

**Arabian Centres Company Limited and its
Subsidiaries
(Limited Liability Company)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT**

FOR THE YEAR ENDED 31 MARCH 2016

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2016

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**AUDITORS' REPORT TO THE PARTNERS OF
ARABIAN CENTRES COMPANY LIMITED
(LIMITED LIABILITY COMPANY)**

Scope of audit

We have audited the accompanying consolidated balance sheet of Arabian Centres Company Limited - limited liability company (the "Company") and its subsidiaries (the "Group") as at 31 March 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the requirements of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- i) presents fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2016 and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's articles of association in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young



Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277



Riyadh: 29 Muhurram 1438H
(30 October 2016)

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

	<i>Note</i>	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	242,834,131	330,212,264
Accounts receivable	5	205,741,870	137,960,005
Due from related parties	6	524,689,059	90,844,033
Prepayments and other current assets	7	153,432,051	154,254,186
TOTAL CURRENT ASSETS		1,126,697,111	713,270,488
NON-CURRENT ASSETS			
Advances to a contractor – related party	8	643,942,906	572,847,471
Prepaid rent		176,653,500	49,877,368
Initial direct cost for operating leases		249,799,918	135,119,438
Investment in an associate	9	36,196,890	47,549,229
Available for sale investments	10	234,454,336	235,701,155
Investment properties	11	7,851,989,192	8,343,858,422
Property and equipment	12	60,886,638	32,744,889
TOTAL NON-CURRENT ASSETS		9,253,923,380	9,417,697,972
TOTAL ASSETS		10,380,620,491	10,130,968,460
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current portion of long-term loans	13	351,000,000	229,500,000
Accounts payable		276,775,068	132,732,396
Due to related parties	6	321,481,738	247,014,916
Unearned revenue	14	482,291,065	337,673,158
Accruals and other current liabilities	15	119,369,965	132,688,752
Zakat	16	88,492,940	53,461,618
TOTAL CURRENT LIABILITIES		1,639,410,776	1,133,070,840
NON-CURRENT LIABILITIES			
Long-term loans	13	4,054,240,703	3,509,374,211
Long-term accounts payable	17	-	900,000,000
Employees' end-of-service indemnities		20,938,894	18,537,207
TOTAL NON-CURRENT LIABILITIES		4,075,179,597	4,427,911,418
TOTAL LIABILITIES		5,714,590,373	5,560,982,258
EQUITY			
PARTNERS' EQUITY			
Capital	18	4,450,000,000	4,450,000,000
Statutory reserve	19	200,478,864	102,366,384
Retained earnings		13,165,940	153,625
Unrealised gain on revaluation of available for sale investments	10	1,671,465	2,918,284
TOTAL PARTNERS' EQUITY		4,665,316,269	4,555,438,293
Non-controlling interest		713,849	14,547,909
TOTAL EQUITY		4,666,030,118	4,569,986,202
TOTAL LIABILITIES AND EQUITY		10,380,620,491	10,130,968,460

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	<i>Note</i>	2016 SR	2015 SR
Revenue	6 & 14	1,852,213,685	1,638,595,448
Cost of revenue		(382,446,031)	(268,167,454)
Depreciation of investment properties	11	(180,542,831)	(145,666,481)
GROSS PROFIT		1,289,224,823	1,224,761,513
EXPENSES			
Advertisement and promotions	22	(23,899,422)	(8,531,100)
General and administrative	23	(137,380,215)	(58,110,831)
TOTAL EXPENSES		(161,279,637)	(66,641,931)
INCOME FROM MAIN OPERATIONS		1,127,945,186	1,158,119,582
Share in net income of an associate	9	8,647,661	10,607,860
Write-off of projects under construction	11	(8,443,094)	(10,093,733)
Financial charges	24	(105,800,496)	(113,157,003)
Other income, net	25	10,613,264	40,821,659
INCOME BEFORE ZAKAT AND NON-CONTROLLING INTEREST		1,032,962,521	1,086,298,365
Zakat	16	(32,998,878)	(53,461,618)
INCOME BEFORE NON-CONTROLLING INTEREST		999,963,643	1,032,836,747
Non-controlling interest		(18,838,848)	(14,172,908)
NET INCOME FOR THE YEAR		981,124,795	1,018,663,839

