

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 March 2019
together with
Independent Auditor's Report

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 March 2019

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

Independent Auditor's Report

To the Shareholders of Arabian Centres Company

Opinion

We have audited the consolidated financial statements of Arabian Centres Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 March 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 6 March 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

Revenue recognition	
See Note 5 and 26 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 March 2019, the Group has recognized total revenue of SAR 2.18 billion (31 March 2018: SAR 2.16 billion).</p> <p>The Group revenue mainly consists of rental income from lease contract.</p> <p>Revenue recognition is considered a key audit matter since revenue is a key measure of the Group's performance and there is a risk that revenue may be overstated resulting from the pressure management may feel to achieve performance targets and may early recognize revenue through unauthorized amendments to key terms of lease contracts or accelerate recognition of revenue through accrual in incorrect period.</p>	<p>Our audit procedures in relation to revenue included, among others,:</p> <ul style="list-style-type: none"> - Evaluating the Group's accounting policies in light of the requirements of relevant accounting standards; - Assessing the design and implementation, and testing the operating effectiveness of controls over: <ul style="list-style-type: none"> o Recognizing revenue accurately over the term of the lease contracts; and o Making amendments to critical terms of the lease contracts without tenant's acknowledgement - Evaluating key contractual arrangements including rental discounts by considering relevant documentations and contracts with the tenants; - Testing revenue recognized during the year from a sample of lease contracts to assess whether revenue recognized under these contracts complies with Group's accounting policy for revenue recognition and terms of lease contracts; - Obtaining, on a sample basis, accounts receivable balance confirmations from the Group's tenants and investigating any discrepancies indicating any incorrect recognition of revenue; - Testing manual journal entries posted to revenue account to identify any unusual items; - Performing cut off procedures to assess that revenue is recognised in the correct period; and - Assessing the disclosures included in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

Impairment of investment properties	
See Note 5 & 14 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2019, the Group owns investment properties with a carrying amount of SR 10.98 billion which are used for earning rentals and to gain from appreciation in value.</p> <p>Considering the fluctuation in real estate prices and possible impact on rentals, the Group assesses at each reporting date whether there is an indication that an investment property may be impaired.</p> <p>If any indication exists, the Group estimates recoverable amount of investment properties using external real estate valuation experts who consider expected future rentals, discount rates and other assumptions in determining the value of these investment properties.</p> <p>We considered this as the key audit matter due to the significant judgment and the key assumptions involved in determining the recoverable amount of the investment properties.</p>	<p>Our audit procedures in this area, included among others:</p> <ul style="list-style-type: none"> - Evaluating the experience and qualification of the real estate valuation experts appointed by management and considering the expert's suitability for the valuation of investment properties; - Involving our specialist to assess the reasonableness of the key assumptions used by the real estate valuation experts in determining the value of the investment properties; - Agreeing the specific details (area, location etc.) of the investment properties as per the valuation reports with Company's records and title deeds of the investment properties; - Comparing the recoverable amount of the investment properties as per the Valuation Report with their carrying values to check whether any impairment is required; and - Evaluating the adequacy of the disclosures included in the consolidated financial statements.
Other Information	

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

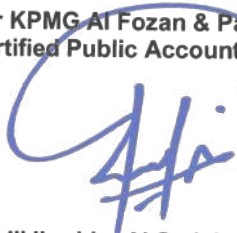
To the Shareholders of Arabian Centres Company (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Arabian Centres Company ("the Company") and its subsidiaries ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants



Khalil Ibrahim Al Sedais
License No: 371



Al Riyadh, 22 Shawwal 1440 H
Corresponding to: 25 June 2019

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Profit or Loss
For the year ended 31 March 2019

	<i>Note</i>	31 March 2019	31 March 2018
		SR	SR
Assets			
Current assets			
Cash and cash equivalents	7	457,670,983	80,350,968
Accounts receivable	8	299,245,146	246,733,176
Amounts due from related parties	9	567,558,035	238,579,401
Advances to a contractor, related party	9 & 10	499,595,478	274,507,859
Prepayments and other current assets	11	96,244,969	119,091,960
Accrued revenue (rentals)		30,191,211	32,984,696
Total current assets		1,950,505,822	992,248,060
Non-current assets			
Amounts due from related parties	9	--	200,322,570
Advances to a contractor, related party – non-current portion	9 & 10	105,318,598	80,692,116
Prepaid rent – non-current portion		--	48,517,542
Accrued revenue (rentals) – non-current portion		60,382,421	65,969,394
Investment in an equity-accounted investee	12	42,238,721	39,669,322
Other investments	13	108,708,763	128,476,217
Investment properties	14	10,983,848,465	10,781,869,500
Property and equipment	15	114,773,889	136,827,578
Total non-current assets		11,415,270,857	11,482,344,239
Total assets		13,365,776,679	12,474,592,299
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of long-term loans	16	501,875,532	433,000,000
Accounts payable	17	217,760,402	276,725,098
Amounts due to related parties	9	22,499,022	221,619,546
Unearned revenue	18	305,506,061	277,252,240
Accrued lease rentals	19	11,480,894	11,301,470
Accruals and other current liabilities	20	326,082,270	162,539,755
Zakat payable	21	82,457,716	146,559,970
Total current liabilities		1,467,661,897	1,528,998,079
Non-current liabilities			
Long-term loans	16	6,239,159,152	5,395,029,126
Accrued lease rentals – non-current portion	19	515,366,044	560,359,883
Employees' end-of-service benefits	22	31,744,170	30,338,170
Other non-current liabilities	20	47,085,296	54,914,387
Total non-current liabilities		6,833,354,662	6,040,641,566
Total liabilities		8,301,016,559	7,569,639,645
Equity			
Share capital	23	4,450,000,000	4,450,000,000
Statutory reserve	24	449,699,309	370,739,315
Other reserves		(18,272,000)	2,759,217
Retained earnings		183,241,759	77,572,310
Equity attributable to the owners of the Company		5,064,669,068	4,901,070,842
Non-controlling interests		91,052	3,881,812
Total equity		5,064,760,120	4,904,952,654
Total liabilities and equity		13,365,776,679	12,474,592,299

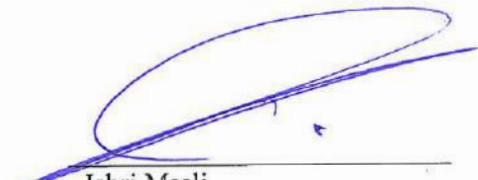
Mr. Olivier Nougrou
Chief Executive Officer


Mr. Jabri Maali
Chief Financial Officer

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Profit or Loss
For the year ended 31 March 2019

	<u>Note</u>	31 March 2019	31 March 2018
		SR	SR
Revenue	26	2,176,399,680	2,160,507,418
Cost of revenue	27	(521,177,627)	(527,034,783)
Depreciation of investment properties	14	(256,916,024)	(268,366,279)
Write-off of investment properties	14	(4,397,441)	--
Gross profit		1,393,908,588	1,365,106,356
Other income	28	10,697,190	31,757,095
Other expense	29	(6,821,779)	(9,751,949)
Advertisement and promotion expenses	30	(5,642,340)	(13,444,488)
Impairment loss on accounts receivable	8	(43,524,466)	(94,814,498)
General and administration expenses	31	(171,821,914)	(174,050,094)
Operating profit		1,176,795,279	1,104,802,422
Share of profit of equity-accounted investee	12	11,569,399	9,650,928
Finance cost	32	(439,540,747)	(295,358,031)
Profit before zakat		748,823,931	819,095,319
Zakat	21	55,276,825	(32,684,346)
Profit for the year		804,100,756	786,410,973
Profit for the year attributable to:			
Owners of the Company		789,599,943	774,568,050
Non-controlling interests		14,500,813	11,842,923
		804,100,756	786,410,973
Earnings per share:			
Basic and diluted earnings per share	33	1.77	1.74

The accompanying notes from 1 to 38 form an integral part of the consolidated financial statements.


Jabri Maali
Chief Financial Officer


Olivier Nougareu
Chief Executive Officer

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Comprehensive Income
For the year ended 31 March 2019

		31 March 2019	31 March 2018
	<u>Note</u>	SR	SR
Profit for the year		804,100,756	786,410,973
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss</i>			
Re-measurement of defined benefit liability	22	(1,555,000)	2,196,000
Other investment at FVOCI – net change in fair value		1,900,000	--
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Change in fair value of available for sale investments, net of zakat		--	(359,100)
Other comprehensive income for the year		345,000	1,836,900
Total comprehensive income for the year		804,445,756	788,247,873
Total comprehensive income for the year attributable to:			
Owners of the Company		789,944,943	776,404,950
Non-controlling interests		14,500,813	11,842,923
		804,445,756	788,247,873

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Mr. Olivier Nougrou
Chief Executive Officer

Mr. Jabri Maali
Chief Financial Officer

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Changes in Equity
For the year ended 31 March 2019

	<u>Attributable to Shareholders of the Company</u>					<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>SR</u>	<u>SR</u>
	SR	SR	SR	SR	SR	SR	SR
Balance at 1 April 2017	4,450,000,000	293,651,971	922,317	126,091,604	4,870,665,892	2,788,889	4,873,454,781
Profit for the year	--	--	--	774,568,050	774,568,050	11,842,923	786,410,973
Other comprehensive income for the year	--	--	1,836,900	--	1,836,900	--	1,836,900
Total comprehensive income for the year	--	--	1,836,900	774,568,050	776,404,950	11,842,923	788,247,873
Transfer to statutory reserve	--	77,087,344	--	(77,087,344)	--	--	--
Dividends (note 9 and note 25)	--	--	--	(746,000,000)	(746,000,000)	(10,750,000)	(756,750,000)
Balance at 31 March 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
Balance 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 year	--	--	--	789,599,943	789,599,943	14,500,813	804,100,756
Other comprehensive income for the year	--	--	345,000	--	345,000	--	345,000
Total comprehensive income for the year	--	--	345,000	789,599,943	789,944,943	14,500,813	804,445,756
Transfer to statutory reserve	--	78,959,994	--	(78,959,994)	--	--	--
Dividends (note 9 and note 25)	--	--	--	(640,000,000)	(640,000,000)	(20,000,000)	(660,000,000)
Balance at 31 March 2019	4,450,000,000	449,699,309	(18,272,000)	183,241,759	5,064,669,068	91,052	5,064,760,120

