

Phoenix Group PLC
(formerly known as Phoenix Group Ltd)

REVIEW REPORT AND CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Directors' report and condensed consolidated interim financial statements *for three months period ended 31 March 2024*

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Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Directors' report

for the three months period ended 31 March 2024

The Directors have the pleasure in submitting this report, together with the reviewed condensed consolidated interim financial statements of the Phoenix Group PLC (the "Company") and its subsidiaries (collectively referred to as the "Group") for the three months period ended 31 March 2024.

Principal activities

The Group is a technology conglomerate bringing cutting-edge blockchain solutions to an expansive market. The Group offers a comprehensive range of services, from high-performance computing machines trading and data centre hosting. The Group develops, operates, and manages highly specialised data centres, hosting high-performance computing power for digital asset across the UAE, Oman, US and Canada. Additionally, the Group also hosts, operates and maintains equipment within its existing data centres and enables investment opportunities within cloud mining.

The Group is the exclusive distributor of industry-leading equipment manufacturer MicroBT and prominent distributor of Digital wallet Ledgers and CoolWallets, across the Middle East. The Group has four business verticals including trading, hosting, mining and investments.

Results for the period

For the three months period ended 31 March 2024, the Group reported revenue of USD 68,932,065 (31 March 2023 (unreviewed): USD 81,948,208) and profit after tax for the period attributable to the shareholders of USD 66,150,454 (31 March 2023 (unreviewed): USD 24,877,477).

Going concern

The attached condensed consolidated interim financial statements have been prepared on a going concern basis. While preparing the condensed consolidated interim financial statements, the management has made an assessment of the Group's ability to continue as a going concern. The management has not come across any evidence that causes it to believe that material uncertainties related to the events or conditions existed, which may cast significant doubt on the Group's ability to continue as a going concern.

Transactions with related parties

Related party transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations. Related party transactions are disclosed in note 13 of the condensed consolidated interim financial statements.

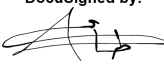
Directors

- H.E Tareq Abdulraheem Ahmed Rashed Alhosani
- Elham Alqasim
- Fady M Y Dahalan
- Seyedmohammad Alizadehfard
- Munaf Ali

Independent auditors

RAI LLP was appointed as the external auditors for the financial year 2024, in the annual general meeting held on 24 April 2024.

On behalf of the Board of Directors

DocuSigned by:

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 H.E. Tareq Abdulraheem Al Hosani
 Chairman of the board



REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To: The Shareholders of Phoenix Group PLC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Phoenix Group PLC (referred to as the “Company”) and its subsidiaries (referred to as the “Group”) as at 31 March 2024 and the related condensed consolidated interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial statement in accordance with International Accounting Standard 34 – Interim Financial Reporting (*referred to as “IAS 34”*). Our responsibility is to express a conclusion on this condensed consolidated interim financial statement based on our review.

Scope of Review

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

Other Matter

The Condensed Consolidated Interim Financial Statements of the Group for the three months period ended 31 March 2023 were not reviewed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statement is not prepared, in all material respects, in accordance with IAS 34.

For RAI, LLP,

Ashraf Eradhun

13 May 2024

Abu Dhabi, United Arab Emirates

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Condensed consolidated interim statement of financial position As at 31 March 2024

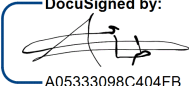
		<i>As at 31</i> March	<i>As at 31</i> December
		2024	2023
	Notes	USD	USD
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property and equipment	5	112,604,499	103,968,923
Right-of-use asset		622,503	680,484
Intangible assets		31,857	35,165
Investment in associates	6	67,888,339	120,310,026
		181,147,198	224,994,598
Current assets			
Digital assets	7	273,249,928	140,000,124
Inventories	8	83,397,933	73,261,697
Trade receivables	9	36,450,327	33,061,633
Advances, deposits and other receivables	10	289,622,388	164,519,371
Due from related parties	13	72,400	2,550
Cash and short-term deposits	11	15,360,498	198,164,555
		698,153,474	609,009,930
Total assets		879,300,672	834,004,528
EQUITY AND LIABILITIES			
Equity			
Share capital	12(i)	164,705,882	164,705,882
Share premium	12(i)	345,882,353	345,882,353
Other reserve	12(ii)	60,632,794	24,511,190
Contribution from shareholders		-	24,994,908
Statutory reserve		13,615	13,615
Retained earnings		203,162,486	137,012,032
Total equity		774,397,130	697,119,980
LIABILITIES			
Non-current liabilities			
Lease liability		366,230	356,991
Employees' end of service benefits	14	919,330	858,965
Interest-bearing loans	15	3,511,738	3,556,500
		4,797,298	4,772,456