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 SR	2015 SR
OPERATING ACTIVITIES			
Income before zakat and non-controlling interest		1,032,962,521	1,086,298,365
<u>Adjustments for:</u>			
Depreciation of investment properties	11	180,542,831	145,666,481
Depreciation of property and equipment	12	12,863,124	7,803,357
Realised gain on sale of available for sale investments, net	25	-	(8,315,644)
Share in net income of an associate	9	(8,647,661)	(10,607,860)
Amortisation of transaction costs	13-i	5,403,844	5,389,484
Amortisation of initial direct cost for operating leases		3,536,410	-
Projects under construction written-off	11	8,443,094	10,093,733
Provision for employees' end-of-services indemnities		3,280,060	4,648,162
Allowance for doubtful debts	5	26,164,067	-
<u>Changes in operating assets and liabilities:</u>			
Accounts receivable		(93,945,932)	(50,665,802)
Due from/to related parties, net		(309,003,459)	750,536,946
Prepayments and other current assets		822,135	(20,570,074)
Accounts payable		144,042,672	26,026,531
Unearned revenue		144,617,907	84,684,887
Accruals and other current liabilities		(13,318,787)	47,977,672
Prepaid rent		(150,151,132)	(49,877,368)
Cash generated from operations		987,611,694	2,029,088,870
Employees' end-of-service indemnities paid		(878,373)	(128,485)
Zakat paid	16	(2,000,000)	-
Net cash from operating activities		984,733,321	2,028,960,385
INVESTING ACTIVITIES			
Additions to investment properties	11 / 17	(606,559,069)	(2,993,821,435)
Initial direct cost for operating leases paid		(94,841,890)	(135,119,438)
Purchase of available for sale investments		-	(57,000,000)
Additional investment in an associate	9	-	(13,538,504)
Purchase of property and equipment	12	(41,442,152)	(9,707,430)
Dividend received from an associate	9	20,000,000	16,250,000
Advances to a contractor – related party		(71,095,435)	18,582,437
Proceeds from sale of available for sale investments		-	26,092,232
Net cash used in investing activities		(793,938,546)	(3,148,262,138)
FINANCING ACTIVITIES			
Proceeds from long-term loans	13	900,000,000	1,235,000,000
Long-term accounts payable settled through long-term loans	17	(900,000,000)	-
Settlement of transaction cost	13	(16,000,000)	(44,327,050)
Repayment of long-term loans	13	(229,500,000)	(94,500,000)
Non-controlling interest		(32,672,908)	(12,189,260)
Net cash (used in) from financing activities		(278,172,908)	1,083,983,690
NET CHANGE IN CASH AND BANK BALANCES		(87,378,133)	(35,318,063)
Cash and bank balances at the beginning of the year		330,212,264	365,530,327
CASH AND BANK BALANCES AT THE END OF THE YEAR	4	242,834,131	330,212,264
<u>Non-cash transactions:</u>			
Dividends settled through partners' account	6 / 21	870,000,000	-
Unrealised (loss) / gain on revaluation of available for sale investments	10	(1,246,819)	2,918,284
Investment property transferred (to) from related parties	6 / 11	(915,905,022)	589,721,684
Transfer of zakat payable to related party	6	-	(123,830,867)
Additional capital contributed by partners	20	-	2,257,183,825
Capitalisation of retained earning	18	-	2,191,816,175
Long-term accounts payable	17	-	900,000,000