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Mr. Olivier Nougareou
Chief Executive Officer

Mr. Jabri Maali
Chief Financial Officer

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended 31 March 2019

		31 March 2019 SR	31 March 2018 SR
Cash flows from Operating activities			
Profit before Zakat		748,823,931	819,095,319
Adjustments for:			
Depreciation of investment properties	14	256,916,024	268,366,279
Depreciation of property and equipment	15	35,407,948	30,823,363
Share of profit of equity accounted investee	12	(11,569,399)	(9,650,928)
Finance cost	32	439,540,747	295,358,031
Provision for employees' end-of-services benefits	22	6,471,000	7,399,000
Impairment loss on accounts receivable	8	43,524,466	94,814,498
Impairment on advances to suppliers	29	6,069,287	7,835,354
Write-off of investment properties	14	4,397,441	--
Loss on sale of land		--	1,631,586
Reversal of liabilities no longer payable		--	(16,093,228)
Change in fair value of other investments (FVTPL)		267,454	--
Accounts receivable written-off		--	1,562,261
Reversal of accrued lease rentals		--	(9,032,522)
		<u>1,529,848,899</u>	<u>1,492,109,013</u>
Changes in:			
Accounts receivable		(59,274,726)	(109,331,270)
Amounts due from related parties, net		(879,121,000)	(199,993,892)
Prepayments and other current assets		(23,502,552)	10,156,388
Accounts payable		(49,107,067)	32,447,238
Accrued revenue		8,380,458	(1,097,223)
Accrued lease rentals		11,646,965	(3,235,480)
Unearned revenue		28,253,821	(33,587,443)
Accruals and other current liabilities		(63,179,614)	66,974,986
Cash generated from operating activities		<u>503,945,184</u>	<u>1,254,442,317</u>
Employees' end-of-service benefits paid	22	(6,620,000)	(6,717,000)
Zakat paid	21	--	(3,478,217)
Net cash from operating activities		<u>497,325,184</u>	<u>1,244,247,100</u>
Cash flows from investing activities			
Additions to investment properties	14	(444,931,448)	(332,456,377)
Purchase of property and equipment	15	(13,450,541)	(45,604,385)
Dividend received from an associate	12	9,000,000	5,000,003
Advances to a contractor, related party		(249,714,101)	(162,549,352)
Net cash used in investing activities		<u>(699,096,090)</u>	<u>(535,610,111)</u>
Cash flows from financing activities			
Payment of financial charges		(168,360,882)	(346,503,609)
Dividends paid		--	(374,000,000)
Proceeds from long-term loans	16	7,086,318,069	--
Payment of transaction costs	16	(91,692,960)	--
Repayment of long-term loans	16	(6,227,173,306)	(66,000,000)
Dividend paid by subsidiary to non-controlling interest shareholders		(20,000,000)	--
Net cash from / (used in) financing activities		<u>579,090,921</u>	<u>(786,503,609)</u>
Net increase / (decrease) in cash and cash equivalents		<u>377,320,015</u>	<u>(77,866,620)</u>
Cash and cash equivalents at the beginning of the year	7	80,350,968	158,217,588
Cash and cash equivalents at end of the year	7	<u>457,670,983</u>	<u>80,350,968</u>

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Cash Flows (continued)
For the year ended 31 March 2019

Non-cash transactions:

Dividends settled through Ultimate Parent Company's account	9 & 25	640,000,000	372,000,000
Investment property transferred to related parties	9 & 14	(107,242,364)	(20,342,134)
Zakat payable transferred to the Ultimate Parent Company	9 & 21	8,825,429	--
Unrealized loss on revaluation of available for sale investments	13	(162,220)	(359,100)
Amounts due to the Ultimate Parent Company settled through related parties' account	11	--	77,657,872
Capitalized rent- investment properties	19	142,545,087	167,941,111
Sale of land settled through Ultimate Parent Company's account		--	(115,763,625)
Available for sale investments transferred to the Ultimate Parent Company		--	(103,334,204)
Capitalized finance cost for Project under construction		50,144,855	--
Dividend settled through related party's account	10	--	10,750,000
Impact of adoption IFRS opening		36,761,710	--
Rent free period - Investment properties		(90,461,596)	--
Accounts payable transferred to the Ultimate Parent Company		9,857,629	--
Amounts due from related parties settled through the Ultimate Parent Company account		(20,500,000)	--
Property, plant and equipment transferred to the Ultimate Parent Company account		(96,282)	--

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Mr. Olivier Nougrou
Chief Executive Officer

Mr. Jabri Maali
Chief Financial Officer

Arabian Centres Company and its Subsidiaries
(A Saudi Closed Joint Stock Company)
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2019

1 CORPORATE INFORMATION AND ACTIVITIES

Arabian Centres Company (“the Company”) is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (“KSA”) under commercial registration numbered 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 legal status of the Company has been changed from a Limited Liability Company to a Saudi Closed Joint Stock Company effective 8 Muhurram 1439H (corresponding to 28 September 2017).

On 22 May 2019, The Group became listed on Saudi Stock Exchange (Tadawul) and the legal status of the Group changed from Closed Joint Stock Company to Saudi Joint Stock Company.

The Company 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 consolidated financial statements as of 31 March 2019 and 31 March 2018:

<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 (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.

Arabian Centres Company and its Subsidiaries
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2 BASIS OF PREPARATION AND PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ('SOCPA').

Up to and including the year ended 31 March 2018, the Group prepared and presented its statutory financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the consolidated financial statements. For the financial year ended 31 March 2019, the Group prepared its statutory consolidated financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia instead of SOCPA. In these consolidated financial statements, the term "Previous GAAP" refers to SOCPA GAAP before the adoption of IFRS.

Previously, the Group prepared consolidated financial statements for the year ended 31 March 2018 in accordance with IFRS for inclusion in the Offering Circular prepared for the IPO purposes and accordingly, have already adopted IFRS in those financial statements. Therefore, these financial statements are not the first IFRS financial statements of the Group. However, as these are first statutory financial statements of the Company prepared under IFRS, an explanation describing how the transition to IFRS in the preparation of statutory financial statements for the year ended 31 March 2018 has affected the reported financial position, financial performance and cash flows of the Group from previous GAAP is provided in note 6.

Basis of measurement, functional and presentation currency

These consolidated 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 consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the functional currency of the Company.

3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five to eight years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Long-term assumptions for employee benefits

Employees' end-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Estimates and assumptions (continued)

Measurement of Expected Credit Loss (ECL) allowance for accounts receivable: key assumptions in determining the weighted average loss rate

The Group's exposure to credit risk is influenced mainly by the individual characteristics of the customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with other social-economic factors. Such estimates are based on assumptions relating to those factors and actual results may differ, resulting in future changes to the impairment.

Economic useful lives of investment properties and property and equipment

The Group's management determines the estimated useful lives of its investment properties and property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Component parts of investment properties and property and equipment

The Group's assets, classified within investment properties and property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

Determination of control and significant influence

Management's judgement in assessing control over consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has in relation to the investees.

3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Critical judgements in applying accounting standards (continued)

In certain cases where the Group owns 50% or less of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

Based on above considerations, management of the Group believes:

- there is a pattern of past and existing practice of the Group's involvement in the relevant activities of these investees resulting in an impact on their returns and also indicating a more than passive interest of the Group in such investees; and
- the Group has created an environment in which the set-up and function of these investees and their interrelationship with the Group leads towards a judgement of 'control'.

Hence, the Group has consolidated those investees, which meet the above criteria as part of the Group's consolidated financial statements.

Management's judgement in assessing significant influence over investees:

Judgement was required, particularly where the Group owns shareholding and voting rights of generally 20% and above but where the management does not believe that it has 'control' or 'joint control' over such investee.

In case of such investee, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not 'control' or 'joint control'. IFRSs as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process.

By virtue of the Group's shareholding rights in the investee's general meetings, as well as the Group's representation on Board of Directors of such investee and the Group's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("associate").

The Group is accounting for such investment in an associate under the equity method of accounting.

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4 STANDARDS ISSUES BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16: Leases

IFRS 16 was issued in January 2016 and replace the current IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard will affect primarily the accounting for the Group's operating leases.

IFRS 16 details the principles for the recognition, measurement, presentation and disclosures of leases. IFRS 16 requires lessees to recognize almost all leases on the balance sheet, as the distinction between operating and finance leases as under IAS 17 is no longer applicable. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, similar to the accounting for finance lease under IAS17. IFRS16 sets out two recognition exceptions for short-term leases and low-value leases.

Subsequently, lessees will also require to re-measure the lease liability upon the occurrence of certain events (e.g. change in lease terms). Under IFRS16, such changes to the lease liability re-measurement will be recognised as an adjustment to the Right of use asset.

Lessor accounting under IFRS 16 is substantially unchanged from that of IAS 17. However, the impact of IFRS 16 is significant for lessee and requires the Group to make more extensive disclosures than under IAS 17.

IFRS 16 sets out two transition approaches for companies to adopt the standard as of 1 January 2019. The Group has elected to assess the IFRS 16 impact on their financial statements using the Simplified Modified Approach.

