December 2020 Audited***	*31 December 2019 Audited*
Continuing operations			
Interest income		**18,646**	14,002
Interest expense		**(3,766)**	(1,528)
Net interest income		**14,880**	12,474
Fee and commission income		**231,848**	102,757
Fee and commission expense		**(12,737)**	(22,461)
Net fee and commission income		**219,111**	80,296
Advisory income		**29,541**	134,742
Trading income		**4,095**	4,215
Carried interest income		**-**	23,554
Other operating income	18	**270,890**	20,317
Total operating income		**538,517**	275,598
Staff costs		**(140,825)**	(86,824)
Employee carried interest		**-**	(9,422)
General and administrative expenses	19	**(72,367)**	(62,467)
Depreciation and amortisation	11,12	**(52,140)**	(30,663)
Provision for impairment losses on financial instruments	20	**(4,825)**	(22,109)
Other operating expenses	21	**(26,772)**	(18,006)
Total operating expenses		**(296,929)**	(229,491)
Net operating income		**241,588**	46,107
Change in fair value losses from financial assets at fair value through profit or loss (FVTPL)	9	**(255,198)**	(235,625)
(Loss)/gain on derivative financial liability	14.4	**(3,505)**	70,744
Gain on loss of control of a subsidiary	34	**-**	105,998
Share of net profit of investments in associates accounted for using the equity method	10	**80,182**	2,358
Finance cost	22	**(172,082)**	(107,926)
Finance credit relating to unit holders	23	**114,124**	140,398
Other income/(expense)	24	**152,969**	(8,940)
Profit from continuing operations		**158,078**	13,114
(Loss)/profit from discontinued operations	33,34	**(2,728)**	32,630
Profit for the year		**155,350**	45,744
Attributable to:			
Owners of the Parent		**125,263**	46,813
Non-controlling interests		**30,087**	(1,069)
		155,350	45,744
Earnings per share attributable to Owners from continuing operations (in AED)	25	**0.05**	0.01
Earnings per share attributable to Owners (in AED)	25	**0.05**	0.02

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

Consolidated statement of other comprehensive income for the year ended 31 December 2020

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

	Notes	***31 December 2020 Audited***	*31 December 2019 Audited*
Profit for the year		**155,350**	45,744
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	17	**18,724**	57,854
Net loss on cash flow hedges			
- Share of other comprehensive loss from investment in associates	10	**(47,569)**	(5,798)
- Others		**3,467**	(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)		**(16,963)**	(4,117)
Other comprehensive (loss)/income for the year		**(42,341)**	47,808
Total comprehensive income for the year		**113,009**	93,552
Attributable to:			
Owners of the Parent		**73,486**	70,164
Non-controlling interests		**39,523**	23,388
		113,009	93,552

Consolidated statement of changes in equity
for the year ended 31 December 2020

(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
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
Profit for the year	**-**	**-**	**-**	**-**	**125,263**	**125,263**	**30,087**	**155,350**
Other comprehensive (loss)/income for the year	**-**	**-**	**-**	**(51,777)**	**-**	**(51,777)**	**9,436**	**(42,341)**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(51,777)**	**125,263**	**73,486**	**39,523**	**113,009**
Transactions with the owners in their capacity as owners								
Payment of dividend	**-**	**-**	**-**	**-**	**-**	**-**	**(21,363)**	**(21,363)**
Transactions with unit holders	**-**	**-**	**-**	**-**	**(254)**	**(254)**	**-**	**(254)**
Transactions with owners (Notes 1,33)	**-**	**-**	**-**	**-**	**(48,227)**	**(48,227)**	**130,870**	**82,643**
NCI on exit of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**(17,202)**	**(17,202)**
Transfer to statutory reserve	**-**	**-**	**12,526**	**-**	**(12,526)**	**-**	**-**	**-**
Balance at 31 December 2020	**2,535,720**	**52,579**	**47,207**	**(1,439,146)**	**293,727**	**1,490,087**	**536,090**	**2,026,177**

(*) In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and SHUAA Capital PSC's (SHUAA'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.

Consolidated statement of cash flows
for the year ended 31 December 2020

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

	Notes	*31 December 2020 Audited*	*31 December 2019 Audited*
Cash flows from operating activities			
Profit for the year		**155,350**	45,744
Adjustments for (non-cash items):			
Finance credit relating to unit holders	23	**(114,124)**	(140,398)
Bargain purchase gain	1, 18	**(182,653)**	-
Foreign exchange loss	21	**6,270**	1,215
Carried interest recognised – net		**-**	(14,132)
Finance cost		**172,082**	107,968
Net interest income		**(14,880)**	(12,474)
One-time transaction claw back	24	**(112,882)**	-
Borrowing deferment income	24	**(4,401)**	-
Finance lease modification charge	24	**15,328**	-
Non-cash distributions from associates	10	**61,152**	-
Fair value loss on financial assets at FVTPL		**255,198**	235,625
Acquisition of investment in associate		**-**	(80,990)
Share of profit from investments in associates	10	**(80,182)**	(2,358)
Dividend income		**(68,286)**	-
Gain on loss of control from a subsidiary		**-**	(105,998)
Loss on revaluation of derivative financial liabilities		**3,505**	(70,744)
Employees' end of service benefit charge		**5,988**	1,157
Provisions and allowances for impairment - net	20	**4,825**	22,109
Goodwill and intangible impairment	12	**9,533**	-
Depreciation and amortization	11,12	**52,140**	30,663
Operating cash flows before movements in working capital		**163,963**	17,387
Decrease in inventories		**23,786**	934
(Increase) / decrease in receivables and other debit balances		**(65,985)**	65,745
Decrease in loans and advances		**12,960**	16,807
Decrease in payables and other credit balances		**(167,993)**	(483,120)
(Decrease) / increase in other financial liabilities		**(2,172)**	392,263
Cash flows from operating activities of discontinued operations		**8,243**	(377,690)
Net cash generated from / (used in) operations		**(27,198)**	(367,674)
Employees' end of service benefit paid		**(3,836)**	(1,723)
Dividend income		**68,286**	-
Net cash generated from / (used in) operating activities		**37,252**	(369,397)
Cash flows from investing activities			
Acquisition of investments, net of cash and cash equivalents in acquired companies		**-**	1,048,492
Payments for the purchase of investments		**(155,822)**	(147,746)
Proceeds from disposal of investments		**188,898**	10,000
Dividends from associates	10	**55,800**	-
Net acquisition of property and equipment		**(406)**	663
Net interest received		**14,880**	12,474
Cash flow from investing activities of discontinued operations		**(224)**	(3,196)
Net cash generated from investing activities		**103,126**	920,687
Cash flows from financing activities			
Proceeds from borrowings	13.3	**418,642**	33,112
Repayment of borrowings	13.3	**(278,169)**	(67,848)
Lease rentals paid		**(4,930)**	(15,002)
Redemption to unit holders		**(18,651)**	(11,374)
Issue to unit holders		**17,886**	-
Dividends paid		**(22,057)**	-
Cash outflow on disposal of a subsidiary		**(16,508)**	-
Finance cost paid		**(163,720)**	(130,448)
Cash flow from financing activities of discontinued operations		**(7,710)**	(18,911)
Net cash used in financing activities		**(75,217)**	(210,471)

Consolidated statement of cash flows
for the year ended 31 December 2020 (continued)

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

	Notes	***31 December 2020 Audited***	*31 December 2019 Audited*
Net increase in cash and cash equivalents		**65,161**	340,819
Cash and cash equivalents at beginning of the year	5	**360,193**	21,586
Foreign currency translation		**(329)**	2,326
Cash and cash equivalent from discontinued operations		**(28,324)**	(4,538)
Cash and cash equivalents acquired in business combination		**20,274**	-
Restricted cash	5	**(39,709)**	(33,014)
Cash and cash equivalents at end of the year	5	**377,266**	327,179

During 2019, issuance of shares by SHUAA for acquisition of ADFG was a non-cash consideration and therefore not reflected above. In 2019, additions to property and equipment due to recognition of leases on initial application of IFRS 16 was a non-cash transaction and therefore not reflected above.

1. LEGAL STATUS AND ACTIVITIES

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

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

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

Business combination in 2020

In 2020, SHUAA acquired the business of Stanford Marine Group ("SMG") through Thalassa Investments LP, effective 31 December 2020. 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.