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

Equity attributable to the partners' of the Parent Company

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Partners' contribution account SR</i>	<i>Retained earnings SR</i>	<i>Unrealised gain on revaluation of available for sale investments SR</i>	<i>Total partners' equity SR</i>	<i>Non-controlling interest SR</i>	<i>Total equity SR</i>
Balance as at 31 March 2014	1,000,000	500,000	923,092,226	1,275,172,345	-	2,199,764,571	12,564,261	2,212,328,832
Net income for the year	-	-	-	1,018,663,839	-	1,018,663,839	14,172,908	1,032,836,747
Transfer to statutory reserve	-	101,866,384	-	(101,866,384)	-	-	-	-
Dividends	-	-	-	-	-	-	(12,189,260)	(12,189,260)
Additional contribution by partners (notes 18 & 20)	-	-	1,334,091,599	-	-	1,334,091,599	-	1,334,091,599
Increase in capital (note 18)	4,449,000,000	-	(2,257,183,825)	(2,191,816,175)	-	-	-	-
Net movement during the year (note 10)	-	-	-	-	2,918,284	2,918,284	-	2,918,284
Balance as at 31 March 2015	4,450,000,000	102,366,384	-	153,625	2,918,284	4,555,438,293	14,547,909	4,569,986,202
Net income for the year	-	-	-	981,124,795	-	981,124,795	18,838,848	999,963,643
Transfer to statutory reserve	-	98,112,480	-	(98,112,480)	-	-	-	-
Dividends (notes 6 & 21)	-	-	-	(870,000,000)	-	(870,000,000)	(32,672,908)	(902,672,908)
Net movement during the year (note 10)	-	-	-	-	(1,246,819)	(1,246,819)	-	(1,246,819)
Balance as at 31 March 2016	4,450,000,000	200,478,864	-	13,165,940	1,671,465	4,665,316,269	713,849	4,666,030,118

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements.

Arabian Centres Company Limited and its Subsidiaries (Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2016

1. ACTIVITIES

Arabian Centres Company Limited (“the Company” or “the parent company”) is a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010209177 dated 7 Rabi Thani 1426H (corresponding to 15 May 2005).

The Company and its subsidiaries’ (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 building 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:

<i>Name of subsidiary *</i>	<i>Ownership %</i>			
	<i>2016</i>		<i>2015</i>	
	<i>Direct</i>	<i>Indirect **</i>	<i>Direct</i>	<i>Indirect **</i>
Arkan Salam for Real Estate and Contracting Company Ltd.	95%	5%	95%	5%
Al-Qasseem Company for Entertainment and Commercial Projects owners Abdulmohsin AlHokair and his partners	50%	-	50%	-
Mall of Arabia Company Limited	95%	5%	95%	5%
Aziz Mall Trading Company Limited	95%	5%	95%	5%
Riyadh Centers Company Limited	95%	5%	95%	5%
Dhahran Mall Trading Company Limited	95%	5%	95%	5%
Al Noor Mall Trading Company Limited	95%	5%	95%	5%
Yarmouk Mall Company Limited	95%	5%	95%	5%
Al Makarem International for Real Estate Development Company	95%	5%	95%	5%
Al Bawarij International for Development & Real Estate Investment Company	95%	5%	95%	5%
Al Yasmeen Mall Trading Company	95%	5%	95%	5%
Al Dammam Mall Trading Company Limited	95%	5%	95%	5%
Al Malaz Mall Trading Company Limited	95%	5%	95%	5%
Al Hamra Mall Trading Company Limited	95%	5%	95%	5%
Oyoun Al Raed Mall Trading Company	95%	5%	95%	5%
Al Erth Al Matin Contracting Company	95%	5%	95%	5%
Al Erth Al Rasekh Contracting Company	95%	5%	95%	5%
Oyoun Al Basateen Trading Company	95%	5%	-	-

* All subsidiaries are limited liability companies incorporated in the Kingdom of Saudi Arabia.

**Indirect ownership is owned through cross ownership within the Group.

2. BASIS OF CONSOLIDATION

These consolidated financial statements include assets, liabilities and the results of the operations of the parent company and its subsidiaries as disclosed in note (1) above. A subsidiary company is that in which the parent company has, directly or indirectly, long-term investment comprising an interest of more than 50% in the voting capital and / or over which it exerts control. A subsidiary company is consolidated from the date on which the parent company obtains control until the date that control ceases. The consolidated financial statements are prepared on the basis of the individual financial statements of the parent company and the financial statements of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The Group’s significant intercompany balances and transactions have been eliminated in these consolidated financial statements.

Non-controlling interest represents the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent partners’ equity.