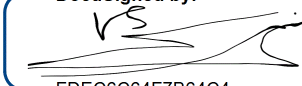
Phoenix Group PLC (formerly known as Phoenix Group Ltd)

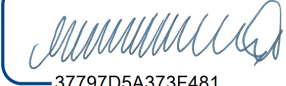
Condensed consolidated interim statement of financial position As at 31 March 2024

	Notes	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
Current liabilities			
Lease liability		272,294	272,294
Due to related parties	13	687,346	54,710,583
Interest-bearing loans	15	12,438,471	165,487
Trade payables		936,900	575,497
Provision for taxation	26	6,689,736	-
Other liabilities	16	79,081,497	76,388,231
		<u>100,106,244</u>	<u>132,112,092</u>
Total liabilities		<u>104,903,542</u>	<u>136,884,548</u>
Total equity and liabilities		<u>879,300,672</u>	<u>834,004,528</u>

These condensed consolidated interim financial statements were authorised for issue on 13 May 2024 and signed by:

DocuSigned by:

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 H.E. Tareq Abdulraheem Al Hosani
 Chairman of the Board

DocuSigned by:

 FDEC6C64F7B64G4...
 Seyed Mohammad Alizadehfard
 Group CEO and Board Member

DocuSigned by:

 37797D5A373F481...
 Munaf Ali
 Group Managing Director & Board Member

The notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Condensed consolidated interim statement of profit or loss For the three months period ended 31 March 2024

	Notes	<i>Three months period ended 31 March (Unaudited)</i>	
		2024 USD	2023 USD
Revenue from contract with customers	19	68,932,065	81,948,208
Direct costs	20	(45,654,006)	(53,350,824)
Gross profit		23,278,059	28,597,384
General and administrative expenses	22	(6,407,133)	(3,173,313)
Selling and distribution expenses		(229,824)	(93,653)
Provision on inventory	8	(18,839,058)	-
Foreign exchange loss		(13,332)	(3,312)
Other income	21	5,967,242	1,480,539
Operating profit		3,755,954	26,807,645
Share of results from associates	6	2,774,929	(1,825,103)
Gain/(loss) on digital assets at FVTPL	7	73,131,396	(15,893)
Gain on sale of digital assets		270,000	-
Finance income		1,106,134	-
Finance costs	24	(8,345,606)	(89,172)
Profit before tax for the period		72,692,807	24,877,477
Income tax expense	26	(6,542,353)	-
Profit after tax for the period attributable to the shareholders		66,150,454	24,877,477
Earnings per share			
Basic and diluted (USD)	23	0.011	0.005

The notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Condensed consolidated interim statement of comprehensive income For the three months period ended 31 March 2024

	Notes	<i>Three months period ended 31 March (Unaudited)</i>	
		2024	2023
		USD	USD
Profit after tax for the period		66,150,454	24,877,477
<i>Other comprehensive income/(loss)</i>			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange loss on retranslation of foreign subsidiaries		(378)	(24,889)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive income of associate – net of tax	6	34,631,392	-
Gain on revaluation of digital assets – net of tax	7	1,490,590	-
Other comprehensive income/(loss) for the period		36,121,604	(24,889)
Total comprehensive income for the period attributable to the shareholders		102,272,058	24,852,588

The notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Condensed consolidated interim statement of changes in equity For the three months period ended 31 March 2024

	Share capital <i>Note 12(i)</i> USD	Share Premium <i>Note 12(i)</i> USD	Statutory reserve USD	Retained earnings USD	Other reserves <i>Note 12(ii)</i> USD	Shareholders current account USD	Contribution from shareholders USD	Total equity USD
At 1 January 2023 (unaudited)	10,000	-	13,615	82,182,560	11,354,664	9,019,377	4,015,995	106,596,211
Profit for the period	-	-	-	24,877,477	-	-	-	24,877,477
Other comprehensive income	-	-	-	-	(24,889)	-	-	(24,889)
Total comprehensive income for the period	-	-	-	24,877,477	(24,889)	-	-	24,852,588
Repayment of capital contribution	-	-	-	-	-	-	(2,242,721)	(2,242,721)
Movement during the period	-	-	-	-	-	16,277,520	-	16,277,520
At 31 March 2023 (unaudited)	10,000	-	13,615	107,060,037	11,329,775	25,296,897	1,773,274	145,483,598
At 1 January 2024 (audited)	164,705,882	345,882,353	13,615	137,012,032	24,511,190	-	24,994,908	697,119,980
Profit for the period	-	-	-	66,150,454	-	-	-	66,150,454
Other comprehensive income	-	-	-	-	36,121,604	-	-	36,121,604
Total comprehensive income for the period	-	-	-	66,150,454	36,121,604	-	-	102,272,058
Repayment of capital contribution	-	-	-	-	-	-	(24,994,908)	(24,994,908)
At 31 March 2024 (unaudited)	164,705,882	345,882,353	13,615	203,162,486	60,632,794	-	-	774,397,130

Note: Capital contribution from shareholder was repaid during the quarter ended 31 March 2024.

The notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Condensed consolidated interim statement of cash flows For the three months period ended 31 March 2024

		<i>Three-months period ended 31 March (Unaudited)</i>	
	Notes	2024 USD	2023 USD
Operating activities			
Profit before tax for the period		72,692,807	24,877,477
Adjustments for:			
Depreciation and amortization on property and equipment, intangible assets and right-of-use asset	22	257,560	178,094
Share of results from associates	6	(2,774,929)	(1,825,103)
Gain on digital assets at FVTPL	7	(73,131,396)	(15,893)
Provision of inventory	8	18,839,058	-
Inventory written off	22	25,525	-
Employees' end of service benefits provision	14	60,950	(170,483)
Gain on sale of digital assets		(270,000)	-
Finance costs	24	8,345,606	89,172
Finance income		(1,106,134)	-
		<u>22,939,047</u>	<u>23,133,264</u>
Changes in working capital:			
Inventories		(29,000,819)	(618,295)
Trade receivables		(3,388,694)	(40,641,061)
Advances, deposits and other receivables		(125,103,017)	6,441,961
Due from a related party		(69,851)	4,111,586
Digital assets		46,366,332	1,132,836
Trade payables		361,405	682,507
Other liabilities		2,693,266	(5,343,966)
Due to related parties		(54,023,237)	(2,519,695)
		<u>(139,225,568)</u>	<u>(13,620,863)</u>
Employees' end of service benefits paid		(585)	-
Finance income received		1,106,134	-
Net cash used in operating activities		<u>(138,120,019)</u>	<u>(13,620,863)</u>
Investing activities			
Purchase of property and equipment	5	(8,831,848)	(3,841,431)
Investment for acquisition in an associate		(2,668,176)	3,650,206
Net cash flows used in investing activities		<u>(11,500,024)</u>	<u>(191,225)</u>

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Condensed consolidated interim statement of cash flows For the three months period ended 31 March 2024

		Three-months period ended 31 March (Unaudited)	
	Notes	2024 USD	2023 USD
Financing activities			
Repayment of interest-bearing loans		(40,501)	(87,276)
Finance cost paid		(8,148,227)	(89,172)
Funds repaid to shareholder on current account		-	16,277,520
Funds received as contribution from shareholders (net)		(24,994,908)	(2,242,721)
Net cash flows from / (used in) financing activities		(33,183,636)	13,858,351
Net (decrease) / increase in cash and cash equivalents		(182,803,679)	46,264
Net foreign exchange difference		(378)	(24,889)
Cash and cash equivalents at 1 January		198,164,555	442,871
Cash and cash equivalents at 31 March	11	15,360,498	464,246
Significant non-cash transactions			
Loan from M2 Capital Holding Limited in form of BTC	7	12,080,583	-
Dividend from associate	6	92,496,184	-

The notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

1 Corporate information

Phoenix Group PLC (formerly known as Phoenix Group Ltd) (the “Company”) was incorporated on 2 August 2022, as a Private Company Limited by Shares in Abu Dhabi Global Market – Abu Dhabi, United Arab Emirates. The registered address of the Company is 3412 ResCo-work10, 34 Floor, Al Maqam Tower, Regus ADGM Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

The Group is a technology conglomerate bringing cutting-edge blockchain solutions to an expansive market. The Group offers a comprehensive range of services, from high-performance computing machines trading and data centre hosting. The Group develops, operates, and manages highly specialised data centres, hosting high- performance computing power for digital asset across the UAE, Oman, US and Canada. Additionally, the Group also hosts, operates and maintains equipment within its existing data centres and enables investment opportunities within cloud mining.

The Group is the exclusive distributor of industry-leading equipment manufacturer MicroBT and prominent distributor of Digital wallet Ledgers and CoolWallets, across the Middle East. The Group has four business verticals including trading, hosting, mining and investments.

These condensed consolidated interim financial statements include the financial performance and position of the Company, its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in its equity-accounted investees.

2 Summary of material accounting policies

The principal accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in the annual consolidated financial statement for the year ended 31 December 2023, except for the changes in accounting policies explained in Note 2.2.