For the purchase consideration paid, SHUAA acquired tangible assets with attributable fair values of 699,479 (comprising of deposits with bank, receivables, inventories and property, plant and equipment), and liabilities with attributable fair value of 315,375 (comprising of borrowings and payables), resulting in bargain purchase gain (Note 18). The asset acquired and liabilities assumed are based on provisional valuations. The valuation of identifiable intangible assets has not yet been performed.

No contingent liabilities were recognized based on the provisional purchase price allocation exercise.

Given that the business combination was effective on 31 December 2020, there is no contribution of revenue and profit for the year ended 31 December 2020.

Reverse acquisition in 2019

On 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 which offers 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 resulted 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.

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.

1 LEGAL STATUS AND ACTIVITIES (continued)

A. Consideration transferred (continued)

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**

B. Acquisition-related costs

The Group incurred acquisition-related costs of 19,676 in 2019 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**
Carrying value of identifiable net assets acquired	
Less: Non-controlling interest	
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**

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

1. LEGAL STATUS AND ACTIVITIES (continued)

C. Consideration and purchase price allocation (continued)

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.

D. Contingent liabilities

Contingent liabilities acquired from subsidiaries amounted to 8,970.

E. Revenue and loss or 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 2019, 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 2019, 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)

Investment Entities – exemption from consolidation (continued)

Details of subsidiaries consolidated by the Group in 2019 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.

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:

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

1. LEGAL STATUS AND ACTIVITIES (continued)

Group structure (continued)

Name of the entity	**Place of incorporation**	**Principal activity**	**Effective ownership interest %** ***31 December 2020***	Effective ownership interest % *31 December 2019*
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%	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%
SHUAA Securities LLC*	UAE	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	34.4%	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%
Eagle T2	Cayman Islands	Investment holding	100.0%	100.0%
Thalassa Investment LP	Cayman Islands	Investment holding	57.4%	-

(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 2020***	Effective ownership interest % *31 December 2019*
Material subsidiaries (continued)				
Abu Dhabi Capital Management LLC (iii)	UAE	Financial consultation		-
Shine Investments in Commercial Projects owned by ADFG – sole proprietorship L.L.C. ("Shine") (iv)	UAE	Commercial enterprises investment, institution and management		-
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. (vi)	Cayman Islands	Investment holding	27.0%	27.0%
SHUAA Saudi Hospitality Fund I (v)	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. (vi)	Bahrain	Islamic retail bank	3.9%	3.9%

* These subsidiaries and associates are under liquidation.

** Not consolidated until 1 August 2019 as ADFG was an investment entity and measured its investments at fair value through profit 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. In addition, the Group has determined that it has control and therefore consolidates the Fund, as it is exposed to its variable returns and has the key decision-making powers necessary to affect the amount of those returns in its capacity as investment manager. Accordingly, the above-mentioned entities have been consolidated in these financial statements.

(iii) In 2019, 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 2019, 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.

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 2020, 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.

Title	Key requirements	Effective Date
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Definition of a Business – Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 *Financial Instruments: Disclosures,* IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms 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.	1 January 2020
Revised Conceptual Framework for Financial Reporting	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.	1 January 2020

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

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

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

New and revised IFRS	Key requirements	Effective Date
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the 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. In May 2020, the IASB made an amendment to IFRS 16 *Leases* which provides lessees with an option to treat qualifying 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 concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	1 June 2020
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The 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 (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.	1 January 2022 [possibly deferred to 1 January 2023]
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 *Property, Plant and Equipment* (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 *Business Combinations* to update the references to the *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

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

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

New and revised IFRS	**Key requirements**	**Effective Date**
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a **

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. There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2020 that would be expected to have a material impact on the consolidated financial statements of the Group.

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 of the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.3 Property and equipment

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

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

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

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

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

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

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.

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.

Income from finance lease

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

a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Revenue recognition (continued)

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

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

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

3.10 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.

3.11 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.

3.12 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Foreign currencies

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

3.14 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.

<u>Initial recognition – financial assets</u>

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.

<u>Classification- financial assets</u>

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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.

<u>Subsequent measurement – financial assets</u>

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

- Financial assets at FVOCI with recycling of cumulative gains and losses (debt financial assets): For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in consolidated statement of other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to P&L.

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity financial assets): Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to P&L. Dividends are recognised as other income in P&L when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

- Financial assets at FVTPL (debt and equity financial assets): Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in P&L. Dividends on listed equity investments are recognised as other income in the P&L when the right of payment has been established. Interest income on debt financial assets is also recognised in the P&L.

Impairment - financial assets

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

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

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.

<u>Write-off - financial assets</u>

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.

<u>Derecognition - financial assets</u>

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.

<u>Modification - financial assets</u>

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

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).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

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.

3.15 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.

3.16 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 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.

Ijara receivables

Ijara finance is an agreement wherein gross amounts due under originated Ijara (finance) includes the total of future payments on Ijara finance, plus estimated residual amounts receivable (by an option to purchase the asset at the end of the respective financing term through an independent sale contract). The difference between the ijara contracts receivable and the cost of the ijara assets is recorded as unearned Ijara finance income and for presentation purposes, is deducted from the gross amounts due under Ijara finance.

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.

3.18 Goodwill

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Intangible assets acquired in a business combination

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

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

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

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

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.

3.20 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.

3.21 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 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.

3.22 Segmental information

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Carried interest

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

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.

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.

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

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

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

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

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

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(vi) 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 the 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.

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.

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

4.2 Key sources of estimation uncertainty (continued)

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

The Group's base case scenario is based on macroeconomic variable (oil price). The macro-economic variable (oil price) was selected on the basis of business intuition and statistical analysis performed. Upside and downside scenarios are set relative to the Group's base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios occur on at least an annual basis and more frequently if conditions warrant.

Scenarios are probability-weighted according to the Group's best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to ECL with the same probabilities. Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group. In some instances, the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial reporting. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Group's Governance process for oversight.

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

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

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 in 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.

Fair value measurement of financial assets at FVTPL and FVTOCI (continued)

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. If no market data is available, the Group may value its investments using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry, such as the Discounted Cash Flow (DCF) and Net Asset Value (NAV) method, in which case the Group would exercise judgement and estimates on the quantity and quality of the cash flows and fair values, respectively, of the underlying investment.

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

Impairment assessment on investment using equity accounting

The Group assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Group measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions provided by such investees' internal management team. The Group also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

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

4.2 Key sources of estimation uncertainty (continued)

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.

Assets and liabilities held for sale

With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable. If both conditions apply, the assets and any related liabilities must be reported and measured as "Assets held for sale" or "Liabilities held for sale", respectively.

5. CASH AND DEPOSITS WITH BANKS

	31 December 2020	*31 December 2019*
Cash on hand	**47**	67
Balances held with banks	**416,928**	360,126
Cash and deposits with banks	**416,975**	360,193
Less: Restricted deposits	**(39,709)**	(33,014)
Cash and cash equivalents	**377,266**	327,179

The rate of interest on the deposits held during the year ended 31 December 2020 ranged from 1.4% to 6.25% (31 December 2019: 0.5% to 6.25%) per annum.

Cash and deposits with banks include deposits of 39,709 (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.

6. RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2020	*31 December 2019*
Trade receivables – net of loss allowance (6.1)	**46,336**	52,102
Advances and deposits	**4,995**	8,172
Prepayments	**12,014**	11,991
Receivable against unsettled trades	**26,479**	-
Reverse repurchase agreements (6.2)	**-**	1,917
Carried interest	**2,256**	2,256
Accrued income	**42,242**	21,735
Receivables from managed funds	**61,220**	48,118
Others	**18,750**	13,484
	214,292	159,775
Trade receivables and managed funds – net of loss allowance		
Trade receivables	**127,481**	122,591
Loss allowance	**(19,925)**	(22,371)
	107,556	100,220
Movement in loss allowance:		
Opening balance	**(22,371)**	(5,080)
Reversal / (charge) for the year	**2,446**	(17,291)
Closing balance	**(19,925)**	(22,371)

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

6. RECEIVABLES AND OTHER DEBIT BALANCES (continued)

6.1 Included in trade receivables is an amount of 15,860 (31 December 2019: 9,123) due from related parties (Note 26).

6.2 This represents assets arising out of reverse repurchase agreements entered into 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. The Group has a right to sell or repledge securities with a fair value of nil (2019: 2,003) received under reverse sale and repurchase agreements.

