

**Sharjah Group Company P.S.C.
and its subsidiary**

Consolidated Financial Statements
For the year ended December 31, 2018

Sharjah Group Company P.S.C. and its subsidiary
Consolidated Financial Statements
For the year ended December 31, 2018

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Board of Directors Report

Dear, Sharjah Group Company Shareholders

We are pleased to present the Board of Directors Report and Financial Statements for the fiscal financial year ended 31/12/2018 for Sharjah Group Company.

The company earned an operating income for the year ended December 31, 2018 amounting to AED 13,326,396 (2017: AED 16,166,864).

Rental Income decreased by 16.0% due to the decrease of demand and the value of rent in the Emirate of Sharjah during 2018, reaching an amount of AED 13,058,810 (2017: AED 15,545,570).

Net loss for 2018 was AED 8,053,467, compared to AED 19,158,588 net profit in 2017. This is due to the decrease in operating income and overall decline in value of the properties.

The value of the Company's assets has also decreased by 10.6% reaching an amount of AED 248,519,969 (2017: 277,882,069) and the average return of operating income on total assets reached 5.4% (2017: 5.8%).

Best Regards,

Board of Directors

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United Arab Emirates**

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Independent Auditor's Report To the Shareholders of Sharjah Group Company P.S.C. and its subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sharjah Group Company P.S.C. (the "Company") and its subsidiary collectively referred to as (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Group for the year ended December 31, 2018. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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Independent Auditor's Report
To the Shareholders of Sharjah Group Company P.S.C. and its subsidiary (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of investment properties

The Group have investment properties as at December 31, 2018 of AED 236.24 million (2017: AED 247.12 million) as disclosed in Note 6 to the consolidated financial statements. The investment properties of the Group represent 95.1% of the total assets as at December 31, 2018 and are carried at fair value (2017: 88.9%). The management of the Group determines the fair value of its investment properties at each reporting date and uses an external appraiser to support the valuation at year end. Valuation of the investment properties is dependent on estimates and assumptions including rental value, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions.

We have performed the following audit procedures:

- We have discussed with the independent valuer to understand the basis of valuation for each investment property and other judgements used in performing the valuation;
- We have assessed and challenged the appropriateness of the underlying leasing data and current tenancy agreements, estimated rental values and assumptions used as disclosed in Note 23 to the consolidated financial statements;
- We have involved our own valuation specialist to validate the assumptions used by management; and
- We have assessed whether the Group's disclosures in relation to the valuation of the investment properties are compliant with the relevant accounting requirements.

Based on the work performed, we considered the assumptions used by management and related disclosures in the consolidated financial statements to be appropriate.

ii) Valuation of investment in unquoted securities

The Group hold investments in unquoted equity securities of five entities as at December 31, 2018 (2017: five entities) amounting to AED 1.75 million representing 22.12% of the total amount of its investment in securities as disclosed in Note 8 and 9 to the consolidated financial statements (2017: AED 2.33 million representing 10.61%). The valuation of these unquoted equity securities was carried out by an independent valuer and involves judgement in selecting the valuation basis for each investment and further judgement in performing the valuation when the latest market and financial data is not observable.

We have performed the following audit procedures:

- We have discussed with the independent valuer to understand the basis of valuation for each investment and other judgements used in performing the valuation;
- We have assessed and challenged the appropriateness of the underlying data, pricing methodologies and assumptions used as disclosed in Note 23 to the consolidated financial statements;
- We have involved our own valuation specialist to validate the assumptions used by management; and
- We have assessed whether the Group's disclosures in relation to the valuation of the unquoted equity securities are compliant with the relevant accounting requirements.

Based on the work performed, we considered the assumptions used by management and related disclosures in the consolidated financial statements to be appropriate.



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Independent Auditor's Report

To the Shareholders of Sharjah Group Company P.S.C. and its subsidiary (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

iii) Revenue recognition

The Group have recognised rental revenue of AED 13.06 million during the year ended December 31, 2018 (2017: AED 15.54 million). Market expectation and a profit-based target may place pressure on management to overstate revenue. This may result in the manipulation of accrued/deferred revenue and/or the creation of fictitious customers to assist in meeting current or future targets and expectations.

We have performed the following audit procedures:

- We have assessed whether the revenue recognition policies adopted comply with IFRS;
- We have performed detailed analytical procedures by developing an independent expectation of revenue based on the lease agreements for the year ended December 31, 2018 to assess whether revenue recognised was complete;
- We have agreed a sample of lease agreements to the related revenue recognised in the books to assess whether revenue had been recognised in the appropriate accounting period;
- We have performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing and evaluating whether there was evidence of bias by the Directors that represents a risk of material misstatement due to fraud; and
- We have obtained the tenant listing, scanned sample contract folders of sample tenants to determine their existence and checked for duplicate customers.

