

Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
(Unaudited)
For the three-month and nine-month periods ended 31 December 2020
together with
Independent Auditor's Review Report

Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
For the three-month and nine-month periods ended 31 December 2020

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KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 (011) 874 8500
Fax +966 (011) 874 8600
Internet www.kpmg.com/sa

Licence No. 46/11/323 issued 11/3/1992

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 2020 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 2020;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 31 December 2020;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 31 December 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 31 December 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 31 December 2020; 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 2020 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, 25 Jumada II 1442H
Corresponding to 07 February 2021



Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position
As at 31 December 2020

	<i>Note</i>	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Assets			
Current assets			
Cash and cash equivalents		793,589,158	1,045,680,193
Accounts receivable		222,229,835	234,254,125
Amounts due from related parties	6	455,798,040	591,222,957
Prepayments and other current assets		97,207,408	138,790,964
Accrued revenue (rentals)		201,751,994	69,362,957
Total current assets		<u>1,770,576,435</u>	<u>2,079,311,196</u>
Non-current assets			
Advances to a contractor, related party	6	574,088,023	614,438,352
Accrued revenue (rentals) – non-current portion		403,503,987	99,835,361
Investment in an equity-accounted investee	7	--	53,079,928
Other financial receivables		22,500,000	--
Other investments	8	84,274,291	104,463,375
Investment properties	9	11,655,252,516	11,356,912,845
Property and equipment		71,929,719	91,474,811
Right-of-use assets		3,328,055,381	3,561,974,788
Total non-current assets		<u>16,139,603,917</u>	<u>15,882,179,460</u>
Total assets		<u>17,910,180,352</u>	<u>17,961,490,656</u>
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of long-term loans	10	119,375,000	45,000,000
Lease liabilities – current portion		311,234,918	338,065,081
Accounts payable		156,191,695	149,442,700
Amounts due to related parties	6	7,424,338	3,899,682
Unearned revenue		231,810,849	177,225,232
Accruals and other current liabilities		393,854,550	232,071,497
Zakat payable		84,064,647	78,524,952
Total current liabilities		<u>1,303,955,997</u>	<u>1,024,229,144</u>
Non-current liabilities			
Lease liabilities – non-current portion		3,732,553,024	3,899,162,750
Long-term borrowings	10	6,856,150,371	6,970,743,077
Employees' end-of-service benefits		25,556,482	30,370,714
Other non-current liabilities		68,931,512	52,729,339
Total non-current liabilities		<u>10,683,191,389</u>	<u>10,953,005,880</u>
Total liabilities		<u>11,987,147,386</u>	<u>11,977,235,024</u>
Equity			
Share capital	12	4,750,000,000	4,750,000,000
Share premium	12	411,725,703	411,725,703
Statutory reserve	13	513,092,734	513,092,734
Other reserves	13	23,785,778	(18,103,542)
Retained earnings		220,628,714	326,282,581
Equity attributable to the Shareholders of the Company		<u>5,919,232,929</u>	<u>5,982,997,476</u>
Non-controlling interests		3,800,037	1,258,156
Total equity		<u>5,923,032,966</u>	<u>5,984,255,632</u>
Total liabilities and equity		<u>17,910,180,352</u>	<u>17,961,490,656</u>

The accompanying notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.


Walad Al-Rebdi
Chief Financial Officer


Faisal Abdullah Al Jedaie
Chief Executive Officer


Fawaz Alhokair
Chairman


Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated statement of profit or loss
For the three month and nine-month periods ended 31 December 2020

	<i>Note</i>	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		Unaudited	Unaudited	Unaudited	Unaudited
		SR	SR	SR	SR
Revenue	15	469,414,474	557,544,070	1,410,110,346	1,689,167,751
Cost of revenue					
- Direct costs		(95,332,847)	(82,551,961)	(237,293,093)	(246,178,868)
- Depreciation of right-of-use assets		(45,751,702)	(41,440,482)	(141,632,974)	(118,385,695)
- Depreciation of investment properties	9	(79,389,066)	(71,821,738)	(228,819,537)	(203,774,640)
Gross profit		248,940,859	361,729,889	802,364,742	1,120,828,548
Other income	16	48,188,628	483,972	132,897,544	6,469,156
Other expenses		(173,001)	--	(1,774,911)	(30,218)
Advertisement and promotion expenses		(5,205,922)	(2,559,631)	(15,473,141)	(4,970,011)
Impairment loss on accounts receivable and accrued revenue rentals		(41,287,411)	(23,043,220)	(108,327,890)	(57,807,584)
General and administration expenses		(49,642,143)	(44,567,682)	(132,559,961)	(135,915,078)
Operating profit		200,821,010	292,043,328	677,126,383	928,574,813
Share of profit of equity-accounted investee	7	(2,481,619)	3,647,035	1,652,443	12,558,086
Interest expense on lease liabilities		(37,801,427)	(31,065,763)	(110,915,700)	(82,960,272)
Finance cost		(61,664,556)	(147,228,015)	(196,307,135)	(288,713,479)
Profit before zakat		98,873,408	117,396,585	371,555,991	569,459,148
Zakat		(3,298,943)	(6,772,571)	(11,806,196)	(23,699,533)
Profit for the period		95,574,465	110,624,014	359,749,795	545,759,615
Profit for the period attributable to:					
Shareholders of the Company		95,423,954	107,892,211	357,207,914	535,945,344
Non-controlling interests		150,511	2,731,803	2,541,881	9,814,271
		95,574,465	110,624,014	359,749,795	545,759,615
Earnings per share:					
Basic and diluted earnings per share attributable to the Shareholders of the Company	17	0.20	0.23	0.75	1.14

The accompanying notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.


