

**Sharjah Group Company P.J.S.C.
and its Subsidiary**

Condensed Consolidated Interim
Financial Information

For the period ended June 30, 2020

Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information
For the period ended June 30, 2020

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**Report on review of the condensed consolidated financial information
To the Shareholders of Sharjah Group Company P.J.S.C.**

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Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Sharjah Group Company P.J.S.C. (the “Company”) and its Subsidiary (collectively referred to as the “Group”) as at June 30, 2020, comprising of the condensed consolidated statement of financial position as at June 30, 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months periods then ended and the related condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and related explanatory notes.

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 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 International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of condensed consolidated interim financial 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, 2019 were audited by another auditor whose report dated March 24, 2020 expressed an unmodified opinion on those consolidated financial statements. Furthermore, the condensed consolidated interim financial information of the Group for the period ended June 30, 2019 was reviewed by another auditor whose review report dated August 5, 2019 expressed an unmodified conclusion on that condensed consolidated interim financial information.



GRANT THORNTON

**Osama El Bakry
Registration No. 935
Dubai, United Arab Emirates
August 11, 2020**



**Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information**

**Condensed consolidated statement of financial position
As at June 30, 2020**

	Notes	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
ASSETS			
Non-current assets			
Property and equipment		136,863	135,970
Investment properties	3	198,273,518	198,192,750
Right-of-use assets	4	608,589	679,005
Investments at fair value through other comprehensive income	5	7,765,546	7,876,390
		<u>206,784,516</u>	<u>206,884,115</u>
Current assets			
Trade and other receivables		1,889,924	947,983
Investments at fair value through profit or loss	6	351,611	417,744
Cash and bank balances		4,456,408	3,356,838
		<u>6,697,943</u>	<u>4,722,565</u>
TOTAL ASSETS		<u>213,482,459</u>	<u>211,606,680</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		78,901,086	78,901,086
Statutory reserve		31,787,073	31,774,685
Voluntary reserve		12,106,131	12,093,743
Fair value reserve		(10,188,123)	(10,188,123)
Foreign currency translation reserve		(629,635)	(490,218)
Retained earnings		31,837,672	29,907,657
Total equity		<u>143,814,204</u>	<u>141,998,830</u>
Non-current liabilities			
Employees' end of service benefits		1,219,316	1,149,740
Lease liabilities	4	510,558	573,897
		<u>1,729,874</u>	<u>1,723,637</u>
Current liabilities			
Trade and other payables	7	38,611,437	38,661,606
Dividends payable		29,216,419	29,110,505
Lease liabilities	4	110,525	112,102
		<u>67,938,381</u>	<u>67,884,213</u>
Total liabilities		<u>69,668,255</u>	<u>69,607,850</u>
TOTAL EQUITY AND LIABILITIES		<u>213,482,459</u>	<u>211,606,680</u>

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on August 11, 2020 and were signed on their behalf by:


Mr. Ziyad Mahmoud Khairullah Al-Haji
Chairman


Mr. Mohammed Abdullah Al Wazzan
Chief Executive Officer

The accompanying notes from 1 to 12 form an integral part of this condensed consolidated interim financial information

Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of profit or loss
and other comprehensive income
For the period ended June 30, 2020

	Notes	Three months period ended June 30, 2020 (Unaudited) AED	Three months period ended June 30, 2019 (Unaudited) AED	Six months period ended June 30, 2020 (Unaudited) AED	Six months period ended June 30, 2019 (Unaudited) AED
Rental income		2,554,028	2,437,348	5,041,080	4,961,932
Dividend income		-	24,006	-	24,006
Unrealised (loss)/gain on investments at fair value through profit or loss		(12,003)	760,478	(64,815)	907,078
Realised gain on sale of investments at fair value through profit or loss		-	87,755	-	87,755
Administrative and general expenses	8	(1,101,160)	(1,257,217)	(2,345,309)	(2,592,161)
Repairs and maintenance expenses		(210,208)	(293,999)	(697,713)	(593,436)
Finance costs		(8,215)	-	(16,429)	-
Other income		22,791	47,623	37,977	18,243,688
PROFIT FOR THE PERIOD		1,245,233	1,805,994	1,954,791	21,038,862
Other comprehensive income					
<i>Items that will never be reclassified to profit or loss in subsequent periods</i>					
Change in fair value of investments at fair value through other comprehensive income		-	-	-	3,262,176
<i>Items that are or may be reclassified to profit or loss in subsequent periods</i>					
Foreign currency translation reserve		214,696	28,201	(139,417)	19,028
Total other comprehensive income/(loss)		214,696	28,201	(139,417)	3,281,204
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,459,929	1,834,195	1,815,374	24,320,066
Basic and diluted earnings per share	12	0.016	0.023	0.025	0.267

The accompanying notes from 1 to 12 form an integral part of this condensed consolidated interim financial information.

Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of changes in equity
For the period ended June 30, 2020

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Foreign currency translation reserve AED	Retained earnings AED	Total AED
Balance at January 1, 2020 (Audited)	78,901,086	31,774,685	12,093,743	(10,188,123)	(490,218)	29,907,657	141,998,830
Transfer from retained earnings to reserves	-	12,388	12,388	-	-	(24,776)	-
Profit for the period	-	-	-	-	-	1,954,791	1,954,791
Other comprehensive loss for the period	-	-	-	-	(139,417)	-	(139,417)
Total comprehensive income for the period	-	-	-	-	(139,417)	1,954,791	1,815,374
Balance at June 30, 2020 (Unaudited)	78,901,086	31,787,073	12,106,131	(10,188,123)	(629,635)	31,837,672	143,814,204
	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Foreign currency translation reserve AED	Retained earnings AED	Total AED
Balance 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	-	-	-	-	-	21,038,862	21,038,862
Other comprehensive income for the period	-	-	-	3,262,176	19,028	-	3,281,204
Total comprehensive income for the period	-	-	-	3,262,176	19,028	-	3,281,204
Balance at June 30, 2019 (Unaudited)	78,901,086	31,774,685	12,093,743	(9,416,657)	(497,211)	66,175,768	179,031,414

The accompanying notes from 1 to 12 form an integral part of this condensed consolidated interim financial information.

Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of cash flows
For the period ended June 30, 2020

	Notes	Six months period ended June 30, 2020 (Unaudited) AED	Six months period ended June 30, 2019 (Unaudited) AED
OPERATING ACTIVITIES			
Profit for the period		1,954,791	21,038,862
<i>Adjustments for non-cash items:</i>			
Allowance for expected credit loss of trade receivables		138,178	193,064
Unrealised loss/(gain) on investments classified at fair value through profit or loss	6	64,815	(907,078)
Realised gain on sale of investments at fair value through profit or loss		-	(87,755)
Provision for employees' end of service benefits		76,803	78,761
Depreciation on right-of-use assets	4	61,729	-
Depreciation on property and equipment		33,806	30,909
Finance costs		16,429	-
Reversal of allowance for expected credit loss of trade receivables		(3,232)	-
		<u>2,343,319</u>	<u>20,346,763</u>
<i>Changes in working capital</i>			
Trade and other receivables		(1,076,887)	(212,610)
Trade and other payables		55,745	(20,433,568)
Cash flow from/(used in) operations		<u>1,322,177</u>	<u>(299,415)</u>
Employees' end of service benefits paid		(7,227)	(57,994)
Net cash flow from/(used in) operating activities		<u>1,314,950</u>	<u>(357,409)</u>
INVESTING ACTIVITIES			
Addition of investment properties		(80,768)	-
Purchase of property and equipment		(34,699)	-
Proceeds from sale of investments at fair value through profit or loss		-	340,620
Net cash flow (used in)/from investing activities		<u>(115,467)</u>	<u>340,620</u>
FINANCING ACTIVITIES			
Lease payments	4	(72,480)	-
Dividends paid		-	(78,744)
Net cash flow used in financing activities		<u>(72,480)</u>	<u>(78,744)</u>
Net change in cash and bank balances		1,127,003	(95,533)
Exchange differences on translating foreign operations		(27,433)	650
Cash and bank balances, beginning of period		3,356,838	2,992,679
Cash and bank balances, end of period		<u>4,456,408</u>	<u>2,897,796</u>

The accompanying notes from 1 to 12 form an integral part of this condensed consolidated interim financial information.

**Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information**

**Notes to the condensed consolidated interim financial information
For the period ended June 30, 2020**

1 Legal status and principal activities

Sharjah Group Company P.J.S.C. (the "Company") is a public joint stock 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 June 30, 2020 which has been consolidated in this condensed interim financial information:

Name of subsidiary	Ownership interest		Country of operation and incorporation	Principal activity
	2020	2019		
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 Subsidiary's sake.

The Subsidiary is a limited liability company incorporated in Kuwait. Two individuals own 2% of the subsidiary's share capital 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 properties.

2 Summary of significant accounting policies

a) Basis of preparation

The condensed consolidated interim financial information of the Group has been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* and does not include all of the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standard (IFRS) and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2019.

The condensed consolidated interim financial information has been prepared under the historical cost convention except for investment properties, investments at fair value through profit or loss and investments at fair value through other comprehensive income which are stated at their fair value.