Based on the work performed, we consider revenue recognition to be appropriate and we did not identify any material misstatements.

iv) Provision for claims and settlement

The Group have a balance as at December 31, 2018 of provision for claims and settlement amounting to AED 60.54 million (2017: 59.05 million) as disclosed in Note 18 to the consolidated financial statements. The provision relates to a legal case filed against the Group in December 1999. The final verdict on this case dated November 2010 required the Group to pay an amount of USD 5.7 million or its equivalent in Kuwaiti Dinars using the exchange rate announced by the Central Bank of Kuwait in December 1999 and interest of 7% of the claimed amount for the period starting June 22, 1992 to the date of full settlement. On September 22, 2016, the Group received a court order to pay the principle amount in addition to interest of the claim. However, the Group have appealed against the court order. The estimation of the provision requires further judgements to be used.

We have performed the following audit procedures:

- We have assessed and challenged the appropriateness of calculating the provision as at December 31, 2018;
- We have met with the legal advisor of the Group and discussed the status of the legal case; and
- We have assessed whether the Group's disclosures in relation to the provision for claims and settlement are compliant with the relevant accounting requirements.

Based on the work performed, we considered the provision for claims and settlement to be appropriate and we did not identify any material misstatements.



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To the Shareholders of Sharjah Group Company P.S.C. and its subsidiary (continued)
Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Board of Directors' Report* but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of the 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 IFRS 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 ISA's 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 ISA, we exercise professional judgment and maintain professional skepticism 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.



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Independent Auditor's Report

To the Shareholders of Sharjah Group Company P.S.C. and its subsidiary (continued)

Report on the Audit of the Consolidated Financial Statements (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 entity 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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:

- i) we have obtained all the information and explanations 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, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;



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Report on Other Legal and Regulatory Requirements (continued)

- v) the Group have purchased 780,000 shares of investments classified at fair value through profit or loss amounted to AED 520,425 during the year ended December 31, 2018;
- vi) Note 11 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 Company has contravened during the financial year ended December 31, 2018 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or of its Articles of Association, which would materially affect its activities or its financial position as at December 31, 2018; and
- viii) during the year ended December 31, 2018 the Group made social contributions amounting to AED 60,000.

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Osama El Bakry
Registration No. 935
Sharjah, United Arab Emirates



February 28, 2019

Sharjah Group Company P.S.C. and its subsidiary
Consolidated Financial Statements

Consolidated statement of financial position
As at December 31, 2018

	Notes	2018 AED	2017 AED
ASSETS			
Non-current assets			
Property and equipment	5	197,421	225,791
Investment properties	6	236,237,000	247,122,700
Investments at fair value through other comprehensive income	8	5,366,119	19,443,092
		<u>241,800,540</u>	<u>266,791,583</u>
Current assets			
Investments at fair value through profit or loss	9	2,558,309	2,534,486
Trade and other receivables	10	1,168,441	1,294,105
Cash and bank balances	12	2,992,679	7,261,895
		<u>6,719,429</u>	<u>11,090,486</u>
TOTAL ASSETS		<u>248,519,969</u>	<u>277,882,069</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	78,901,086	78,901,086
Statutory reserve	14	31,774,685	31,774,685
Voluntary reserve	15	12,093,743	12,093,743
Fair value reserve		(12,678,833)	1,362,515
Foreign currency translation reserve		(516,239)	(466,213)
Retained earnings		45,136,906	60,377,461
Total equity		<u>154,711,348</u>	<u>184,043,277</u>
Non-current liabilities			
Employees' end of service benefits	17	1,056,677	938,320
Current liabilities			
Trade and other payables	18	63,112,167	62,963,782
Dividends payable		29,639,777	29,936,690
		<u>92,751,944</u>	<u>92,900,472</u>
Total liabilities		<u>93,808,621</u>	<u>93,838,792</u>
TOTAL EQUITY AND LIABILITIES		<u>248,519,969</u>	<u>277,882,069</u>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on February 28, 2019 and signed on their behalf by:


Mr. Ziyad Mahmoud Khairullah Al Haji
Chairman


Mr. Mohammed Al Wazzan
Managing Director

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

**Sharjah Group Company P.S.C. and its subsidiary
Consolidated Financial Statements**

**Consolidated statement of profit and loss and other comprehensive income
For the year ended December 31, 2018**

	Notes	2018 AED	2017 AED
Rental income		13,058,810	15,545,570
Dividend income		61,055	412,492
Unrealised (loss)/gain on investments at fair value through profit or loss	9	(214,478)	242,721
Unrealised (loss)/gain from revaluation of investment properties at fair value	6	(11,431,604)	11,108,830
Realised gain on sale investments at fair value through profit and loss	9	31,607	-
Administrative and general expenses	19	(6,910,356)	(5,529,465)
Repairs and maintenance expenses		(1,339,121)	(1,346,058)
Provision for claims and settlement		(1,484,304)	(1,484,304)
Other income	20	174,924	208,802
(LOSS)/PROFIT FOR THE YEAR		(8,053,467)	19,158,588
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of investments at fair value through other comprehensive income	8	(14,041,348)	(2,585,594)
Realised gain on sale fair value of investments at fair value through comprehensive income	8	-	21,702
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation reserve		(50,026)	265,601
Other comprehensive loss		(14,091,374)	(2,298,291)
TOTAL COMPERHENSIVE (LOSS)/INCOME FOR THE YEAR		(22,144,841)	16,860,297
Basic and diluted (losses)/earnings per share	16	(0.10)	0.24