2.1 Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements for the three-months period ended 31 March 2024 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and comply where appropriate, with the Articles of Association, the applicable requirements of Abu Dhabi Global Market (“ADGM”) Companies Regulations 2020.

These condensed consolidated interim financial statements should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2023 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with Accounting Standards IFRS. However, selected explanatory notes are included to explain event and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The condensed consolidated interim financial statements of the Group have been prepared on a going concern basis given that there are no significant doubts about the Group’s ability to continue its business activities.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment at fair value through profit or loss, digital assets and building, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern assumption

These condensed consolidated interim financial statements of the Group have been prepared on a going concern basis given that there are no significant doubts on the Group’s ability to continue its business activities. In assessing the going concern, the management has performed an assessment of the Group’s ability to continue as a going concern by preparing a detailed business plan and cash flow forecast taking into consideration the current financial performance and condition of the Group’s business, the degree to which it is affected by external factors and the current liquidity position, including debt repayment obligations.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

2 Summary of material accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

These standards and amendments had no significant impact on the condensed consolidated interim financial statements of the Group.

(b) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Presentation and Disclosure in Financial Statements (New standard IFRS 18)
- Lack of exchangeability (Amendments to IAS 21)
- Sale or contribution of assets between and investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its condensed consolidated interim financial statements.

2.3 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Control is achieved when the Company has all of the following elements:

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

The condensed consolidated interim financial statements comprise the financial statements of the Company and of its subsidiaries as disclosed in the annual audited financial statements for the year ended 31 December 2023. The financial year end for the subsidiaries is the same as that of the Group.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

2 Summary of material accounting policies *(continued)*

2.4 Commodity contract

A contract to buy or sell a commodity that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contract was a financial instrument, may be irrevocably designated as measured at fair value through profit or loss even if it was entered into for the purpose of the receipt or delivery of a commodity in accordance with the entity's expected purchase, sale or usage requirements. This designation is available only at inception of the contract and only if it eliminates or significantly reduces a recognition inconsistency that would otherwise arise from not recognising that contract.

3 Significant accounting judgements, estimates and assumptions

In preparing these condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

4 Fair value estimation

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

While the Group prepares its condensed consolidated interim financial statements under the historical cost convention except for measurement at fair value of derivatives, in the opinion of management, the carrying values and fair values of those financial assets and liabilities that are not carried at fair value in the condensed consolidated interim financial statements are not materially different, since assets and liabilities are either short term in nature or frequently repriced.

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 below table shows the hierarchy used by the Group for the assets and liabilities that are measured at fair value or for which fair value information is disclosed as at 31 March 2024 and 31 December 2023:

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
31 March 2024 (unaudited)				
<i>Assets which are at fair value</i>				
Building (Note 5)	-	21,704,138	-	21,704,138
Digital assets (Note 7)	273,249,928	-	-	273,249,928
	<u>273,249,928</u>	<u>21,704,138</u>	<u>-</u>	<u>294,954,066</u>
31 December 2023 (audited)				
<i>Assets which are at fair value</i>				
Building (Note 5)	-	21,704,138	-	21,704,138
Digital assets (Note 7)	140,000,124	-	-	140,000,124
	<u>140,000,124</u>	<u>21,704,138</u>	<u>-</u>	<u>161,704,262</u>

On a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the period between 31 March 2024 and 31 December 2023, there are no transfers within the levels of fair value measurements.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)*

For the three months period ended 31 March 2024

5 Property and equipment

	Building USD	Furniture and fixtures USD	Office equipment USD	Capital work-in- progress USD	Total USD
Cost:					
At 1 January 2023(unaudited)	21,704,138	2,095,933	95,871	50,582,914	74,478,856
Additions	-	2,993	63,142	30,664,147	30,730,282
At 31 December 2023(audited)	21,704,138	2,098,926	159,013	81,247,061	105,209,138
Additions	-	372,611	26,252	8,432,985	8,831,848
Transfer from CWIP	-	275,398	-	(275,398)	-
At 31 March 2024	21,704,138	2,746,935	185,265	89,404,648	114,040,986
Accumulated depreciation:					
At 1 January 2023(unaudited)	258,102	228,867	35,776	-	522,745
Charge for the year	258,102	419,796	39,573	-	717,471
At 31 December 2023(audited)	516,204	648,663	75,349	-	1,240,216
Charge for the period	64,525	118,728	13,018	-	196,271
At 31 March 2024	580,729	767,391	88,367	-	1,436,487
Net carrying amount:					
At 31 March 2024(unaudited)	21,123,409	1,979,544	96,898	89,404,648	112,604,499
At 31 December 2023 (audited)	21,187,934	1,450,263	83,664	81,247,061	103,968,923

The fair values were determined with reference to market-based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties. The fair value of said lands falls under level 2 of fair value hierarchy (i.e. significant observable inputs).