7. LOANS, ADVANCES AND FINANCE LEASES

	31 December 2020	*31 December 2019*
Loans and advances - net of provision for impairment (a)	**88,783**	194,070
Finance leases – net of provision of impairment (b)	**183,303**	171,570
Margin lending - net of provision for impairment (c)	**74,146**	50,162
	346,232	415,802

(a) Loans and advances

	31 December 2020	*31 December 2019*
Total loans and advances	**88,783**	198,393
Cumulative provision for impairment	**-**	(4,323)
	88,783	194,070
Movement in cumulative provision for impairment:		
Opening balance	**(4,323)**	-
Charge for the year	**(642)**	(4,323)
Reversal for the year	**4,965**	-
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 2020, the underlying collateral for loans and advances were valued at 111,158 (31 December 2019: 324,462). Provisions are made for the uncovered portion of the impaired loans and advances.

(b) Finance leases

	31 December 2020	*31 December 2019*
Current finance lease receivables (Note 7 (b).1)	**86,410**	89,246
Non-current finance lease receivables (Note 7 (b).1)	**108,826**	83,089
Provision for impairment	**(11,933)**	(765)
	183,303	171,570
Movement in provision for impairment:		
Opening balance	**(765)**	-
Charge for the year	**(11,168)**	(839)
Reversals during the year	**-**	74
Closing balance	**(11,933)**	(765)

7 (b).1 Included in finance lease are investment in Islamic financing (Ijara) by a subsidiary amounting to 171,210 (31 December 2019: 151,330).

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

7. LOANS, ADVANCES AND FINANCE LEASES (continued)

(b) 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 payments***	
	31 December 2020	*31 December 2019*	***31 December 2020***	*31 December 2019*
Not later than one year	**106,282**	108,052	**86,410**	146,386
Later than one year and not later than five years	**126,716**	93,921	**108,826**	25,949
	232,998	201,973	**195,236**	172,335
Less: unearned finance income	**(37,762)**	(29,638)	**-**	-
Present value of minimum lease payments receivable	**195,236**	172,335	**195,236**	172,335
Allowances for uncollectible lease payments	**(11,933)**	(765)	**(11,933)**	(765)
	183,303	171,570	**183,303**	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 2020, the underlying collateral for finance leases was valued at 250,011 (31 December 2019: 400,419). Provisions are made for the impaired portion of the lease, net of collateral

(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 2020	*31 December 2019*
Total margin lending	**74,774**	50,364
Cumulative provision for impairment	**(628)**	(202)
	74,146	50,162
Movement in cumulative provision for impairment:		
Opening balance	**(202)**	-
Charge for the year	**(426)**	(202)
Closing balance	**(628)**	(202)

As at 31 December 2020, the underlying securities were valued at 422,971 (31 December 2019: 472,673). Provisions are made for the impaired portion of margins.

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

7. LOANS, ADVANCES AND FINANCE LEASES (continued)

(c) Margin lending (continued)

Some of the underlying securities in an amount of 69,915 (31 December 2019: 59,190) are pledged under repurchase agreements with financial institutions.

The effect of collateral on assets is as follows :

31 December 2020

	Over collateralized		Under collateralized	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans and advances	**54,665**	**111,158**	**34,118**	**-**
Finance leases	**117,037**	**203,137**	**66,266**	**46,874**
Margin lending	**74,146**	**422,971**	**-**	**-**
	245,848	**737,266**	**100,384**	**46,874**

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	27,797	19,094
Finance leases	162,720	383,476	8,850	16,943
Margin lending	49,394	472,673	768	-
	378,387	1,161,517	37,415	36,037

8. INVENTORIES

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

9. FINANCIAL ASSETS AT FAIR VALUE

	31 December 2020	*31 December 2019*
Fair value through profit or loss (FVTPL) (a)	**2,299,927**	2,360,098
Fair value through other comprehensive income (FVOCI) (b)	**129,072**	145,091
	2,428,999	2,505,189

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

	31 December 2020	*31 December 2019*
Equity investments	**1,725,076**	1,996,571
Fixed income securities	**62,853**	49,370
Fund investments	**511,998**	314,157
	2,299,927	2,360,098

During the year, the Group recognized fair value losses amounting to (255,198) (31 December 2019: (235,625)), on investments carried at FVTPL. The Group purchased investments of 155,822 (2019: 147,746) during the financial year ended 31 December 2020.

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

9. FINANCIAL ASSETS AT FAIR VALUE (continued)

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

	31 December 2020	*31 December 2019*
Equity investments	**78,365**	93,435
Fund investments	**50,707**	51,656
	129,072	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 amounting to (16,963) recognised during the year (31 December 2019: (4,117)). The Group purchased investment of nil (2019: nil) during the financial year ended 31 December 2020.

FVTPL and FVOCI investments include securities with market value of 1,324,815 (31 December 2019: 1,896,921) which are pledged against borrowings (Note 13).

10. INVESTMENTS IN ASSOCIATES

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

	31 December 2020						
	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 2020	284,963	51,033	19,936	237,160	78,019	22,539	693,650
Additions	33,595	-	-	-	-	-	33,595
Share of profit/(loss) of associates	61,222	(8,862)	(2,121)	75,654	(8,392)	(1,133)	116,368
Share of other comprehensive (loss) of associates	-	-	-	(47,569)	-	-	(47,569)
Impairments	-	(21,092)	(8,908)	-	-	(6,186)	(36,186)
Dividends and distributions	-	-	-	(86,636)	(30,315)	-	(116,951)
Held for sale	-	(21,079)	(8,907)	(178,609)	-	-	(208,595)
As at 31 December 2020	**379,780**	**-**	**-**	**-**	**39,312**	**15,220**	**434,312**

The table below shows the movement in associates during 2019:

	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

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

10. INVESTMENTS IN ASSOCIATES

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 2020			
	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	**1,197,500**	**294**	**16,378**	**516,654**	**311,224**	**7,499,124**	**9,541,174**
- Non-current	**118,012**	**129,212**	**306,381**	**4,864,983**	**-**	**2,432,266**	**7,850,854**
Total assets	**1,315,512**	**129,506**	**322,759**	**5,381,637**	**311,224**	**9,931,390**	**17,392,028**
Liabilities							
- Current	**169,722**	**782**	**18,981**	**662,401**	**6,534**	**7,553,038**	**8,411,458**
- Non-current	**4,875**	**-**	**120,087**	**4,415,073**		**990,779**	**5,530,814**
Total liabilities	**174,597**	**782**	**139,068**	**5,077,474**	**6,534**	**8,543,817**	**13,942,272**
Net Assets	**1,140,915**	**128,724**	**183,691**	**304,163**	**304,690**	**1,387,573**	**3,449,756**
Summarised statement of comprehensive income							
Revenue	**5,307**	**(65,227)**	**(56,783)**	**786,279**	**(7,323)**	**471,446**	**1,133,699**
Profit/(loss) for the year	**164,925**	**(65,227)**	**(92,982)**	**297,635**	**(10,878)**	**(23,951)**	**269,522**
Other comprehensive loss for the year	**-**	**-**	**-**	**(237,847)**	**-**	**-**	**(237,847)**
Total comprehensive income/(loss) for the year	**164,925**	**(65,227)**	**(92,982)**	**59,788**	**(10,878)**	**(23,951)**	**31,675**

				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	29,721	192,800	765,765
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 2020							
	Leasehold Improvements	***Office equipment***	***Motor vehicles***	***Furniture and fixture***	***Land & buildings***	***Artworks and painting***	***Right-of-use assets***	***Total***
Cost								
Balance at beginning of the year	**20,014**	**6,435**	**771**	**5,841**	**10,380**	**1,357**	**48,071**	**92,869**
Additions	**1,480**	**2,387**	**190**	**-**	**-**	**-**	**1,377**	**5,434**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**(154)**	**(154)**
Disposals	**(318)**	**(346)**	**(1)**	**-**	**-**	**-**	**(2,124)**	**(2,789)**
Transfer to held for sale	**(280)**	**(199)**	**(103)**	**-**	**(4,088)**	**-**	**-**	**(4,670)**
Impairment	**-**	**-**	**-**	**-**	**(3,741)**	**-**	**-**	**(3,741)**
Exchange rate translation	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**4**
Balance at end of the year	**20,900**	**8,277**	**857**	**5,841**	**2,551**	**1,357**	**47,170**	**86,953**
Accumulated depreciation								
Balance at beginning of the year	**2,243**	**3,394**	**287**	**2,853**	**193**	**-**	**10,207**	**19,177**
Charge for the year	**5,980**	**4,666**	**214**	**2,061**	**31**	**-**	**13,952**	**26,904**
Disposals	**(395)**	**(204)**	**4**	**-**	**-**	**-**	**(1,295)**	**(1,890)**
Balance at end of the year	**7,828**	**7,856**	**505**	**4,914**	**224**	**-**	**22,864**	**44,191**
Net book value								
Balance at end of the year	**13,072**	**421**	**352**	**927**	**2,327**	**1,357**	**24,306**	**42,762**

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

11. PROPERTY AND EQUIPMENT (continued)

	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	-	-	-	-	-	-	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	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

(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 2020	*31 December 2019*
Buildings (*)	**47,170**	47,938
Office equipment	**-**	133
Total right-of-use assets at cost (Note 11)	**47,170**	48,071

(*) 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 (Note 11).

