

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements
(Unaudited)
For the three-month and
nine-month periods ended 31 December 2019
together with
Independent Auditor's Review Report

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

To the Shareholders of Arabian Centres Company

Introduction

We have reviewed the accompanying 31 December 2019 condensed consolidated interim financial statements of Arabian Centres Company ("the Company") and its subsidiaries ("the Group") which comprise:

- the condensed consolidated statement of financial position as at 31 December 2019;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 31 December 2019;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 31 December 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 31 December 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended 31 December 2019; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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' that is endorsed in the Kingdom of Saudi Arabia. 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 that are endorsed in the Kingdom of Saudi Arabia, 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 31 December 2019 condensed consolidated interim financial statements of Arabian Centres Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Hani Hamzah A. Bedairi
License No: 460

Al Riyadh, 10 Jumada Al-Akhirah1441H
Corresponding to: 4 February 2020

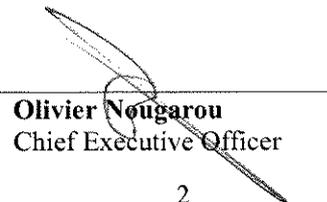


Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	<i>Note</i>	31 December <u>2019</u> Unaudited SR	31 March <u>2019</u> Audited SR
ASSETS			
Current assets			
Cash and cash equivalents		177,664,751	457,670,983
Accounts receivable		303,004,559	299,245,146
Amounts due from related parties	6	633,392,536	567,558,035
Advances to a contractor, related party	6	531,623,936	499,595,478
Prepayments and other current assets		137,597,436	96,244,969
Accrued revenue (rentals) – current portion		25,416,944	30,191,211
Total current assets		<u>1,808,700,162</u>	<u>1,950,505,822</u>
Non-current assets			
Advances to a contractor, related party – non-current portion	6	105,318,598	105,318,598
Accrued revenue (rentals) – non-current portion		50,833,889	60,382,421
Investment in an equity-accounted investee	7	49,796,807	42,238,721
Other investments	8	105,960,375	108,708,763
Investment properties	9	11,231,440,641	10,983,848,465
Right-of-use assets	4	3,636,662,818	--
Property and equipment		99,063,762	114,773,889
Total non-current assets		<u>15,279,076,890</u>	<u>11,415,270,857</u>
Total assets		<u>17,087,777,052</u>	<u>13,365,776,679</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Current portion of long-term loans	10	45,000,000	501,875,532
Lease liability on right-of-use assets – current portion	4	559,432,078	--
Accounts payable		204,044,188	217,760,402
Amounts due to related parties	6	19,781,134	22,499,022
Unearned revenue		209,227,660	305,506,061
Accrued lease rentals		--	11,480,894
Accruals and other current liabilities		148,807,245	326,082,270
Zakat payable		82,202,258	82,457,716
Total current liabilities		<u>1,268,494,563</u>	<u>1,467,661,897</u>
Non-current liabilities			
Long-term borrowings	10	6,222,620,673	6,239,159,152
Lease liability on right-of-use assets – non-current portion	4	3,629,394,157	--
Accrued lease rentals – non-current portion		--	515,366,044
Employees' end-of-service benefits		31,168,096	31,744,170
Other non-current liabilities		51,602,513	47,085,296
Total non-current liabilities		<u>9,934,785,439</u>	<u>6,833,354,662</u>
Total liabilities		<u>11,203,280,002</u>	<u>8,301,016,559</u>
EQUITY			
Share capital	11	4,750,000,000	4,450,000,000
Share premium	11	411,725,703	--
Statutory reserve	12	449,699,309	449,699,309
Other reserves		(21,020,388)	(18,272,000)
Retained earnings		291,687,103	183,241,759
Equity attributable to the Shareholders of the Parent Company		<u>5,882,091,727</u>	<u>5,064,669,068</u>
Non-controlling interests		2,405,323	91,052
Total equity		<u>5,884,497,050</u>	<u>5,064,760,120</u>
Total liabilities and equity		<u>17,087,777,052</u>	<u>13,365,776,679</u>

The accompanying notes from 1 to 30 form an integral part of these condensed consolidated interim financial statements.


Jabri Maali
Chief Financial Officer

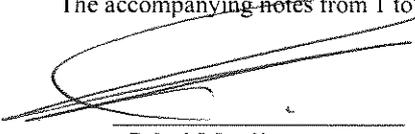

Olivier Nougrou
Chief Executive Officer

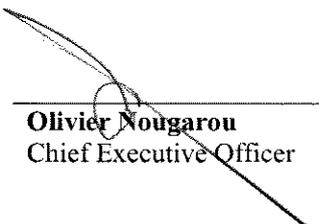

Fawaz Alhokair
Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three-month and nine-month periods ended 31 December 2019

	<i>Note</i>	<u>Three-month</u> <u>period ended</u>		<u>Nine-month</u> <u>period ended</u>	
		31 December <u>2019</u>	31 December 2018	31 December <u>2019</u>	31 December 2018
		Unaudited SR	Audited SR	Unaudited SR	Audited SR
Revenue	14	557,544,070	530,109,341	1,689,167,751	1,619,985,894
Cost of revenue					
- Direct costs		(82,551,961)	(124,162,499)	(246,178,868)	(405,564,306)
- Depreciation of right-of-use assets	4	(41,440,482)	--	(118,385,695)	--
- Depreciation of investment properties	9	(71,821,738)	(65,434,098)	(203,774,640)	(191,149,099)
Gross profit		361,729,889	340,512,744	1,120,828,548	1,023,272,489
Other income		483,972	24,272	6,469,156	6,842,642
Other expenses		--	(1,694,030)	(30,218)	(6,336,740)
Advertisement and promotion expenses		(2,559,631)	(1,364,799)	(4,970,011)	(4,947,142)
Charge for impairment loss on accounts receivable	18	(23,043,220)	(14,548,132)	(57,807,584)	(53,202,227)
General and administrative expenses		(44,567,682)	(44,531,786)	(135,915,078)	(125,064,219)
Operating profit		292,043,328	278,398,269	928,574,813	840,564,803
Share of profit of equity-accounted investee	7	3,647,035	--	12,558,086	8,116,700
Interest expense on lease liabilities	4	(31,065,763)	--	(82,960,272)	--
Finance cost		(147,228,015)	(75,441,716)	(288,713,479)	(361,806,126)
Profit before zakat		117,396,585	202,956,553	569,459,148	486,875,377
Zakat		(6,772,571)	72,820,318	(23,699,533)	61,787,709
Profit for the period		110,624,014	275,776,871	545,759,615	548,663,086
Profit for the period attributable to:					
Shareholders of the Parent Company		107,892,211	272,097,640	535,945,344	538,399,739
Non-controlling interests		2,731,803	3,679,231	9,814,271	10,263,347
		110,624,014	275,776,871	545,759,615	548,663,086
Earnings per share:					
Basic and diluted earnings per share attributable to the Shareholders of the Parent Company	15	0.23	0.58	1.14	1.15

The accompanying notes from 1 to 30 form an integral part of these condensed consolidated interim financial statements.


