

**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 nine month period ended September 30, 2019

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

General information

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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/Nov' 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 **September 30, 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 nine month period then ended. Management is responsible for the preparation and fair presentation of this consolidated 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 matter

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 nine month period ended September 30, 2018 were reviewed by other auditor who expressed an unmodified conclusion on October 28, 2018.

K. Mahmood

Khalid Mehmoed Chaudhry
Senior Partner
Crowe Mak
Registration Number 635
Sharjah, U.A.E.



November 10, 2019

Condensed consolidated interim statement of financial position as at September 30, 2019 (Unaudited)
In Arab Emirates Dirham

	Notes	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets			
<i>Non-current assets</i>			
Property and equipment		152,237	197,421
Investment properties	5	236,237,000	236,237,000
Investments at fair value through Other Comprehensive Income	6	8,613,973	5,366,119
Total non-current assets		245,003,210	241,800,540
<i>Current assets</i>			
Investments at fair value through profit or loss	7	1,414,520	2,558,309
Trade and other receivables		1,124,840	1,168,441
Cash and bank balances		3,285,130	2,992,679
Total current assets		5,824,490	6,719,429
Total assets		250,827,700	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		(535,093)	(516,239)
Retained earnings		66,945,917	45,136,906
Total equity		179,763,681	154,711,348
<i>Non-current liabilities</i>			
Employees' end of service benefits		1,110,463	1,056,677
Total non-current liabilities		1,110,463	1,056,677
<i>Current liabilities</i>			
Trade and other payables	8	40,397,482	63,112,167
Dividends payable		29,556,074	29,639,777
Total current liabilities		69,953,556	92,751,944
Total liabilities		71,064,019	93,808,621
Total equity and liabilities		250,827,700	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 November 10, 2019 by Board of Directors and signed on their behalf by:

Mr. Ziyad Mahmoud Khairullah Al Haji
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 nine month period ended September 30, 2019 (Unaudited)
In Arab Emirates Dirham

	Notes	Nine month period ended September 30,		Three month period ended September 30,	
		2019	2018	2019	2018
------(Unaudited)-----					
Rental income		7,583,090	10,296,203	2,621,158	3,096,546
Unrealised gain/(loss) on investments at fair value through profit or loss (FVTPL)	7	331,941	(406,923)	(575,137)	(78,130)
Dividend income		24,006	61,055	-	-
Realised gain on disposal of investment		752,518	1,006	664,763	-
Administrative expenses	9	(4,229,069)	(4,855,209)	(1,636,908)	(1,746,721)
Repairs and maintenance expenses		(881,332)	(1,009,366)	(287,896)	(269,989)
Provisions for claims and settlements		-	(1,113,228)	-	(371,076)
Other income		18,227,857	90,183	(15,831)	35,011
Net profit for the period		21,809,011	3,063,721	770,149	665,641
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	(10,200,845)	-	(5,938,848)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation reserve		(18,854)	(37,569)	(37,882)	34,043
Total comprehensive income / (loss) for the period		3,243,322	(10,238,414)	(37,882)	(5,904,805)
		25,052,333	(7,174,693)	732,267	(5,239,164)
Basic and diluted earnings per share	10	0.276	0.039	0.010	0.008

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 nine month period ended September 30, 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	-	-	-	-	-	21,809,011	21,809,011
Other comprehensive income	-	-	-	3,262,176	(18,854)	-	3,243,322
Total comprehensive income for the period	-	-	-	3,262,176	(18,854)	21,809,011	25,052,333
Balance as at September 30, 2019 (Unaudited)	78,901,086	31,774,685	12,093,743	(9,416,657)	(535,093)	66,945,917	179,763,681
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	-	-	-	-	-	3,063,721	3,063,721
Other comprehensive income	-	-	-	(10,200,845)	(37,569)	-	(10,238,414)
Total comprehensive income for the period	-	-	-	(10,200,845)	(37,569)	3,063,721	(7,174,693)
Dividends	-	-	-	-	-	(6,312,088)	(6,312,088)
Board of directors remuneration	-	-	-	-	-	(875,000)	(875,000)
Balance as at September 30, 2018 (Unaudited)	78,901,086	31,774,685	12,093,743	(8,838,330)	(503,782)	56,254,094	169,681,496

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 nine month period ended September 30, 2019 (Unaudited)
In Arab Emirates Dirham