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

**Sharjah Group Company P.S.C. and its subsidiary
Consolidated Financial Statements**

**Consolidated statement of changes in equity
For the year ended December 31, 2018**

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Foreign currency translation reserve AED	Retained earnings AED	Total AED
As at January 1, 2018	78,901,086	31,774,685	12,093,743	1,362,515	(466,213)	60,377,461	184,043,277
Loss for the year	-	-	-	-	-	(8,053,467)	(8,053,467)
Other comprehensive loss	-	-	-	(14,041,348)	(50,026)	-	(14,091,374)
Total comprehensive loss for the year	-	-	-	(14,041,348)	(50,026)	(8,053,467)	(22,144,841)
Dividend declared (Note 13)	-	-	-	-	-	(6,312,088)	(6,312,088)
Board remuneration (Note 11)	-	-	-	-	-	(875,000)	(875,000)
As at December 31, 2018	78,901,086	31,774,685	12,093,743	(12,678,833)	(516,239)	45,136,906	154,711,348

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Foreign currency translation reserve AED	Retained earnings AED	Total AED
As at January 1, 2017	78,901,086	29,777,838	10,096,897	3,926,407	(731,814)	49,208,609	171,179,023
Profit for the year	-	-	-	-	-	19,158,588	19,158,588
Other comprehensive loss	-	-	-	(2,563,892)	265,601	-	(2,298,291)
Total comprehensive income for the year	-	-	-	(2,563,892)	265,601	19,158,588	16,860,297
Dividend declared (Note 13)	-	-	-	-	-	(3,156,043)	(3,156,043)
Board remuneration (Note 11)	-	-	-	-	-	(840,000)	(840,000)
Transfer to reserves	-	1,996,847	1,996,846	-	-	(3,993,693)	-
As at December 31, 2017	78,901,086	31,774,685	12,093,743	1,362,515	(466,213)	60,377,461	184,043,277

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

Sharjah Group Company P.S.C. and its subsidiary
Consolidated Financial Statements

Consolidated statement of cash flows
For the year ended December 31, 2018

	Notes	2018 AED	2017 AED
OPERATING ACTIVITIES			
(Loss)/profit for the year		(8,053,467)	19,158,588
<i>Adjustments to reconcile profit to net cash flows:</i>			
Unrealised loss/(gain) from revaluation of investment properties at fair value	6	11,431,604	(11,108,830)
Provision for claims and settlement		1,484,304	1,484,304
Provision for expected credit losses of trade receivables	10	845,555	327,949
Unrealised loss/(gain) on investment at fair value through profit or loss	9	214,478	(242,721)
Provision for employees' end of service benefits	17	161,908	153,536
Depreciation on property and equipment	5	62,269	115,379
Reversal of provision for doubtful accounts	10	(34,090)	(17,000)
Realised gain on sale of investments at fair value through profit or loss	9	(31,607)	-
Realised gain on sale of properties and equipment	20	-	(6,500)
		6,080,954	9,864,705
<i>Changes in working capital:</i>			
Trade and other receivables		(685,801)	(850,773)
Trade and other payables		(1,335,919)	(552,639)
Cash from operations		4,059,234	8,461,293
Employees' end of service benefits paid	17	(43,551)	-
Net cash flow from operating activities		4,015,683	8,461,293
INVESTING ACTIVITIES			
Addition of investment properties	6	(545,904)	(258,550)
Purchase of property and equipment	5	(33,899)	(212,095)
Proceeds from investment at fair value through other comprehensive income	8	-	63,548
Proceeds from sale of investments at fair value through profit or loss	9	299,418	6,500
Purchase of investments at fair value through profit or loss	9	(520,425)	-
Net cash flow used in investing activities		(800,810)	(400,597)
FINANCING ACTIVITIES			
Dividends paid		(6,609,001)	(3,589,426)
Board remuneration paid	11	(875,000)	(840,000)
Net cash flow used in financing activities		(7,484,001)	(4,429,426)
Net change in cash and cash equivalents		(4,269,172)	3,631,270
Exchange differences on translating foreign operations		(88)	4,477
Cash and cash equivalents at the beginning of year		7,261,895	3,626,148
Cash and cash equivalents at the end of year	12	2,992,679	7,261,895

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

Sharjah Group Company P.S.C. and its subsidiary Consolidated Financial Statements

Notes to the consolidated financial statements For the year ended December 31, 2018

1 Legal status and principle activities

Sharjah Group Company P.S.C. (the "Company") is a public share holding company, registered in the Emirate of Sharjah, United Arab Emirates under Emiri Decree number 133/76 dated November 16, 1976. The registered office of the Company is P O. Box 5440, Sharjah, United Arab Emirates. The shares of the Company are traded on the Abu Dhabi Securities Market.

The Company holds the following investment as at December 31, 2018 which has been consolidated in these consolidated financial statements:

Name of subsidiary	Ownership interest		Country of operation and incorporation	Principal activity
	2018	2017		
Tarfan General Trading and Contracting (Ebrahim Ahmed Al-Manna'ei and Partners) W.L.L	100%	100%	State of Kuwait	General trading and contracting – purchase and sale of shares and bonds for the Subsidiary's sake

The Subsidiary is a limited liability company incorporated in the State of Kuwait. Two individuals own 2% of the Subsidiary's share capital as beneficiaries for and on behalf of the Company; therefore no non-controlling interest has been disclosed.