	31 December 2020	*31 December 2019*
Buildings	**13,952**	10,176
Office equipment	**-**	31
	13,952	10,207

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	31 December 2020				
	Goodwill	***Trademark/ Brand***	***Customer Relationships***	***Trade Licenses***	***Total***
Cost					
Balance at beginning of the year	**1,016,217**	**16,760**	**215,500**	**23,277**	**1,271,754**
Impairment	**(3,876)**	**(1,187)**	**-**	**(4,470)**	**(9,533)**
Impact of foreign currency translation	**18,221**	**-**	**-**	**-**	**18,221**
Disposals	**-**	**-**	**(251)**	**-**	**(251)**
Balance at end of the year	**1,030,562**	**15,573**	**215,249**	**18,807**	**1,280,191**
Accumulated amortisation					
Balance at beginning of the year	**-**	**257**	**12,910**	**7**	**13,174**
Charge for the year	**-**	**904**	**24,332**	**-**	**25,236**
Disposals	**-**	**-**	**(16)**	**-**	**(16)**
Balance at end of the year	**-**	**1,161**	**37,226**	**7**	**38,394**
Net book value					
Net book value as at 31 December 2020	**1,030,562**	**14,412**	**178,023**	**18,800**	**1,241,797**

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

12. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	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

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.

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. The Group concluded there were no significant impairments of its goodwill and intangible assets in 2020 (31 December 2019: nil).

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

12. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The carrying amount of Goodwill, Trade licenses and Customer relationships as at 31 December 2020 allocated to each CGU along with the key inputs used for VIU calculations and sensitivity analysis are summarized as follows:

31 December 2020

CGU	**Goodwill**	**Customer relationship**	**Trademarks /Brand**	**Trade licenses**	**Discount rate**	**Growth rate**	**1% change in Discount rate**	**1% change in Growth rate**
Asset Management – Astrea	**257,846**	**104,444**	**3,208**	**-**	**5.5%**	**1.5%**	**(84,846)**	**(80,331)**
Asset Management – Northacre	**245,067**	**4,261**	**-**	**-**	**6.0%**	**-**	**6,435**	**-**
Asset Management – Real Estate	**197,468**	**33,683**	**4,627**	**5,300**	**15.0%**	**2.0%**	**(81,828)**	**(51,649)**
Investment Banking	**162,215**	**-**	**2,481**	**4,000**	**16. 0%**	**2.0%**	**(13,582)**	**(7,797)**
NCM	**81,313**	**22,083**	**2,354**	**9,200**	**15.5%**	**2.5%**	**(15,350)**	**(9,576)**
Fixed Income Trading	**58,746**	**13,552**	**1,742**	**-**	**15.5%**	**2.0%**	**(7,800)**	**(4,758)**
Investment Solutions	**27,907**	**-**	**-**	**300**	**15.5%**	**2.0%**	**(31,282)**	**(20,685)**
	1,030,562	**178,023**	**14,412**	**18,800**				

31 December 2019

CGU	Goodwill	Customer relationship	Trademarks /Brand	Trade licenses	Discount rate	Growth rate	1% change in Discount rate	1% change in Growth rate
Asset Management – Astrea	247,129	109,018	-	-	5.5%	1.5%	(86,497)	(83,366)
Asset Management – Northacre	237,563	8,594	3,427	-	6.0%	-	(5,080)	-
Asset Management – Real Estate	197,468	42,900	4,980	5,300	15.0%	2.0%	(29,831)	(19,021)
Investment Banking	162,215	2,842	2,600	4,000	16.0%	2.0%	(16,940)	(10,338)
NCM	81,313	24,536	2,528	9,200	15.5%	2.5%	(18,148)	(11,384)
Brokerage	3,876	-	244	-	23.0%	7.0%	(441)	(259)
Fixed Income Trading	58,746	14,700	1,700	-	15.5%	2.0%	(8,022)	(5,017)
Investment Solutions	27,907	-	-	300	15.5%	2.0%	(3,093)	(1,930)
Lending	-	-	1,024	4,470	14.0%	2.0%	(7,556)	(4,914)
	1,016,217	202,590	16,503	23,270				

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

13. BORROWINGS

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

	31 December 2020	*31 December 2019*
Secured		
Due to banks	**1,519,267**	1,624,315
Due to other financial institutions (Note 13.1)	**61,572**	53,928
Others	**77,079**	-
	1,657,918	1,678,243
Unsecured		
Due to banks	**86,559**	94,482
Due to other financial institutions	**30,247**	44,374
Bonds payable (Note 13.1)	**499,317**	332,378
Others (Note 13.1 and 13.2)	**121,660**	100,592
	737,783	571,826
	2,395,701	2,250,069

13.1 These include borrowings amounting to 157,430 (31 December 2019: 120,193) due to related parties with an interest rate of 7.3% to 9.5% p.a. (2019: 7.3% to 8% p.a.).

13.2 This includes 57,565 (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 year are as follows:

	31 December 2020	*31 December 2019*
Secured		
Repayable within twelve months	**895,471**	1,475,591
Repayable after twelve months	**762,447**	202,652
	1,657,918	1,678,243
Unsecured		
Repayable within twelve months	**98,722**	500,173
Repayable after twelve months	**639,061**	71,653
	737,783	571,826
	2,395,701	2,250,069

13.3 Summary of borrowing arrangements:

31 December 2020

Facility type	**Facility amount**	**Original Tenor**	**Effective interest/profit rate**	**Collateral**
Term Loan	**941,323**	Between 0 to 7 years	1.5% - 9.5%	1,107,101
Bond	**499,317**	Between 2 to 3 years	7.50%	-
Murabaha facility	**924,771**	Between 0 to 5 years	3% - 9%	986,105
Revolving Facility	**30,290**	within 1 year	4% - 5%	15,516
	2,395,701			2,108,722

13. BORROWINGS (continued)

13.3 Summary of borrowing arrangements (continued):

31 December 2019

Facility type	Facility amount	Original Tenor	Effective interest/profit rate	Collateral
Term Loan	831,181	Between 1 to 5 years	7% - 7.5%	1,483,896
Bond	332,378	Between 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.