	Nine month period ended September 30, 2019	Nine month period ended September 30, 2018
	------(Unaudited)-----	
Cash flows from operating activities		
Net profit for the period	21,809,011	3,063,721
<i>Adjustments for:</i>		
Unrealised (gain) / loss on investments at fair value through profit or loss	(331,941)	406,923
Realised gain on investments at fair value through profit or loss	(752,518)	(1,006)
Provision for doubtful debts	351,642	149,860
Foreign currency translation reserve movement	(3,855)	(1,597)
Provision for employees' end of service benefits	120,475	113,316
Depreciation on property and equipment	46,224	47,277
Provision for claims and settlement	-	1,113,228
	<u>21,239,038</u>	<u>4,891,722</u>
<i>Changes in working capital</i>		
Trade and other receivables	(308,041)	(784,759)
Trade and other payables	<u>(22,714,685)</u>	<u>(445,113)</u>
Cash (used in) / generated from operations	<u>(1,783,688)</u>	3,661,850
Employees' end-of-services benefits paid	(66,689)	(31,347)
Dividends paid	(83,703)	(6,604,317)
Board of Directors remuneration paid	-	(875,000)
Net cash (used in) operating activities	<u>(1,934,080)</u>	<u>(3,848,814)</u>
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss	-	(514,850)
Proceeds from sale of investments at fair value through profit or loss	2,226,531	13,196
Purchase of property and equipment	-	(24,983)
Purchase of investment property	-	(545,904)
Net cash from / (used in) investing activities	<u>2,226,531</u>	<u>(1,072,541)</u>
Net (decrease) in cash and cash equivalents	<u>292,451</u>	<u>(4,921,355)</u>
Cash and cash equivalents, beginning of the period	<u>2,992,679</u>	<u>7,261,895</u>
Cash and cash equivalents, end of the period	<u><u>3,285,130</u></u>	<u><u>2,340,540</u></u>
Cash and cash equivalents		
Cash on hand	16,270	27,363
Cash in banks	<u>3,268,860</u>	<u>2,313,177</u>
	<u><u>3,285,130</u></u>	<u><u>2,340,540</u></u>

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

Notes to the condensed consolidated interim financial statements for the nine month period ended September 30, 2019 (Unaudited)

1 Legal status and business activities

- 1.1 **Sharjah Group Company P.J.S.C., Sharjah - United Arab Emirates** (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 Al Khan Street, 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 September 30, 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-Manna'ei 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 nine month period ended September 30, 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 nine month period ended September 30, 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 1.5, 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 subsidiary 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 September 30, 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

	September 30, 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	515,260	680,972
End of service benefits	40,669	54,585
Other expenses for directors	31,089	101,405
	587,018	1,711,962

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

	September 30, 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	236,237,000	236,237,000

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.

Notes to the condensed consolidated interim financial statements for the nine month period ended
September 30, 2019 (Unaudited)
In Arab Emirates Dirham

6 Investments at fair value through other comprehensive income	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Quoted investments	6,929,280	3,678,624
Unquoted investments	1,684,693	1,687,495
	<u>8,613,973</u>	<u>5,366,119</u>

The movement in investments carried at fair value through other comprehensive income during the period / 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	(14,322)	(35,625)
Balance at the end of the period / year	<u>8,613,973</u>	<u>5,366,119</u>

7 Investments at fair value through profit or loss

Quoted investments	1,348,896	2,492,576
Unquoted investments	65,624	65,733
	<u>1,414,520</u>	<u>2,558,309</u>

The movement in investments carried at fair value through profit or loss during the period / 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	(2,226,531)	(267,811)
Realised gain on disposal of investment	752,518	-
Change in fair value	331,941	(214,478)
Translation reserve	(1,717)	(14,313)
Balance at the end of the period / year	<u>1,414,520</u>	<u>2,558,309</u>

8 Trade and other payables

Trade payables	496,849	387,672
Refundable deposits	883,725	843,973
Provision for claims and other legal expenses	37,508,694	60,538,407
Accruals for expenses	472,577	488,967
Rental income received in advance	1,035,637	853,148
	<u>40,397,482</u>	<u>63,112,167</u>

Provision for claims and other legal expenses relate to a legal case filed against the Group. The Sharjah Union Supreme Court issued its final decision dated January 29, 2019 stating the final claim amount to be paid shall include the principal and interest equal to principal amount. This final claim amount was calculated as AED 42.4 million. Therefore, the Group reversed the excess provision for claims and other legal expenses to other income amounting to AED 18.13 million, which was previously based on the earlier judgement. Subsequent to above judgement, the Group has paid AED 4.9 million as on September 30, 2019.

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

Notes to the condensed consolidated interim financial statements for the nine month period ended September 30, 2019 (Unaudited)
In Arab Emirates Dirham

	Nine month period ended September 30,		Three month period ended September 30,	
	2019	2018	2019	2018
9 Administrative expenses				
Staff costs	1,765,395	1,850,132	578,831	576,226
Salaries and other benefits to Executive Director	555,929	550,299	185,837	152,322
Legal and professional fees	690,566	1,423,516	410,957	684,950
Utilities	350,853	343,941	124,854	128,851
Provision for doubtful debts	351,642	149,860	158,578	58,297
Other benefits expenses for Directors	31,085	71,262	6,925	10,796
Rent	108,450	109,170	36,150	36,390
Depreciation on property and equipment	46,224	47,277	15,315	15,174
Other	328,925	309,752	119,461	83,715
	4,229,069	4,855,209	1,636,908	1,746,721
10 Basic and diluted earnings per share				
Net profit for the period	21,809,011	3,063,721	770,149	665,641
Weighted average number of shares	78,901,086	78,901,086	78,901,086	78,901,086
Basic and diluted earnings per share	0.276	0.039	0.010	0.008
Basic and diluted earnings per share	27.64 fils	38.83 fils	9.76 fils	8.44 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 September 30, 2019, there has been no known capital commitments on Group's financial statements.				
<i>Operating leases - Group as Lessor</i>				
The Group has entered into various operating lease agreements for investment properties. As at the period end, the future lease amounting to AED 4,283,591 (December 31, 2018: 4,540,307) are due within one-year, future lease amounting to AED Nil (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.				