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for available for sale investments which are stated at fair values.

Use of estimates

The preparation of consolidated financial statements in conformity with the generally accepted accounting standards requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and activities, actual result ultimately may differ from those estimates.

Cash and bank balances

Cash and bank balances include cash on hand and bank balances.

Accounts receivable

Accounts receivable are recognised at their original invoiced value. A provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Bad debts are written off as incurred.

Investments

Investments in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in associates are accounted for using equity method of accounting, whereas the investment in associate is carried in the consolidated balance sheet at cost adjusted by the changes in the Group's share of net assets of the associate. The consolidated statement of income reflects the share of the results of operation of the associates. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of interest in an associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is an objective evidence that the investment in associate is impaired. If any such indication exists, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated statement of income. The financial statements of the associates are prepared for the same period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Available-for-sale investments

Investments that are bought neither with the intention of being held to maturity nor for the trading purposes are stated at fair value and are included under non-current assets, unless they will be sold in the next reporting year. Changes in fair value are credited or charged to the consolidated statement of changes in equity.

Fair value is determined by reference to the market value if an open active market exists, or the use of other alternative valuation methods. Otherwise, cost is considered to be the fair value. Where partial holdings are sold, these are accounted for on a weighted average basis.

Investment properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties are initially recorded 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 cost 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. The cost of other properties is depreciated on a straight-line basis over the estimated useful lives of the properties.

Expenditure for repair and maintenance are charged to income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Leaseholds improvements are amortised on a straight line basis over the shorter of the useful life of the improvement and the term of the lease.

Expenditures for repair and maintenance are charged to the consolidated statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalised.

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets

The Group conducts periodic review of the carrying amount of its non-current assets to determine whether there is any evidence that those non-current assets have suffered an impairment loss. If such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of that asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in the consolidated statement of income.

Leases

Operating lease contracts — the 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.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Lease contracts — the 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.

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of income as they arise.

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

Initial direct cost, made under operating leases are charged to the consolidated income statement in accordance with the terms of the lease contracts over the lease term 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.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Arabian Centres Company Limited and its Subsidiaries
(Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned revenue

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

Unearned revenues also include advance rent collected against the properties for which rental agreements commence subsequent to the year end.

Loans and borrowings

Loans and borrowings are recognised at the proceeds received value by the Group.

Zakat

The Group is subject to the Regulations of the General Authority of Zakat and Tax (“GAZT”) in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. Zakat charge is computed on zakat base. Adjustments if any are made to the zakat provision when the final assessments are obtained from the GAZT.

Employees’ end-of-service indemnities

End of service indemnities, required by the Saudi Arabian labour law, are provided in the consolidated financial statements based on the employees’ length of services.

Revenue recognition

Revenue is recognised 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. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in most of the revenue arrangements, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

The Group is the lessor in 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 income due to its operating nature, except for contingent rental income which is recognised when it arises.

Tenant lease incentives are recognised 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 recognised in the consolidated statement of income when the right to receive them arises.

Turnover rent

The Group recognises 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.

Arabian Centres Company Limited and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Service charges, management charges and other expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes due. Service and management charges and other such receipts are included in net rental income gross of the related costs, as the management considers that the Group acts as principal in this respect.

Dividend income

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

All other revenues are recognised on an accrual basis when the Group's right to earn the revenue is established.

Borrowing costs

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of income.

Expenses

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

General and administrative expenses include costs not specifically part of the cost of revenue as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

Fair value

For investments traded in active markets, fair value is determined by reference to quoted market bid prices.

The fair value of commission-bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information is available for such investments.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the date of such transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Any realised or unrealised exchange gains or losses arising from such translations are recorded in the consolidated statement of income.

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4. CASH AND BANK BALANCES

	2016 SR	2015 SR
Cash at banks	241,932,204	329,383,498
Cash in hand	901,927	828,766
	<u>242,834,131</u>	<u>330,212,264</u>

5. 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.