13.4 Reconciliation of liabilities arising from financing activities

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

					Non-cash changes			
	At 1 January 2020	***Acquisitions on business combination***	***Acquisition on loss of investment entity status***	***Financing cash flows (i)***	***Other charges (ii)***	***Foreign currency exchange difference***	***Transfer to Held for sale***	***At 31 December 2020***
Due to banks	**1,718,797**	**64,427**	**-**	**(111,911)**	**2,537**	**-**	**(68,024)**	**1,605,826**
Due to other financial institutions	**98,302**	**-**	**-**	**(6,410)**	**(73)**	**-**	**-**	**91,819**
Bonds payable	**332,378**	**-**	**-**	**163,617**	**3,322**	**-**	**-**	**499,317**
Others	**100,592**	**51,422**		**95,177**	**2,970**		**(51,422)**	**198,739**
	2,250,069	**115,849**	**-**	**140,473**	**8,756**	**-**	**(119,446)**	**2,395,701**

					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	417,747	878,150	(64,737)	14,448	1,801	1,718,797
Due to other financial institutions	119,579	23,952	(54,308)	5,221	2,863	995	98,302
Bonds payable	366,564	-	(38,098)	(220)	4,132	-	332,378
Others	74,818	-	-	25,000	774	-	100,592
	1,032,349	441,699	785,744	(34,736)	22,217	2,796	2,250,069

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

14. PAYABLES AND OTHER CREDIT BALANCES

Payables and other credit balances comprise the following:

	31 December 2020	*31 December 2019*
Payable to clients	**11,554**	36,021
Customer deposits	**37,658**	57,748
Accruals	**79,203**	61,173
Lease liabilities (Note 14.1)	**40,014**	51,418
Repurchase agreements (Note 14.2)	**63,825**	52,058
Payables against acquisitions	**122,985**	99,130
Unclaimed dividends payable	**33,470**	33,480
FVTPL liabilities	**1,859**	34,230
Realised carried interest payable to employees	**9,415**	53,642
End of service benefits	**19,147**	16,994
Provisions (Note 14.3)	**3,539**	16,606
Derivative financial liability (Note 14.4)	**4,519**	4,481
Deferred revenue	**7,722**	4,381
Other payables	**76,250**	71,889
	511,160	593,251

14.1 Lease liabilities

	31 December 2020	31 *December 2019*
Current	**13,945**	15,997
Non-current	**26,069**	35,421
	40,014	51,418

This represents liability recognised on 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 a liability.

14.3 Movement in provisions

	31 December 2020	31 *December 2019*
As at 1 January	**16,606**	-
Acquired through business combinations	**-**	9,095
Charged to profit or loss	**(13,067)**	7,511
As at 31 December	**3,539**	16,606

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

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.

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

15. OTHER FINANCIAL LIABILITIES

	31 December 2020	*31 December 2019*
Repayable within twelve months	**92,395**	152,155
Repayable after twelve months	**57,588**	-
	149,983	152,155

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

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 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.

17. OTHER RESERVES

	Merger reserve (17.1)	***Investment revaluation reserve***	***Cash flow hedge reserve (17.2)***	***Translation reserve***	***Total***
As at 1 January 2020	(1,410,720)	(3,847)	(5,929)	33,127	(1,387,369)
Remeasurement of equity investments carried at FVOCI	-	(16,963)	-	-	(16,963)
Cash flow hedge	-	-	(44,102)	-	(44,102)
Translation of operations of foreign subsidiaries	-	-	-	18,724	18,724
NCI share	-	29	-	(9,465)	(9,436)
Other comprehensive (loss)/income	**(1,410,720)**	**(20,781)**	**(50,031)**	**42,386**	**(1,439,146)**
As at 31 December 2020	**(1,410,720)**	**(20,781)**	**(50,031)**	**42,386**	**(1,439,146)**
As at 31 December 2019	(1,410,720)	(3,847)	(5,929)	33,127	(1,387,369)

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.

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

18. OTHER OPERATING INCOME

	31 December 2020	*31 December 2019*
Other income	**12,693**	14,227
Board representation fees	**7,258**	6,090
Bargain purchase gain (Note 18.1)	**182,653**	-
Dividend income	**68,286**	-
	270,890	20,317

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

18.1 Bargain purchase gain arising from acquisition of a Group as discussed in Note 1

19. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2020	*31 December 2019*
Professional fees	**(32,508)**	(26,948)
Administration, technology and communication	**(19,035)**	(13,187)
Office costs	**(6,256)**	(6,541)
Corporate marketing and branding costs	**(7,117)**	(4,079)
Business travel expenses	**(433)**	(838)
Others	**(7,018)**	(10,874)
	(72,367)	(62,467)

There is no payment for social contribution in 2020 and 2019.

20. PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	31 December 2020	*31 December 2019*
Charge on Loans, advances and finance leases	**(7,271)**	(4,818)
Release / (charge) of provision of impairment for doubtful receivables and other assets	**2,446**	(17,291)
	(4,825)	(22,109)

21. OTHER OPERATING EXPENSES

	31 December 2020	*31 December 2019*
Directors fee	**(3,324)**	(4,849)
Net foreign exchange loss	**(6,270)**	(1,215)
Others	**(17,178)**	(11,942)
	(26,772)	(18,006)

22. FINANCE COST

Finance cost includes interest of 28,224 (31 December 2019: 27,871) on the bond.

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

23. FINANCE CREDIT RELATING TO UNIT HOLDERS

The profit/(loss) for the fund attributable to the third-party holders of units is recognised in the consolidated statement of profit or loss as finance credit relating to unit holders carried at fair value amounting to 114,124 (31 December 2019: 140,398). As at 31 December 2020, the payables to unit holders amounted to 578,757 (31 December 2019: 654,201).

24. OTHER INCOME/(EXPENSES)

	31 December 2020	*31 December 2019*
One-time transaction claw back (Note 24.1)	**112,882**	-
Reversal of rebate payable	**15,509**	-
Borrowing deferment income	**4,401**	-
Finance lease modification charge	**(15,328)**	-
Gain on sale of financial asset carried at amortised cost	**16,724**	-
Others	**18,781**	(8,940)
	152,969	(8,940)

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

25. EARNINGS PER SHARE

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

	31 December 2020	*31 December 2019*
Profit attributable to the Owners from continuing operations	**127,991**	14,183
Profit attributable to the Owners	**125,263**	46,813
Weighted average number of ordinary shares	**2,535,720**	1,914,470
Earnings per share attributable to Owners from continuing operations	**0.05**	0.01
Earnings per share attributable to Owners	**0.05**	0.02

Diluted earnings per share as of 31 December 2020 and 31 December 2019 are equivalent to basic earnings per share.

For the year ended 31 December 2019, 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.

(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 2020	*31 December 2019*
Receivables and other debit balances		
Shareholders	**-**	2,827
Associates	**15,860**	1,697
Other related parties	**-**	4,599
	15,860	9,123
Loan, advances and finance leases		
Associates	**92,173**	100,931
Key management personnel	**879**	-
Shareholders	**3,712**	-
	96,764	100,931
Borrowings		
Associates	**88,954**	44,913
Shareholders	**68,476**	75,280
	157,430	120,193
Payables and other credit balances		
Associates	**-**	42,171
Shareholders	**-**	83,774
	-	125,945

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

	31 December 2020	*31 December 2019*
Directors remuneration	**3,900**	4,682
Key management compensation:		
Salaries, bonuses and other benefits	**12,032**	22,556
Post-employment benefits	**334**	381
	12,366	22,937
Revenue earned from related parties		
Other related parties	**20,043**	20,266
Associates	**-**	-
Finance cost on the borrowings		
Associates	**2,601**	2,309
Shareholders	**4,978**	5,560
	7,579	7,869
Assets swapped with related parties		
Significant shareholders (Note 1 iv)	**-**	378,576

26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	31 December 2020	*31 December 2019*
Interest paid on borrowings		
Associates	**2,390**	1,793
Shareholders	**4,964**	4,473
	7,354	6,266
Loan, advances and finance leases repayments received		
Associates	**822**	1,065

27. FINANCIAL INSTRUMENTS

27.1 Financial assets

	31 December 2020	*31 December 2019*
Financial assets at amortised cost		
Cash and deposits with banks	**416,975**	360,193
Receivables and other debit balances	**202,278**	147,784
Loans, advances and finance leases	**346,232**	415,802
	965,485	923,779
Financial assets at FVTPL		
Equity investments	**1,725,076**	1,996,571
Fixed income securities	**62,853**	49,370
Fund investments	**511,998**	314,157
	2,299,927	2,360,098
Financial assets at FVOCI		
Equity investments	**78,365**	93,435
Fund investments	**50,707**	51,656
	129,072	145,091
Total financial assets	**3,394,484**	3,428,968
Current	**2,810,143**	2,997,202
Non-current	**584,341**	431,766
	3,394,484	3,428,968

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

27. FINANCIAL INSTRUMENTS (continued)

27.2 Financial liabilities

	31 December 2020	*31 December 2019*
Financial liabilities at amortised cost		
Borrowings	**2,395,701**	2,250,069
Payables and other credit balances	**504,782**	554,540
Other financial liabilities	**149,983**	152,155
	3,050,466	2,956,764
Financial liabilities at FVTPL		
Payables and other credit balances	**6,378**	38,711
Payable to unit holders	**578,757**	654,201
	585,135	692,912
Total financial liabilities	**3,635,601**	3,649,676
Current	**1,468,957**	2,753,522
Non-current	**2,166,644**	896,154
	3,635,601	3,649,676