Walead Al-Rebdi
Chief Financial Officer


Faisal Abdullah Al Jedaie
Chief Executive Officer


Fawaz Alhokair
Chairman

Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated statement of comprehensive income
For the three-month and nine-month periods ended 31 December 2020

	Three-month period ended		Nine- month period ended	
	31 December 2020 Unaudited SR	31 December 2019 Unaudited SR	31 December 2020 Unaudited SR	31 December 2019 Unaudited SR
Profit for the period	95,574,465	110,624,014	359,749,795	545,759,615
Other comprehensive income / (loss)				
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Cash flow hedges – effective portion of change in fair value	(627,388)	--	(1,677,200)	--
<i>Item that will not be reclassified to profit or loss</i>				
Re-measurement of defined benefit liability	(330)	--	(1,217,478)	--
Other investment at FVOCI – net change in fair value	(6,711,599)	1,098,612	56,922,217	(2,748,388)
Total comprehensive income for the period	88,235,148	111,722,626	413,777,334	543,011,227
Total comprehensive income for the period attributable to:				
Shareholders of the Company	88,084,637	108,990,823	411,235,453	533,196,956
Non-controlling interests	150,511	2,731,803	2,541,881	9,814,271
	88,235,148	111,722,626	413,777,334	543,011,227

The accompanying notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.



Walead Al-Rebdi
Chief Financial Officer



Faisal Abdullah Al Jedaie
Chief Executive Officer



Fawaz Alhokair
Chairman

Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated statement of changes in equity
For the nine-month period ended 31 December 2020

	Attributable to Shareholders of the Company						Non- controlling interests	Total equity
	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>		
	SR	SR	SR	SR	SR	SR		
Balance at 1 April 2019 (audited)	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	--	--	--	--	535,945,344	535,945,344	9,814,271	545,759,615
Other comprehensive loss 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
<i>Transactions with the shareholders of the Company</i>								
Increase in share capital (Note 12)	300,000,000	--	--	--	--	300,000,000	--	300,000,000
Share premium (Note 12)	--	411,725,703	--	--	--	411,725,703	--	411,725,703
Dividend	--	--	--	--	(427,500,000)	(427,500,000)	(7,500,000)	(435,000,000)
Balance at 31 December 2019 (unaudited)	<u>4,750,000,000</u>	<u>411,725,703</u>	<u>449,699,309</u>	<u>(21,020,388)</u>	<u>291,687,103</u>	<u>5,882,091,727</u>	<u>2,405,323</u>	<u>5,884,497,050</u>
Balance at 1 April 2020 (audited)	4,750,000,000	411,725,703	513,092,734	(18,103,542)	326,282,581	5,982,997,476	1,258,156	5,984,255,632
Profit for the period	--	--	--	--	357,207,914	357,207,914	2,541,881	359,749,795
Other comprehensive income for the period	--	--	--	54,027,539	--	54,027,539	--	54,027,539
Total comprehensive income for the period	--	--	--	54,027,539	357,207,914	411,235,453	2,541,881	413,777,334
Transfer to retained earnings	--	--	--	(12,138,219)	12,138,219	--	--	--
<i>Transactions with the shareholders of the Company</i>								
Dividends (Note 14)	--	--	--	--	(475,000,000)	(475,000,000)	--	(475,000,000)
Balance at 31 December 2020 (unaudited)	<u>4,750,000,000</u>	<u>411,725,703</u>	<u>513,092,734</u>	<u>23,785,778</u>	<u>220,628,714</u>	<u>5,919,232,929</u>	<u>3,800,037</u>	<u>5,923,032,966</u>

The accompanying notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements


Walad Al-Rebdi
Chief Financial Officer


Faisal Abdullah Al Jedaie
Chief Executive Officer


Fawaz Alhokair
Chairman

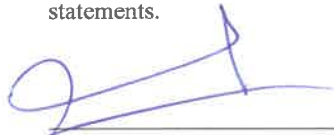
Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows
For the nine-month period ended 31 December 2020