The Simplified Modified Approach is prospective looking and will require the management to assess the impact of the existing leases as of 1 April 2019 to recognise lease liability and right of use asset equal to discounted future lease commitments

The Group has performed an initial assessment of IFRS 16 on their current lease environment. In summary, the impact of IFRS 16 adoption on the Company as at 1 April 2019 is estimated to be as follows:

Statement of financial position	<u>SAR</u>
<u>Assets</u>	
Right of use assets	3,685,554,416
Accrued revenue (rentals)	808,475
Prepayments	(108,239,236)
	<u>3,578,123,655</u>
<u>Liabilities</u>	
Lease Liabilities	4,105,047,274
Accrued lease rentals	(526,923,619)
	<u>3,578,123,655</u>

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below:

Basis of consolidation

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 year are included in the 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 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 on consolidation.

A list of subsidiaries is provided in note (1). This note also discloses the country of incorporation, and percentages of ownership.

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 consolidated statement of profit or loss; and
- reclassifies the shareholders' share of components previously recognized in OCI to 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 subsidiaries 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 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 consolidated statement of profit or loss.

Non-controlling interests

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

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 consolidated statement of profit or loss, and the Group's share of movements in OCI of the investee in consolidated statement of comprehensive income, if any.

Dividends received or receivable from an associate is 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.

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 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 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 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 consolidated statement of profit or loss where appropriate.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, used by the Group in the management of its short-term commitments and are available to the Group without any restriction.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated into Saudi Riyal (SR) at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of profit or loss. Translation of non-monetary items depends on whether they are recognized at historical cost or at fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in consolidated statement of comprehensive income or consolidated statement of profit or loss).

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The new revenue standard introduces a single principle-based five-step model for the recognition of revenue when control of a good is transferred to or a service performed for the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, and improves the comparability of revenue from contracts with customers. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any levies or duty. Amounts disclosed as revenue are net of trade allowances and rebates. Accordingly there is no material effect of adopting IFRS 15 on the recognition of revenue of the Group.

The Group revenue mainly consists of rental income from lease contracts with in scope of IAS 17 Leases. For other revenue streams IFRS 15 applies.

Rental income

The Group is the lessor for various operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Accrued revenue is recognized to the extent that the revenue has been earned but not yet billed.

Tenant lease incentives including rental discounts are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of profit or loss when the right to receive them arises.

Turnover rent

The Group recognizes income from turnover rent on the basis of audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

Service charges, management charges and other expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes due. Service and management charges related to repairs and maintenance of the building facilities and other such receipts are included in revenue while the related costs, which are included as part of cost of revenue, as the management considers that the Group acts as a principal in this respect.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Service charges, management charges and other expenses recoverable from tenants (continued)

Service charges related to utilities for heavy users are presented net of the related costs and are recorded as part of “commission income on provisions for utilities for heavy users, net” under revenue in the consolidated statement of profit or loss, since the management considers that the Group acts as an agent in this respect.

Principal versus agent consideration

The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Group has considered if it has obtained control of the specified services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk and discretion in establishing price. The Group has concluded it is the principal in all of its revenue arrangements (except for service charges related to utilities for heavy users – as discussed in the previous section) since it is the primary obligor, it has pricing latitude and is also exposed to credit risks. There was no restatement due to this change as the Group’s policy is already in line with the requirements of IFRS 15.

Presentation and disclosure requirements

As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note (26) for the disclosure on disaggregated revenue.

Interest income

Interest income is recognized using the Effective Interest Rate (“EIR”) method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original EIR.

Dividend income

Dividend income from investments is recognized when the Group’s rights to receive payment have been established.

Other income

All other income are recognized on an accrual basis when the Group’s right to earn the income is established.

Expenses

Advertisement and promotion expenses principally comprise expenses incurred in promotion and advertisement of the shopping malls. All other expenses are classified as general and administration expenses and cost of revenue.

General and administration expenses include expenses not specifically part of the cost of revenue and promotion and advertising expenses. Allocations between general and administration expenses and cost of revenues, when required, are made on a consistent basis.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion, when substantially all of the development work is completed. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Zakat

The Group is subject to Zakat according to the regulations of the General Authority for Zakat and Tax "GAZT". Zakat provision is estimated based on the Group's individual zakat base, even though the Ultimate Parent Company submits a combined zakat returns including its wholly owned subsidiaries and adjust zakat provision when final assessment for the combined zakat returns for the Ultimate Parent Company and its wholly owned subsidiaries is received. Any differences in the estimates are recognised when the final assessment is approved by "GAZT" at Ultimate Parent Company level and such differences are recognised in the Statement of profit or loss in the year in which the final assessment is approved by "GAZT".

Property and equipment

Property and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Expenditures on repairs and maintenance are expensed to the consolidated statement of profit or loss in the period they are incurred. Betterments that increase the value or materially extend the life of the related assets are capitalized. Leaseholds improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement and the term of the lease.

Depreciation is calculated from the date the item of property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

	Number of years
Tools and equipment	4 – 8 years
Furniture and fixtures	4 – 10 years
Vehicles	4 years
Leasehold improvements	5 – 6 years
	(Shorter of economic life or lease term)

Residual values, useful lives and methods of depreciation of property and equipment are reviewed on an annual basis, and adjusted prospectively if appropriate, at each reporting date. Properties under construction, which are not ready for its intended use, are not depreciated.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period when the asset is derecognized.

The carrying amounts of property and equipment is written-down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Investment properties

Investment property comprises completed property and property under construction or redevelopment that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer charges, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the costs of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value. Land and projects under construction are not depreciated.

Expenditure for repair and maintenance are charged to consolidated statement of profit or loss as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized.

	Number of years
Building: Electrical components	25 years
Building: Mechanical components	15 years
Building: Firefighting system	30 years
Building: Conveying system	20 years
Building	50 years
Building on leasehold land: Mechanical components	15 – 25 years (Shorter of economic life or lease term)
Building on leasehold land	4 – 50 years (Shorter of economic life or lease term)

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

Investment properties is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefits is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss in the period of de-recognition.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Financial instruments

Effective 1 April 2018, the Group has adopted IFRS 9 which replaces the requirements under IAS 39, 'Financial Instruments: Recognition and Measurement' relating to classification and measurement of financial instruments.

As a result of adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 'Presentation of Financial Instruments', which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of accounts receivables in general and administrative expenses. Consequently, the Group reclassified impairment losses amounting to SR 87,682,749 recognized under IAS 39.

Additionally, the Group has adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a accounts receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The Group has classified its investments in units of a mutual fund as FVTPL since contractual cash flows are not limited to principal and interest only.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:

- financial assets measured at amortized cost; and
- contract assets

Loss allowances for accounts receivable with or without significant financing component are measured at an amount equal to lifetime ECL.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets (continued)

Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECL Model

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 720 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The effect of adopting IFRS 9 is disclosed in note 35 to the consolidated financial statements which pertains to the new impairment requirements and reclassification of original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial instruments.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre- zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare and child education allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

End-of-services benefits obligation

The Group primarily has end of service benefits which qualifies as defined benefit plans.

The liability recognized in the consolidated statement of financial position is the Defined Benefit Obligation (DBO) at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used. The discount rate is based on government bond yields in KSA.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the consolidated statement of profit or loss.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss as past service costs.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Group's policy.

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

The Company recognizes a liability to make dividend distribution to the shareholders of the Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Leases

Group as lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

Group as lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Leases are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Initial direct cost (which primarily represents initial leasing commission included in the cost of investment property), made under operating leases are charged to the consolidated statement of profit or loss in the form of depreciation over shorter of the economic life of the investment property or the terms of the lease contracts based on a systematic basis as this method is more representative of the time pattern in which use of benefit are derived from the leased assets.

Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

Management considers the operations of the Group as a whole as one operating segment as all subsidiaries engage in similar business activities.

A geographical segment is a Group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. All of the Group's operation are conducted in KSA hence only one geographic segment has been identified.

Unearned revenue

Unearned revenues include advance rent collected against the properties for which rental agreements commence subsequent to the end of the reporting period.

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6 EFFECT OF ADOPTION OF IFRSs AS ENDORSED IN KSA ON THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

As explained in note (2), the Group has prepared general purpose consolidated financial statements in accordance with the IFRS for IPO purpose for the year ended 31 March 2018 with date of transition as at 1 April 2016. Accordingly, these consolidated financial statements for the year ended 31 March 2019 are not the first IFRS financial statements. However, for the purpose of user of financial statements the effect of transition from SOCPA to IFRS in the preparation of statutory financial statements are disclosed below.

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6 EFFECT OF ADOPTION OF IFRSs AS ENDORSED IN KSA ON THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