The principal activities of the Company and its Subsidiary (the "Group") comprise investing in financial instruments, real estate, industrial projects and leasing of rental properties.

2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and the requirements of the UAE Federal Law No. 2 of 2015 "UAE Companies Law of 2015".

The Group has early adopted IFRS 9 Financial Instruments (October 2010) with a date of initial application of January 1, 2013.

Financial Accounting Concept

These consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that Group's current liabilities exceeded the current assets as at December 31, 2018 by AED 86,032,515 (2017: AED 81,809,986).

The Group's management has prepared its business and cash flow forecasts for the twelve months period after the reporting date on a conservative basis and is of the opinion that the Group will be able to continue its operations in the future and accordingly, the going concern assumption used in the preparation of these consolidated financial statements is appropriate.

Sharjah Group Company P.S.C and its subsidiary Consolidated Financial Statements

Notes to the consolidated financial statements (continued) For the year ended December 31, 2018

2 Basis of preparation (continued)

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the followings which are stated at fair value:

1. Investment properties;
2. Financial instruments at fair value through other comprehensive income; and
3. Financial instruments at fair value through profit or loss.

Basis for consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at December 31, 2018. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

- a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. The contractual arrangement with the other vote holders of the investee;
- b. Rights arising from other contractual arrangements; and
- c. The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Company gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiary are prepared for the same reporting year as of the Parent Company.

**Sharjah Group Company P.S.C and its subsidiary
Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018**

2 Basis of preparation (continued)

Functional and presentation currency

These consolidated financial statements are presented in Arab Emirates Dirhams (“AED”), which is also the functional currency of the Company. The Subsidiary determines the Kuwaiti Dinar (“KD”) as its own functional currency and items included in its financial statements are measured using the KD.

As at the reporting date, the assets and liabilities of the Subsidiary with KD are translated into AED at the rate of exchange ruling at the reporting date and statement of profit and loss is translated at the weighted average exchange rates for the year. Foreign exchange differences arising from monetary items that in substance form part of the net investment in Subsidiary’s operations are recognised directly in equity as part of foreign currency reserve.

The differences arising on disposal of Subsidiary, the deferred cumulative amount recognised in equity relating to this Subsidiary is recognised in statement of profit and loss.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 24.

The following accounting policies, which comply with IFRS, have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

3 Standards, interpretations and amendments to existing standards

3.1 Standards, interpretations and amendments to existing standards that are effective in 2018

IFRS 15 Revenue from Contracts with Customers (effective for accounting period beginning on or after January 1, 2018)

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of IFRS 15 has no material effect on the Group’s consolidated financial statements.

Sharjah Group Company P.S.C and its subsidiary
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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

3 Standards, interpretations and amendments to existing standards (continued)

3.1 Standards, interpretations and amendments to existing standards that are effective and adopted by the Group in 2018 (continued)

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments measured at amortization cost.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group

IFRS 16 Leases (effective for accounting period beginning on or after January 1, 2019)

IFRS 16 is effective for annual periods beginning after January 1, 2019 and have not been applied in preparing these consolidated financial statements. This is not expected to have a significant effect on the consolidated financial statements of the Group. Those which are relevant to the Group are set out below and the Group does not plan to adopt these early.

IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Foreign currency transactions

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.

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**Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018**

4 Summary of significant accounting policies

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Group's financial assets are classified in three categories:

1. Financial assets at amortised cost (debt instruments);
2. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
3. Financial assets at fair value through profit or loss.

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

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 profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and most other receivables, cash and bank balances.

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**Notes to the consolidated financial statements (continued)
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4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)

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 profit or loss. Dividends are recognised as other income in the statement of profit or loss 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 fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Dividends on listed equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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**Notes to the consolidated financial statements (continued)
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4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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**Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018**

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables.

All financial liabilities are recognised initially at fair value and subsequently measured at amortized cost using the effective yield method.

The Group's financial liabilities include trade and most other payables and dividends payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; and
- A discounted cash flow analysis or other valuation models.

Property and equipment

Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment loss, if any.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

4 Summary of significant accounting policies (continued)

Property and equipment (continued)

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of the property and equipment. The following useful lives are applicable:

Other facilities	3
Furniture, fixtures and office equipment	3-5
Motor vehicles	4

Material residual value and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued. Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised in the profit or loss.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit and loss in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit and loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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**Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018**

4 Summary of significant accounting policies (continued)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Staff terminal benefits

The provision for staff terminal benefits is calculated in accordance with the UAE Federal Labour Law and is based on the liability that would arise if the employment of all staff were terminated at the financial position date.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present (legal or constructive) obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Determination of fair values

Certain of the Group's accounting policies and disclosures require the determination of fair value, for non-financial assets. Fair values have been determined for measurement and/or disclosure purposes based on the methods adopted by the Group. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset.

Revenue recognition

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities have been met. These activity-specific recognition criteria are described below.