	<u>Note</u>	Nine-month period ended 31 December 2020 Unaudited SR	Nine-month period ended 31 December 2019 Unaudited SR
Cash flows from operating activities			
Profit before Zakat		371,555,991	569,459,148
Adjustments for:			
Depreciation of investment properties	9	228,819,537	203,774,640
Depreciation of property and equipment		20,311,632	24,034,646
Depreciation of right-of-use assets		144,458,257	121,278,626
Discount and recovery on lease rentals		(76,703,029)	--
Share of profit of equity accounted investee	7	(1,652,443)	(12,558,086)
Finance cost		196,307,135	288,713,479
Interest expense on lease liabilities		110,915,700	82,960,272
Provision for employees' end-of-services benefits		4,730,379	3,634,898
Gain from other investments		(306,917)	--
Gain on disposal of equity accounted investee		(42,767,629)	--
Impairment loss on accounts receivable and accrued revenue rentals		108,327,890	57,807,584
		<u>1,063,996,503</u>	<u>1,339,105,207</u>
Changes in:			
Accounts receivable		(62,904,526)	(61,566,997)
Amounts due from related parties, net		135,424,917	(144,326,686)
Amount due to related parties		3,524,655	--
Prepayments and other current assets		(17,449,735)	(144,591,703)
Accrued revenue		(469,456,732)	14,322,799
Accounts payable		6,748,995	(13,716,214)
Unearned revenue		54,585,617	(96,278,401)
Accruals and other current liabilities		20,131,198	1,336,821
Cash generated from operating activities		<u>734,600,892</u>	<u>894,284,826</u>
Employees' end-of-service benefits paid		(10,762,089)	(4,210,972)
Zakat paid		(6,266,501)	(23,954,991)
Net cash from operating activities		<u>717,572,302</u>	<u>866,118,863</u>
Cash flows from investing activities			
Additions to investment properties		(406,486,510)	(334,255,169)
Purchase of property and equipment		(766,539)	(8,324,519)
Proceeds from disposal of equity accounted investee		97,500,000	--
Proceeds from disposal of other investments		77,048,147	--
Advances to a contractor, related party		40,350,328	(32,028,458)
Net cash used in investing activities		<u>(192,354,574)</u>	<u>(374,608,146)</u>
Cash flows from financing activities			
Payment of financial charges		(292,694,175)	(387,297,607)
Payment of lease liabilities		(193,823,842)	(188,679,986)
Proceeds from long-term loans		--	6,493,623,930
Repayment of long-term loans		(45,000,000)	(6,932,826,693)
Payment of transaction costs		(8,659,935)	(108,836,593)
Payment of dividend to shareholders		(237,130,811)	(427,500,000)
Proceeds from Initial Public Offering		--	780,000,000
Net cash used in financing activities		<u>(777,308,763)</u>	<u>(771,516,949)</u>
Net decrease in cash and cash equivalents		<u>(252,091,035)</u>	<u>(280,006,232)</u>
Cash and cash equivalents at the beginning of the period		<u>1,045,680,193</u>	<u>457,670,983</u>
Cash and cash equivalents at end of the period		<u>793,589,158</u>	<u>177,664,751</u>

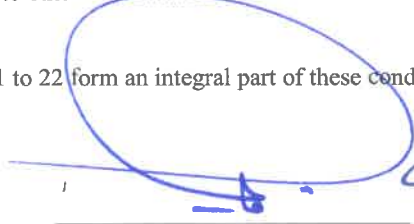
Arabian Centres Company
(A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows (continued)
For the nine-month period ended 31 December 2020

	Nine-month period ended 31 December <u>2020</u> Unaudited SR	Nine-month period ended 31 December <u>2019</u> Unaudited SR
<u>Non-cash transactions:</u>		
Capitalized interest and arrangement fees for project under construction	28,506,976	37,893,660
Right-of-use assets	--	3,685,554,416
Lease liability on right of use assets	--	4,105,047,274
Prepaid rent reclassified to right of use assets		108,239,236
Advance to contractors classified to lease liabilities	31,432,158	--
Capitalized depreciation of right-of-use assets for project under construction	36,567,356	45,638,687
Capitalized interest expense on lease liabilities for project under construction	55,598,366	71,842,960
Accruals and other current liabilities reclassified to right of use assets	--	885,156
Non-controlling interest, dividends settled through adjusting amounts due to related parties	--	7,500,000
Advance to lessor reclassified to other financial receivables	22,500,000	--

The accompanying notes from 1 to 22 form an integral part of these condensed consolidated interim financial statements.



Walead Al-Rebdi
Chief Financial Officer



Faisal Abdullah Al Jedaie
Chief Executive Officer



Fawaz Alhokair
Chairman

Arabian Centres Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 31 December 2020

1. CORPORATE INFORMATION AND ACTIVITIES

Arabian Centres Company (“the Company”) (previously incorporated in the Kingdom of Saudi Arabia 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 principal business objectives of the Company and its subsidiaries mentioned below (collectively referred to as “the Group”) 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 at 31 December 2020, 31 March 2020 and 31 December 2019:

<u>Name of subsidiary (i)</u>	<u>Ownership %</u>	
	<u>Direct</u>	<u>Indirect (ii)</u>
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	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 Yasmeeen 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 21 Jumada II 1442H (corresponding to 03 February 2021).

Arabian Centres Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)
For the nine-month period ended 31 December 2020

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 latest annual consolidated financial statements as at and for the year ended 31 March 2020 (“latest 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 latest annual Consolidated Financial Statements.

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 and derivatives 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.

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 latest annual Consolidated Financial Statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the latest annual Consolidated Financial Statements as at and for the year ended 31 March 2020, except for the update in accounting policy as described below which were not described in the latest audited financial statements as the Group had no derivatives and hedging arrangements last year. Certain comparative figures have been reclassified to conform to current period’s presentation.

The updates in accounting policies are also expected to be reflected in the Group’s annual consolidated financial statements as at and for the year then ending 31 March 2021.

Financial instruments

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its commission rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in condensed consolidated statement of profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

Arabian Centres Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)
For the nine-month period ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in condensed consolidated statement of comprehensive income and accumulated in the hedging reserve under other reserves. The effective portion of changes in the fair value of the derivative that is recognised in condensed consolidated statement of comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in condensed consolidated statement of profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect consolidated statement of profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to consolidated statement of profit or loss in the same period or periods as the hedged expected future cash flows affect consolidated statement of profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to condensed consolidated statement of profit or loss.