Capital work-in-progress pertains to data centers which are under construction at USA and Oman. The management of the Group expect the projects relating to capital work-in-progress to completed by 2025.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

6 Investment in associates

The balance of investment in associates in the condensed consolidated interim statement of financial position are as follows:

	31 March 2024 USD (unaudited)	31 December 2023 USD (audited)
Investment in Citadel Technologies Group LLC, UAE (Citadel)	65,148,089	117,569,776
Investment in Bitzero Blockchain Inc. (Bitzero)	-	-
Investment in M2 Holdings Limited, UAE (M2)	-	-
Investment in Lyvely FZE (Lyvely)	2,740,250	2,740,250
	<u>67,888,339</u>	<u>120,310,026</u>

The Group's interest in the associates are accounted for using the equity method in the condensed consolidated interim financial statements, and the movement is as follows:

	31 March 2024 USD (unaudited)	31 December 2023 USD (audited)
At 1 January	120,310,026	28,976,795
Additions		
• Citadel	2,668,176	104,966,600
• M2	-	1,277,457
• Lyvely	-	3,000,000
Dividends issued		
• Citadel	(92,496,184)	-
Share of results	2,774,929	(6,013,789)
Share of other comprehensive income	34,631,392	13,199,451
Provision for impairment of investment	-	(25,096,488)
At 31 March /31 December	<u>67,888,339</u>	<u>120,310,026</u>

7 Digital assets

	31 March 2024 USD (unaudited)	31 December 2023 USD (audited)
Digital assets – inventory (a)	221,186,979	136,710,000
Digital assets – intangibles (b)	52,062,949	3,290,124
	<u>273,249,928</u>	<u>140,000,124</u>

(a) Accounted for using inventory methodology

The Group has determined that its holding of certain digital asset should be accounted for under IAS 2 Inventories, as it meets the definition of a commodity broker-trader. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in consolidated statement profit or loss. In accordance with IAS 2, commodity broker-traders are those who buy or sell commodities for others or on their own account. The inventories held by commodity broker-traders are principally acquired for the purpose of selling in the future and generating a profit from fluctuations in price or broker-traders' margin. As these inventories are measured at fair value less costs to sell, they are excluded from only the measurement requirements of IAS 2.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

7 Digital assets *(continued)*

By applying the principles of IAS 2, the Group treats its digital assets as inventory, measured at fair value less cost to sell. Consequently, any changes in fair value are recognized in the consolidated statement of profit or loss. Management believes that recognizing digital assets at fair value through the profit and loss accurately reflects the economic substance of their trading activities and is in line with the Group's overall strategic vision for holding these assets.

	<i>As at 31 March</i>	<i>As at 31 December</i>
	2024	2023
	USD	USD
	(unaudited)	(audited)
At the beginning of the period/year	136,710,000	-
Additions	-	37,200,000
Additions as commodity contract*	12,080,583	-
Disposals	(735,000)	-
Change in fair value	73,131,396	99,510,000
At the end of the period/year	221,186,979	136,710,000

*During the period, the entity has entered into a financing transaction with M2 Capital Limited (“associate”), where finance amount is invested in the Bitcoins (BTC) as commodity contract. The total of 236.16 BTC were purchased through this finance. The total finance amount was USD 12.08 million. These 236.16 BTC’s are kept as collateral with M2 Capital Limited against the finance amount (note 15).

(b) Accounted for using intangible asset methodology

The Group carries out mining of digital assets and recognizes revenue in relation to assets through mining activity with corresponding recognition of intangible assets under IAS 38, Intangible Assets. Such intangible assets have an indefinite useful life, initially measured at cost, deemed to be the fair value upon receipt, and subsequently measured under the revaluation model. Under the revaluation model, increases or decreases in the digital asset’s carrying amount is recognized in consolidated statement of comprehensive income and the revaluation reserve in equity, unless it reverses valuation deficit of the same asset previously recognised in consolidated statement of profit or loss. A revaluation deficit is recognised in consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

	<i>31 March 2024</i>	31 December 2023
	USD	USD
	(unaudited)	(audited)
Digital assets*	52,062,949	3,290,124

* Out of the digital assets, 100 BTC’s are kept as collateral with M2 Capital Limited against the finance amount (note 15).