Rent income

Rental income from investment property represent the amounts charged to tenants against the rental of the Group's investment property and are recognised in the profit or loss on a straight-line basis over the term of the lease.

Dividend income

Dividend income is recognised in the profit or loss on the date that the Group's right to receive payment is established.

Income from sale of investments

Revenue from sale of investments is recognised on the date when all significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the asset.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

4 Summary of significant accounting policies (continued)

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if the right is not explicitly specified in an arrangement. All leases are classified as operating leases.

The Group as lessor

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.

The Group as lessee

Operating leases relate to the Subsidiary's office, lease payments are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into operating lease are also spread on a straight-line basis over the lease term.

Value added tax (VAT)

The Group is subject to a VAT of 5% for rental income from commercial properties and 0% for rental income from residential properties. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of services (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). The Group reports revenue net value added tax for all the periods presented in the consolidated financial statements.

5 Property and equipment

	Other facilities AED	Furniture, fixtures and office equipment AED	Motor vehicles AED	Total AED
Cost				
As at January 1, 2018	294,267	1,048,465	204,460	1,547,192
Additions	-	33,899	-	33,899
As at December 31, 2018	294,267	1,082,364	204,460	1,581,091
Accumulated depreciation				
As at January 1, 2018	294,267	956,243	70,891	1,321,401
Charge for the year	-	32,967	29,302	62,269
As at December 31, 2018	294,267	989,210	100,193	1,383,670
Net carrying amount at December 31, 2018	-	93,154	104,267	197,421

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

5 Property and equipment (continued)

	Other facilities AED	Furniture, fixtures and office equipment AED	Motor vehicles AED	Total AED
Cost				
As at January 1, 2017	294,267	983,330	108,500	1,386,097
Additions	-	65,135	146,960	212,095
Disposals	-	-	(51,000)	(51,000)
As at December 31, 2017	294,267	1,048,465	204,460	1,547,192
Accumulated depreciation				
As at January 1, 2017	228,325	920,197	108,500	1,257,022
Charge for the year	65,942	36,046	13,391	115,379
Disposals	-	-	(51,000)	(51,000)
As at December 31, 2017	294,267	956,243	70,891	1,321,401
Net carrying amount at December 31, 2017	-	92,222	133,569	225,791

6 Investment properties

	2018 AED	2017 AED
As at January 1,	247,122,700	235,755,320
Additions during the year	545,904	258,550
Unrealised (loss)/gain on revaluation of investment properties at fair value	(11,431,604)	11,108,830
As at December 31,	236,237,000	247,122,700

Investment properties consist of residential and commercial buildings and warehouses. It also includes undeveloped two parcels of land.

Fair value

Investment properties are stated at market value based on a valuation carried out by an independent external valuer as at December 31, 2018 and 2017.

The investment properties are valued using the direct capitalization method which is used to convert the estimate of a single year's income expectancy into an indication of value. Direct capitalization is market oriented and infers the assumptions of investors. The annual net income has been divided by an appropriate rate factor to determine value. The chosen rate or factor represents the relationship between income and value as observed by the market. This implicit rate is deemed to satisfy a typical investor assuming that the prospects for future monetary benefit over and above the amount originally invested are sufficient.

The Directors of the Group have reviewed the assumption and methodology used by the independent valuer and in their opinion the assumption and the methodology are reasonable as at the reporting date considering the current economic and real estate outlook the United Arab Emirates.

Sharjah Group Company P.S.C and its subsidiary
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Notes to the consolidated financial statements (continued)
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7 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	2018	2017
	AED	AED
<i>Financial assets</i>		
Amortised cost:		
Trade and other receivables	960,452	1,145,955
Cash and bank balances	2,992,679	7,261,895
Investments at fair value through other comprehensive income	5,366,119	19,443,092
Investments at fair value through profit or loss	2,558,309	2,534,486
	<u>11,877,559</u>	<u>30,385,428</u>
 <i>Financial liabilities</i>		
Amortised cost:		
Trade and other payables	62,259,019	61,221,831
Dividends payable	29,639,777	29,936,690
	<u>91,898,796</u>	<u>91,158,521</u>

A description of the Group's financial statements risk, including risk management objectives and policies is given in Note 22 and methods used to measure fair value are described in Note 23.

8 Investments at fair value through other comprehensive income

	2018	2017
	AED	AED
Quoted investments	3,678,624	17,187,725
Unquoted investments	1,687,495	2,255,367
	<u>5,366,119</u>	<u>19,443,092</u>

The movement in investments classified at fair value through other comprehensive income is as follows:

	2018	2017
	AED	AED
Balance at January 1,	19,443,092	21,833,301
Changes in fair value	(14,041,348)	(2,585,594)
Sale of investments	-	(41,846)
Translation reserve	(35,625)	237,231
Balance at December 31,	<u>5,366,119</u>	<u>19,443,092</u>

The Group sold certain shares for an amount of AED 63,548 during the year ended December 31, 2017 were realised gain of AED 21,702 were recognized in the consolidated statement of comprehensive income.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

9 Investments classified at fair value through profit or loss

	2018 AED	2017 AED
Quoted investments	2,492,576	2,457,861
Unquoted investments	65,733	76,625
	<u>2,558,309</u>	<u>2,534,486</u>

Investments classified at fair value through profit or loss comprises of investment with a carrying value of AED 396,092 (2017: AED 576,134) in UAE and AED 2,162,217 (2017: AED 1,958,352) in State of Kuwait.