Jabri Maali
Chief Financial Officer


Olivier Nougrou
Chief Executive Officer


Fawaz Alhokair
Chairman

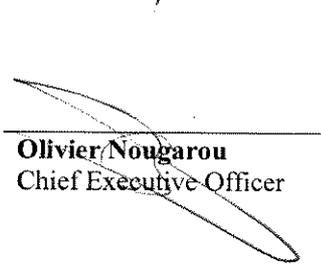
Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended 31 December 2019

	<u>Three-month</u> <u>period ended</u>		<u>Nine-month</u> <u>period ended</u>	
	31 December <u>2019</u> Unaudited SR	31 December <u>2018</u> Audited SR	31 December <u>2019</u> Unaudited SR	31 December <u>2018</u> Audited SR
Profit for the period	110,624,014	275,776,871	545,759,615	548,663,086
Other comprehensive income				
<i>Item that will not be reclassified to profit or loss</i>				
- Re-measurement of defined benefit liability	--	1,482,000	--	2,990,000
- Other investment at FVOCI – net change in fair value	1,098,612	1,900,000	(2,748,388)	1,900,000
Other comprehensive income / (loss) for the period	<u>1,098,612</u>	<u>3,382,000</u>	<u>(2,748,388)</u>	<u>4,890,000</u>
Total comprehensive income for the period	<u>111,722,626</u>	<u>279,158,871</u>	<u>543,011,227</u>	<u>553,553,086</u>
Total comprehensive income for the period attributable to:				
Shareholders of the Parent Company	108,990,823	275,479,640	533,196,956	543,289,739
Non-controlling interests	2,731,803	3,679,231	9,814,271	10,263,347
	<u>111,722,626</u>	<u>279,158,871</u>	<u>543,011,227</u>	<u>553,553,086</u>

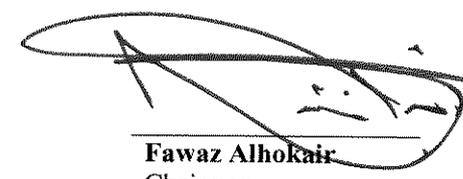
The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.



Jabri Maali
Chief Financial Officer



Olivier Nougrou
Chief Executive Officer



Fawaz Alhokair
Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 31 December 2019

	Attributable to Shareholders of the Parent Company						Non-		Total equity SR
	Share capital SR	Share premium SR	Statutory reserve SR	Other reserves SR	Retained earnings SR	Total SR	controlling interests SR		
Balance as at 1 April 2018	4,450,000,000	--	370,739,315	2,759,217	77,572,310	4,901,070,842	3,881,812	4,904,952,654	
Impact of adoption IFRS 9 ECL	--	--	--	--	35,053,283	35,053,283	1,708,427	36,761,710	
Impact of adoption IFRS 9 FVTOCI	--	--	--	(21,400,000)	--	(21,400,000)	--	(21,400,000)	
Impact of adoption IFRS 9 FVTPL	--	--	--	23,783	(23,783)	--	--	--	
Profit for the period	--	--	--	--	538,399,739	538,399,739	10,263,347	548,663,086	
Other comprehensive income for the period	--	--	--	4,890,000	--	4,890,000	--	4,890,000	
Total comprehensive income for the period	--	--	--	4,890,000	538,399,739	543,289,739	10,263,347	553,553,086	
Dividends	--	--	--	--	(640,000,000)	(640,000,000)	--	(640,000,000)	
Balance as at 31 December 2018 (Audited)	4,450,000,000	--	370,739,315	(13,727,000)	11,001,549	4,818,013,864	15,853,586	4,833,867,450	
Balance as at 1 April 2019	4,450,000,000	--	449,699,309	(18,272,000)	183,241,759	5,064,669,068	91,052	5,064,760,120	
Profit for the period	--	--	--	(2,748,388)	535,945,344	535,945,344	9,814,271	545,759,615	
Other comprehensive income for the period	--	--	--	(2,748,388)	--	(2,748,388)	--	(2,748,388)	
Total comprehensive income for the period	--	--	--	(2,748,388)	535,945,344	533,196,956	9,814,271	543,011,227	
Increase in share capital (Note 11)	300,000,000	--	--	--	--	300,000,000	--	300,000,000	
Share premium	--	411,725,703	--	--	--	411,725,703	--	411,725,703	
Dividends (Note 13)	--	--	--	--	(427,500,000)	(427,500,000)	(7,500,000)	(435,000,000)	
Balance as at 31 December 2019 (Unaudited)	4,750,000,000	411,725,703	449,699,309	(21,020,388)	291,687,103	5,882,091,727	2,405,323	5,884,497,050	

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.


Jabri Maali
Chief Financial Officer


Olivier Nougaron
Chief Executive Officer


Fawaz Alhokair
Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine-month period ended 31 December 2019