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 2020			
	Level 1	***Level 2***	***Level 3***	***Total***
Financial Assets				
FVTPL				
-Equity investments	**1,722,623**	**154**	**2,299**	**1,725,076**
-Fixed income investments	**53,093**	**8,627**	**1,133**	**62,853**
-Fund investments	**-**	**97,079**	**414,919**	**511,998**
FVOCI				
-Equity investments	**78,365**	**-**	**-**	**78,365**
-Fund investments	**-**	**-**	**50,707**	**50,707**
	1,854,081	**105,860**	**469,058**	**2,428,999**
Financial Liabilities				
FVTPL	**1,859**	**4,519**	**-**	**6,378**
Payable to unit holders	**-**	**578,757**	**-**	**578,757**
	1,859	**583,276**	**-**	**585,135**

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

27. FINANCIAL INSTRUMENTS (continued)

27.3 Fair value of financial instruments (continued)

	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	-	-	314,157	314,157
FVOCI				
-Equity investments	93,435	-	-	93,435
-Fund investments	-	-	51,656	51,656
	2,092,124	25,154	387,911	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

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.

27. FINANCIAL INSTRUMENTS (continued)

27.3 Fair value of financial instruments (continued)

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.

At fair value through other comprehensive income:

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

Financial assets	Fair value as at 31/12/20	Fair value as at 31/12/19	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Effect of changes in underlying assumptions 2020	Effect of changes in underlying assumptions 2019	Sensitivity analysis	Relationship of unobservable inputs to fair value
FVTPL									
Equity investments	**2,299**	20,969	3	NAV[2]	Net asset value	**+/- 115**	+/- 1,048	± 5% change in NAV, impacts fair value	The higher the discount rate, the lower the fair value
Fixed Income	**1,133**	1,129	3	Discounted cash flow[1]	Discount rate	**+/- 11**	+/- 11	± 1% change in discount rate, impacts fair value	The higher the discount rate, the lower the fair value
Fund investments	**414,919**	314,157	3	Discounted cash flow[1] and NAV[2]	Net asset value adjusted with market risk	**+/- 20,836**	+/- 19,436	± 5% change in NAV and 1% change in discount rate, impacts fair value	The higher the market risk, the lower the fair value and the higher the discount rate, the lower the fair value
FVOCI									
Fund investments	**50,707**	51,656	3	NAV[2]	Net asset value	**+/- 2,535**	+/- 2,583	± 5% change in NAV, impacts fair value	The higher the market risk, the lower the fair value

Significant unobservable inputs in Level 3 instruments valuations

[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. The extent of the adjustment varied according to the characteristics of each investment.

[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.

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

27. FINANCIAL INSTRUMENTS (continued)

27.3 Fair value of financial instruments (continued)

Movements in level 3 financial assets measured at fair value

During the period, there were no transfers between levels.
The following table shows a reconciliation of the opening and closing balance of level 3 financial assets which are recorded at fair value:

	31 December 2020								
	Balance at 1 January 2020	***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 2020***
FVTPL									
Equity Investments	**20,969**	**-**	**-**	**-**	**-**	**(18,670)**	**-**	**-**	**2,299**
Fixed Income	**1,129**	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**1,133**
Fund Investment	**314,157**	**-**	**-**	**185,104**	**-**	**(84,342)**	**-**	**-**	**414,919**
FVOCI									
Fund Investment	**51,656**	**-**	**-**	**-**	**-**	**-**	**(949)**	**-**	**50,707**
	387,911	**-**	**-**	**185,104**	**-**	**(103,008)**	**(949)**	**-**	**469,058**

	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	46,988	(455,195)	224,976	(90,000)	49,913	-	-	314,157
FVOCI									
Fund Investment	-	48,183	-	-	-	-	3,473	-	51,656
	1,148,916	118,911	(846,905)	513,169	(505,774)	(43,879)	3,473	-	387,911

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 2020	*31 December 2019*
Realised and unrealised losses	**(103,008)**	(43,879)

28. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

Risk management structure

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

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

Credit risk

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

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

Credit risk management

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

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.

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

28. FINANCIAL RISK MANAGEMENT (continued)

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.

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 2020	*Gross maximum exposure 31 December 2019*
Cash and deposits with banks	**416,975**	360,193
Receivables and other debit balances	**202,278**	147,784
Loans, advances and finance leases	**346,232**	415,802
Total credit risk exposure	**965,485**	923,779

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

28. FINANCIAL RISK MANAGEMENT (continued)

Credit risk consideration

The Group does not have significant credit risk exposure to any single counterparty or group of counterparties that have similar credit risk. The geographical concentration of the Group's financial assets at 31 December 2020 and 2019 is set out below:

			31 December 2020				
Assets	***UAE***	***GCC****	***MENA*****	***North America***	***Europe***	***Asia***	***Total***
Cash and deposits with banks	**214,046**	**130,901**	**5,529**	**1,185**	**61,276**	**4,038**	**416,975**
Receivables and other debit balances	**93,135**	**42,639**	**18,080**	**-**	**48,420**	**4**	**202,278**
Loans, advances and finance leases	**118,102**	**171,927**	**54,794**	**6**	**1,403**	**-**	**346,232**
	425,283	**345,467**	**78,403**	**1,191**	**111,099**	**4,042**	**965,485**

			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	66,945	46,093	5,777	-	28,953	16	147,784
Loans, advances and finance leases	181,245	192,718	41,689	-	18	132	415,802
	430,321	342,164	60,253	1,184	85,199	4,658	923,779

* *GCC region excluding UAE*

** *MENA region excluding GCC and UAE*

Credit quality analysis and measurement of ECL

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

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 2020				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances					
Performing	**88,783**	**-**	**-**	**-**	**88,783**
Non-performing	**-**	**-**	**-**	**-**	**-**
Gross loans and advances	**88,783**	**-**	**-**	**-**	**88,783**
Allowance for impairment	**-**	**-**	**-**	**-**	**-**
Carrying amount	**88,783**	**-**	**-**	**-**	**88,783**

	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances					
Performing	160,495	-	-	-	160,495
Non-performing	-	-	-	37,898	37,898
Gross loans and advances	160,495	-	-	37,898	198,393
Allowance for impairment	(4,965)	-	-	642	(4,323)
Carrying amount	155,530	-	-	38,540	194,070

Finance leases	**31 December 2020**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	**167,739**	**10,652**	**-**	**-**	**178,391**
Non-performing	**-**	**-**	**-**	**16,845**	**16,845**
Finance leases	**167,739**	**10,652**	**-**	**16,845**	**195,236**
Allowance for impairment	**(2,049)**	**(24)**	**-**	**(9,859)**	**(11,933)**
Carrying amount	**175,675**	**10,628**	**-**	**6,986**	**183,303**

29. FINANCIAL RISK MANAGEMENT (continued)

Finance leases	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
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

Margin Lending	**31 December 2020**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	**74,847**	-	-	-	**74,847**
Non-performing	-	-	-	**(73)**	**(73)**
Margin Lending	**74,847**	-	-	**(73)**	**74,774**
Allowance for impairment	-	-	-	**(628)**	**(628)**
Carrying amount	**74,847**	-	-	**(701)**	**74,146**

Margin Lending	31 December 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
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

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

28. FINANCIAL RISK MANAGEMENT (continued)

Loans and advances provision movement

	31 December 2020					31 December 2019
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**Total**
Loans and advances						
Balance at 1 January	**(4,965)**	-	-	**642**	**(4,323)**	-
Allowance for impairment – Charge for the year	-	-	-	-	-	(4,323)
	4,965	-	-			
Reversal of allowance				**(642)**	**4,323**	-
Changes in allowance for impairment	-	-	-	-	-	-
- Transfer to Stage 1	-	-	-	-	-	-
- Transfer to Stage 2	-	-	-	-	-	-
- Transfer to Stage 3	-	-	-	-	-	-
Closing balance at 31 December	-	-	-	-	-	(4,323)

Finance leases provision movement

	31 December 2020					31 December 2019
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**Total**
Finance leases						
Balance at 1 January	**(868)**	**(24)**	-	**127**	**(765)**	-
Allowance for impairment – Charge for the year	**(1,181)**	-	-	**(9,987)**	**(11,168)**	(825)
Write off	-	-	-	-	-	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	**(2,049)**	**(24)**	-	**(9,860)**	**(11,933)**	(765)

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

28. FINANCIAL RISK MANAGEMENT (continued)

Margin lending provision movement

	31 December 2020					31 December 2019
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**POCI**	**Total**	**Total**
Margin lending						
Balance at 1 January	**-**	**-**	**-**	**(202)**	**(202)**	-
Allowance for impairment – Charge for the year	**-**	**-**	**-**	**(426)**	**(426)**	(202)
Write off	**-**	**-**	**-**	**-**	**-**	-
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	**-**	**-**	**-**	**(628)**	**(628)**	(202)

The total amount of undiscounted ECLs at initial recognition for POCI financial assets reversed during 2020 was nil (31 December 2019: 507).