The movement in investment classified at fair value through profit and loss is as follows:

	2018 AED	2017 AED
Balance at January 1,	2,534,486	2,267,872
Purchased during the year	520,425	-
Sold during the year	(267,811)	-
Change in fair value	(214,478)	242,721
Translation reserve	(14,313)	23,893
Balance at December 31,	<u>2,558,309</u>	<u>2,534,486</u>

10 Trade and other receivables

	2018 AED	2017 AED
<i>Financial assets</i>		
Trade receivables, gross	3,041,826	2,450,100
Less: allowance for expected credit losses of trade receivables	(2,207,563)	(1,425,442)
	<u>834,263</u>	<u>1,024,658</u>
Deposits	117,138	109,396
Staff advances	2,750	8,600
Other receivables	6,301	3,301
	<u>960,452</u>	<u>1,145,955</u>
<i>Non-financial assets</i>		
Prepayments	207,989	148,150
	<u>1,168,441</u>	<u>1,294,105</u>

As at December 31, 2018, all of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired amounting to AED 2,207,563 (2017: AED 1,425,442). The movement in allowance for expected credit losses of trade receivables can be reconciled as follows:

	2018 AED	2017 AED
Balance at January 1,	1,425,442	1,129,256
Charge for the year (Note 19)	845,555	327,949
Write-off during the year	(29,344)	(14,763)
Reversal of provision (Note 20)	(34,090)	(17,000)
Balance at December 31,	<u>2,207,563</u>	<u>1,425,442</u>

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

10 Trade and other receivables (continued)

As at December 31, 2018, the ageing of unimpaired trade receivables is as follows:

	Total AED	Neither Past due nor impaired AED	Past due but not impaired			
			3 – 6 months AED	6 – 9 months AED	9 – 12 months AED	More than 1 Year AED
2018	834,263	388,147	203,276	162,596	80,244	-
2017	1,024,658	572,735	200,606	46,018	62,078	143,320

Trade accounts receivable are non-interest bearing and are generally settled in within normal credit terms of 30 to 90 days after which they are considered to be past due. Unimpaired accounts receivable are expected, on the basis of past experience, to be recoverable. It is not the practice of the Group to obtain collateral over accounts receivable and the vast majority are, therefore, unsecured.

The following table shows the expected credit losses for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Total AED	Neither Past due nor impaired AED	Past due but not impaired			
			3 – 6 months AED	6 – 9 months AED	9 – 12 months AED	More than 1 Year AED
2018						
Expected credit loss rate		11.8%	16.3%	18.1%	19.1%	100%
Gross carrying amount	3,041,826	440,051	242,815	198,436	99,159	2,061,366
Expected credit loss	2,207,563	51,905	39,538	35,840	18,915	2,061,366

	Total AED	Neither Past due nor impaired AED	Past due but not impaired			
			3 – 6 months AED	6 – 9 months AED	9 – 12 months AED	More than 1 Year AED
2017						
Expected credit loss rate		11.7%	17.8%	18.0%	18.0%	89.9%
Gross carrying amount	2,450,100	648,796	244,010	56,131	75,721	1,425,442
Expected credit loss	1,425,442	76,061	43,404	10,113	13,643	1,282,221

11 Related parties

In the normal course of business, the Group carries on business with other entities, which fall within the definition of a related party in accordance with IFRS. These transactions are carried out in the normal course of business and are measured at the amounts agreed by both the parties.

For the purpose of the consolidated financial statements, entities are considered to be related to the Company or the Group if the Company or the Group has the ability, directly or indirectly, to exercise significant influence over the entities in making financial and operating decisions, or vice versa, or where the Company or the Group are subject to common control or significant influence.

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For the year ended December 31, 2018

11 Related parties (continued)

Compensation of key management personnel

Key management personnel of the Group include the Managing Director and Directors. Key management personnel compensation includes the following:

	2018 AED	2017 AED
Board of Directors' remuneration	875,000	840,000
Salaries and other short-term employee benefits	680,972	688,905
Other expenses for Directors	101,405	60,461
End of service benefits charged to profit and loss	54,585	44,933

Board of Directors' remuneration

This represents professional fees paid to the 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 interpretation of Article 169 of the 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.

12 Cash and bank balances

	2018 AED	2017 AED
Cash at banks	2,980,470	7,254,659
Cash in hand	12,209	7,236
	<u>2,992,679</u>	<u>7,261,895</u>

13 Share capital

The authorised, issued and fully paid share capital of the Group consists of 78,901,086 fully paid ordinary shares with a par value of AED 1 each.

Dividends

During the year, the Board of Directors declared and paid 8% of share capital cash dividends for 2017 of AED 6,312,088 (AED 0.04 per share) (2017: declared and paid 4% of share capital cash dividends for 2016 of AED 3,156,043 (AED 0.12 per share) out of the retained earnings, which was approved during the General Assembly on March 29, 2018.