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

In July 2017, the United Kingdom Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. In December 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the Interbank Offered Rate ("IBOR") reform. In addition, the amendments require companies to provide additional information about their hedging relationships which are directly affected by these uncertainties. The amendments are effective beginning on 1 January 2020.

Additionally, the IASB is considering the potential consequences on financial reporting of replacing an existing benchmark with an alternative. IBOR reforms and expectation of cessation of LIBOR will impact Group's current risk management strategy and possibly accounting for certain financial instruments used for hedging. The Group has cash flow hedges (Note 11) which are exposed to the impact of LIBOR.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (Continued)

The Group uses financial instruments as part of its risk management strategy to manage exposures arising from variation of commission rates that could affect net income or other comprehensive income and applies hedge accounting to these instruments. The Group has certain borrowings where the reference rate is linked to the LIBOR. The Group is assessing the impact to ensure a smooth transition from LIBOR to new benchmark rates.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements.

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS standards 2018 – 2020
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16)
- Reference to conceptual framework (Amendments to IFRS 3)
- Classification of liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts.

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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.

6.1 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:

Transactions with fellow subsidiaries and other related parties *

	31 December 2020 Unaudited SR	31 December 2019 Unaudited SR
Rental revenue, net	393,887,015	469,994,781
Construction work included in projects under construction	324,196,093	220,147,068
Service expenses	49,896,411	80,606,627
Board of Directors remuneration and compensation	1,722,500	1,630,000
Non-controlling interests dividends settlement	--	7,500,000

* Name of the parties and transactions are disclosed in note 6.3

Transactions with Saudi FAS Holding Company (Ultimate Parent Company) *

	31 December 2020 Unaudited SR	31 December 2019 Unaudited SR
Payment to suppliers on behalf of the Ultimate Parent Company	1,457,547	38,534,556
Initial public offering expenses charged to Ultimate Parent Company	--	16,192,603
Rental revenue, net	2,959,425	--

* Shareholders of the immediate parent company (FAS Real Estate Company Limited) assigned their shares held in the Company to Saudi FAS Holding Company. Hence, Saudi FAS Holding Company is considered as the Ultimate Parent Company.

6.2 Key management personnel compensation

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

	31 December 2020 Unaudited SR	31 December 2019 Unaudited SR
End-of-service benefits	3,008,598	4,896,999
Salaries and short-term benefits	12,017,954	13,256,733
Total key management compensation	15,026,552	18,153,732

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6 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

6.3 Related party balances

The following table summarizes related parties balances:

i) Amounts due from related parties:	Nature of Transactions	Relationship	Amount of Transactions	Amount of Transactions	31 December	31 March
			31 December 2020	31 December 2019	2020	2020
			Unaudited SR	Unaudited SR	Unaudited SR	Audited SR
Fawaz Abdulaziz Al Hokair & Co., Joint Stock Company (J.S.C.)	Rental Revenue	Affiliates	206,424,559	278,160,325	--	32,282,559
FAS Holding Company for Hotels, Limited Liability Company (L.L.C)*	--	Affiliates	--	--	350,322,569	350,322,579
Nesk Trading Project Company Limited L.L.C.	Rental Revenue	Affiliates	53,353,346	64,373,973	--	49,966,141
Tadaris Najd Security Company, L.L.C.	Service expense	Affiliates	49,896,411	45,618,552	16,554,086	18,868,656
Abdul Mohsin Al Hokair Group for Tourism and Development, J.S.C.	Rental Revenue	Affiliates	26,941,739	32,007,966	19,903,813	28,211,447
Next Generation Co L.L.C.	Rental Revenue	Affiliates	25,470,847	16,693,994	9,037,803	22,631,374
Food and Entertainment Trading Company Limited, L.L.C.	Rental Revenue	Affiliates	--	19,721,012	6,607,517	3,828,663
Via Media Co. L.L.C.	Rental Revenue	Affiliates	6,050,129	13,374,450	--	15,393,827
Fashion district Co. L.L.C.	Rental Revenue	Affiliates	4,568,761	12,580,981	1,622,506	12,050,255
Food Gate Co. L.L.C.	Rental Revenue	Affiliates	11,549,162	10,927,948	7,276,102	21,647,155
Billy Games Company Limited, L.L.C.	Rental Revenue	Affiliates	--	10,929,625	--	8,469,448
Innovative Union Co. Ltd, L.L.C.	Rental Revenue	Affiliates	13,121,955	3,664,444	6,889,386	8,672,483
Saudi FAS Holding Company, Closed Joint Stock Company	Rental Revenue	Ultimate Parent Company	2,959,425	--	5,127,368	5,402,530
Azal Restaurant Co. L.L.C.	Rental Revenue	Affiliates	4,688,834	3,567,027	2,940,726	751,962
Ezdihar Sports Co. L.L.C.	Rental Revenue	Affiliates	4,461,995	--	1,422,123	3,359,412
Skill Innovative Games Co. L.L.C.	Rental Revenue	Affiliates	--	1,541,596	--	2,703,953
Sala Entertainment Company, L.L.C.	Rental Revenue	Affiliates	19,990,879	--	14,159,095	--
Nail Place Trading, L.L.C.	Rental Revenue	Affiliates	2,717,034	--	946,148	2,317,325
Kids Space Company Limited, L.L.C.	Rental Revenue	Affiliates	1,708,764	1,850,848	3,787,815	1,796,225
Majd Business Co. Ltd. L.L.C.	Rental Revenue	Affiliates	9,953,729	--	2,071,575	1,032,501
FAS Technologist Trading Co, L.L.C	Expense	Affiliates	--	--	268,640	179,248
Fahad Abdulaziz Alhokair Trading Establishment (EST.)	Rental Revenue	Affiliates	1,921,097	--	4,410,943	--
Echo Design Consultant	Payment on behalf	Affiliates	29,203	8,705	1,357,306	1,328,103
Coffee Centers Company Limited, L.L.C.	Rental Revenue	Affiliates	--	600,592	9,126	7,111
Almuzn Alkhaleejiah, L.L.C.	Rental Revenue	Affiliates	794,703	--	788,549	--
Vida first for beverages, EST.	Rental Revenue	Affiliates	116,641	--	82,399	--
Vida Trading, EST.	Rental Revenue	Affiliates	52,841	--	212,445	--
Etqan Facilities Management (Affiliate), L.L.C.	Services received	Affiliates	--	34,988,075	--	--
					455,798,040	591,222,957