6.1 Reconciliation of the consolidated statement of financial position as at 31 March 2018

	Note	As previously reported (SOCPA GAAP) SR	Adjustments SR	Reclassification SR	Balance as per IFRSs as endorsed in KSA SR
Assets					
Current assets					
Cash and bank balances		80,350,968	--	--	80,350,968
Accounts receivable		246,733,176	--	--	246,733,176
Amounts due from related parties		238,579,401	--	--	238,579,401
Advances to a contractor, related party		274,507,859	--	--	274,507,859
Prepayments and other current assets		53,900,913	--	65,191,047	119,091,960
Accrued revenue (rentals)	6.3.1	--	32,984,696	--	32,984,696
Total current assets		894,072,317	32,984,696	65,191,047	992,248,060
Non-current assets					
Advances to a contractor, related party – non-current portion		80,692,116	--	--	80,692,116
Amounts due from related parties		200,322,570	--	--	200,322,570
Prepaid rent		175,999,000	--	(127,481,458)	48,517,542
Accrued revenue (rentals) – non-current portion	6.3.1	--	65,969,394	--	65,969,394
Investment in an associate		39,669,322	--	--	39,669,322
Available for sale investments		128,476,217	--	--	128,476,217
Investment properties	6.3.2 to 6.3.4	10,225,699,238	556,170,262	--	10,781,869,500
Property and equipment	6.3.3	135,826,234	1,001,344	--	136,827,578
Total non-current assets		10,986,684,697	623,141,000	(127,481,458)	11,482,344,239
Total assets		11,880,757,014	656,125,696	(62,290,411)	12,474,592,299
Liabilities and equity					
Liabilities					
Current liabilities					
Current portion of long-term loans		433,000,000	--	--	433,000,000
Accounts payable		276,725,098	--	--	276,725,098
Amounts due to related parties		221,619,546	--	--	221,619,546
Unearned revenue		277,252,240	--	--	277,252,240
Accrued lease rentals	6.3.3	--	11,301,470	--	11,301,470
Accruals and other current liabilities		215,415,786	--	(52,876,031)	162,539,755
Zakat payable		146,559,970	--	--	146,559,970
Total current liabilities		1,570,572,640	11,301,470	(52,876,031)	1,528,998,079
Non-current liabilities					
Long-term loans	6.3.4	5,377,626,194	17,402,932	--	5,395,029,126
Accrued lease rentals – non-current portion	6.3.3	--	624,688,650	(9,414,380)	615,274,270
Employees' end-of-service benefits	6.3.5	25,158,488	5,179,682	--	30,338,170
Total non-current liabilities		5,402,784,682	647,271,264	(9,414,380)	6,040,641,566
Total liabilities		6,973,357,322	658,572,734	(62,290,411)	7,569,639,645
Equity					
Share capital		4,450,000,000	--	--	4,450,000,000
Statutory reserve		370,739,315	--	--	370,739,315
Other reserves	6.3.5	(23,783)	2,783,000	--	2,759,217
Retained earnings	6.3.1 to 6.3.5	84,510,004	(6,937,694)	--	77,572,310
Equity attributable to the Shareholders of the Parent Company		4,905,225,536	(4,154,694)	--	4,901,070,842
Non-controlling interests	6.3.1 to 6.3.3	2,174,156	1,707,656	--	3,881,812
Total equity		4,907,399,692	(2,447,038)	--	4,904,952,654
Total liabilities and equity		11,880,757,014	656,125,696	(62,290,411)	12,474,592,299

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6 EFFECT OF ADOPTION OF IFRSs AS ENDORSED IN KSA ON THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

6.2 Reconciliation of the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2018

	Note	As previously reported (SOCPA GAAP) SR	Adjustments SR	Balance as per IFRSs as endorsed in KSA SR
Revenue	6.3.1	2,159,410,194	1,097,224	2,160,507,418
Cost of revenue	6.3.3	(530,729,147)	3,694,364	(527,034,783)
Depreciation of investment properties	6.3.2 & 6.3.3	(267,494,367)	(871,912)	(268,366,279)
Gross profit		1,361,186,680	3,919,676	1,365,106,356
Advertisement and promotion expenses		(13,444,488)	--	(13,444,488)
General and administration expenses	6.3.3 & 6.3.5	(265,740,756)	(3,123,836)	(268,864,592)
Operating profit		1,082,001,436	795,840	1,082,797,276
Share in earnings of an associate		9,650,928	--	9,650,928
Finance cost	6.3.4	(288,660,580)	(6,697,451)	(295,358,031)
Other income	6.3.2, 6.3.3 & 6.3.6	12,454,274	19,302,821	31,757,095
Other expense	6.3.6	--	(9,751,949)	(9,751,949)
Profit before zakat		815,446,058	3,649,261	819,095,319
Zakat		(32,684,346)	--	(32,684,346)
Net profit for the year		782,761,712	3,649,261	786,410,973
Net profit for the year attributable to:				
Shareholders of the Parent Company		770,873,444	3,694,606	774,568,050
Non-controlling interests	6.3.1 to 6.3.3	11,888,268	(45,345)	11,842,923
		782,761,712	3,649,261	786,410,973
Other comprehensive income / (loss)				
<i>Item that may be reclassified to the consolidated statement of income in subsequent periods</i>				
Change in fair value of available for sale financial assets, net of zakat		--	(359,100)	(359,100)
<i>Item that will not be reclassified consolidated statement of income in subsequent periods</i>				
Re-measurements of employees' end-of-service benefits, net of zakat	6.3.5	--	2,196,000	2,196,000
Other comprehensive income for the year, net of zakat		--	1,836,900	1,836,900
Total comprehensive income for the year		782,761,712	5,486,161	788,247,873

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6 EFFECT OF ADOPTION OF IFRSs AS ENDORSED IN KSA ON THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

6.3 Explanation of significant transitional and other adjustments and reclassifications

6.3.1 Amortization of lease revenue on a straight-line basis

Under IFRSs as endorsed in KSA, revenue from leases classified as operating leases should be amortized using straight-line method. Historically, the Group recognized lease revenue as per contract terms (i.e. lease increments, rental discounts and rent-free periods were not amortized on straight-line basis). As part of the transition to IFRSs as endorsed in KSA, management has calculated the lease revenue using the straight-line method. The impacts on the consolidated financial statements were as follows:

Consolidated statement of	31 March 2018
financial position line items	Debit / (Credit)
	SR
Increase in accrued revenue	1,097,224
Increase in retained earnings	(1,352,740)
Decrease in non-controlling interests	255,516

Accrued revenue has been appropriately presented in the current portion and non-current portion based on their maturity profile.

	2018
	Debit / (Credit)
	SR
Consolidated statement of profit or loss line items	
Decrease in non-controlling interests	255,516
Increase in revenue	(1,097,224)

6.3.2 Impact due to componentization of investment properties

Under IFRSs as endorsed in KSA, each significant component of investment properties should be recognised separately and the useful lives for each significant component are required to be identified separately. As part of the transition to IFRSs as endorsed in KSA, management has applied the concept of assets components retrospectively and accounted for its impact on the useful lives, which resulted in a negative impact on retained earnings and decrease in the net book value of investment properties. The impact on the consolidated financial statements was as follows:

Consolidated statement of financial position line items	31 March 2018
	Debit / (Credit)
	SR
Increase in investment properties	13,150,259
Increase in retained earnings	(13,180,923)
Decrease in non-controlling interests	30,664
	2018
	Debit / (Credit)
	SR
Consolidated statement of profit or loss line items	
Decrease in depreciation of investment properties	(12,631,909)
Decrease in non-controlling interests	30,664
Increase in other income (*)	(518,350)

(*) Other income increased based on adjusted carrying value of components of investment properties sold during the year after taking the impact of higher depreciation on these components.

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6 EFFECT OF ADOPTION OF IFRSs AS ENDORSED IN KSA ON THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

6.3 Explanation of significant transitional adjustments and reclassifications

6.3.3 Amortization of lease expense on a straight-line basis and capitalization of rent-free period to investment properties and property and equipment

Under IFRSs as endorsed in KSA, all leases classified as operating leases where the Group is a lessee should be amortized using straight-line method. Historically, the Group has recognized lease expense as per contract terms (i.e. rent free periods and lease increments were not amortized on a straight line basis). As part of the transition to IFRSs as endorsed in KSA, management has calculated the lease expenses using the straight-line method. Moreover, during the rent free period of certain land leases, the Group was completing construction activities on buildings on the leased land as a result of which management can capitalize lease rental during the construction period.

The impact on the consolidated financial statements was as follows:

Consolidated statement of financial position line items	31 March 2018 Debit / (Credit) SR
Increase in accrued lease rentals	(155,673,109)
Decrease in retained earnings	1,775,398
Increase in investment properties	154,437,289
Increase in non-controlling interests	(240,835)
Decrease in property and equipment	(298,743)
	2018 Debit / (Credit) SR
Consolidated statement of profit or loss line items	
Decrease in cost of revenue	(3,694,364)
Increase in depreciation of investment properties	13,503,821
Increase in general and administration expenses	757,628
Increase in non-controlling interests	(240,835)
Increase in other income (*)	(9,032,522)

(*) Other income have been impacted due to reversal of accrued lease rental pertaining to lease termination (notes 21 & 31)

Accrued lease rentals have been appropriately presented in the current and non-current liabilities in the reconciliations as presented earlier.

6.3.4 Amortization of loan transaction costs using the effective interest method

Under IFRSs as endorsed in KSA, all financial instruments measured at amortized cost and interest-bearing financial assets/liabilities should be amortized using the effective interest rate method. Historically, the Group amortized loan related transaction costs using the straight-line method. As part of the transition to IFRSs as endorsed in KSA, management has calculated the amortization of the transaction costs using the effective interest rate method. The impact on the consolidated financial statements was as follows:

Consolidated statement of financial position line items	31 March 2018 Debit / (Credit) SR
Increase in employees' end-of-service benefits	(170,208)
Decrease in retained earnings	2,366,208
Increase in other reserves	(2,196,000)

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6 EFFECT OF ADOPTION OF IFRSs AS ENDORSED IN KSA ON THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

6.3 Explanation of significant transitional adjustments and reclassifications (continued)

6.3.5 Actuarial valuation of employees' benefits

Under IFRSs as endorsed in KSA, employees' end-of-service benefits are required to be calculated using actuarial valuations. Historically, the Group has calculated these obligations based on the local regulations in KSA at the reporting date without considering expected future service periods of employees, salary increments and discount rates. The impact on the consolidated financial statements was as follows:

	2018
	Debit / (Credit)
Consolidated statement of profit or loss line item	SR
Increase in general and administration expenses	2,366,208
Consolidated statement of comprehensive income line item	2018
	Debit / (Credit)
	SR
Increase in other reserves	(2,196,000)

6.3.6 Reclassification adjustments

Reclassification of other expense from other income to a separate line in order to comply with the offsetting rules contained within IAS 1, Presentation of Financial Statements. The impact on the consolidated financial statements was as follows:

	2018
Consolidated statement of profit or loss line items	SR
Increase in other expense	9,751,949
Increase in other income	(9,751,949)

6.4 Effect on statement of cash flows

There have been no significant impact on cash flows for the years ended 31 March 2018 after the transition to IFRSs as endorsed in KSA.