(c) Accounted for Gain/(loss) on digital assets

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
Gain/(loss) Digital assets – inventory	73,131,396	(15,893)
Gain/(loss) Digital assets – intangibles	1,637,973	-
	74,769,369	(15,893)

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Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The cost of inventories is based on the weighted average cost method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
Finished goods	102,236,991	59,495,074
Consumables items	-	126,500
Stock in transit	-	13,640,123
Provision of inventory	(18,839,058)	-
	<u>83,397,933</u>	<u>73,261,697</u>

9 Trade receivables

	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
Trade receivables	36,450,327	33,061,633
	<u>36,450,327</u>	<u>33,061,633</u>

Out of the above balance of trade receivables, USD 20,372,102 (2023: USD 4,801,515) relates to a related party (note 13(i)(a)).

Management performed the expected credit loss assessment and there is no material impact on the condensed consolidated interim financial statements as of 31 March 2024.

10 Advances, deposits and other receivables

	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
Advance to suppliers (i)	201,071,173	132,110,576
Deposits	30,825,939	31,664,170
Accrued income	-	273,151
VAT receivable	1,754,232	183,191
Prepaid expenses	1,397,715	171,587
Other receivables (ii)	54,529,661	108,545
Staff loans and advances	43,668	8,151
	<u>289,622,388</u>	<u>164,519,371</u>

(i) This includes balance of USD 131,905,826 (2023: USD 46,316,976) given to related parties (Note 13(i)(d)).

(ii) This includes a receivable amount of USD 54,421,116 (2023: nil) from a key management personnel which was fully recovered in April 2024 (Note 13(i)(a)).

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Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

11 Cash and short-term deposits

	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
Cash at bank and on hand	15,360,498	23,164,555
Short-term deposits – less than three months original maturity	-	175,000,000
	15,360,498	198,164,555

The expected credit loss on bank balances is estimated to be immaterial as the Group only deals with reputable banks with good ratings.

12 Share capital, share premium and other reserves.

<i>(i) Share Capital and Share premium</i>	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
<i>Authorised issued and fully paid:</i>		
6,048,823,529 shares of USD 0.027 each (2023 (audited): 6,048,823,529 shares of USD 0.027 each)	164,705,882	164,705,882
Share premium	345,882,353	345,882,353
	510,588,235	510,588,235

(ii) Other reserves

	<i>Revaluation reserve (Note a) USD</i>	<i>Foreign currency translation reserve (Note b) USD</i>	<i>Fair value through OCI (Note c) USD</i>	<i>Total USD</i>
At 1 January 2023	11,380,058	(25,394)	-	11,354,664
Movement for the period	-	(87,198)	13,243,724	13,156,526
At 31 December 2023(audited)	11,380,058	(112,592)	13,243,724	24,511,190
Movement for the period	-	(378)	36,121,982	36,121,604
At 31 March 2024	11,380,058	(112,970)	49,365,706	60,632,794

(a) Revaluation reserve

This reserve relates to the revaluation gain recognised on the fair valuation of building. Any incremental depreciation charge on the revalued amount compared to the cost is charged to this reserve with corresponding adjustment in the retained earnings.

(b) Foreign currency translation reserve

This reserve relates to the translation of foreign operations of the Group.

(c) Fair value through other comprehensive income reserve

This reserve relates to the Group's share of other comprehensive income from associate and fair value gain on the digital assets held as intangible assets.

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

13 Related party transactions and balances

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related party contained in IAS 24 Related Party. Related parties represent the shareholder, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influences by such parties. Pricing policies and terms of their transactions are approved by the Group's management and the board of directors.

i. Related party balances

Balances with related parties included in the condensed consolidated statement of financial position are as follows:

(a) *Due from related parties included in the trade and other receivables*

		<i>As at 31 March</i>	<i>As at 31 December</i>
		2024	2023
	Relationship	USD	USD
		(unaudited)	(audited)
Syedmohammed Alizadehfard, UAE	Director	59,217,749	4,017,864
M2 Global Wealth limited	Associate	15,005,311	-
Munaf Ali., UAE	Director	570,158	783,651
Total		74,793,218	4,801,515

(b) *Due from related parties*

		<i>As at 31 March</i>	<i>As at 31</i>
		2024	December
	Relationship	USD	USD
		(unaudited)	(audited)
Phoenix Technology Solutions B.V., Amsterdam	Common directorship	64,320	-
Phoenix Pyramids Re Holding Limited, UAE	Common directorship	2,722	-
Phoenix Cleo Re Holding Limited, UAE	Common directorship	2,723	-
M2 Holdings Limited, UAE	Associate	2,635	2,550
		72,400	2,550

(c) *Due to related parties*

		<i>As at 31</i>	<i>As at 31</i>
		March	December
	Relationship	USD	USD
		(unaudited)	(audited)
WAS Four Investment - Sole Proprietorship L.L.C("WAS"), UAE	Affiliates of major shareholder	674,722	54,698,329
Citadel Technologies Group LLC, UAE	Associate	12,254	12,254
Phoenix Technology Consultants	Common directorship	370	-
Total		687,346	54,710,583

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

13 Related party transactions and balances *(continued)*

(d) Advances to related parties

		<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
Cypher Capital Technology LLC, UAE	Common directorship	121,905,826	46,316,976
Falcon Group Limited	Common directorship	10,000,000	-
Total		131,905,826	46,316,976

These amounts are included in advance to suppliers (Note 10). The Group has entered into contracts with entities controlled by key management personnel for the purchase of equipments on its behalf.

(e) Advances from associates

	Relationship	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
M2 Global wealth Limited, UAE	Affiliate of associate	10,305,839	18,279,651

This amount is included in advance from customers (Note 16).

ii. **Related party transactions**

Transactions included in the condensed consolidated statement of profit or loss with its related parties are as follows:

		<i>Three months period ended 31 March (Unaudited)</i>	
Revenue	Relationship	2024 USD	2023 USD
Cypher Capital Technology LLC	Common directorship	2,256,779	4,237,464
M2 Global wealth Limited	Associate	19,370,556	-
Munaf Ali., UAE	Director	1,652,029	2,145,566
Syedmohammed Alizadehfard	Director	860,263	4,967,540
Expense	Relationship	2024 USD	2023 USD
Interest on loan:			
WAS Four Investment - Sole Proprietorship	Affiliates of major shareholder	8,071,114	-
L.L.C("WAS"), UAE			
M2 Capital Holding	Associate	188,140	-

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

13 Related party transactions and balances *(continued)*

ii. Related party transactions *(continued)*

Other transactions

	<i>31 March</i> 2024 USD (unaudited)	<i>31 December</i> 2023 USD (audited)
Repayment of capital contribution	24,994,908	-
Investment in Lyvely FZE	-	3,000,000
Investment in Citadel Technologies Group LLC	2,668,176	104,966,600
Investment in M2 Holdings Ltd	-	1,277,457
Acquisition of digital asset – MMX	-	37,200,000
Loan from M2 Capital Ltd.	12,080,583	-

iii. Compensation of key management personnel

The remuneration of key management personnel are as follows:

	<i>Three months period ended</i> <i>31 March (Unaudited)</i> 2024 USD	2023 USD
Salaries and other benefits	776,038	245,065
End of service benefits	22,263	6,953
	798,301	252,018
Number of key management personnel	2	2

14 Employees' end of service benefits

The movement in the employee's end of service benefit is as follows:

	<i>As at 31</i> <i>March</i> 2024 USD (unaudited)	<i>As at 31</i> <i>December</i> 2023 USD (audited)
At 1 January	858,965	170,483
Charge for the period /year	60,950	697,947
Paid during the period/year	(585)	(9,465)
At 31 March/ December	919,330	858,965

15 Interest-bearing loans

The amounts recognised in the condensed consolidated interim statements of financial position is as follows:

	<i>As at 31</i> <i>March</i> 2024 USD (unaudited)	<i>As at 31</i> <i>December</i> 2023 USD (audited)
Non-current	3,511,738	3,556,500
Current	12,438,471	165,487
	15,950,209	3,721,987

Phoenix Group PLC (formerly known as Phoenix Group Ltd)

Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

15 Interest-bearing loans *(continued)*

The movement in interest-bearing loans is as follows:

	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
At 1 January	3,721,987	3,928,417
Additions	12,268,723	-
Payments made	(40,501)	(206,430)
At 31 March/December	<u>15,950,209</u>	<u>3,721,987</u>

	<i>Interest rate</i>	<i>Maturity</i>	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
FAB loan	EIBOR+3%	06-Oct-2036	3,681,486	3,721,987
Loan from M2 Capital Limited (i)	15%	23-Aug-2024	<u>12,268,723</u>	<u>-</u>

During the period, the Group entered into a USD 12.08 million loan agreement in order to finance the commodity contract purchase of BTC with M2 Capital Limited. The rate of interest on the loan is at a fixed rate. The loan along with accrued interest is fully repayable on 23rd August 2024.

Loan to value (LTV) is 80%. If the LTV reaches 95% a margin call will be issued by the lender. The Group is not in breach of the key terms and covenants of the facility for the period ended and as at 31 March 2024.

16 Other liabilities

	<i>As at 31 March 2024 USD (unaudited)</i>	<i>As at 31 December 2023 USD (audited)</i>
Advances received from customers (i)	20,704,783	29,550,448
Deferred income (ii)	31,055,030	20,441,040
Provision for expenses	20,526,671	20,257,625
Deposit received	5,820,284	5,268,150
Provision for leave salary	954,725	850,964
Other payables	20,004	20,004
	<u>79,081,497</u>	<u>76,388,231</u>

(i) This includes amount of USD 10,305,839 (2023: USD 18,279,651) which is from a related party (Note 13(i)(e))

(ii) Deferred income pertains to credit received from supplier for future purchases.

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Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

17 Commitments

At 31 March 2024, the Group and its associates had no capital commitments and outstanding letters of guarantees (2023 (audited): USD Nil).

18 Contingencies

At 31 March 2024, the Group and its associates had no contingent liabilities (2023 (audited): USD Nil).

19 Revenue from contracts with customers

(a) Type of revenue

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
<i>Revenue from contracts with customers:</i>		
Trading revenue		
• Sales of ASICs, wallets, and equipment	27,669,825	62,642,281
• Hosting revenue	19,515,937	13,383,962
• Mining revenue	21,599,865	5,901,596
Service income	146,438	20,369
	<u>68,932,065</u>	<u>81,948,208</u>

(b) Geographical markets

	2024	2023
	USD	USD
Outside UAE	68,779,653	81,792,691
Within UAE	152,412	155,517
	<u>68,932,065</u>	<u>81,948,208</u>

(c) Timing of revenue recognition

	2024	2023
	USD	USD
At a point in time	27,669,825	62,642,281
Over time	41,262,240	19,305,927
	<u>68,932,065</u>	<u>81,948,208</u>

20 Direct costs

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
Inventory – as at 1 January	73,261,697	41,389,135
Add: purchases and other direct costs	45,143,412	38,829,302
Less: Inventory – as at 31 March	(102,236,991)	(42,007,399)
Cost of inventory consumed	16,168,118	38,211,038
Hosting electricity costs	18,382,290	11,787,299
Mining expenses*	11,080,273	3,329,702
Warehouse expenses	23,325	22,785
	<u>45,654,006</u>	<u>53,350,824</u>

*Represents electricity expenses incurred in operation of mining machines.

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Notes to the condensed consolidated interim financial statements *(continued)*

For the three months period ended 31 March 2024

21 Other income

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
Coupon sale	-	1,392,000
Rebate income	5,898,796	-
Miscellaneous income	68,446	88,539
	<u>5,967,242</u>	<u>1,480,539</u>

22 General and administrative expenses

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
Staff costs	2,673,970	992,049
Site expenses	1,282,834	1,053,025
Legal and professional fees	830,318	406,997
Management fee (Note 13)	798,301	252,018
Depreciation (Note 5)	196,271	178,094
Travelling and entertainment	146,567	63,355
Bank charges	81,320	5,110
Office expenses	80,266	101,107
Insurance	63,891	36,995
Amortization of right-of-use assets	57,981	-
Rent	54,763	39,546
Recruitment Expenses	50,026	-
Inventory written off	25,525	-
Auditor's remuneration	21,033	-
Utility and communication expenses	18,254	16,937
Other expenses	11,822	3
Printing & stationery	5,376	4,413
Repair and maintenance	4,143	23,664
Amortization of intangible assets	3,308	-
Taxes paid	750	-
Compensation	414	-
	<u>6,407,133</u>	<u>3,173,313</u>

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Notes to the condensed consolidated interim financial statements *(continued)* For the three months period ended 31 March 2024

23 Earnings per share

The basic and diluted earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares in issue.

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
Profit for the period	66,146,592	24,877,477
Weighted average number of ordinary shares in issue	6,048,823,529	5,140,031,000
Basic and diluted earnings per share	0.011	0.005

24 Finance costs

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
Interest on interest-bearing loans	265,253	68,750
Interest expense	8,071,114	20,422
Interest on leases	9,239	-
	8,345,606	89,172

The interest cost includes amount of USD 8,259,254 (2023: USD Nil) which is paid / accrued to related party (Note 13(ii))

25 Segment reporting

All sales of the Group comprise of sale of crypto mining machines, host mining services and mining.

All non-current assets of the Group at the end of the current and preceding year were located in United Arab Emirates, Canada, USA and Oman.

Sales to two major customers of the Group are around 57% of the Group's total sales during the three months ended 31 March 2024 (31 March 2023: 70%).

26 Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	<i>Three months period ended 31 March (Unaudited)</i>	
	2024	2023
	USD	USD
Current income tax expense	6,542,353	-
Current income tax expense on other comprehensive income*	147,383	-
	6,689,736	-

*This amount is netted off in the condensed consolidated interim statement of comprehensive income.