*Guaranteed by Ultimate Parent Company

The 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.

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6 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

6.3 Related party balances (continued)

ii) Amounts due to related parties:

	31 December 2020 <u>Unaudited</u> SR	31 March 2020 <u>Audited</u> SR
Nesk Trading Project Company Limited, L.L.C.	3,242,992	--
Etqan Facilities Management (Affiliate), L.L.C.	4,181,346	3,899,682
	7,424,338	3,899,682

iii) Advances to a contractor:

Advances to a contractor represents advances 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 2020 <u>Unaudited</u> SR	31 March 2020 <u>Audited</u> SR
Fawaz Abdulaziz Al Hokair & Partners Real Estate Company	574,088,023	614,438,352

With the consent of the shareholders of the Company, the Company has signed a framework agreement for the award of the construction of all projects to Fawaz Abdulaziz Al Hokair & Partners Real Estate Company, a related party.

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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. During the period ended 31 December 2020, the Group has sold its share of investment for total proceeds of SR 97.5 million and accordingly recognised gain on disposal of SR 42.7 million in the condensed consolidated interim statement of profit or loss.

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

	Percentage of ownership	Opening balance SR	Share in earnings SR	Dividend SR	Disposal SR	Ending balance SR
As at 31 December 2020 - Unaudited	Nil	53,079,928	1,652,443	--	(54,732,371)	--
As at 31 March 2020 - <u>Audited</u>	25%	<u>42,238,721</u>	<u>15,841,207</u>	<u>(5,000,000)</u>	--	<u>53,079,928</u>
As at 31 December 2019 - <u>Unaudited</u>	25%	<u>42,238,721</u>	<u>12,558,086</u>	<u>(5,000,000)</u>	--	<u>49,796,807</u>

8. OTHER INVESTMENTS

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Investments in a real estate company at FVOCI (i)	78,183,000	98,199,000
Investment in a real estate fund at FVTPL (ii)	6,091,291	6,264,375
	<u>84,274,291</u>	<u>104,463,375</u>

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

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Amlak International for Real Estate Finance Company	78,183,000	98,199,000

During the nine month period ended 31 December 2020, Amlak International for Real Estate Finance Company announced its IPO. In relation to the IPO, the Group disposed 30% of its investment in Amlak International at an offer price of SR 16 per share.

Furthermore, the Group has also disposed 33% of its post IPO holding and realised a total fair value gain of SR 12,048,218 in other comprehensive income.

As at 31 December 2020, the Group holds 3.57 million shares of Amlak International for Real Estate Finance Company having a fair value of SR 78,183,000.

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8. OTHER INVESTMENTS (CONTINUED)

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

This represents 0.25% equity investment in Al Jawhara Real Estate Fund (formerly known as Digital City Fund) (68 units each for SR 100,000) purchased for SR 7.00 million. Net asset value (NAV) of the investment amounted to SR 6.01 million (31 March 2020: SR 6.20 million). An unrealized loss for the period amounting to SR 0.17 million has been recognized in the condensed consolidated interim statement of profit or loss (31 March 2020: SR 0.4 million). The movement in investments in real estate fund was as follows:

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Opening balance	6,264,375	6,708,763
Cost:		
At the beginning and end of the period / year	<u>7,000,000</u>	<u>7,000,000</u>
Revaluation adjustments:		
At the beginning of the period / year	<u>(735,625)</u>	(291,237)
Unrealized loss during the period / year	<u>(173,084)</u>	(444,388)
At the end of the period / year	<u>(908,709)</u>	(735,625)
Net carrying amount	<u>6,091,291</u>	<u>6,264,375</u>

9. INVESTMENT PROPERTIES

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Cost		
Balance at the beginning of the period / year	13,575,076,965	12,915,594,409
Additions during the period / year	<u>527,159,208</u>	659,482,556
Balance at the end of the period / year	<u>14,102,236,173</u>	<u>13,575,076,965</u>
Accumulated depreciation		
Balance at the beginning of the period / year	(2,218,164,120)	(1,931,745,944)
Charge for the period / year	<u>(228,819,537)</u>	(286,418,176)
Balance at the end of the period / year	<u>(2,446,983,657)</u>	<u>(2,218,164,120)</u>
Net book value	<u>11,655,252,516</u>	<u>11,356,912,845</u>

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

Fair value of investment properties

Management estimates that the fair value of the investment properties as at 31 December 2020 is SR 22,833,416,477 (31 March 2020: SR 22,113,720,686). External valuations were carried out by valuers with appropriate qualifications and experience and prepared in accordance with Royal Institution of Chartered Surveyors ("RICS") Global Standards 2017 which comply with the international valuation standards. The effective date of the valuation was 30 September 2020.