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7 CASH AND CASH EQUIVALENTS

	31 March 2019 SR	31 March 2018 SR
Cash at banks	456,560,279	79,509,242
Cash in hand	1,110,704	841,726
Total	<u>457,670,983</u>	<u>80,350,968</u>

8 ACCOUNTS RECEIVABLE

Accounts receivable comprise of interest free net receivables due from private tenants with no credit rating. Before accepting any new customer, management of the Group assesses the potential customer's credit quality and defines credit limits. Unimpaired accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and vast majority are, therefore, unsecured.

The effect of initial application of IFRS 9 is described in note 36. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirement.

	31 March 2019 SR	31 March 2018 SR
Gross accounts receivable	443,788,053	385,349,999
Less: Impairment loss on accounts receivable	<u>(144,542,907)</u>	<u>(138,616,823)</u>
	<u>299,245,146</u>	<u>246,733,176</u>

Movement in the impairment loss allowance was as follows:

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
At the beginning of the year	138,616,823	48,416,479
Impact of adoption IFRS 9 as at beginning of the year	(36,761,710)	--
Impairment charge for the year	43,524,466	94,814,498
Write-off	<u>(836,672)</u>	<u>(4,614,154)</u>
At the end of the year	<u>144,542,907</u>	<u>138,616,823</u>

The ageing of unimpaired accounts receivable was given in Note 36.

9 RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these consolidated 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.

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9 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

9.1 Parent entity and shareholders

The Group is owned by the following entities as of 31 March 2019 and 31 March 2018:

<u>Name</u>	<u>Type</u>
Saudi FAS Holding Company *	Ultimate Parent Company
FAS Real Estate Company Limited	Immediate Parent Company
Saaf International Co. Limited	Shareholder
Mr. Fawaz Abdulaziz Al Hokair	Shareholder
Mr. Salman Abdulaziz Al Hokair	Shareholder
Dr. Abdul Majeed Abdulaziz Al Hokair	Shareholder
Al-Farida Alola Real Estate Company	Shareholder
Al-Farida Althaniah Real Estate Company	Shareholder
Al-Farida Althalithah Real Estate Company	Shareholder

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

9.2 Subsidiaries

Interest in subsidiaries are set out in note (1).

9.3 Key management personnel compensation

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

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
End-of-service benefits	847,664	1,049,423
Salaries and short-term benefits	14,434,766	18,720,260
Total key management compensation	15,282,430	19,769,683

9.4 Related party transactions

During the year, 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:

	31 March 2019 SR	31 March 2018 SR
Ultimate Parent Company		
Transfer of project under construction along with prepaid rent and accrued lease rentals to Ultimate parent company (note 14)	107,242,362	--
Transfer of Zakat Payable to Ultimate parent company	(8,825,429)	--
Dividends settled through adjusting amounts due to related parties	(640,000,000)	372,000,000
Dividends paid	--	374,000,000
Transfer of available for sale investment to the Ultimate Parent Company	--	(103,334,204)
Settlement of balances through other related party	20,500,000	77,657,872
Payment to suppliers on behalf of the Ultimate Parent Company	26,994,896	19,934,275
Transfer of investment properties (note 14)	(83,867,364)	20,342,134
Sale of land settled through adjusting balance due to Ultimate Parent Company	--	115,763,625
Accounts payable transferred to the Ultimate Parent Company	9,857,629	--
Property , plant and equipment transferred to the Ultimate Parent Company account	(96,282)	--

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9 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

9.4 Related party transactions (continued)

	31 March 2019 SR	31 March 2018 SR
Fellow subsidiaries and other related parties		
Dividend settled through adjusting amount due to related party	20,000,000	10,750,000
Construction work included in projects under construction	430,764,063	255,140,377
Rental revenue, net	550,966,351	558,120,319
Service expenses	96,142,925	88,509,292
Board of Directors remuneration and compensation	2,570,000	--

With the consent of the shareholders of the Company, the contracts for the construction of all projects are awarded to other related party Fawaz Abdulaziz Al Hokair & Partners Real Estate Company (note 10). The process of awarding these contracts does not include bidding.

9.5 Related party balances

The following table summarizes related parties balances:

- i) Amounts due from related parties:

	31 March 2019 SR	31 March 2018 SR
Current		
Fellow subsidiaries of Hokair Group		
FAS Holding Company for Hotels	350,322,579	150,000,000
Food and Entertainment Trading Company Limited (a)	73,076,057	34,041,953
FAS for Trading (a)	--	20,500,000
Coffee Centers Company Limited (a)	2,704,437	1,252,761
Nesk Trading Project Company Limited (b)	31,792,316	73,722
Other related parties		
Abdul Mohsin Al Hokair Group for Tourism and Development(a)	23,017,193	22,909,203
Billy Games Company Limited (a)	26,342,675	8,046,667
Kids Space Company Limited (a)	4,058,996	509,797
Skill Innovative Games Co. (a)	2,527,781	359,945
Tadaris Najd Security Company	18,612,907	--
FAS Technologist Trading Co	9,732,700	--
Food Gate Co	14,727,580	--
Next Generation Co	2,121,140	--
Azal Restaurant Co	7,202,288	--
Others	1,319,386	885,353
	<u>567,558,035</u>	<u>238,579,401</u>
Non-current		
Fellow subsidiary		
FAS Holding Company for Hotels	--	200,322,570
	--	200,322,570

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9 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

9.5 Related party balances (continued)

ii) Amounts due to related parties:

	31 March 2019 SR	31 March 2018 SR
Current		
Ultimate Parent Company		
Saudi FAS Holding Company	4,067,636	15,627,387
Other related parties		
Fawaz Abdulaziz Al Hokair & Co. (b)	3,758,106	200,287,692
Tadaris Najd Security Company	--	4,455,858
Etqan Facilities Management	14,673,280	1,248,609
	<u>22,499,022</u>	<u>221,619,546</u>

iii) Advances to a contractor (note 10):

	31 March 2019 SR	31 March 2018 SR
Other related party		
Fawaz Abdulaziz Al Hokair & Partners Real Estate Company		
Current portion	499,595,478	274,507,859
Non-current portion	105,318,598	80,692,116
	<u>604,914,076</u>	<u>355,199,975</u>

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

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

9.6 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 on, are in the name of related entities of the Group who have assigned these lease agreements to the Group's benefit (note 13 and 36).

10 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 (note 9).

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11 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2019 SR	31 March 2018 SR
Advances to suppliers	30,172,398	34,374,172
Prepaid expenses	14,766,420	7,529,635
Employees' receivables	3,896,050	3,230,144
Prepaid rent	46,400,060	67,382,853
Margin money deposits	500,000	5,900,000
Others	510,041	675,156
Total	96,244,969	119,091,960

12 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 year is as follows:

	Percentage of ownership	Opening balance SR	Share in earnings SR	Dividend SR	Ending balance SR
As at 31 December 2018	25%	39,669,322	11,569,399	(9,000,000)	42,238,721
As at 31 December 2017	25%	35,018,397	9,650,928	(5,000,003)	39,669,322

The tables below provide summarized financial information for the associate. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts as of 31 December 2018 and 31 December 2017. No material movement has occurred between 31 December 2018 to 31 March 2019.

Summarized statement of financial position:

	31 December 2018 SR	31 December 2017 SR
Total current assets	16,006,428	15,867,699
Total non-current assets	217,233,169	236,993,943
Total current liabilities	(63,872,776)	(74,536,822)
Total non-current liabilities	(411,937)	(19,647,532)
Net assets	168,954,884	158,677,288

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12 INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE (CONTINUED)

	Year ended 31 December <u>2018</u> SR	Year ended 31 December <u>2017</u> SR
Share of profit for the year ended		
Revenue	118,942,170	112,111,427
Finance cost	(6,498,386)	(10,468,203)
Zakat	(1,360,981)	(882,409)
Net profit for the year	<u>46,277,596</u>	<u>38,603,712</u>
Reconciliation to carrying amounts:		
Opening net assets	158,677,288	140,073,588
Dividends	(36,000,000)	(20,000,012)
Net profit for the year	46,277,596	38,603,712
Closing net assets	<u>168,954,884</u>	<u>158,677,288</u>

The associate requires the Group's consent to distribute its earnings. The Group does not foresee giving such consent at the reporting date. The associate had no contingent liabilities or capital commitments as at 31 December 2018 and 31 December 2017.

13 OTHER INVESTMENTS

The effect of initial application of IFRS 9 in the group's financial instruments is described in Note 35. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirement.

	31 March <u>2019</u> SR	31 March <u>2018</u> SR
Investments in real estate companies at FVOCI - unquoted (i)	102,000,000	--
Investments in real estate companies at AFS - unquoted (i)	--	121,500,000
Investment in a real estate fund at FVTPL- unquoted (ii)	6,708,763	--
Investments in real estate fund at AFS - unquoted (ii)	--	6,976,217
Total	<u>108,708,763</u>	<u>128,476,217</u>

(i) Investments in real estate companies - unquoted:

	31 March <u>2019</u> SR	31 March <u>2018</u> SR
Amlak International for Real Estate Finance Company	102,000,000	121,500,000
	<u>102,000,000</u>	<u>121,500,000</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.