	<u>Note</u>	Nine-month period ended 31 December <u>2019</u> Unaudited SR	Nine-month period ended 31 December <u>2018</u> Audited SR
Cash flows from operating activities			
Profit before zakat		569,459,148	486,875,377
<i>Adjustments for:</i>			
Depreciation of investment properties	9	203,774,640	191,149,099
Depreciation of property and equipment		24,034,646	24,478,826
Share of profit of equity accounted investee	7	(12,558,086)	(8,116,700)
Finance cost		288,713,479	361,806,126
Interest expense on lease liabilities	4	82,960,272	--
Provision for employees' end-of-services benefits		3,634,898	4,630,000
Impairment loss on accounts receivable	18	57,807,584	53,202,227
Change of fair value of other investments		--	267,453
Impairment of advance to suppliers		--	6,069,287
Depreciation of right-of-use assets		121,278,626	--
		<u>1,339,105,207</u>	<u>1,120,361,695</u>
Changes in:			
Accounts receivable		(61,566,997)	(81,568,410)
Amounts due from related parties, net		(144,326,686)	(867,066,749)
Prepayments and other current assets		(144,591,703)	(26,706,471)
Accrued revenue		14,322,799	6,452,447
Accounts payable		(13,716,214)	(81,816,571)
Accrued lease rentals		--	7,983,638
Unearned revenue		(96,278,401)	82,012,735
Accruals and other current liabilities		1,336,821	43,430,440
Cash from operating activities		<u>894,284,826</u>	<u>203,082,754</u>
Employees' end-of-service benefits paid		(4,210,972)	(4,979,223)
Zakat paid		(23,954,991)	--
Net cash from operating activities		<u>866,118,863</u>	<u>198,103,531</u>
Cash flows from investing activities			
Additions to investment properties		(334,255,169)	(219,478,629)
Purchase of property and equipment		(8,324,519)	(8,023,133)
Dividend received from an associate		--	9,000,000
Advances to a contractor, related party		(32,028,458)	(319,772,467)
Net cash used in investing activities		<u>(374,608,146)</u>	<u>(538,274,229)</u>
Cash flows from financing activities			
Payment of financial charges		(387,297,607)	(168,360,880)
Payment of transaction costs		(108,836,593)	(91,692,960)
Payment of lease liabilities		(188,679,986)	--
Proceeds from long-term loans	10	4,618,673,930	6,900,274,012
Repayment of loans long-term loans	10	(6,932,826,693)	(6,227,173,306)
Proceeds from sukuk		1,874,950,000	--
Dividends paid		(427,500,000)	--
Proceeds from initial public offering		780,000,000	--
Net cash (used in) / generated from financing activities		<u>(771,516,949)</u>	<u>413,046,866</u>
Net (decrease) / increase in cash and cash equivalents		<u>(280,006,232)</u>	<u>72,876,168</u>
Cash and cash equivalents at the beginning of the period		<u>457,670,983</u>	<u>80,350,968</u>
Cash and cash equivalents at end of the period		<u>177,664,751</u>	<u>153,227,136</u>

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the nine-month period ended 31 December 2019

	<i>Note</i>	Nine-month period ended 31 December 2019 Unaudited SR	Nine-month period ended 31 December 2018 Audited SR
<u>Non-cash transactions:</u>			
Right-of-use assets	4	3,685,554,416	--
Lease liability on right-of-use assets	4	4,105,047,274	--
Prepaid rent reclassified to right-of-use assets	4	108,239,236	--
Capitalized finance cost for project under construction		36,190,326	32,601,544
Capitalized depreciation of right-of-use assets for project under construction	4	45,638,687	--
Capitalized interest expense on lease liabilities for project under construction	4	71,842,960	--
Non-controlling interests dividends settled through adjusting amounts due to related parties		7,500,000	--
Capitalized arrangement fees for project under construction	10	1,703,334	--
Accruals and other current liabilities reclassified to right-of-use assets	4	885,156	--
Dividends settled through the Ultimate Parent Company's account		--	640,000,000
Investment property transferred to related parties		--	(83,867,364)
Capitalized rent investment properties		--	107,573,129
Zakat payable transferred to the Ultimate Parent Company		--	8,825,429
Unrealized loss on revaluation of available for sale investments		--	(162,220)

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.


Jabri Maali
Chief Financial Officer


Olivier Nougrou
Chief Executive Officer


Fawaz Alhokair
Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine-month period ended 31 December 2019

1. CORPORATE INFORMATION AND ACTIVITIES

Arabian Centres Company (“the Company”) (previously incorporated in the Kingdom of Saudi Arabian as a Closed Joint Stock Company), is Saudi Joint Stock Company and listed on the Saudi Stock Exchange with effect from 22 May 2019. The Company is registered in Riyadh, Kingdom of Saudi Arabia (“KSA”) under commercial registration number 1010209177 and dated 7 Rabi Thani 1426H (corresponding to 15 May 2005). The registered office is located at Nakheel District, P.O. Box 341904, Riyadh 11333, KSA.

The Company’s and its subsidiaries’ mentioned below (collectively referred to as “the Group”) principal business objectives are to purchase lands, build, develop and invest in buildings, selling or leasing of buildings and construction of commercial buildings including demolition, repair, excavation and maintenance works. It also includes maintenance and operation of commercial centres, tourist resorts, hotels and restaurants, managing and operating temporary and permanent exhibitions, compounds and hospitals.

Following is the list of subsidiaries included in these condensed consolidated interim financial statements as of 31 December 2019, 31 March 2019 and 31 December 2018:

<u>Name of subsidiary (i)</u>	Ownership %	
	Direct	Indirect (ii)
Riyadh Centres Company Limited	95%	5%
Al Bawarij International for Development & Real Estate Investment Company	95%	5%
Al Makarem International for Real Estate Development Company	95%	5%
Oyoun Al Raed Mall Trading	95%	5%
Oyoun Al Basateen Company for Trading	95%	5%
Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company	50%	--
Yarmouk Mall Company Limited	95%	5%
Al Erth Al Matin Trading Company	95%	5%
Arkan Salam for Real Estate and Contracting Company Limited (ii)	95%	5%
Mall of Arabia Company Limited	95%	5%
Aziz Mall Trading Company Limited	95%	5%
Dhahran Mall Trading Company Limited	95%	5%
Al Noor Mall Trading Company Limited	95%	5%
Al Yasmeen Mall Trading Company	95%	5%
Al Dammam Mall Trading Company	95%	5%
Al Malaz Mall Trading Company	95%	5%
Al Hamra Mall Trading Company	95%	5%
Al Erth Al Rasekh Trading Company	95%	5%

(i) All subsidiaries are limited liability companies incorporated in KSA.

(ii) Indirect ownership is held through other subsidiaries within the Group.

These condensed consolidated interim financial statements were approved by the Company’s board of directors on 10 Jumada Al-Akhirah1441H (corresponding to 4 February 2020).

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine-month period ended 31 December 2019

2. BASIS OF PREPARATION AND PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 March 2019 (“last annual Consolidated Financial Statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group’s financial position and performance since the last annual Consolidated Financial Statements.

This is the first year in which IFRS 16 has been applied. Significant changes from the last annual consolidated financial statements are described in note 4.

Basis of measurement, functional and presentation currency

These condensed consolidated interim financial statements are prepared under the historical cost convention except for measurement of other investments at fair value and employees end of service benefits using projected unit credit method. These condensed consolidated interim financial statements are presented in Saudi Arabian Riyal (SR), which is the functional currency of the Group.

Basis of consolidation

a) *Subsidiaries*

Refer to note 3 for details on judgements applied by the Group in respect of determination of control.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit / loss and each component of OCI are attributed to the Shareholders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

A list of subsidiaries is provided in note 1, which also discloses the percentages of ownership.

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine-month period ended 31 December 2019

2. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

Basis of consolidation (continued)

b) Change in ownership interest

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the condensed consolidated statement of profit or loss; and
- reclassifies the shareholders' share of components previously recognized in OCI to condensed consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group ceases to consolidate for an investment in subsidiary because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in the condensed consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to the condensed consolidated statement of profit or loss.

c) Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the condensed consolidated statement of financial position, condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income and condensed consolidated statement of changes in equity.

d) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in an associate is accounted for using the equity method of accounting, after initially being recognized at cost.

e) Equity method

Equity method of accounting is used for the investment in an associate. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in the condensed consolidated statement of profit or loss, and the Group's share of movements in OCI of the investee in condensed consolidated statement of comprehensive income, if any.

Dividends received or receivable from an associate are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions, if any, between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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2. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

Basis of consolidation (continued)

Goodwill, if any, relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the condensed consolidated statement of profit or loss, outside operating income.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'share in earnings' of an associate in the condensed consolidated statement of profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the condensed consolidated statement of profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI are reclassified to the condensed consolidated statement of profit or loss where appropriate.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of these condensed consolidated interim financial statements in conformity with IFRS that are endorsed in the Kingdom of Saudi Arabia, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Consolidated Financial Statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in note 4.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 March 2019, except as described below for the application of new accounting standards being effective from 1 January 2019.

The changes in accounting policies are also expected to be reflected in the Group's annual consolidated financial statements as at and for the year ending 31 March 2020.

The Company has adopted IFRS 16 Leases from 1 April 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

B. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on condensed consolidated statement of financial position.

The Group decided to apply recognition exemptions to short-term leases. For leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 “Revenue from Contracts with Customers” to allocate consideration in the contract to each lease and non-lease component.

D. Transition

Previously, the Group classified land leases as operating leases under IAS 17. These include land for malls. The leases typically run for a period of 15 to 30 years. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 April 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on transition

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019.

	<u>SAR</u>
Assets:	
Right-of-use assets	3,685,554,416
Prepayments	(108,239,236)
Accrued revenue	885,156
Total impact on assets	<u>3,578,200,336</u>
Liabilities:	
Lease liability	4,105,047,274
Accrued lease rentals	(526,846,938)
Total impact on liabilities	<u>3,578,200,336</u>
Total impact on equity	<u>---</u>

Impact for the period ended 31 December 2019

Right-of-use assets	
Balance as at 1 April 2019	3,685,554,416
Addition during the period	118,025,715
Depreciation charge for the period:	
- Cost of revenue	(118,385,695)
- General and administrative expenses	(2,892,931)
Depreciation capitalized for projects under construction	(45,638,687)
Balance at the end of the period	<u>3,636,662,818</u>
Lease liabilities	
Balance as at 1 April 2019	4,105,047,274
Addition during the period	118,025,715
Lease payments	(188,679,986)
Discounts	(370,000)
Interest expense for the period	82,960,272
Interest capitalized for projects under construction	71,842,960
Balance at the end of the period	<u>4,188,826,235</u>

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5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following amended standards and interpretations, when they become effective, are not expected to have a significant impact on the Group's condensed consolidated interim financial statements.

Effective date	New standards and amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards
	Definition of a Business (Amendments to IFRS 3)
	Definition of Material (Amendments to IAS 1 and IAS 8)
1 January 2021	IFRS 17 Insurance Contracts
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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6. RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these condensed consolidated interim financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, and vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities. Balances and transactions between the Company and its subsidiaries, which are related parties within the Group, have been eliminated on consolidation and are not disclosed in this note.

6.1 Parent entity

<u>Name</u>	<u>Type</u>
Saudi FAS Holding Company	Ultimate Parent Company
FAS Real Estate Company Limited	Immediate Parent Company

6.2 Subsidiaries

Interests in subsidiaries are set out in note 1.

6.3 Key management personnel compensation

The remuneration of directors and other key management personnel are as follows:

	Nine-month period ended 31 December 2019 (Unaudited) SR	Nine-month period ended 31 December 2018 (Audited) SR
End-of-service benefits	4,896,999	519,752
Salaries and short-term benefits	13,256,733	8,295,945
Total key management compensation	18,153,732	8,815,697

6.4 Related party transactions

During the period, the Group transacted with its related parties. The terms of those transactions are approved by management / Board of Directors in the ordinary course of business. The significant transactions and the related amounts are as follows:

	Nine-month period ended 31 December 2019 (Unaudited) SR	Nine-month period ended 31 December 2018 (Audited) SR
Ultimate Parent Company		
Payment to suppliers on behalf of the Ultimate Parent Company	38,534,556	8,700,469
Initial public offering expenses charged to Ultimate Parent Company	16,192,603	--
Non-controlling interests dividends settlement	7,500,000	--
Transfer of project under construction along with prepaid rent and accrued lease rentals to the Ultimate Parent Company	--	107,573,129
Transfer of Zakat payable to the Ultimate Parent Company	--	(8,825,429)
Dividends settled through shareholders' account	--	(640,000,000)
Settlement of balances through other related party	--	20,500,000
Transfer of investment properties	--	(83,867,364)

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6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

6.4 Related party transactions (continued)

	Nine-month period ended 31 December 2019 (Unaudited) SR	Nine-month period ended 31 December 2018 (Audited) SR
Fellow subsidiaries and other related parties		
Rental revenue, net	<u>426,740,308</u>	408,682,910
Construction work included in projects under construction	<u>220,147,068</u>	<u>262,545,829</u>
Service expenses	<u>80,606,627</u>	<u>44,885,986</u>

With the consent of the Shareholders of the Company, the contracts for the construction of all projects are awarded to other related party namely, Fawaz Abdulaziz Al Hokair & Partners Real Estate Company. The process of awarding these contracts does not include bidding.

6.5 Related party balances

The following table summarizes related parties balances:

i) Amounts due from related parties:

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
FAS Holding Company for Hotels (c)	350,322,579	350,322,579
Nesk Trading Project Company Limited (a)	94,944,458	31,792,316
Fawaz Abdulaziz Al Hokair & Co. (a)	54,791,175	--
Abdul Mohsin Al Hokair Group for Tourism and Development (a)	50,148,973	23,017,193
Next Generation Co. (c)	22,909,293	2,121,140
Food Gate Co. (c)	22,516,566	14,727,580
Via Media Company (a)	13,239,575	--
Fashion District (a)	10,267,268	--
Billy Games Company Limited (a)	4,303,944	26,342,675
Innovative union Company (a)	4,070,702	--
Tadaris Najd Security Company (a)	3,003,475	18,612,907
Kids Space Company Limited (a)	968,457	4,058,996
Skill Innovative Games Co. (a)	582,992	2,527,781
Coffee Centers Company Limited (a)	--	2,704,437
Food and Entertainment Trading Company Limited (a)	--	73,076,057
FAS Technologist Trading Co (c)	--	9,732,700
Azal Restaurant Co (c)	--	7,202,288
Others (c)	1,323,079	1,319,386
	<u>633,392,536</u>	<u>567,558,035</u>

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6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

6.5 Related party balances (continued)

ii) Amounts due to related parties:

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Etqan Facilities Management (c)	19,781,134	14,673,280
Saudi FAS Holding Company (c)	--	4,067,636
Fawaz Abdulaziz Al Hokair & Co. (b)	--	3,758,106
	<u>19,781,134</u>	<u>22,499,022</u>

(a) These mainly represent rental receivables from the related parties.

(b) These mainly represent advance rentals received, net of rental income receivables.

(c) These mainly represent related party transactions as per the normal course of business.

6.6 Terms and conditions of transactions with related parties

The above outstanding balances are unsecured, interest free and settlement occurs in cash. The Group did not record any impairment of receivables relating to amounts owed by related parties in either period.

It should be noted that some of the lease agreements for leasehold lands on which the Group's investment properties (buildings) are constructed, are in the name of related entities of the Group who have assigned these lease agreements to the Group's benefit.

6.7 Advances to a contractor – related party

Advances to a contractor represents advance paid to Fawaz Abdulaziz Al Hokair & Partners Real Estate Company for the construction of shopping malls, which are under various stages of completion.

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Current portion	531,623,936	499,595,478
Non-current portion	105,318,598	105,318,598
	<u>636,942,534</u>	<u>604,914,076</u>

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7. INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE

Equity accounted investee represents an investment in the share capital of Aswaq Al Mustaqbal for Trading Company; a real estate company incorporated in the Kingdom of Saudi Arabia which is engaged primarily in the general contracting for buildings, building maintenance, electrical and mechanical works and acquisition of lands to construct buildings for sale or lease out.

The movement of the investment during the period is as follows:

	Percentage of ownership	Opening balance SR	Share in earnings SR	Dividend SR	Ending balance SR
As at 31 December 2019	25%	<u>42,238,721</u>	<u>12,558,086</u>	<u>(5,000,000)</u>	<u>49,796,807</u>
As at 31 March 2019	25%	<u>39,669,322</u>	<u>11,569,399</u>	<u>(9,000,000)</u>	<u>42,238,721</u>
As at 31 December 2018	25%	<u>39,669,322</u>	<u>8,116,700</u>	<u>(9,000,000)</u>	<u>38,786,022</u>

8. OTHER INVESTMENTS

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Investments in a real estate company at FVOCI - unquoted (i)	99,251,612	102,000,000
Investment in a real estate fund at FVTPL - unquoted (ii)	<u>6,708,763</u>	<u>6,708,763</u>
	<u>105,960,375</u>	<u>108,708,763</u>

(i) Investments in a real estate company - unquoted:

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Amlak International for Real Estate Finance Company	<u>99,251,612</u>	<u>102,000,000</u>

The Group's equity investment of 8.5% in Amlak International for Real Estate Finance Company is owned directly and indirectly through the Company's subsidiaries. The Group paid SR 121.5 million to acquire the investments which includes payment of SR 45 million as premium for the investment.

(ii) Investment in a real estate fund - unquoted:

This represents 0.25% equity investment in Digital City Fund (68 units each for SR 100,000) purchased for SR 7 million. Market value of the investment amounted to SR 6.7 million (31 March 2019: SR 6.7 million).

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8. OTHER INVESTMENTS (CONTINUED)

The movement in investments in real estate fund was as follows:

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
<u>Cost:</u>		
At the beginning and end of the period / year	<u>7,000,000</u>	<u>7,000,000</u>
<u>Revaluation adjustments:</u>		
At the beginning of the period / year	(291,237)	(23,783)
Unrealized loss during the period / year	--	(267,454)
At the end of the period / year	<u>(291,237)</u>	<u>(291,237)</u>
Net carrying amount	<u><u>6,708,763</u></u>	<u><u>6,708,763</u></u>

9. INVESTMENT PROPERTIES

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
<u>Cost</u>		
Balance at the beginning of the period / year	12,915,594,409	12,457,814,627
Additions during the period / year	451,366,816	637,621,391
Transfer to the Ultimate Parent Company	--	(174,328,961)
Disposal during the period / year	--	(5,512,648)
Balance at the end of the period / year	<u>13,366,961,225</u>	<u>12,915,594,409</u>
<u>Accumulated depreciation</u>		
Balance at the beginning of the period / year	1,931,745,944	1,675,945,127
Charge for the period / year	203,774,640	256,916,024
Disposal	--	(1,115,207)
Balance at the end of the period / year	<u>2,135,520,584</u>	<u>1,931,745,944</u>
Net book value	<u><u>11,231,440,641</u></u>	<u><u>10,983,848,465</u></u>

Fair value of investment property

Management estimates that the fair value of the investment properties as at 31 December 2019 is SR 22,690,348,433. The management has carried out external valuation as at 31 March 2019. The valuers had appropriate qualifications and experience in the valuation of properties at the relevant locations. The effective date of the valuation was 31 March 2019 and prepared in accordance with Royal Institution of Chartered Surveyors (“RICS”) Global Standards 2017 which comply with the international valuation standards.

The fair value hierarchy for the investment properties for disclosure purposes is grouped in level 3, with significant unobservable inputs adopted by the Valuer which are transparency of retail rental payment terms; discount rates; and capitalization rate (yields).

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10. LOANS AND BORROWINGS

	<u>31 December</u> <u>2019</u> (Unaudited) SR	31 March <u>2019</u> (Audited) SR
Non-current liabilities		
Long-term loans	10.1 4,406,385,818	6,239,159,152
Sukuk	10.2 1,816,234,855	--
	<u>6,222,620,673</u>	<u>6,239,159,152</u>
Current liabilities		
Current portion of long-term loan	10.1 45,000,000	501,875,532

10.1 Long-term loans

	<u>31 December</u> <u>2019</u> (Unaudited) SR	31 March <u>2019</u> (Audited) SR
Facility 1 (i)	--	6,814,144,763
Facility 2 (ii)	4,499,992,000	--
	<u>4,499,992,000</u>	<u>6,814,144,763</u>
Less: unamortized transaction cost	(48,606,182)	(73,110,079)
Balance at the end of the period / year	<u>4,451,385,818</u>	<u>6,741,034,684</u>

a) Movement in the long-term loans follows:

	<u>31 December</u> <u>2019</u> (Unaudited) SR	31 March <u>2019</u> (Audited) SR
Balance at the beginning of the period / year	6,814,144,763	5,955,000,000
Drawdowns / addition of a new facility	4,618,673,930	7,086,318,069
Repayments during the period / year	(6,932,826,693)	(6,227,173,306)
	<u>4,499,992,000</u>	<u>6,814,144,763</u>
Less: un-amortized transaction costs	(48,606,182)	(73,110,079)
Balance at the end of the period / year	4,451,385,818	6,741,034,684
Less: current portion of long-term loans	(45,000,000)	(501,875,532)
Non-current portion of long-term loans	<u>4,406,385,818</u>	<u>6,239,159,152</u>

b) Un-amortized transaction costs movement is as follows:

	<u>31 December</u> <u>2019</u> (Unaudited) SR	31 March <u>2019</u> (Audited) SR
Balance at the beginning of the period / year	73,110,079	126,970,874
Additions during the period / year	49,024,900	91,692,960
Write off during the period / year	(63,543,994)	(125,171,285)
Capitalized transaction cost	(1,703,334)	(2,197,021)
Amortized transaction costs during the period / year	(8,281,469)	(18,185,449)
Balance at the end of the period / year	<u>48,606,182</u>	<u>73,110,079</u>

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10. LOANS AND BORROWINGS (CONTINUED)

10.1 Long-term loans (continued)

c) Below is the repayment schedule of the outstanding long-term loans:

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Within one year	45,000,000	501,875,532
Between two to five years	1,313,750,000	2,706,323,985
More than five years	3,141,242,000	3,605,945,246
	<u>4,499,992,000</u>	<u>6,814,144,763</u>

(i) Facility 1

On 26 April 2018, the Group signed a long-term Islamic facility arrangement up to SR 7,205 million with local banks for the refinancing the exiting loans. This facility was divided into Murabaha facility up to SR 1,433 million and Ijara facility up to SR 5,772 million. The Group utilized SR 1,433 million out of the total Murabaha facility amount and SR 5,772 million out of the total Ijara facility amount. On 27 November 2019, the Group paid in full the loan facility. However, pledged assets have not been released as at the reporting date, as certain of these assets will remain pledged for facility 2, while others will be released in due course.

(ii) Facility 2

During the period, the Group entered into a long-term Islamic facility arrangement amounting to SR 5,250 million (equivalent USD 1,400 million), with local and international banks. This facility is divided into Murabaha facility up to SR 500 million (maturing in 12 years), Ijara facilities up to SR 4,000 million (maturing in 8 and 12 years), and Revolving Murabaha up to SR 750 million (maturing in 3 years). The utilized facility amounted to SR 4,500 million, which is divided into Murabaha facility amounting to SR 500 million and Ijara facility amounting to SR 4,000 million.

The long-term loan is repayable in unequal semi-annual instalments and are subject to commission rates based on SIBOR plus an agreed commission rates. The facilities are secured by insurance policies, proceeds of rental income, and land and buildings of several malls, as explained in facility 1 note above.

The above facility agreements contain covenants, which among other things, require certain financial ratios to be maintained. The Group is in compliant with the loan covenants as at the reporting date.

10.2 Sukuk

	31 December 2019 (Unaudited) SR
Sukuk	1,874,950,000
Less: Unamortized transaction cost	<u>(58,715,145)</u>
Balance at the end of the period	<u>1,816,234,855</u>

During the period, Arabian Centres Sukuk Limited (a special purpose company established for the purpose of issuing Sukuk) completed issuance of International USD denominated Shari'ah compliant Sukuk "Sukuk Certificates" amounting to USD 500 million (equivalent SR 1,875 million), at a par value of USD 0.2 million each, annual yield of 5.375% per annum payable semi-annually and a maturity in five years. Sukuk Certificates may be subject to early redemption at the option of the Company as per the certain specified conditions mentioned in the Sukuk Certificate.

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10. LOANS AND BORROWINGS (CONTINUED)

10.2 Sukuk (continued)

Un-amortized transaction costs movement is as follows:

	31 December 2019 (Unaudited) SR
Incurred during the period	59,811,693
Amortized transaction costs during the period	<u>(1,096,548)</u>
Balance at the end of the period	<u>58,715,145</u>

11. SHARE CAPITAL

On 14 Rajab 1440H (corresponding to 21 March 2019), the general assembly of shareholders has approved an increase in the share capital of the Company from SR 4,450 million to SR 4,750 million through the proceeds received from the initial public offering of the Company. All legal formalities required to enforce the increase in the share capital were completed during the period ended 31 December 2019. The movement in share capital and share premium is as follows:

	Number of shares	Share capital (SR)	Share premium (SR)
Balance at 1 April 2019	445,000,000	4,450,000,000	--
Issuance of new shares at SR 26 per share	30,000,000	300,000,000	480,000,000
Transaction costs on new share issue	--	--	(68,274,297)
Balance at 31 December 2019	<u>475,000,000</u>	<u>4,750,000,000</u>	<u>411,725,703</u>

12. STATUTORY RESERVE

In accordance with Company's by-laws, the Company must transfer 10% of its net income for the year to the statutory reserve. In accordance with Company's by-laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution. The reserve would be set aside based on the annual consolidated financial statements.

13. INTERIM DIVIDENDS

During the period, the Board of Directors resolved to distribute interim dividends amounting to SR 0.90 per share aggregating to SR427,500,000 as per resolution dated 9 Rabi al-Thani 1441H (corresponding to 6 December 2019). The Company has paid the dividends as of the reporting date.

14. REVENUE

	Nine-month period ended 31 December 2019 (Unaudited) SR	Nine-month period ended 31 December 2018 (Audited) SR
Rental income (*)	1,615,879,379	1,544,132,884
Service and management charges income	70,625,457	73,112,845
Commission income on provisions for utilities for heavy users, net	<u>2,662,915</u>	<u>2,740,165</u>
	<u>1,689,167,751</u>	<u>1,619,985,894</u>

(*) Rental income includes related maintenance and insurance costs of malls' premises included as a part of rent for each of the tenants.

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14. REVENUE (CONTINUED)

Group as a lessor

The Group has entered into operating leases on its investment properties portfolio consisting of various buildings. These leases have terms of between 1 to 5 years. Leases include a clause to enable upward revision of the rental charge depending on the lease agreements. Future minimum rentals receivable under non-cancellable operating leases as at the end of the reporting periods are, as follows:

	Nine-month period ended 31 December 2019 (Unaudited) SR	Nine-month period ended 31 December 2018 (Audited) SR
Within one year	1,458,650,240	1,507,639,170
After one year but not more than five years	1,913,798,723	1,926,808,025
More than five years	411,777,377	214,835,622
	<u>3,784,226,340</u>	<u>3,649,282,817</u>

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period as all the Company's shares are ordinary shares. Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The weighted average number of shares for the periods ended 31 December 2019 and 31 December 2018, have been arrived at by taking the effect of increase in the share capital from the beginning of the earliest period presented (i.e. 1 April 2018), in order to comply with the requirements of IAS 33.

Weighted average number of shares

Number of issued shares on 1 April 2018	445,000,000
Effect of new shares issued in initial public offering	<u>24,327,273</u>
Weighted average number of shares on 1 April 2018	<u>469,327,273</u>

	Three-month period ended 31 December 2019 (Unaudited) SR	Three-month period ended 31 December 2018 (Audited) SR	Nine-month period ended 31 December 2019 (Unaudited) SR	Nine-month period ended 31 December 2018 (Audited) SR
Profit for the year attributable to the Shareholders of the Company	107,892,211	272,097,640	535,945,344	538,399,739
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	469,327,273	469,327,273	469,327,273	469,327,273
Basic and diluted earnings per share attributable to the Shareholders of the Company	<u>0.23</u>	<u>0.58</u>	<u>1.14</u>	<u>1.15</u>

There has been no item of dilution affecting the weighted average number of ordinary shares.

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16. SEGMENT REPORTING

These are attributable to the Group's activities and business lines approved by the management to be used as a basis for the financial reporting and are consistent with the internal reporting process. Management considers the operations of the Group as a whole as one operating segment as all subsidiaries engage in similar business activities.

The Group's revenue, gross profit, investment properties, total assets and total liabilities pertaining to the Group's operations as a whole are presented in the condensed consolidated interim statement of financial position and in the condensed consolidated statement of profit or loss and other comprehensive income.

All of the Group's operations are conducted in KSA. Hence, geographical information is not applicable in this case.

17. FINANCIAL INSTRUMENTS

Financial instruments by category

A. Financial assets and liabilities held at amortized cost

The following table shows the carrying amounts of the financial assets and financial liabilities. It does not include fair value information as these financial assets and financial liabilities are not measured at fair value and the carrying amount is a reasonable approximation of fair value.

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
<u>Financial assets</u>		
Cash and cash equivalents	177,664,751	457,670,983
Accounts receivable	303,004,559	299,245,146
Amounts due from related parties	633,392,536	567,558,035
Total financial assets	1,114,061,846	1,324,474,164
	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
<u>Financial liabilities</u>		
Accounts payable	204,044,188	217,760,402
Amounts due to related parties	19,781,134	22,499,022
Lease liability on right-of-use assets	4,188,826,235	--
Long-term borrowings	6,267,620,673	6,741,034,684
Tenants' security deposits (other liabilities)	117,146,832	112,491,912
Total financial liabilities	10,797,419,062	7,093,786,020

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17. FINANCIAL INSTRUMENTS (CONTINUED)

B. Financial assets measured at fair value through other comprehensive income

Other investments are classified as Level 3, the fair value of which is determined by using Dividend Discount Model applied on the future expected dividends. The movement in Level 3 financial instruments during the period relates to changes in the fair value.

The following table presents the Group's financial instruments measured at fair value at 31 December 2019 and 31 March 2019:

	<u>Level 1</u> SR	<u>Level 2</u> SR	<u>Level 3</u> SR	<u>Total</u> SR
<u>31 December 2019 (Unaudited)</u>				
Investments real estate fund	--	--	6,708,763	6,708,763
Amlak International for Real Estate Finance Company	--	--	99,251,612	99,251,612
Other investments	<u>--</u>	<u>--</u>	<u>105,960,375</u>	<u>105,960,375</u>
<u>31 March 2019 (Audited)</u>				
Investments real estate fund	--	--	6,708,763	6,708,763
Amlak International for Real Estate Finance Company	--	--	102,000,000	102,000,000
Other investments	<u>--</u>	<u>--</u>	<u>108,708,763</u>	<u>108,708,763</u>

18. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's investment properties portfolio. The Group has accounts receivable, amounts due to and from related parties, accounts payable and cash and cash equivalents that arise directly from its operations.

The Group is exposed to market risk (including commission rate risk, real estate risk and currency risk), credit risk, liquidity risk and equity price risk.

Market risk

Market risk is the risk that changes in market prices, such as currency rates and interest rates that will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group has no significant commission bearing long-term assets, but has commission bearing liabilities at 31 December 2019 and 31 March 2019. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The following table demonstrates the sensitivity of the Group to a reasonably possible change, with all other variables held constant, of the Groups profit before zakat (through the impact on floating rate borrowings):

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Nine-month period ended 31 December 2019 (Unaudited) SR	Nine-month period ended 31 December 2018 (Audited) SR
Gain / (loss) through the condensed consolidated statement of profit or loss		
Floating rate debt:		
SIBOR +100bps	<u>(63,749,420)</u>	<u>(49,710,755)</u>
SIBOR -100bps	<u>63,749,420</u>	<u>49,710,755</u>

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

- The cost of the development schemes may increase if there are delays in the planning process. The Group uses advisors who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process.
- A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property. To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises from recognised assets and liabilities which are denominated in currency that is not Group's functional currency. The Group has certain US Dollar denominated financial liabilities which are not exposed to significant currency risk as Group's functional currency is pegged to US Dollar.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its leasing activities, including deposits with banks and financial institutions.

Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and sector in which customers operate.

Each entity within the group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the entity's standard payment and delivery terms and conditions are offered. The review includes financial statements, industry information and in some cases bank references. Credits to each customer are reviewed periodically. The Group limits its exposure to credit risk by offering credit terms which are typically not longer than three months on average.

In monitoring customer credit risk, customers are grouped according to their credit characteristics trading history with the Group and existence of previous financial difficulties.

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Expected credit loss assessment as at 31 December 2019

The Group uses an allowance matrix to measure the ECLs of accounts receivable from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics such as geographic region, age of customer relationship and type of product purchased.

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product growth and unemployment rates.

The following table provides information about the exposure to credit risk and ECLs for accounts receivable from customers as at 31 December 2019 and 31 March 2019:

	Gross carrying amount	Weighted average Loss Allowance (%)	Weighted- average loss allowance
<u>31 December 2019 (Unaudited)</u>			
0–90 days past due	92,396,093	19.8%	18,285,720
91–180 days past due	90,622,301	17.6%	15,972,745
181–270 days past due	75,003,449	19.6%	14,670,500
271–360 days past due	41,057,950	22.0%	9,048,454
361 –450 days past due	38,174,868	27.7%	10,575,730
451 -540 days past due	30,102,395	46.8%	14,102,683
541 –630 days past due	28,309,021	53.2%	15,060,318
631 -720 days past due	13,623,860	62.9%	8,569,228
More than 720 days past due	94,070,579	100.0%	94,070,579
	<u>503,360,516</u>		<u>200,355,957</u>
<u>31 March 2019 (Audited)</u>			
0–90 days past due	89,399,091	1.3%	1,142,722
91–180 days past due	79,325,089	10.0%	7,940,545
181–270 days past due	56,490,386	11.8%	6,677,332
271–360 days past due	50,495,514	18.2%	9,181,092
361 –450 days past due	21,255,365	34.3%	7,298,774
451 -540 days past due	30,135,207	40.1%	12,093,786
541 –630 days past due	17,715,623	45.4%	8,051,242
631 -720 days past due	14,907,559	54.3%	8,093,195
More than 720 days past due	84,064,219	100.0%	84,064,219
	<u>443,788,053</u>		<u>144,542,907</u>

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The movement in allowance for impairment in respect of trade receivables during the period was as follows:

	31 December	31 March
	<u>2019</u>	<u>2019</u>
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	144,542,907	138,616,823
Impact of adoption of IFRS 9	--	(36,761,710)
Amount written off during the period / year	(1,994,534)	(836,672)
Charge for the period / year	57,807,584	43,524,466
Balance at the end of the period / year	<u>200,355,957</u>	<u>144,542,907</u>

Due from related parties

An impairment analysis is performed at each reporting date on an individual basis for the major related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties. The Group does not hold collateral as a security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group considers the risk with respect to due from related parties as low, as majority of the related parties are owned by the same shareholders.

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by Ultimate Parent Company's treasury in accordance with the Group's policy. Cash is substantially placed with national banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The management believes that the Group is not exposed to significant risks in relation to liquidity and maintains different lines of credit. Upon careful comparison of the financial liabilities included within the current liabilities (excluding amounts due to related parties as these could be deferred during liquidity crunch situation) with the financial assets forming part of the current assets, there seems to be a reasonably hedging position between the two categories.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Contractual maturities of financial liabilities	Less than 6 months SR	Between 6 and 12 months SR	Between 1 and 2 years SR	Between 2 and 5 years SR	Over 5 years SR	Total SR
<u>31 December 2019 (Unaudited)</u>						
Accounts payable	204,044,188	--	--	--	--	204,044,188
Amounts due to related parties	19,781,134	--	--	--	--	19,781,134
Tenants' security deposits (other liabilities)	117,146,832	--	--	--	--	117,146,832
Lease liability on right-of-use assets	230,612,337	182,125,501	346,972,461	1,059,202,870	5,263,498,542	7,082,411,711
Long-term loans	150,631,170	194,628,765	414,974,358	3,436,976,526	4,067,352,581	8,264,563,400
	<u>722,215,661</u>	<u>376,754,266</u>	<u>761,946,819</u>	<u>4,496,179,396</u>	<u>9,330,851,123</u>	<u>15,687,947,265</u>
Contractual maturities of financial liabilities	Less than 6 months SR	Between 6 and 12 months SR	Between 1 and 2 years SR	Between 2 and 5 years SR	Over 5 years SR	Total SR
<u>31 March 2019 (Audited)</u>						
Accounts payable	217,760,402	--	--	--	--	217,760,402
Amounts due to related parties	22,499,022	--	--	--	--	22,499,022
Tenants' security deposits (other liabilities)	49,478,185	15,938,094	23,955,667	20,600,837	2,528,792	112,501,575
Long-term loans	409,993,119	424,920,262	910,617,746	2,771,230,538	3,917,369,904	8,434,131,569
	<u>699,730,728</u>	<u>440,858,356</u>	<u>934,573,413</u>	<u>2,791,831,375</u>	<u>3,919,898,696</u>	<u>8,786,892,568</u>

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management

Capital is equity attributable to the shareholders of the Group. The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The management policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The management monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity.

The management also monitors the level of dividends to the shareholders. There were no changes in the Group's approach to capital management during the period. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Total liabilities	11,203,280,002	8,301,016,559
Less: cash and cash equivalents	(177,664,751)	(457,670,983)
Net debt	<u>11,025,615,251</u>	<u>7,843,345,576</u>
 Equity attributable to the Shareholders of the Parent Company	 <u>5,882,091,727</u>	 <u>5,064,669,068</u>
 Debt to adjusted capital ratio	 <u>1.87</u>	 <u>1.55</u>

19. COMMITMENTS

	31 December 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Commitments for projects under construction*	<u>2,084,513,270</u>	<u>2,226,873,326</u>

*These commitments pertain to construction of shopping malls across the Kingdom of Saudi Arabia.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.