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. LONG-TERM BORROWINGS

	<i>Notes</i>	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Non-current liabilities			
Long-term loans	10.1	5,021,447,323	5,143,502,555
Sukuk	10.2	1,834,703,048	1,827,240,522
		<u>6,856,150,371</u>	<u>6,970,743,077</u>
Current liabilities			
Current portion of long-term loan	10.1	<u>119,375,000</u>	<u>45,000,000</u>

10.1 Long-term loans

a) Movement in the long-term loans follows:

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Balance at the beginning of the period / year	5,249,993,272	6,814,144,763
Drawdowns / addition of a new facility	--	5,368,675,202
Repayments during the period / year	<u>(45,000,000)</u>	<u>(6,932,826,693)</u>
	5,204,993,272	5,249,993,272
Less: unamortized transaction costs	<u>(64,170,949)</u>	<u>(61,490,717)</u>
Balance at the end of the period / year	5,140,822,323	5,188,502,555
Less: current portion of long-term loans	<u>(119,375,000)</u>	<u>(45,000,000)</u>
Non-current portion of long-term loans	<u>5,021,447,323</u>	<u>5,143,502,555</u>

b) Unamortized transaction costs movement is as follows:

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Balance at the beginning of the period / year	61,490,717	73,110,079
Additions during the period / year	8,659,935	63,462,460
Write off during the period / year	--	(59,930,701)
Capitalized transaction costs	<u>(241,382)</u>	<u>(5,443,876)</u>
Amortized transaction costs during the period / year	<u>(5,738,321)</u>	<u>(9,707,245)</u>
Balance at the end of the period / year	<u>64,170,949</u>	<u>61,490,717</u>

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

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Within one year	119,375,000	45,000,000
Between two to five years	1,944,376,272	2,063,751,272
More than five years	<u>3,141,242,000</u>	<u>3,141,242,000</u>
	<u>5,204,993,272</u>	<u>5,249,993,272</u>

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10. LONG-TERM BORROWINGS (CONTINUED)

10.1 Long-term loans (continued)

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). These facilities are fully utilized as at reporting date.

The long-term loan is repayable in unequal semi-annual instalments and are subject to commission rates based on SIBOR/LIBOR plus an agreed commission rate. During the current period in order to reduce its exposure to commission rate risks the Group has entered into an Islamic profit rate swap for portion of its long-term loan. For details refer note 11.

The facilities are secured by insurance policies, proceeds of rental income, and land and buildings of several malls. However, formalities relating to registration of security documents are under process.

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 2020 Unaudited SR	31 March 2020 Audited SR
Sukuk	1,874,950,000	1,874,950,000
Less: Unamortized transaction cost	(40,246,952)	(47,709,478)
Balance at the end of the period / year	<u>1,834,703,048</u>	<u>1,827,240,522</u>

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 certain specified conditions mentioned in the Sukuk Certificate.

Unamortized transaction costs movement is as follows:

	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Balance at the beginning of the period / year	47,709,478	--
Additions during the period / year	--	51,208,742
Capitalized transaction costs	(229,658)	(127,116)
Amortized transaction costs during the period / year	(7,232,868)	(3,372,148)
Balance at the end of the period / year	<u>40,246,952</u>	<u>47,709,478</u>

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11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives designated as hedging instruments

As at 31 December 2020, the Group held Islamic Profit Rate Swaps (“IRS”) of a notional value of USD 80 million (equivalent to SR 300 million) in order to reduce its exposure to commission rate risks against long term financing. The table below shows the fair values of derivatives financial instruments, recorded as negative fair value. The notional amounts indicate the volume of transactions outstanding at the period end and are neither indicative of the market risk nor the credit risk.

Description of the hedged items:	Hedging instrument	Fair Value	31 December 2020 SR
Commission payments on floating rate loan	IRS	Negative	<u>1,677,200</u>

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity component of the Group.

Fair values of cash flow hedge represent the mark to market values of the Islamic Profit rate swaps as at 31 December 2020. The cash flow hedge reserve included under other reserves represents the effective portion of cash flow hedge.

12. SHARE CAPITAL

On 14 Rajab 1440H (corresponding to 21 March 2019), the general assembly of shareholders 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 year ended 31 March 2020. 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 shares issue	--	--	(68,274,297)
Balance at 31 March 2020	<u>475,000,000</u>	<u>4,750,000,000</u>	<u>411,725,703</u>
Balance at 31 December 2020	<u>475,000,000</u>	<u>4,750,000,000</u>	<u>411,725,703</u>

13. RESERVES

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.

Other reserves

Other reserves include fair value reserve, hedging reserve and reserve for actuarial gain/loss of employees’ end-of-service benefits.

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14. DIVIDENDS DISTRIBUTION

During the period, the Board of Directors resolved to distribute final dividends amounting to SR 0.50 per share aggregating to SR 237,500,000 as per resolution dated 22 Dhul Qadah 1441H (corresponding to 13 July 2020). The Company has paid the dividends during the period.

During the period, the Board of Directors resolved to distribute interim dividends amounting to SR 0.50 per share aggregating to SR 237,500,000 as per resolution dated 14th Jumada Al-Awwal 1442H (corresponding to 29 December 2020).