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13 OTHER INVESTMENTS (CONTINUED)

(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 2018: SR 6.9 million). The realized loss amounting to SR 0.3 million has been recognized in the consolidated statement of profit or loss (31 March 2018: SR 0.4 million has been recognized in the other comprehensive income)

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

	31 March <u>2019</u> SR	31 March <u>2018</u> SR
Opening balance	6,976,217	7,335,317
<u>Cost:</u>		
At the beginning and end of the year	<u>7,000,000</u>	<u>7,000,000</u>
<u>Revaluation adjustments:</u>		
At the beginning of the year	(23,783)	335,317
Unrealized loss during the year	<u>(267,454)</u>	<u>(359,100)</u>
At the end of the year	<u>(291,237)</u>	<u>(23,783)</u>
Net carrying amount	<u><u>6,708,763</u></u>	<u><u>6,976,217</u></u>

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14 INVESTMENT PROPERTIES

	Buildings on freehold land							Buildings on leasehold land (14.2)				
	<u>Land</u> <u>SR</u>	<u>Building</u> <u>Component</u> <u>SR</u>	<u>Electrical</u> <u>Components</u> <u>SR</u>	<u>Mechanical</u> <u>Components</u> <u>SR</u>	<u>Firefighting</u> <u>System</u> <u>SR</u>	<u>Conveying</u> <u>System</u> <u>SR</u>	<u>Total</u> <u>Buildings</u> <u>SR</u>	<u>Building</u> <u>Component</u> <u>SR</u>	<u>Mechanical</u> <u>Components</u> <u>SR</u>	<u>Total Buildings</u> <u>on Leasehold</u> <u>Land</u> <u>SR</u>	<u>Projects Under</u> <u>Construction</u> <u>SR</u>	<u>Total</u> <u>SR</u>
Cost:												
Balance at 1 April 2017	4,889,209,620	1,996,610,432	397,327,861	276,970,425	65,040,865	57,584,696	2,793,534,279	2,949,434,150	185,836,578	3,135,270,728	1,310,610,126	12,128,624,753
Additions	--	5,770,791	278,300	288,909	155,310	--	6,493,310	25,327,320	--	25,327,320	468,576,858	500,397,488
Disposal	(117,395,211)	--	--	--	--	--	--	--	--	--	--	(117,395,211)
Transfers (note 9)	--	--	--	--	--	--	--	(37,850,996)	--	(37,850,996)	(15,961,407)	(53,812,403)
Transfer (note 9)	--	76,508	--	--	--	--	76,508	--	--	--	(76,508)	--
At the 31 March 2018	4,771,814,409	2,002,457,731	397,606,161	277,259,334	65,196,175	57,584,696	2,800,104,097	2,936,910,474	185,836,578	3,122,747,052	1,763,149,069	12,457,814,627
Additions	--	562,787	652,838	--	562,554	180,000	1,958,179	4,469,612	79,523	4,549,135	631,114,077	637,621,391
Transfers (note 9), (14.3)	--	7,780,794	--	--	--	170,000	7,950,794	7,257,854	--	7,257,854	(189,537,609)	(174,328,961)
Disposal	--	(5,281,099)	(16,800)	(16,800)	--	--	(5,314,699)	(197,949)	--	(197,949)	--	(5,512,648)
Balance at 31 March 2019	4,771,814,409	2,005,520,213	398,242,199	277,242,534	65,758,729	57,934,696	2,804,698,371	2,948,439,991	185,916,101	3,134,356,092	2,204,725,537	12,915,594,409
Accumulated Depreciation:												
Balance at 1 April 2017	--	253,373,267	99,188,195	132,238,801	18,571,659	22,507,956	525,879,878	843,534,469	71,634,770	915,169,239	--	1,441,049,117
Charge for the year	--	45,681,102	15,941,391	18,697,053	2,181,699	2,902,180	85,403,425	170,705,324	12,257,530	182,962,854	--	268,366,279
Transfer to Ultimate Parent Company (note 9)	--	--	--	--	--	--	--	(33,470,269)	--	(33,470,269)	--	(33,470,269)
Balance at 31 March 2018	--	299,054,369	115,129,586	150,935,854	20,753,358	25,410,136	611,283,303	980,769,524	83,892,300	1,064,661,824	--	1,675,945,127
Charge for the year	--	45,794,795	15,987,263	18,730,837	2,211,963	2,917,805	85,642,663	159,013,621	12,259,740	171,273,361	--	256,916,024
Disposal	--	(958,729)	(7,112)	(11,853)	--	--	(977,694)	(137,513)	--	(137,513)	--	(1,115,207)
Balance at 31 March 2019	--	343,890,435	131,109,737	169,654,838	22,965,321	28,327,941	695,948,272	1,139,645,632	96,152,040	1,235,797,672	--	1,931,745,944
Net book values:												
At 31 March 2019	4,771,814,409	1,661,629,778	267,132,462	107,587,696	42,793,408	29,606,755	2,108,750,099	1,808,794,359	89,764,061	1,898,558,420	2,204,725,537	10,983,848,465
At 31 March 2018	4,771,814,409	1,703,403,362	282,476,575	126,323,480	44,442,817	32,174,560	2,188,820,794	1,956,140,950	101,944,278	2,058,085,228	1,763,149,069	10,781,869,500

14.1 Projects under construction pertains to expenditures relating to 9 malls which are still in the course of construction as at the end of the reporting period and these are expected to complete within 2 to 3 years.

14.2 Includes SR 33.4 million (31 March 2018: SR 46.76 million) for buildings which are constructed on leasehold lands where lease agreements are in the name of related parties.

14.3 During the year ended 31 March 2019, the Group transferred mall under construction with book value of SR 174 million (31 March 2018: SR 53.8 million) to its Ultimate Parent Company which was settled through Ultimate Parent Company's account.

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14 INVESTMENT PROPERTIES (CONTINUED)

Fair value of investment property

Management has appointed independent valuers to determine the fair value of the investment properties as of 31 March 2019. According to the valuers, the fair value of the investment properties as at 31 March 2019 is SR 21,941,866,711. The valuers have 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).

As mentioned in the accounting policies (note 5) the Company recognizes the Amounts recognized in the consolidated investment properties at cost. The amounts recognized in the statement of profit or loss for investment properties during the years are as follows:

	31 March 2019 SR	31 March 2018 SR
Revenue	2,176,399,680	2,160,507,418
Costs of revenue	(521,177,627)	(527,034,783)
Depreciation of investment properties	(256,236,024)	(268,366,279)
	<u>1,398,986,029</u>	<u>1,365,106,356</u>

Net book values of the Group's lands as at the end of the reporting years are as follows:

	Owned by the Company	Title deeds registered with the Company	31 March 2019 SR	31 March 2018 SR
Shopping malls – land				
Aziziah Mall – Makkah	Yes	No	178,227,665	178,227,665
Mall of Arabia – Jeddah	Yes	No	141,115,102	141,115,102
Sahara Plaza – Riyadh	Yes	No	75,240,000	75,240,000
Al Noor Centre	Yes	No	68,120,000	68,120,000
Jubail Land	Yes	No	32,500,000	32,500,000
Hafouf Al Ahsa Mall	Yes	No	20,700,145	20,700,145
Arkan Salam Mall	Yes	No	250,000,000	250,000,000
Hamra Mall	Yes	No	256,100,000	256,100,000
			<u>1,022,002,912</u>	<u>1,022,002,912</u>
Land				
Oyoun Al Raed Land	Yes	No	1,770,439,947	1,770,439,947
Oyoun Al Basateen Land	Yes	No	1,067,162,500	1,067,162,500
Khalij Mall Land	Yes	Yes	290,209,050	290,209,050
Dammam Airport	Yes	No	210,000,000	210,000,000
Al Qassim Land	Yes	No	350,000,000	350,000,000
Abha Land	Yes	No	62,000,000	62,000,000
			<u>3,749,811,497</u>	<u>3,749,811,497</u>
Total land net book value			<u>4,771,814,409</u>	<u>4,771,814,409</u>

The title deeds all plots of land are registered in the name of local banks against a long term loan (note 16).

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15. PROPERTY AND EQUIPMENT

	<u>Tools and equipment</u> SR	<u>Furniture and fixtures</u> SR	<u>Vehicles</u> SR	<u>Leasehold improvements</u> SR	<u>Capital Work in Progress</u> SR	<u>Total</u> SR
<u>Cost:</u>						
Balance at 1 April 2017	108,023,426	76,097,349	3,850,902	26,574,489	--	214,546,166
Additions	30,549,879	9,305,524	35,000	5,713,982		45,604,385
Balance at 31 March 2018	138,573,305	85,402,873	3,885,902	32,288,471	--	260,150,551
Additions	4,832,177	6,973,743	87,500	167,325	1,389,796	13,450,541
Transfer to related parties	--	--	(339,500)	--	--	(339,500)
Balance at 31 March 2019	143,405,482	92,376,616	3,633,902	32,455,796	1,389,796	273,261,592
<u>Accumulated depreciation:</u>						
Balance at 1 April 2017	52,088,093	35,487,910	3,495,634	1,427,973	--	92,499,610
Charge for the year (note 31)	14,468,955	9,448,495	205,075	6,700,838	--	30,823,363
Balance at 31 March 2018	66,557,048	44,936,405	3,700,709	8,128,811	--	123,322,973
Charge for the year (note 31)	16,751,778	10,984,962	171,103	7,500,105	--	35,407,948
Transfer to related parties	--	--	(243,218)	--	--	(243,218)
Balance at 31 March 2019	83,308,826	55,921,367	3,628,594	15,628,916	--	158,487,703
<u>Net book values:</u>						
At 31 March 2019	60,096,656	36,455,249	5,308	16,826,880	1,389,796	114,773,889
At 31 March 2018	72,016,257	40,466,468	185,193	24,159,660	--	136,827,578

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16. LONG TERM LOANS

Movement in the long term loans follows:

	31 March 2019 SR	31 March 2018 SR
Balance at the beginning of the year	5,955,000,000	6,021,000,000
Addition of a new facility	7,086,318,069	--
Repayments	<u>(6,227,173,306)</u>	<u>(66,000,000)</u>
	6,814,144,763	5,955,000,000
Less: un-amortized transaction costs	<u>(73,110,079)</u>	<u>(126,970,874)</u>
Balance at the end of the year	6,741,034,684	5,828,029,126
Less: current portion of long-term loans	<u>(501,875,532)</u>	<u>(433,000,000)</u>
Non-current portion of long-term loans	<u>6,239,159,152</u>	<u>5,395,029,126</u>

Un-amortized transaction costs movement is as follows:

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Balance at the beginning of the year	126,970,874	152,162,665
Additions during the year	91,692,960	--
Write off during the year	(125,171,285)	--
Capitalized arrangement fees	(2,197,021)	--
Amortized transaction costs during the year	<u>(18,185,449)</u>	<u>(25,191,791)</u>
Balance at the end of the year	<u>73,110,079</u>	<u>126,970,874</u>

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

	31 March 2019 SR	31 March 2018 SR
Within one year	501,875,532	433,000,000
Between two to five years	2,706,323,985	4,054,500,000
More than five years	3,605,945,246	1,467,500,000
Total	<u>6,814,144,763</u>	<u>5,955,000,000</u>

The Group obtained the above long-term loans from local banks which are repayable in unequal semi-annual instalments. These facilities are subject to commission rates based on SIBOR plus an agreed commission rates. The facilities are secured by assignment of leases, insurance policies, proceeds of rental income, land and building and personal and corporate guarantees from the Shareholders.