14 Statutory reserve

In accordance with the Articles of Association of the Group and Article 103 of the UAE Federal Law No. (2) of 2015, a minimum of 10% of the net profit of the Group is required to be allocated every year to statutory reserve. Such transfers are required to be made until the balance on the reserve equals one half of the Group's paid-up share capital. The reserve is not available for distribution except as provided for in the UAE Commercial Law.

15 Voluntary reserve

As required by the Group's articles of association, 10% of Group's net profit for the year is required to be transferred to the voluntary reserve until such reserve equals one half of the Group's share capital, the reserve is available for distribution at the desecration of the Group's General Assembly.

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16 Basic and diluted (loss)/ earnings per share

	2018 AED	2017 AED
(Loss)/profit for the year	(8,053,467)	19,158,588
Weighted average number of shares	78,901,086	78,901,086
Basic and diluted (losses)/earnings per share	(0.10)	0.24
Basic and diluted (losses)/earnings per share	(10) fills	24.3 fills

17 Employees' end of service benefits

	2018 AED	2017 AED
As at January 1,	938,320	784,784
Provisions made during the year	161,908	153,536
Payment made during the year	(43,551)	-
As at December 31,	1,056,677	938,320

18 Trade and other payables

	2018 AED	2017 AED
<i>Financial liabilities</i>		
Trade payables	387,672	741,808
Refundable deposits	843,973	956,028
Provision for claims and other legal expenses	60,538,407	59,054,103
Accrued expenses	488,967	469,892
	62,259,019	61,221,831
<i>Non-financial liabilities</i>		
Rental income received in advance	853,148	1,741,951
	63,112,167	62,963,782

Provision for claims and other legal fees and other legal expenses relate to a legal case filed against the Group in December 1999. The final verdict on this case dated November 2010 required the Group to pay an amount of USD 5.7 million or its equivalent in Kuwaiti Dinars using the exchange rate announced by the Central Bank of Kuwait in December 1999 and interest of 7% of the claimed amount for the period starting June 22, 1992 to the date of settlement. The claimed amount has been fully provided as at December 31, 2018.

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For the year ended December 31, 2018**

19 Administrative and general expenses

	2018 AED	2017 AED
Staff costs	2,424,381	2,299,761
Legal and professional fees	1,607,656	1,018,161
Allowance for expected credit losses of trade receivables	845,555	327,949
Salaries and other benefits to Executive Director	735,557	733,838
Utilities	467,357	392,425
Rentals – operating lease	145,560	143,784
Depreciation (Note 5)	62,269	115,379
Others	622,021	498,168
	<u>6,910,356</u>	<u>5,529,465</u>

20 Other income

	2018 AED	2017 AED
Reversal of provision (Note 10)	34,090	17,000
Foreign exchange loss	(11,922)	(8,286)
Gain on sale of properties and equipment	-	6,500
Others	152,756	193,588
	<u>174,924</u>	<u>208,802</u>

21 Commitments

Capital commitment

At December 31, 2018, the Group had no estimated capital commitments of construction of investment properties as the construction was already completed (2017: AED 235,370).

Operating lease agreements – Group as lessor

The Group has entered into various operating lease agreements for investment properties. As at the year end, the future lease amounting to AED 4,540,307 (2017: AED 7,363,841) are due within one-year, future lease amounting to AED 45,000 (2017: AED 697,500) are due above one year to five years, from the consolidated statement of financial position date under these operating leases.

22 Financial instrument risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 7. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at Group level, in close cooperation with the Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described on the following pages.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

22 Financial instrument risk (continued)

Risk management objectives and policies (continued)

Market risk analysis

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, foreign currency risk and price risks, which result from both its operating and investing activities.

i. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is not significantly exposed to interest rate sensitivity since the Group has no significant interest-bearing assets and liabilities.

ii. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Most of the Group's transactions are carried out in AED. Exposures to currency exchange rates arise from the Subsidiary's trading transaction and investment in financial instrument which are primarily denominated in Kuwaiti Dinar (KD).

To mitigate the Group's exposure to foreign currency risk, non-AED cash flows are monitored and are entered into in accordance with the Group's risk management policies. Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AED at the closing rate:

	2018 AED	2017 AED
Financial assets	6,143,336	22,039,092
Financial liabilities	(35,419)	(61,014)
	<u>6,107,917</u>	<u>21,978,078</u>

The following table illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities and the KD/AED exchange rate 'all other variables held constant'. It assumes a $\pm 10\%$ change of the KD/AED exchange rate for the year ended at December 31, 2018 (2017: $\pm 10\%$). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the AED had strengthened against the KD by 10% (2017: 10%) then this would have had the following impact:

	2018 AED	2017 AED
Profit	242,929	253,499
Other comprehensive income	367,862	1,944,309
Equity	<u>610,792</u>	<u>2,197,807</u>

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Notes to the consolidated financial statements (continued)
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22 Financial instrument risk (continued)

Risk management objectives and policies (continued)

ii. Foreign currency risk (continued)

If the AED had weakened against the KD by 10% (2017: 10%) then this would have had the following impact:

	2018 AED	2017 AED
Profit	(242,929)	(253,499)
Other comprehensive income	(367,862)	(1,944,309)
Equity	<u>(610,792)</u>	<u>(2,197,807)</u>

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

iii. Other price risk sensitivity

The Group is exposed to other price risk in respect of its listed and unlisted equity securities (see note 7).