15. REVENUE

	Nine-month period ended 31 December 2020 Unaudited SR	Nine-month period ended 31 December 2019 Unaudited SR
Rental income (*)	1,330,290,857	1,615,879,379
Service and management charges income	66,472,379	70,625,457
Commission income on provisions for utilities for heavy users, net	2,171,143	2,662,915
Turnover rental	<u>11,175,967</u>	--
	<u>1,410,110,346</u>	<u>1,689,167,751</u>

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

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 2020 Unaudited SR	Nine-month period ended 31 December 2019 Unaudited SR
Within one year	1,846,733,166	1,458,650,240
After one year but not more than five years	2,284,880,578	1,913,798,723
More than five years	<u>353,533,923</u>	<u>411,777,377</u>
	<u>4,485,147,667</u>	<u>3,784,226,340</u>

16. OTHER INCOME

	Nine-month period ended 31 December 2020 Unaudited SR	Nine-month period ended 31 December 2019 Unaudited SR
Rental concession on leases	76,703,029	--
Income from sale of equity accounted investee (note 7)	42,767,629	--
Dividend income	2,857,500	5,737,500
Other income	<u>10,569,386</u>	<u>731,656</u>
	<u>132,897,544</u>	<u>6,469,156</u>

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17. 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.

	Three-month period ended 31 December 2020 Unaudited SR	Three-month period ended 31 December 2019 Unaudited SR	Nine-month period ended 31 December 2020 Unaudited SR	Nine-month period ended 31 December 2019 Unaudited SR
Profit for the period attributable to the Shareholders of the Company	95,423,954	107,892,211	357,207,914	535,945,344
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	475,000,000	469,327,273	475,000,000	469,327,273
Basic and diluted earnings per share attributable to the Shareholders of the Company	0.20	0.23	0.75	1.14

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

18. SEGMENT REPORTING

The Group's activities and business lines as 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 interim statement of profit or loss.

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

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19. FINANCIAL INSTRUMENTS

Financial instruments by category

Financial instruments have been categorized as follows:

	31 December	31 March
	<u>2020</u>	<u>2020</u>
	Unaudited	Audited
	SR	SR
<u>Financial assets</u>		
Cash and cash equivalents	793,589,158	1,045,680,193
Accounts receivable	222,229,835	234,254,125
Amounts due from related parties	455,798,040	591,222,957
Other investments	84,274,291	104,463,375
Total financial assets	<u>1,555,891,324</u>	<u>1,975,620,650</u>
	31 December	31 March
	<u>2020</u>	<u>2020</u>
	Unaudited	Audited
	SR	SR
<u>Financial liabilities</u>		
Accounts payable	156,191,695	149,442,700
Amounts due to related parties	7,424,338	3,899,682
Lease liability on right-of-use assets	4,043,787,942	4,237,227,831
Long-term borrowings	6,975,525,371	7,015,743,077
Tenants' security deposits	125,804,020	119,133,947
Derivative liability (Profit rate swaps)	1,677,200	--
Total financial liabilities	<u>11,310,410,566</u>	<u>11,525,447,237</u>

Fair value estimation of financial instrument

The following table presents the Group's financial instruments measured at fair value at 31 December 2020 and 31 March 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	SR	SR	SR	SR
<u>31 December 2020 (Unaudited)</u>				
Investments real estate fund	--	--	6,091,291	6,091,291
Amlak International for Real Estate Finance Company	78,183,000	--	--	78,183,000
<u>31 March 2020 (Audited)</u>				
Investments real estate fund	--	--	6,264,375	6,264,375
Amlak International for Real Estate Finance Company	--	--	98,199,000	98,199,000

The Group holds an investment in equity shares of Amlak International for Real Estate Finance. The fair value of this investment was categorized as Level 3 at 31 March 2020.

During the period ended 31 December 2020, Amlak International for Real Estate Finance Company listed its equity shares on Tadawul and they are currently actively traded in the market. Accordingly, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy as at 31 December 2020.

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20. 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 commission 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 2020 and 31 March 2020. 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):

	Nine-month period ended 31 December 2020 Unaudited SR	Nine-month period ended 31 December 2019 Unaudited SR
Gain / (loss) through the condensed consolidated statement of profit or loss		
Floating rate debt:		
SIBOR +100bps	(70,799,433)	(63,749,420)
SIBOR -100bps	70,799,433	63,749,420

Real estate risk

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

- The cost of the development projects may increase if there are delays in the planning process. The Group uses advisors who are experts in the specific planning requirements in the project'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.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

Banks balances, deposits and derivatives are with local banks and international financial institutions with sound credit ratings.

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.

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.

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table provides information about the exposure to credit risk and ECLs for accounts receivable from customers as at 31 December 2020 and 31 March 2020:

<u>Days past due</u>	<u>Gross carrying amount</u>		<u>Weighted-average loss</u>		<u>Loss</u>
	<u>31 December 2020</u>	<u>31 March 2020</u>	<u>31 December 2020</u>	<u>31 March 2020</u>	<u>Allowance % as at 31 December 2020</u>
0-90	36,655,119	53,440,320	6,710,539	3,374,520	18.31%
91-180	64,641,448	77,196,999	13,901,578	8,405,148	21.51%
181-270	62,001,215	81,428,407	15,249,476	13,146,524	24.60%
271-360	49,468,087	56,618,562	16,390,494	13,755,863	33.13%
361-450	38,892,968	31,688,310	16,396,993	30,737,331	42.16%
451-540	39,571,044	30,458,967	21,477,022	29,589,159	54.27%
541-630	32,814,605	26,577,256	19,544,485	26,011,424	59.56%
631-720	24,641,934	26,565,490	16,785,998	24,700,217	68.12%
> 720 days	66,493,925	15,827,113	66,493,925	15,827,113	100.00%
	<u>415,180,345</u>	<u>399,801,424</u>	<u>192,950,510</u>	<u>165,547,299</u>	

During the period ended 31 December 2020, receivables amounting to SR 47,525,605 is written off (31 December 2019: 1,994,537).