During the year ended 31 March 2019, the Group had the following transactions:

On 26 April 2018, the Group has signed a long-term Islamic facility arrangement up to SR 7,205 million with local banks for the refinancing the exiting loans. This facility is divided into Murabaha facility up to SR 1,433 million and Ijara facility up to SR 5,772 million. The Group has utilized SR 1,410 million out of the total Murabaha facility amount and SR 5,676 million out of the total Ijara facility amount. Accordingly unamortised transaction cost SR 125 million on the existing loans has been written off (note 32).

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

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17. ACCOUNTS PAYABLE

Accounts payable are amounts which are owed to suppliers for the purchase of trade goods or services. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

18. UNEARNED REVENUE

Unearned revenue represent cash received against services to be performed or goods to be delivered by the Group in the future. At the end of each accounting period, adjusting entries are made to recognize the portion of unearned revenue that has been earned during the year.

19. ACCRUED LEASE RENTALS

Movement in accrued lease rentals:

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Balance at the beginning of the year	571,661,353	480,317,011
Additions due to capitalization of rent-free period	34,000,216	103,612,344
Net movement in accrued lease rentals due to recognition of lease expense on a straight-line basis	11,646,967	(3,235,480)
Transfer to the Ultimate Parent Company (note 9)	(90,461,598)	--
Reversal of accrued lease rentals	--	(9,032,522)
	<u>526,846,938</u>	<u>571,661,353</u>
Less: current portion of accrued lease rentals	(11,480,894)	(11,301,470)
Balance at the end of the year	<u>515,366,044</u>	<u>560,359,883</u>

20. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 March 2019 SR	31 March 2018 SR
Tenants' security deposits (note 20.1)	65,416,279	47,990,681
Accrued financial charges	153,561,227	21,420,006
Accrued expenses	33,622,945	26,427,084
Output Value Added Tax, net	56,612,256	45,583,941
Employees' accruals	16,869,563	21,118,043
Total	<u>326,082,270</u>	<u>162,539,755</u>

20.1 Non-current portion of tenants' security deposits aggregating to SR 47 million (31 March 2018: SR 54.9 million) are disclosed as other non-current liabilities.

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21. ZAKAT

Charge for the year

Zakat charge for year amounted to SR 19,865,318 (31 March 2018: SR 32,684,346).

The current year zakat provision is based on the following:

	31 March 2019 SR	31 March 2018 SR
Equity – beginning of the year	4,904,952,654	4,873,454,781
Profit before zakat	748,823,931	819,095,319
Opening provisions and other adjustments	(279,817,670)	1,174,593,491
Non-current liabilities	6,833,354,662	6,040,641,566
Non-current assets	(11,415,270,857)	(11,482,344,239)

Some of these amounts as reported above have been adjusted in arriving at the zakat charge for the year.

Movements in zakat provision during the year

The movement in the provision for zakat is as follows:

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Balance at beginning of the year	146,559,970	117,353,841
Excess provision reversed (a)	(75,142,143)	--
Provision for the year	19,865,318	32,684,346
	(55,276,825)	32,684,346
Transferred to ultimate parent company	(8,825,429)	--
Paid during the year	--	(3,478,217)
Balance at end of the year	82,457,716	146,559,970

- a) During the year ended 31 March 2019, final assessment order for the combined zakat returns for the Ultimate Parent Company and its wholly owned subsidiaries for the years 2007 to 2016 were received from "GAZT".

The Ultimate parent company has allocated SR 8.8 million as Group's share of Zakat liability for the years 2007 to 2016. The group has Zakat provision of SR 83.9 million for the years 2007 to 2016. Accordingly the Group has recorded the impact of final assessment received in the statement of profit or loss.

Status of assessments

Effective the year ended 31 March 2007, the Ultimate Parent Company is preparing and submitting combined zakat returns for the Ultimate Parent Company and its wholly owned subsidiaries, including Arabian Centres Company, to GAZT as per GAZT letter. Accordingly, the combined zakat returns for the years 2007 to 2016 have been submitted to GAZT. It should be noted that despite the fact that the Ultimate Parent Company is submitting a combined zakat returns including its wholly owned subsidiaries, the Group's management computes and records the zakat provision based on the Group's individual zakat base and adjust zakat provision when final assessment for the combined zakat returns for the Ultimate Parent Company and its wholly owned subsidiaries received.

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22. EMPLOYEES' END-OF-SERVICE BENEFITS

	31 March	31 March
	<u>2019</u>	<u>2018</u>
	SR	SR
Defined Benefit Obligation (DBO)	<u>31,744,170</u>	<u>30,338,170</u>

The Group grants end-of-service benefits (benefit plan) to its employees taking into consideration the local labour law requirements in KSA. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end-of-service plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation (equivalent to a duration of around 12 years). In countries where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within other reserves under the consolidated statement of comprehensive income and in the consolidated statement of changes in equity.

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22 EMPLOYEES' END-OF-SERVICE BENEFITS (CONTINUED)

The following table represents the movement of the DBO:

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Opening balance	30,338,170	31,852,170
Current service cost	5,081,000	6,569,000
Interest cost	1,390,000	830,000
Total amount recognized in the consolidated statement of profit or loss	6,471,000	7,399,000
Re-measurements		
Gain / (loss) from change in financial assumptions	--	(394,000)
Experience gains / (losses)	1,555,000	(1,802,000)
Amount recognized in the consolidated statement of comprehensive income	1,555,000	(2,196,000)
Benefits paid during the year	(6,620,000)	(6,717,000)
Closing balance	31,744,170	30,338,170

Significant actuarial assumptions

The significant actuarial assumptions used in DBO computation:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Discount rate	4.75%	4.9%
Salary growth rate	5% for each future year	6% for FY 2019 and 2020 and 4.5% for each future year
Withdrawal rate	5.0%	5.0%
Retirement age	60	60

Sensitivity analysis

The results are sensitive to the assumptions used. The table below shows the change in DBO based on either a 1% increase or decrease in the base assumption value as of 31 March 2019:

	Change in Assumption	Base value SR	Impact on defined benefit obligation	
			Increase in assumption SR	Decrease in assumption SR
Discount rate	1%	31,744,170	27,752,000	36,559,000
Salary growth rate	1%	31,744,170	36,496,000	27,726,000
Withdrawal rate	20%	31,744,170	31,403,000	32,085,000

The Group expects to make contributions during the next three months reporting period to the benefit plan amounting to SR 1.224 million.

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23. SHARE CAPITAL

The shareholders and their respective holdings as at 31 March 2019 and 31 March 2018 are as follows:

<u>Name of shareholders</u>	<u>Ownership %</u>	<u>Number of shares</u>	<u>Amount SR</u>
FAS Real Estate Company Limited	52	231,400,000	2,314,000,000
Saaf International Co. Limited	3	13,350,000	133,500,000
Mr. Fawaz Abdulaziz Al Hokair	10	44,500,000	445,000,000
Mr. Salman Abdulaziz Al Hokair	10	44,500,000	445,000,000
Dr. Abdul Majeed Abdulaziz Al Hokair	10	44,500,000	445,000,000
Al-Farida Alola Real Estate Company *	5	22,250,000	222,500,000
Al-Farida Althaniah Real Estate Company *	5	22,250,000	222,500,000
Al-Farida Althalithah Real Estate Company*	5	22,250,000	222,500,000
	100	445,000,000	4,450,000,000

* One Person Company

24. STATUTORY RESERVE

In accordance with Company's byelaws, the Company must transfer 10% of its 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.

25. DIVIDENDS DISTRIBUTION

The Company's shareholders in their meeting held on 23 Rabie Akhar 1440H (corresponding to 31 December 2018) resolved to distribute dividends amounting to SR 0.62 per share aggregating to SR 280,000,000. Total dividends was settled through adjusting amount due to Ultimate Parent Company.

The Company's shareholders in their meeting held on 20 Muharam 1440H (corresponding to 30 September 2018) resolved to distribute dividends amounting to SR 0.40 per share aggregating to SR 180,000,000. Total dividends was settled through adjusting amount due to Ultimate Parent Company.

The Company's shareholders in their meeting held on 16 Shawwal 1439H (corresponding to 30 June 2018) resolved to distribute dividends amounting to SR 0.40 per share aggregating to SR 180,000,000. Total dividends was settled through adjusting amount due to Ultimate Parent Company.