Accounting policies, related adjustments, estimates and assumptions adopted for the preparation of this condensed consolidated interim financial information are the same as those applied in the preparation of the audited consolidated financial statements for the year ended December 31, 2019.

b) Functional and presentation currency

The condensed consolidated interim financial information has been prepared in Arab Emirates Dirham (AED), the functional currency of the Group.

The subsidiary determines its own financial currency and its assets and liabilities have been translated into AED at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to the condensed consolidated interim statement of other comprehensive income.

**Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information**

**Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2020**

2 Summary of significant accounting policies (continued)

c) Basis of consolidation

This condensed consolidated interim financial information incorporates the financial information of the Company and entity controlled by the Company. Control is achieved where the Company has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

d) Significant accounting estimates and judgments

The preparation of the condensed consolidated interim financial information in conformity with IAS 34, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements of the Group as at and for the year ended December 31, 2019.

e) Impact of COVID-19 and current economic scenario

The coronavirus ("COVID-19") has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. On March 11, 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving at the present time. Therefore, it is challenging now, to predict the full extent and duration of its existence on the business and economic impact. As the Group is essentially engaged in investing in financial instruments, real estate and leasing properties, short term impact may be experienced but there is no change in Management's going concern assessment or business strategy. The Group has made strategic management plans specific to its operation and taken measures to manage its liquidity, reducing expenses and placing non-essential capex plans on hold. The Group is closely monitoring the situation and manages the business indirect impact resulted from COVID-19 outbreak in order to boost the liquidity.

3 Investment properties

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
Balance at January 1,	198,192,750	236,237,000
Additions during the period/year	80,768	-
Unrealised gain on revaluation of investment properties at fair value	-	(38,044,250)
	<u>198,273,518</u>	<u>198,192,750</u>

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

Fair value

Investment properties are stated at market value based on a valuation carried out by an independent external valuer as at December 31, 2019.

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.

Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2020

4 Leases

Right-of-use assets

The carrying amounts of the Company's right-of-use assets are as follow:

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
Cost		
As at January 1,	740,734	740,734
Translation reserve	<u>(10,424)</u>	<u>-</u>
	<u>730,310</u>	<u>740,734</u>
Accumulated depreciation		
As at January 1,	61,729	-
Translation reserve	<u>(1,737)</u>	<u>153</u>
Charged during the period/year	<u>61,729</u>	<u>61,576</u>
	<u>121,721</u>	<u>61,729</u>
Net carrying value as at period/year end	<u>608,589</u>	<u>679,005</u>

Lease liabilities

Lease liabilities are presented in the condensed consolidated statement of financial position as at June 30, 2020 as follows:

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
Current liabilities	110,525	112,102
Non-current liabilities	<u>510,558</u>	<u>573,897</u>
	<u>621,083</u>	<u>685,999</u>

Interest expense on lease liabilities amounted to AED 16,429 (2019: AED 17,701) during the period.

Movement in the lease liabilities during the period/year are as follows:

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
As at January 1,	685,999	-
Additions during the period/year	-	740,778
Interest charged for the period/year	16,429	17,701
Payment of the principle portion during the period/year	<u>(72,480)</u>	<u>(74,184)</u>
Translation reserve	<u>(8,865)</u>	<u>1,704</u>
	<u>621,083</u>	<u>685,999</u>

5 Investments classified at fair value through other comprehensive income

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
Quoted investments	5,888,828	5,972,884
Unquoted investments	<u>1,876,718</u>	<u>1,903,506</u>
	<u>7,765,546</u>	<u>7,876,390</u>

Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2020

5 Investments classified at fair value through other comprehensive income (continued)

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

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
As at January 1,	7,876,390	5,366,119
Changes in the fair value	-	2,490,710
Translation reserve	(110,844)	19,561
	<u>7,765,546</u>	<u>7,876,390</u>

6 Investments classified at fair value through profit or loss

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
Quoted investments	259,261	324,076
Unquoted investments	92,350	93,668
	<u>351,611</u>	<u>417,744</u>

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

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
As at January 1,	417,744	2,558,309
Disposals during the period/year	-	(2,096,483)
Changes in fair value	(64,815)	(44,314)
Translation reserve	(1,318)	232
	<u>351,611</u>	<u>417,744</u>

7 Trade and other payables

	June 30, 2020 (Unaudited) AED	December 31, 2019 (Audited) AED
<i>Financial liabilities</i>		
Trade payables	394,438	488,089
Provision for claims and other legal expenses	35,400,000	35,901,046
Refundable deposits	982,742	869,270
Accrued expenses	425,426	516,233
Other payables	-	23,132
	<u>37,202,606</u>	<u>37,797,770</u>
<i>Non-financial liability</i>		
Rental income received in advance	1,408,831	863,836
	<u>38,611,437</u>	<u>38,661,606</u>

Sharjah Group Company P.J.S.C. and its Subsidiary
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2020

7 Trade and other payables (continued)

Provision for claims and other legal expenses relate to a legal case filed against the Group in December 1999. The Sharjah Union Supreme Court issued its final decision dated January 29, 2019 stating the final claim amount to be paid shall include the principle and interest equal to the principle amount. The final claim amount was calculated as AED 42.408 million. The Group reversed the excess provision for claims and other legal expenses to other income amounting to AED 18.131 million, which was previously based on an earlier judgement. During the period ended June 30, 2020, the Group has paid an amount of AED 0.5 million as a partial settlement of these liabilities (Year ended December 31, 2019: AED 6.5 million), totalling to AED 7 million. Hence, the outstanding liability amounted to AED 35.4 million as at June 30, 2020, including interest (December 31, 2019: AED 35.9 million).

On March 2, 2020, the Group received a legal notice from Sharjah Court and Sharjah Land Department to attach all properties of the Group situated in the Emirate of Sharjah, United Arab Emirates. As at June 30, 2020, the total fair value of all these properties amounted to AED 198.3 million (Note 3). Consequently, the Group has appealed against this notice and requested to limit the attachment to certain properties with sufficient fair value to cover the outstanding balance.

As of the date of approval of this condensed consolidated interim financial information, there were no further progresses on the Group's legal request.

8 Administrative and general expenses

	Three months period ended June 30, 2020 (Unaudited) AED	Three months period ended June 30, 2019 (Unaudited) AED	Six months period ended June 30, 2020 (Unaudited) AED	Six months period ended June 30, 2019 (Unaudited) AED
Staff costs	522,026	580,072	1,088,375	1,186,564
Salaries and other benefits to Chief Executive Officer	194,790	164,316	391,963	370,092
Legal and professional fees	97,022	135,132	274,804	279,609
Utilities	100,130	116,310	188,717	225,999
Allowance for expected credit loss of trade receivables	72,975	113,835	138,178	193,064
Depreciation on right-of-use assets	30,865	-	61,729	-
Depreciation on property and equipment	17,152	15,454	33,806	30,909
Other benefits expenses for Directors	-	8,670	-	24,160
Rent expense	-	36,150	-	72,300
Other expenses	66,200	87,278	167,737	209,464
	1,101,160	1,257,217	2,345,309	2,592,161

9 Seasonality of results

The Group's income consists of rental and investment income. Rental income is not significantly affected by any seasonal impact as it depends on annual lease contracts which are recognised in the income statement on a straight-line method and in accordance with different terms of these contracts. In addition, there is limited fluctuation on the rent rates where the Group's investment properties are located. Investment income depends on market conditions, investment activities of the Group and declaration of profit by investee companies, which are of a seasonal nature. Accordingly, results of investment income for the period ended June 30, 2020 are not comparable to those relating to the comparative period and are not indicative of the results that might be expected for the year ending December 31, 2020.

Sharjah Group Company P.J.S.C. and its Subsidiary
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Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2020

10 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.

For the purpose of the condensed consolidated interim financial information, 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.

Compensation of key management personnel

Key management personnel of the Company include the Chief Executive Officer and Directors. Key management personnel compensation includes the following:

	Three months period ended June 30, 2020 (Unaudited) AED	Three months period ended June 30, 2019 (Unaudited) AED	Six months period ended June 30, 2020 (Unaudited) AED	Six months period ended June 30, 2019 (Unaudited) AED
Salaries and other short-term employee benefits	181,200	150,748	364,783	342,979
End of service benefits	13,590	13,568	27,180	27,113
Other expenses for Directors	-	8,670	-	24,160

11 Capital commitments

As at June 30, 2020 the Group had capital commitments on the construction of investment properties amounting to AED 37,800 (December 31, 2019: AED Nil).

12 Basic and diluted earnings per share

	Three months period ended June 30, 2020 (Unaudited) AED	Three months period ended June 30, 2019 (Unaudited) AED	Six months period ended June 30, 2020 (Unaudited) AED	Six months period ended June 30, 2019 (Unaudited) AED
Profit for the period	1,245,233	1,805,994	1,954,791	21,038,862
Weighted average number of shares	78,901,086	78,901,086	78,901,086	78,901,086
Basic and diluted earnings per share	0.016	0.023	0.025	0.267