During the period ended 31 December 2020, accrued revenue rental amounting to SR 33,399,074 is written off (31 December 2019: Nil).

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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20. 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 a liquidity crunch situation) with the financial assets forming part of the current assets, there seems to be a reasonable 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
31 December 2020 (Unaudited)						
Accounts payable	156,191,695	--	--	--	--	156,191,695
Amounts due to related parties	7,424,338	--	--	--	--	7,424,338
Tenants' security deposits	43,294,505	13,578,003	34,839,887	33,192,851	898,774	125,804,020
Lease liability on right-of-use assets	339,853,973	155,114,286	317,104,199	993,430,275	4,539,944,752	6,345,447,485
Long-term borrowings	171,025,114	202,685,196	430,030,284	4,204,876,875	3,449,478,272	8,458,095,741
Derivative liability	1,677,200	--	--	--	--	1,677,200
	<u>719,466,825</u>	<u>371,377,485</u>	<u>781,974,370</u>	<u>5,231,500,001</u>	<u>7,990,321,798</u>	<u>15,094,640,479</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
31 March 2020 (Audited)						
Accounts payable	149,442,700	--	--	--	--	149,442,700
Amounts due to related parties	3,899,682	--	--	--	--	3,899,682
Tenants' security deposits	46,994,940	19,409,668	23,373,195	27,093,771	2,262,373	119,133,947
Lease liability on right-of-use assets	394,592,601	176,568,679	346,767,199	1,074,013,012	5,170,031,208	7,161,972,699
Long-term borrowings	154,330,489	204,805,482	435,978,748	4,231,880,901	4,146,554,789	9,173,550,409
Total	<u>749,260,412</u>	<u>400,783,829</u>	<u>806,119,142</u>	<u>5,332,987,684</u>	<u>9,318,848,370</u>	<u>16,607,999,437</u>

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20. 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 2020 Unaudited SR	31 March 2020 Audited SR
Total liabilities	11,987,147,386	11,977,235,024
Less: cash and cash equivalents	(793,589,158)	(1,045,680,193)
Net debt	<u>11,193,558,228</u>	<u>10,931,554,831</u>
Equity attributable to the Shareholders of the Company	<u>5,919,232,929</u>	<u>5,982,997,476</u>
Debt to adjusted capital ratio	<u>189%</u>	<u>183%</u>

21. CONTINGENCIES AND COMMITMENTS

During the current period, the Group received a demand letter from the General Authority of Zakat and Tax (GAZT) claiming additional Value added tax (VAT) of SR 24.6 million and penalties of SR 40.8 million for the period up to 31 December 2019.

The Group has objected and filed an appeal for the same and has deposited SR 24.6 million. Subsequent to the period, GAZT has confirmed that the penalties have been waived. However, GAZT is still reviewing the responses and supporting documentations submitted by the Group. Based on the assessments of management and the independent consultant handling the appeal, the Group is comfortable that it has adequate documentation to support the appeal, and accordingly, expects the additional VAT liability to be reversed by GAZT. Hence, no provision has been recorded and the amount paid under appeal has been classified under Prepayments and other current assets.

Commitments:	31 December 2020 Unaudited SR	31 March 2020 Audited SR
Commitments for projects under construction*	<u>3,125,870,053</u>	<u>3,567,294,491</u>

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

22. IMPACT OF COVID-19 ON THE GROUP'S OPERATIONS AND THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID 19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide temporary lockdowns and curfews.

Temporary closure or limited operations of malls and restricted movements of shoppers were some of the key challenges that the Group faced during the period from 16 March 2020 until 20 June 2020. While the malls are now operational, however, uncertainty still remains regarding the operating conditions of malls and unpredictability of behaviour of shoppers and retailers in the post lockdown environment.

The Group continues to evaluate the current situation through conducting stress testing scenarios on expected macro-economic indicators and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. These also take into consideration the impacts of government and SAMA support relief programs.

These current events and the prevailing economic conditions required the Group to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolved around revisions to the scenario probabilities currently being used by the Group in ECL estimation. The impact of such uncertain economic environment is judgemental, and the Group will continue to reassess its position and the related impact on a regular basis.

On May 21, 2020, the Group announced rent relief and support packages, offered a waiver of contractual base rent and service charge for all tenants of its properties from 16 March 2020 for a period of six weeks (45 days). Tenants whose stores were mandatorily closed by the government's decision also benefitted from the rent relief program starting from the date of government closure until the lifting of the closure by the Government. Further, the Group announced that all increases in tenant contracts will be halted for two years 2020 and 2021.

Accordingly, as of 31 December 2020 management has approved a total discount of SR 569 million which will be amortized over the remaining period of lease. The impact of rent relief for the nine-month period ended 31 December 2020 is SR 191 million (31 March 2020: SR 20.4 million).