The Company's shareholders in their meeting held on 14 Rajab 1439H (corresponding to 31 March 2018) resolved to distribute dividends amounting to SR 0.4943 per share aggregating to SR 220,000,000. An amount of SR 42,385,875 out of that total dividends was settled through adjusting amount due to Ultimate Parent Company

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26. REVENUE

	Year ended 31 March <u>2019</u> SR	Year ended 31 March <u>2018</u> SR
Rental income (*)	2,057,775,218	2,050,409,695
Service and management charges income	97,536,386	93,956,388
Commission income on provisions for utilities for heavy users, net	3,513,005	3,555,711
Turnover rent	<u>17,575,071</u>	<u>12,585,624</u>
Total	<u>2,176,399,680</u>	<u>2,160,507,418</u>

(*) Rental income include 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:

	Year ended 31 March <u>2019</u> SR	Year ended 31 March <u>2018</u> SR
Within one year	1,538,780,755	2,200,422,752
After one year but not more than five years	1,780,045,947	3,384,391,140
More than five years	<u>300,332,373</u>	<u>368,271,373</u>
	<u>3,619,159,075</u>	<u>5,953,085,265</u>

27. COSTS OF REVENUE

	Year ended 31 March <u>2019</u> SR	Year ended 31 March <u>2018</u> SR
Rental expense	224,498,516	191,281,762
Utilities expense	109,791,055	108,568,959
Security expense	56,082,002	84,765,413
Cleaning expense	56,899,719	74,896,503
Repairs and maintenance	43,171,770	39,780,122
Employees' salaries and other benefits	<u>30,734,565</u>	<u>27,742,024</u>
Total	<u>521,177,627</u>	<u>527,034,783</u>

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28. OTHER INCOME

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Reversal of liability no longer payable*	3,777,398	16,093,228
Reversal of accrued lease rentals (note 19)	--	9,032,522
Dividends	5,737,500	5,737,500
Other	1,182,292	893,845
Total	10,697,190	31,757,095

* Represents long aged deposits which are no longer payable.

29. OTHER EXPENSES

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Impairment loss on advances to suppliers	6,069,287	7,835,354
Loss on sale of land	--	1,631,586
Other	752,492	285,009
Total	6,821,779	9,751,949

30. ADVERTISEMENT AND PROMOTION EXPENSES

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Promotions	2,048,417	6,847,749
Advertisement	3,593,923	6,596,739
Total	5,642,340	13,444,488

31. GENERAL AND ADMINISTRATION EXPENSES

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Employees' salaries and other benefits	66,132,681	94,067,765
Depreciation (note 15)	35,407,948	30,823,363
Government expenses	28,654,751	6,681,815
Professional fees	9,654,787	10,420,979
Insurance expense	8,325,811	7,989,260
Rent expense	3,862,277	3,862,277
Communication and internet expense	12,889,776	11,808,676
Maintenance	194,867	382,312
Write-off of receivables	--	1,562,261
Others	6,699,016	6,451,387
Total	171,821,914	174,050,094

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32. FINANCE COST

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Commission expense on long-term Murabaha facilities	296,027,001	269,951,229
Amortization of transaction costs (note 16)	18,168,525	25,191,791
Write-off of unamortized transaction cost (note 16)	125,171,285	--
Bank charges	173,936	215,011
Total	<u>439,540,747</u>	<u>295,358,031</u>

33. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income 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.

	Year ended 31 March 2019 SR	Year ended 31 March 2018 SR
Profit for the year attributable to owner of the Company	789,599,943	774,568,050
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (note 23)	445,000,000	445,000,000
Basic and diluted earnings per share attributable to net profit for the year	<u>1.77</u>	<u>1.74</u>

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

34. 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 consolidated statement of financial position and in the 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.

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35. FINANCIAL INSTRUMENTS

Financial instruments by category

Financial instruments have been categorised as follows:

	31 March 2019 SR	31 March 2018 SR
<u>Financial Assets</u>		
Cash and bank balances	457,670,983	80,350,968
Accounts receivable	299,245,146	246,733,176
Amounts due from related parties	567,558,035	438,901,971
Other investments	<u>108,708,763</u>	<u>128,476,217</u>
Total financial assets	<u>1,433,182,927</u>	<u>894,462,332</u>
	31 March 2019 SR	31 March 2018 SR
<u>Financial Liabilities</u>		
Accounts payable	217,760,402	276,725,098
Amounts due to related parties	22,499,022	221,619,546
Long-term loans	6,741,034,684	5,828,029,126
Tenants' security deposits	<u>112,501,575</u>	<u>102,905,068</u>
Total financial liabilities	<u>7,093,795,683</u>	<u>6,429,278,838</u>

Fair value estimation of financial instruments

The following table present the Group's financial instruments measured at fair value at 31 March 2019 and 31 March 2018:

	<u>Level 1</u> SR	<u>Level 2</u> SR	<u>Level 3</u> SR	<u>Total</u> SR
31 March 2019				
Investments real estate fund	--	--	6,708,763	6,708,763
Amlak International for Real Estate Finance Company	<u>--</u>	<u>--</u>	<u>102,000,000</u>	<u>102,000,000</u>
31 March 2018				
Investments real estate fund	--	--	6,976,217	6,976,217
Amlak International for Real Estate Finance Company	<u>--</u>	<u>--</u>	<u>121,500,000</u>	<u>121,500,000</u>

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35 FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 SR	New carrying amount under IFRS 9 SR
<u>1 April 2018</u>				
<i>Financial assets</i>				
Cash and bank balances	Loans and receivables	Amortized cost	80,350,968	80,350,968
Accounts receivable	Loans and receivables	Amortized cost	246,733,176	283,494,886
Amounts due from related parties	Loans and receivables	Amortized cost	438,901,971	438,901,971
Other investment – investment in units	Available-for-sale investments	FVTPL	6,976,217	6,976,217
Other investment – investment in units	Available-for-sale investments	FVTOCI	121,500,000	100,100,000
Total			894,462,332	909,824,042

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<u>1 April 2018</u>				
<i>Financial liabilities</i>				
Accounts payable	Amortized cost	Amortized cost	276,725,098	276,725,098
Amounts due to related parties	Amortized cost	Amortized cost	221,619,546	221,619,546
Long-term loans	Amortized cost	Amortized cost	5,828,029,126	5,828,029,126
Tenants' security deposits	Amortized cost	Amortized cost	102,905,068	102,905,068
Total			6,429,278,838	6,429,278,838

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36. 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 bank balances 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 March 2019 and 31 March 2018. 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):

	31 March 2019 SR	31 March 2018 SR
Gain/(loss) through the consolidated statement of profit or loss		
Floating rate debt:		
SIBOR +100bps	(68,141,448)	(59,550,000)
SIBOR -100bps	68,141,448	59,550,000

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

The Group did not have any foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

36. 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.

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.

Expected credit loss assessment as at 31 March 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.

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36 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 March 2019:

<u>31 March 2019</u>	<u>Gross carrying amount</u>	<u>Weighted- average loss</u>	<u>Loss Allowance (%)</u>
0–90 days past due	89,399,091	1,142,722	1.3%
91–180 days past due	79,325,089	7,940,545	10%
181–270 days past due	56,490,386	6,677,332	11.8%
271–360 days past due	50,495,514	9,181,092	18.2%
361 –450 days past due	21,255,365	7,298,774	34.3%
451 -540 days past due	30,135,207	12,093,786	40.1%
541 –630 days past due	17,715,623	8,051,242	45.4%
631 -720 days past due	14,907,559	8,093,193	54.3%
More than 720 days past due	84,064,219	84,064,221	100.0%
	<u>443,788,053</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 (note 9). 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 evaluates 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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36 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	<u>Less than 6 months</u> SR	<u>Between 6 and 12 months</u> SR	<u>Between 1 and 2 years</u> SR	<u>Between 2 and 5 years</u> SR	<u>Over 5 years</u> SR	<u>Total</u> SR
<u>31 March 2019</u>						
Accounts payable	217,760,402	--	--	--	--	217,760,402
Amounts due to related parties	22,499,022	--	--	--	--	22,499,022
Tenants' security deposits	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
Total	699,730,728	440,858,356	934,573,413	2,791,831,375	3,919,898,696	8,786,892,568
 Contractual maturities of financial liabilities	 <u>Less than 6 months</u> SR	 <u>Between 6 and 12 months</u> SR	 <u>Between 1 and 2 years</u> SR	 <u>Between 2 and 5 years</u> SR	 <u>Over 5 years</u> SR	 <u>Total</u> SR
<u>31 March 2018</u>						
Accounts payable	276,725,098	--	--	--	--	276,725,098
Amounts due to related parties	221,619,546	--	--	--	--	221,619,546
Tenants' security deposits	27,233,271	20,757,410	28,784,436	23,019,328	3,110,623	102,905,068
Long-term loans	307,196,374	403,468,316	926,391,397	3,959,273,165	1,547,743,185	7,144,072,437
Total	832,774,289	424,225,726	955,175,833	3,982,292,493	1,550,853,808	7,745,322,149

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36 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management

Capital is equity attributable to the shareholders of the Company. 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 March 2019 SR	31 March 2018 SR
Total liabilities	8,301,016,559	7,569,639,645
Less: cash and bank balances	(457,670,983)	(80,350,968)
Net debt	7,843,345,576	7,489,288,677
 Total equity	 5,064,669,068	 4,904,952,654
 Debt to adjusted capital ratio	 155%	 153%

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37. COMMITMENTS AND CONTINGENCIES

Commitments

	31 March	31 March
	<u>2019</u>	<u>2018</u>
	SR	SR
Commitments for projects under construction	<u>2,226,873,326</u>	<u>2,573,302,981</u>

Operating lease commitments – Group as a lessee

The Group has entered into operating leases on certain parcels of land and staff accommodation. Payments under operating leases are recognized as expenses under cost of revenue during the year which amounted to SR 171 million (31 March 2018: SR 144 million).

Future minimum rentals payable under non-cancellable operating leases as at the end of the reporting years are, as follows:

	31 March	31 March
	<u>2019</u>	<u>2018</u>
	SR	SR
Within one year	394,149,510	244,959,094
After one year but not more than five years	1,674,625,368	1,303,326,795
More than five years	<u>7,526,767,387</u>	<u>4,770,208,231</u>
	<u>9,595,542,265</u>	<u>6,318,494,120</u>

Some of the land lease agreements are in the name of the related parties of the Group, who have assigned these leases in favour of the Group.

Operating lease payments represent rentals payable for land rented for the purpose of construction of buildings for leasing purposes. Leases are negotiated for a range from 10 to 22 years.

38. COMPARATIVE FIGURES

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