For the listed equity securities, an average volatility of 7% has been observed during 2018 (2017: 7%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by AED 177,853 (2017: AED 183,227). The listed securities are classified as investments at fair value through profit or loss. The investments in listed equity securities are considered short-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to this risk for various financial instruments, for example trade receivables from customers, placing deposits, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below.

	2018 AED	2017 AED
Trade receivables	3,041,826	2,450,100
Cash at banks	2,980,470	7,254,659
	<u>6,022,296</u>	<u>9,704,759</u>

- Trade receivable represents the rent receivable from tenants that is due at the reporting date. The Group has a policy of obtaining post-dated cheque for the rent period covered under the lease agreement, as at the reporting date the value of the post-dated cheques were AED 3,678,940 (2017: AED 4,799,700).

Trade receivables

The Group seeks to limit its credit risk with respect to contract customers by setting credit limits for individual customers and monitoring outstanding receivables.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2018

22 Financial instrument risk (continued)

Risk management objectives and policies (continued)

Credit risk (continued)

Cash at banks

The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The table below summarises the maturities of the Group's undiscounted financial liabilities at December 31:

	Less than 3 months AED	3-12 months AED	1 to 5 years AED	Total AED
At December 31, 2018				
Trade and other payables	1,720,612	60,538,407	-	62,259,019
Dividends payable	-	29,639,777	-	29,639,777
	1,720,612	90,178,184	-	91,898,796
	Less than 3 months AED	3-12 months AED	1 to 5 years AED	Total AED
At December 31, 2017				
Trade and other payables	2,167,728	59,054,103	-	61,221,831
Dividends payable	-	29,936,690	-	29,936,690
	2,167,728	88,990,793	-	91,158,521

23 Fair value measurement

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Fair value of the financial assets at fair value through profit or loss (FVPL) is determined on the basis of the net asset value of the investment as provided by the valuator.

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23 Fair value measurement (continued)

Fair value measurement of financial instruments

The following table shows the Levels within the hierarchy of financial assets measured at fair value on a recurring basis at December 31, 2018 and December 31, 2017.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
At December 31, 2018				
Investments at fair value through profit or loss	2,492,576	-	65,733	2,558,309
Investments at fair value through other comprehensive income	3,678,624	-	1,687,495	5,366,119
<hr/>				
	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
At December 31, 2017				
Investments at fair value through profit or loss	2,457,861	-	76,625	2,534,486
Investments at fair value through other comprehensive income	17,187,725	-	2,255,367	19,443,092

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 3.

	2018 AED	2017 AED
Balance at January 1,	2,331,992	3,545,869
Changes in the fair value	(566,905)	(916,286)
Sale of investment	-	(41,846)
Impairment losses	-	(284,201)
Translation reserve	(11,860)	28,456
Balance at December 31,	1,753,228	2,331,992

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations.

Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

During the years ended December 31, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

Description of significant unobservable inputs to valuation of financial assets:

Unquoted equity securities are valued based on book value and the price to book value multiple method. Multiples are determined using the latest financial statements available of the investee entities, by analyzing the performance of other companies in the same industry and by taking into account specific industry factors that may impact the valuation.

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23 Fair value measurement (continued)

Fair value measurement of financial instruments (continued)

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at December 31, 2018 and December 31, 2017:

December 31, 2018	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investment properties	-	-	236,237,000	236,237,000
December 31, 2017	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investment properties	-	-	247,122,700	247,122,700

Fair value measurement of non-financial instruments

The following table shows a reconciliation of all movements in the fair value of non-financial assets categorised within Level 3.

	2018 AED	2017 AED
As at January 1,	247,122,700	235,755,320
Additions during the year	545,904	258,550
Unrealised (loss)/gain on revaluation of investment properties at fair value	(11,431,604)	11,108,830
As at December 31,	236,237,000	247,122,700

Fair value of the Group's main investment properties are estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

During the years ended December 31, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

Description of valuation methods used in the fair valuation of investment properties:

The investment properties are valued using the direct capitalization method which is used to convert the estimate of a single year's income expectancy into an indication of value. Direct capitalization is market oriented and infers the assumptions of investors. The annual net income has been divided by an appropriate rate factor to determine value. The chosen rate or factor represents the relationship between income and value as observed by the market. This implicit rate is deemed to satisfy a typical investor assuming that the prospects for future monetary benefit over and above the amount originally invested are sufficient.

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24 Accounting estimates and judgment

The Group makes estimates and assumptions 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated useful life and residual value of property and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property and equipment as at December 31, 2018 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

Valuation of investment properties

Investment properties are accounted for using the "Fair Value Model". The Group fair values investment properties at regular intervals, should the significant assumptions used for the purposes of valuation have changed, the fair value of investment properties would impact the disclosure of the fair value in the financial statements.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in note 3.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in the market that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuations.