

Sharjah Group Company P.J.S.C.

Sharjah - United Arab Emirates

**Independent auditor's report on review of condensed
consolidated interim financial statements (unaudited)**

For the three month period ended March 31, 2019

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Sharjah Group Company P.J.S.C.
Sharjah - United Arab Emirates

General information

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Website : www.sharjahgroup.ae

The Directors	<u>Names</u>	<u>Nationality</u>
	Mr. Ziyad Mahmoud Khairullah Al Haji	Emirati
	Mr. Khalid Abdulaziz Kashwani	Emirati
	Mr. Humaid Obaid Humaid Al Matrooshi	Emirati
	Mr. Nasr Bakhit Ali Al Ghanim Al Mheiri	Emirati
	Mr. Ebrahim Ahmed Al Mannaei	Kuwaiti
	Mr. Mohammed Abdullah Al Wazzan	Kuwaiti
	Mr. Yaqoub Abdullah Al Wazzan	Kuwaiti

The Auditor : Crowe Mak
P.O. Box 6954
Sharjah - United Arab Emirates

Ref: DN/A2585/April' 19

Independent auditor's report on review of condensed consolidated interim financial statements

To,
Shareholders
Sharjah Group Company P.J.S.C.
P. O. Box: 5440
Sharjah - United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of **Sharjah Group Company P.J.S.C, Sharjah - United Arab Emirates** (the "Entity") **and its subsidiary** (the "Group") which comprise the condensed consolidated interim statement of financial position as at **March 31, 2019** and the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 - Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

Other matters

The consolidated financial statements of the group for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 28, 2019. Furthermore, the condensed consolidated interim financial information of the group for three month period ended March 31, 2018 were reviewed by other auditor who expressed an unmodified conclusion on April 30, 2018.



Dr. Khalid Manjar
Founder & Managing Partner

Crowe Mak
Registration Number 24
Sharjah, U.A.E.

May 13, 2019



Sharjah Group Company P.J.S.C.
Sharjah - United Arab Emirates

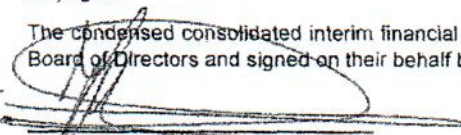
Condensed consolidated interim statement of financial position as at March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

	Notes	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets			
<i>Non-current assets</i>			
Property and equipment		181,932	197,421
Investment properties	5	236,237,000	236,237,000
Investments at fair value through Other Comprehensive Income	6	8,621,135	5,366,119
Total non-current assets		245,040,067	241,800,540
<i>Current assets</i>			
Investments at fair value through profit or loss	7	2,702,896	2,558,309
Trade and other receivables		1,394,907	1,168,441
Cash and bank balances		1,619,721	2,992,679
Total current assets		5,717,524	6,719,429
Total assets		250,757,591	248,519,969
Equity and liabilities			
<i>Equity</i>			
Share capital		78,901,086	78,901,086
Statutory reserve		31,774,685	31,774,685
Voluntary reserve		12,093,743	12,093,743
Fair value reserve		(9,416,657)	(12,678,833)
Foreign currency translation reserve		(525,412)	(516,239)
Retained earnings		64,369,774	45,136,906
Total equity		177,197,219	154,711,348
<i>Non-current liabilities</i>			
Employees' end of service benefits		1,041,488	1,056,677
Total non-current liabilities		1,041,488	1,056,677
<i>Current liabilities</i>			
Trade and other payables	8	42,911,542	63,112,167
Dividends payable		29,607,342	29,639,777
Total current liabilities		72,518,884	92,751,944
Total liabilities		73,560,372	93,808,621
Total equity and liabilities		250,757,591	248,519,969

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

The independent auditor's report on review of condensed consolidated interim financial statements is set out on page 2.

The condensed consolidated interim financial statements on pages 3-11 were approved on May 13, 2019 by Board of Directors and signed on their behalf by:


Mr. Ziyad Mahmoud Khairullah Al Hajj
Chairman


Mr. Mohammed Abdullah Al Wazzan
Managing Director

Sharjah Group Company P.J.S.C.
Sharjah - United Arab Emirates

Condensed consolidated interim statement of profit or loss and other comprehensive income
For the three month period ended March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

	<u>Notes</u>	Three month period ended March 31, 2019 (Unaudited)	Three month period ended March 31, 2018 (Unaudited)
Rental income		2,524,584	3,764,206
Unrealised gain/(loss) on investments at fair value through profit or loss (FVTPL)	7	146,600	(388,473)
Administrative expenses	9	(1,334,944)	(1,391,272)
Repairs and maintenance expenses		(299,437)	(371,274)
Provisions for claims and settlements		-	(371,076)
Other income		18,196,065	30,601
Net profit for the period		19,232,868	1,272,712
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in fair value of investments at fair value through other comprehensive income		3,262,176	(3,423,571)
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		(9,173)	109,593
		3,253,003	(3,313,978)
Total comprehensive income / (loss) for the period		22,485,871	(2,041,266)
Basic and diluted earnings per share	10	0.244	0.016

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

Sharjah Group Company P.J.S.C.
Sharjah - United Arab Emirates

Condensed consolidated interim statement of changes in equity
For the three month period ended March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

	Share capital	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance as at January 1, 2019 (Audited)	78,901,086	31,774,685	12,093,743	(12,678,833)	(516,239)	45,136,906	154,711,348
Profit for the period	-	-	-	-	-	19,232,868	19,232,868
Other comprehensive income	-	-	-	3,262,176	(9,173)	-	3,253,003
Total comprehensive income for the period	-	-	-	3,262,176	(9,173)	19,232,868	22,485,871
Balance as at March 31, 2019 (Unaudited)	78,901,086	31,774,685	12,093,743	(9,416,657)	(525,412)	64,369,774	177,197,219
Balance as at January 1, 2018 (Audited)	78,901,086	31,774,685	12,093,743	1,362,515	(466,213)	60,377,461	184,043,277
Profit for the period	-	-	-	-	-	1,272,712	1,272,712
Other comprehensive income	-	-	-	(3,423,571)	109,593	-	(3,313,978)
Total comprehensive income for the period	-	-	-	(3,423,571)	109,593	1,272,712	(2,041,266)
Dividends	-	-	-	-	-	(6,312,088)	(6,312,088)
Board of directors remuneration	-	-	-	-	-	(875,000)	(875,000)
Balance as at March 31, 2018 (Unaudited)	78,901,086	31,774,685	12,093,743	(2,061,056)	(356,620)	54,463,085	174,814,923

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

Sharjah Group Company P.J.S.C.
Sharjah - United Arab Emirates

Condensed consolidated interim statement of cash flows
For the three month period ended March 31, 2019 (Unaudited)
(In Arab Emirates Dirham)

	Three month period ended March 31, 2019 (Unaudited)	Three month period ended March 31, 2018 (Unaudited)
Cash flows from operating activities		
Net profit for the period	19,232,868	1,272,712
<i>Adjustments for:</i>		
Unrealised gain on investments at fair value through profit or loss	(146,600)	388,473
Provision for doubtful debts	79,229	50,830
Foreign currency translation reserve movement	34	(983)
Provision for employees' end of service benefits	42,807	44,835
Depreciation on property and equipment	15,455	16,928
Provision for claims and settlement	-	371,076
	19,223,793	2,143,871
<i>Changes in working capital</i>		
Trade and other receivables	(305,695)	(373,592)
Trade and other payables	(20,200,625)	624,999
Cash (used in) / generated from operations	(1,282,527)	2,395,278
Employees' end-of-services benefits paid	(57,996)	-
Dividends paid	(32,435)	(284,545)
Board of Directors remuneration paid	-	(875,000)
Net cash (used in) / from operating activities	(1,372,958)	1,235,733
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss	-	(198,553)
Purchase of property and equipment	-	(11,012)
Purchase of investment property	-	(359,572)
Net cash (used in) investing activities	-	(569,137)
Net (decrease) / increase in cash and cash equivalents	(1,372,958)	666,596
Cash and cash equivalents, beginning of the period	2,992,679	7,261,895
Cash and cash equivalents, end of the period	1,619,721	7,928,491
Cash and cash equivalents		
Cash on hand	24,594	9,269
Cash in banks	1,595,127	7,919,222
	1,619,721	7,928,491

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

Notes to the condensed consolidated interim financial statements for the three month period ended March 31, 2019 (unaudited)

1 Legal status and business activities

- 1.1** Sharjah Group Company P.J.S.C., Sharjah (the "Entity") is a public joint stock company facilitated under Emiri Decree number 133/76 issued on November 16, 1976. The trading register was issued by Economic Development Department of Government of Sharjah. The shares of the Entity are traded on the Abu Dhabi Securities Exchange.
- 1.2** The principal activities of the Entity comprise of investments in financial instruments, real estate, industrial projects and leasing of rental properties.
- 1.3** The registered office of the Entity is located at P.O. Box 5440, Sharjah, United Arab Emirates.
- 1.4** These condensed consolidated interim financial statements incorporate the operating results of the Entity's and its subsidiary (collectively referred to as the "Group")
- 1.5** The Entity controls the following subsidiary as at March 31, 2019 which has been consolidated in these condensed consolidated interim financial statements:

Name of subsidiary	2019	2018	Country of operation and incorporation	Principal activity
Tarfan General Trading and Contracting (Ebrahim Ahmed Al-Mannaei and Partners) W.L.L.	100%	100%	State of Kuwait	General trading and contracting, purchase and sale of shares and bonds.

The subsidiary is a limited liability company incorporated in Kuwait. Two individuals owns 2% of the subsidiary's share capital for and on behalf of the Entity; therefore, no non-controlling interest has been disclosed.

2 Basis of preparation and consolidation

2.1 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and is presented in Arab Emirates Dirham (AED) which is the functional currency of the Group.

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation adopted in preparing these condensed consolidated interim financial statements are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2018 except for the adoption of the standard as described in note 3.

All aspects of the financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended December 31, 2018.

Notes to the condensed consolidated interim financial statements for the three month period ended March 31, 2019 (unaudited)

2 Basis of preparation and consolidation (continued)

2.1 Basis of preparation (continued)

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018.

The consolidated interim result for the three month period ended March 31, 2019 is not necessarily indicative of the consolidated result that may be expected for the financial year ending December 31, 2019.

The preparation of these condensed consolidated interim financial statements require the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited consolidated financial statements for the year ended December 31, 2018.

2.2 Basis of consolidation

The condensed consolidated interim financial statements consolidates the unaudited financial statement of the subsidiary referred to in Note 1.6, on line by line basis, with unaudited financial statement of the Entity for the period. All significant inter group investments, receivables, payables and other such transactions are eliminated on consolidation.

All significant transactions and balances between the Entity and its subsidiaries are eliminated.

3 Significant accounting policies

The accounting policies used in the preparation of condensed interim consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the following new standard effective for the periods beginning on or after January 01, 2019.

- IFRS 16 Leases

The adoption of the standard did not have a material impact on the group

4 Related party transactions

The Group enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related party disclosures. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel. There was no outstanding balance recoverable or payable from/to related parties as at March 31, 2019.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

a) Key management personnel compensations

	March 31, 2019 (Unaudited)	December 31, 2018 (audited)
The compensation of key management personnel is as follows:		
Board of directors remuneration	-	875,000
Salaries and other short-term employee benefits	192,231	193,446
End of service benefits	13,545	14,556
Other expenses for directors	15,490	44,391
	<u>221,266</u>	<u>1,127,393</u>

Board of Directors remuneration

This represents professional fees paid to Group's Directors for serving as the board, and devoting special time and attention to the business and affairs of the Group. In accordance with the Article no. 169 of UAE Federal Law no. 2 of 2015, the Group's policy is to recognise the Board of Directors' remuneration as an appropriation of retained earnings. In the Annual General Meeting held on April 09, 2019, it was approved that Directors remuneration will not be paid for 2018

5 Investment properties

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at the beginning of the period / year	236,237,000	247,122,700
Additions during the period / year	-	545,904
Changes in fair value unrealised recognised in profit or loss	-	(11,431,604)
Balance at the end of the period / year	<u>236,237,000</u>	<u>236,237,000</u>

Investment properties consist of residential tower and buildings, offices and warehouses. It also includes undeveloped parcels of land.

Fair value

Investment properties are stated at fair value based on a valuation carried out by an independent external valuer as at December 31, 2018.

The fair values have been determined by taking into consideration the discounted estimated net cash flows and the current lease arrangements, which are entered into on an arm's length basis. Furthermore, fair values have also been determined, where relevant, with regard to recent market transactions for similar properties in the same locations as the Group's investment properties.

6 Investments at fair value through other comprehensive income	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Quoted investments	6,935,040	3,678,624
Unquoted investments	1,686,095	1,687,495
	<u>8,621,135</u>	<u>5,366,119</u>

The movement in investments carried at fair value through other comprehensive income during the year are as follows:

Balance at the beginning of the period / year	5,366,119	19,443,092
Changes in fair value	3,262,176	(14,041,348)
Translation reserve	(7,160)	(35,625)
Balance at the end of the period / year	<u>8,621,135</u>	<u>5,366,119</u>

7 Investments at fair value through profit or loss

Quoted investments	2,637,218	2,492,576
Unquoted investments	65,678	65,733
	<u>2,702,896</u>	<u>2,558,309</u>

The movement in investments carried at fair value through profit or loss during the year are as follows:

Balance at the beginning of the period / year	2,558,309	2,534,486
Additions during the period / year	-	520,425
Disposals during the period / year	-	(267,811)
Change in fair value	146,600	(214,478)
Translation reserve	(2,013)	(14,313)
Balance at the end of the period / year	<u>2,702,896</u>	<u>2,558,309</u>

8 Trade and other payables

Trade payables	422,970	387,672
Refundable deposits	814,139	843,973
Provision for claims and other legal expenses	39,508,694	60,538,407
Accruals for expenses	491,022	488,967
Rental income received in advance	1,674,717	853,148
	<u>42,911,542</u>	<u>63,112,167</u>

Provision for claims and other legal expenses relate to a legal case filed against the Group in December 1999. The verdict on this case dated November 2010 required the Group to pay an amount of AED 21.2 million and interest of 7% on the claimed amount for the period starting June 22, 1992 to the date of settlement. The claimed amount and interest was fully provided for.

After the initial verdict, the case was contested. The Sharjah Union Supreme Court issued its final decision dated January 29, 2019 stating that the amount of interest shall be equal to principal amount outstanding. Therefore the Group reversed the provision for claims and other legal expenses to other income by AED 18.19 million.

9 Administrative expenses

	Three month period ended March 31, 2019 (Unaudited) 2019	Three month period ended March 31, 2018 (Unaudited) 2018
Staff costs	606,492	664,713
Salaries and other benefits to Executive Director	205,776	208,002
Legal and professional fees	144,477	167,408
Utilities	109,689	91,396
Provision for doubtful debts	79,229	50,830
Other benefits expenses for Directors	15,490	44,391
Rent	36,150	36,390
Depreciation on property and equipment	15,455	16,928
Other	122,186	111,214
	1,334,944	1,391,272

10 Basic and diluted earnings per share

Profit for the period	19,232,868	1,272,712
Weighted average number of shares	78,901,086	78,901,086
Basic and diluted earnings per share	0.244	0.016
Basic and diluted earnings per share	24.4 fils	1.6 fils

11 Contingent liabilities

Except for the ongoing business obligations which are under normal course of business, there has been no other known contingent liability on Group's financial statements as of reporting date.

12 Commitments

As at March 31, 2019, there has been no known capital commitments on Group's financial statements.

Operating leases - Group as Lessor

The Group has entered into various operating lease agreements for investment properties. As at the period end, the future lease amounting to AED 4,700,404 (December 31, 2018: 4,540,307) are due within one-year, future lease amounting to AED 7,500 (December 31, 2018: 45,000) are due above one year to five years, from the condensed consolidated interim statement of financial position date under these operating leases.