28. FINANCIAL RISK MANAGEMENT (continued)

Collateral and other credit enhancements

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

Loans, advances and finance leases

	31 December 2020	*31 December 2019*
Against individually impaired:		
Properties	**11,853**	125,817
Fixed income and equities	**522,276**	607,134
Others	**250,011**	464,603
Closing balance at 31 December	**784,140**	1,197,554

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

	0-30 days	***31-180 days***	***>180 days***	***Total 31 December 2020***	*Total 31 December 2019*
Trade receivables and managed funds					
Gross carrying amount	**12,050**	**50,324**	**65,107**	**127,481**	122,591
ECL	**-**	**(2,434)**	**(17,491)**	**(19,925)**	(22,371)
	12,050	**47,890**	**47,616**	**107,556**	100,220

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.

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$ 60 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.

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

The various liquidity monitoring metrics are monitored by both the RCB and ALCO against internally set limits which have been approved by the Board. The primary measures of liquidity used by the Group are stock of liquid assets, liquidity coverage ratio and net funding requirement. The oversight of the liquidity risk by the Board, RCB and ALCO also includes the monitoring of the Group's compliance with the debt covenants. As at 31 December 2020, there was a technical breach in the debt covenants relating to a newly consolidated subsidiary which is classified as held for sale. The subsidiary was recently acquired by the Company with the strategic objective of restructuring the underlying business. The principal of the debt affected is AED19.3m and the covenants breached are broadly leverage measurement ratios at the subsidiary level. The loan to value ratio continues to be within the covenant requirement with sufficient buffer.

(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.

31 December 2020	*Less than 3 Months*	*3-12 Months*	*1-5 years*	*More than 5 years*	*Grand total*
Cash and deposits with banks	408,456	1,267	7,252	-	**416,975**
Receivables and other debit balances	36,147	173,493	4,652	-	**214,292**
Loans, advances and finance leases	147,357	42,973	155,902	-	**346,232**
Financial assets at fair value through profit or loss (FVTPL)*	1,198,760	685,189	415,978	-	**2,299,927**
Financial assets at fair value through other comprehensive income (FVOCI)*	-	128,515	557	-	**129,072**
Investments in associates*	-	54,533	379,779	-	**434,312**
Assets of disposal groups classified as held for sale*	-	922,943	-	-	**922,943**
Total Assets	**1,790,720**	**2,008,913**	**964,120**	**-**	**4,763,753**
Payables and other credit balances	212,401	169,924	126,080	2,755	**511,160**
Other financial liabilities	92,438	-	-	57,545	**149,983**
Borrowings	428,532	565,662	1,156,415	245,092	**2,395,701**
Payables to unit holders*	-	-	-	578,757	**578,757**
Liabilities included in disposal groups classified as held for sale*	-	386,534	-	-	**386,534**
Total Liabilities	**733,371**	**1,122,120**	**1,282,495**	**884,149**	**4,022,135**
Net liquidity gap	**1,057,349**	**886,793**	**(318,375)**	**(884,149)**	**741,618**
Cumulative liquidity gap – 31 December 2020	**1,057,349**	**1,944,142**	**1,625,767**	**741,618**	**-**

(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	Grand total
Cash and deposits with banks	335,496	2,361	19,305	3,031	360,193
Receivables and other debit balances	98,167	59,040	2,568	-	159,775
Loans, advances and finance leases	161,507	200,114	54,181	-	415,802
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
Assets of disposal groups classified as held for sale*	-	14,104	14,115	-	28,219
Total Assets	1,620,971	1,691,980	871,246	3,031	4,187,228
Payables and other credit balances	261,784	145,752	177,352	8,363	593,251
Other financial liabilities	-	152,155	-	-	152,155
Borrowings	829,137	1,146,627	274,305	-	2,250,069
Payables to unit holders*	-	218,067	436,134	-	654,201
Liabilities included in disposal groups classified as held for sale*	-	480	-	-	480
Total Liabilities	1,090,921	1,663,081	887,791	8,363	3,650,156
Net liquidity gap	530,050	28,899	(16,545)	(5,332)	537,072
Cumulative liquidity gap – 31 December 2019	530,050	558,949	542,404	537,072	-

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

	31 December 2020				
	Less than 3 months	***3 - 12 months***	***1 - 5 years***	***More than 5 years***	***Total***
Borrowings	**415,483**	**585,077**	**1,313,263**	**311,553**	**2,625,376**
Payables and other credit balances	**212,401**	**169,924**	**126,080**	**2,755**	**511,160**
Other financial liabilities	**78,814**	**9,874**	**69,817**	**-**	**158,505**

	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

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

28. FINANCIAL RISK MANAGEMENT (continued)

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 2020			
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	**2,365,760**	**(17,743)**	**17,743**	**-**	**-**

		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	-	-

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 2020.

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 2020. 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 2020, with all other variables held constant.

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

28. FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk (continued)

		31 December 2020			
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	**277,304**	**75,261**	**202,043**	**10,102**	**(10,102)**
Singapore Dollar	**-**	**-**	**-**	**-**	**-**
Egyptian Pound	**76**	**185**	**(109)**	**(5)**	**5**
Kuwait Dinar	**1,004**	**7,538**	**(6,534)**	**(327)**	**327**
Euro	**1,183**	**285**	**898**	**45**	**(45)**
	279,567	**83,269**	**196,298**	**9,815**	**(9,815)**

		31 December 2019			
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	29,217	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	56	240	12	(12)
Euro	-	245	(245)	(12)	12
QAR	205	-	205	10	(10)
	281,885	29,518	252,367	12,619	(12,619)

Price risk

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

		31 December 2020			
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	**1,722,777**	**86,139**	**(86,139)**	**-**	**-**
Fixed Income	**61,720**	**3,086**	**(3,086)**	**-**	**-**
Fund Investment	**97,079**	**4,854**	**(4,854)**	**-**	**-**
FVOCI					
Equity Investment	**78,365**	**-**	**-**	**3,918**	**(3,918)**
	1,959,941	**94,079**	**(94,079)**	**3,918**	**(3,918)**

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

28. FINANCIAL RISK MANAGEMENT (continued)

Price risk (continued)

		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	1,975,602	98,780	(98,780)	-	-
Fixed Income	48,241	2,412	(2,412)	-	-
Fund Investment	-	-	-	-	-
FVOCI					
Equity Investment	93,435	-	-	4,672	(4,672)
	2,117,278	**101,192**	**(101,192)**	4,672	(4,672)

Below table highlights the geographical allocation of investments:

			31 December 2020				
Assets	***UAE***	***GCC***	***MENA***	***North America***	***Europe***	***Asia***	***Total***
FVTPL							
Equity Investment	**1,722,777**	**2,299**	**-**	**-**	**-**	**-**	**1,725,076**
Fixed Income	**52,640**	**7,759**	**1,133**	**-**	**917**	**404**	**62,853**
Fund Investment	**158,260**	**17,034**	**-**	**31,618**	**305,086**	**-**	**511,998**
FVOCI							
Equity Investment	**78,365**	**-**	**-**	**-**	**-**	**-**	**78,365**
Fund Investment	**-**	**-**	**-**	**-**	**50,707**	**-**	**50,707**
	2,012,042	**27,092**	**1,133**	**31,618**	**356,710**	**404**	**2,428,999**

			31 December 2019				
Assets	*UAE*	*GCC*	*MENA*	*North America*	*Europe*	*Asia*	*Total*
FVTPL							
Equity Investment	1,968,305	2,976	891	-	-	24,399	1,996,571
Fixed Income	21,641	17,009	2,055	-	7,976	689	49,370
Fund Investment	11,660	16,646	-	30,341	255,510	-	314,157
FVOCI							
Equity Investment	93,435	-	-	-	-	-	93,435
Fund Investment	-	-	-	-	51,656	-	51,656
	2,095,041	36,631	2,946	30,341	315,142	25,088	2,505,189

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.

28. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

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

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

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

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

	31 December 2020	*31 December 2019*
Borrowings	**2,395,701**	2,250,069
Payable to client	**11,554**	36,021
Customer deposits	**37,658**	57,748
Lease liabilities	**40,014**	51,418
Repurchase agreements	**63,825**	52,058
Payable against acquisition	**122,985**	99,130
FVTPL liabilities	**1,859**	34,230
Other financial liabilities	**149,983**	152,155
Total debt	**2,823,579**	2,732,829
Total equity	**2,026,177**	1,869,344
Debt to equity ratio	**1.39**	1.46

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.

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

29. SEGMENTAL INFORMATION (continued)

	31 December 2020			
	Asset Management	*Investment Banking*	*Corporate*	*Total*
Net fee and commission income	116,678	5,391	97,042	219,111
Advisory income	13,184	15,972	385	29,541
Net interest income/(expense)	-	-	14,880	14,880
Trading income	378	4,174	(457)	4,095
Carried interest income	-	-	-	-
Other operating income	18,137	-	252,753	270,890
Total revenues	**148,377**	**25,537**	**364,603**	**538,517**
Staff costs	(64,030)	(13,811)	(62,984)	(140,825)
Employee carried interest	-	-	-	-
General and administrative expenses	(28,651)	(7,135)	(36,581)	(72,367)
Depreciation and amortization	(31,284)	(7,945)	(12,911)	(52,140)
Provision for impairment losses on financial instruments	(2,621)	269	(2,473)	(4,825)
Other operating expenses	919	686	(28,377)	(26,772)
Total expenses	**(125,667)**	**(27,936)**	**(143,326)**	**(296,929)**
Profit/(loss) before other income and finance cost	**22,710**	**(2,399)**	**221,277**	**241,588**
Fair value losses from investments	474	(1,107)	(254,565)	(255,198)
Loss from derivative financial liability	-	-	(3,505)	(3,505)
Share of profit from investment in associates	-	-	80,182	80,182
Finance cost	(4,996)	(2,120)	(164,966)	(172,082)
Finance credit relating to unit holders	-	-	114,124	114,124
Other income	32,343	1,909	118,717	152,969
Profit/(loss) for the year from continuing operations	**50,531**	**(3,717)**	**111,264**	**158,078**
Loss for the year from discontinued operations	**-**	**-**	**(2,728)**	**(2,728)**
(Loss)/profit for the year attributable to NCI	**(482)**	**-**	**(29,605)**	**(30,087)**
Profit/(loss) for the year attributable to Owners	**50,049**	**(3,717)**	**78,931**	**125,263**
Revenue generated from external customer (fee & commission)	108,875	5,391	97,042	211,308
Revenue generated from within the group (fee & commission)	7,803	-	-	7,803
	116,678	**5,391**	**97,042**	**219,111**

	31 December 2020			
	Asset Management	*Investment Banking*	*Corporate*	*Total*
Assets	**1,158,050**	**361,791**	**4,528,471**	**6,048,312**
Liabilities	**218,579**	**126,009**	**3,677,547**	**4,022,135**

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)

29. SEGMENTAL INFORMATION (continued)

	31 December 2019			
	Asset Management	*Investment Banking*	*Corporate*	*Total*
Net fee and commission income	58,594	560	21,142	80,296
Advisory income	118,330	15,422	990	134,742
Net interest income	121	575	11,778	12,474
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	39,462	275,598
Staff costs	(53,285)	(4,179)	(29,360)	(86,824)
Employee carried interest	(9,422)	-	-	(9,422)
General and administrative expenses	(29,361)	(2,832)	(30,274)	(62,467)
Depreciation and amortization	(11,563)	(2,841)	(16,259)	(30,663)
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)	(95,973)	(229,491)
Profit/(loss) before other income and finance cost	92,481	10,137	(56,511)	46,107
Fair value losses from investments	(22,513)	(583)	(212,529)	(235,625)
Gain 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)	(101,849)	(107,926)
Finance credit relating to unit holders	-	-	140,398	140,398
Other income/(expenses)	5,354	185	(14,479)	(8,940)
Profit/(loss) for the year from continuing operations	141,404	7,814	(136,104)	13,114
Profit for the year from discontinued operations	-	-	32,630	32,630
Profit/(loss) 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	21,142	75,716
Revenue generated from within the group (fee & commission)	4,580	-	-	4,580
	58,594	560	21,142	80,296

	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

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

30. COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2020	*31 December 2019*
Contingent liabilities	**44,967**	94,996

As at 31 December 2020, the Group has capital commitments of 137,883 (2019: 206,933) 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 2020, clients' assets amounting to 7.3 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. INTEREST IN MATERIAL SUBSIDIAIRES

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

	SHUAA Capital Group	**Spadille Group**	**Squadron Group**
Summarized statement of financial position			
Assets	2,427,944	324,952	408,791
Liabilities	(1,494,131)	(7,468)	(28,032)
Net assets	933,813	317,484	380,759
Summarized statement of comprehensive income			
Revenue	184,022	14,847	29,577
(Loss)/profit for the year	(90,719)	(1,939)	7,603
Other comprehensive (loss)/income for the year	(14,784)	-	-
Total comprehensive (loss)/income for the year	(105,503)	(1,939)	7,603
NCI - 1 January 2020	106,205	47,267	250,790
NCI movement in 2020	1,337	363	(743)
NCI - 31 December 2020	107,542	47,630	250,047
Summarised cash flows			
Cash flows (used in) / generated from operating activities	(592,439)	21,067	11,255
Cash flows generated from / (used in) investing activities	653,900	(16,948)	(7,121)
Cash flows (used in) /generated from financing activities	(68,934)	(16)	-
Net (decrease)/increase in cash and cash equivalents	(7,473)	4,103	4,134

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

33. DISCONTINUED OPERATIONS

33.1 Assets of a disposal group classified as held for sale	***31 December 2020***	*31 December 2019*
Assets held for sale (*)	**214,911**	11,457
Assets of a disposal group classified as held for sale	**708,032**	16,762
	922,943	28,219

33.2 Liabilities of a disposal group classified as held for sale	**386,534**	480

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") in 2019.

As at 31 December 2020, the Group exited 42.6% of its stake in Thalassa Investment LP without loss of control and resulting impact was recognized in equity.

Furthermore, the Group also decided to exit certain subsidiaries. As a result, the financial results and cash flows of such subsidiaries have been disclosed as discontinued operations in the statement of profit or loss and statement of cash flows respectively.

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

	31 December 2020	*31 December 2019*
33.3 Profit/(loss) from discontinued operations		
Total operating income	**3,256**	7,975
Total operating expenses	**(5,984)**	(7,140)
(Loss)/profit for the period from discontinued operations	**(2,728)**	835
33.4 Cash flows from discontinued operations		
Cash flows generated from/(used in) operating activities	**8,243**	(381,287)
Cash flows (used in)/generated from investing activities	**(224)**	4,566
Cash flows used in financing activities	**(7,710)**	(18,782)
Net cash flow generated from / (used in) discontinued operations	**309**	(395,503)

* Includes value of a plot of land received as distribution in kind from an associate amounting to 2,229 (31 December 2019: 4,000), an investment of nil (31 December 2019: 7,457), investment in associates of 208,594 and land amounting to 4,088 (31 December 2019: nil). 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 2019 are as follows:

	31 December 2019	
	QIL	*SSL*
Assets		
Net assets		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)

In 2019 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 105,998 recognised in 2019.

35. SUBSEQUENT EVENT

On 10 March 2021, the board of directors proposed a dividend for the year 2020 at the rate of AED 0.03 per share.

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements.

36. COMPARATIVES FIGURES

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