At 31 March 2016, accounts receivable at nominal value of SR 26,164,067 (2015: nil) were impaired. Movement in the allowance for doubtful debts were as follows:

	2016 SR	2015 SR
At the beginning of the year	-	-
Provision for the year (note 23)	26,164,067	-
At the end of the year	<u>26,164,067</u>	<u>-</u>

As at 31 March, the ageing of unimpaired accounts receivable was as follows:

	Total SR	Neither past due nor impaired SR	<i>Past due but not impaired</i>			
			Up to 30 days SR	31 - 90 days SR	91 - 180 days SR	> 180 days SR
2016	205,741,870	86,307,852	13,007,134	13,988,311	24,308,062	68,130,511
2015	137,960,005	44,472,323	41,215,477	17,605,585	2,542,689	32,123,931

As set out above, accounts receivable include amounts which are past due at the end of the reporting period but against which the Group has not recognised a provision for doubtful receivables because amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

In determining the recoverability of accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date credit was initially granted up to the end of the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

6. 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 parent company and its subsidiaries, which are related parties within the Group, have been eliminated on consolidation and are not disclosed in this note.

Related party transactions

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

	2016	2015
	SR	SR
Transfer of investment properties to related parties (note 11)	915,905,022	589,721,684
Dividends settled through partners' account (note 21)	870,000,000	-
Construction work included in projects under construction (note 11)	592,818,157	1,009,716,340
Rental revenue	459,204,369	435,171,607
Services revenue	60,527,399	39,604,390
Transfer of zakat payable to a related party (note 16)	-	123,830,867

With the consent of the partners of the Company, the contracts for the construction of all projects are awarded to an affiliate, Fawaz Abdulaziz Al Hokair & Co. Real Estate Company, for a total contract value amounting to SR 3.4 billion (2015: SR 2.9 billion) including variation orders (note 8). The process of awarding these contracts does not include bidding.

Related party balances

The following table summarise the significant related parties balances as at 31 March:

(i) Amounts due from related parties

<i>Name of related party</i>	<i>Nature of relationship</i>	2016	2015
		SR	SR
FAS Holding Company for Hotels	Affiliate	400,322,569	-
Kids Space Company Limited (a)	Affiliate	30,410,413	17,599,858
Food and Entertainment Company Limited (a)	Affiliate	24,265,587	-
Billy Games Company Limited (a)	Affiliate	20,655,165	6,636,438
Tadaris Al Najd Security Company	Affiliate	15,599,888	17,514,491
Al Madaen Star Real Estate	Affiliate	14,122,477	14,122,477
Abdul Mohsin Al Hokair Group for Tourism and Development (a)	Affiliate	10,473,439	14,538,812
Coffee Centers Company Limited (a)	Affiliate	3,709,401	2,525,057
Akwaan Properties for Real Estate	Affiliate	3,064,158	3,064,158
Nesk Trading Company Limited (a)	Affiliate	-	12,902,919
Others	Affiliate	2,065,962	1,939,823
		524,689,059	90,844,033

Arabian Centres Company Limited and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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6. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party balances (continued)

(ii) Amounts due to related parties:

<i>Name of related party</i>	<i>Nature of relationship</i>	2016 SR	2015 SR
Fawaz Abdulaziz Al Hokair & Co. (b)	Affiliate	197,296,788	241,413,986
Saudi FAS Holding Company	Ultimate Parent Company	68,681,809	5,600,930
Nesk Trading Company Limited (b)	Affiliate	55,503,141	-
		321,481,738	247,014,916

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

(b) This mainly represents advance rentals received, net of rental income receivable.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end 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 year.

It should be noted that 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 (notes 11 and 27).

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2016 SR	2015 SR
Advances to suppliers	72,869,806	88,323,471
Prepaid rent	72,066,620	55,522,548
Employees' receivables	4,823,063	3,696,703
Others	3,672,562	6,711,464
	153,432,051	154,254,186

8. ADVANCES TO A CONTRACTOR – RELATED PARTY

Advances to a contractor represents advance paid to Fawaz Abdulaziz Al Hokair & Real Estate Company (an affiliate) for the construction of shopping malls, which are under various stages of completion. The total value of contracts awarded to Fawaz Abdulaziz Al Hokair & Real Estate Company amounts to SR 3.4 billion (2015: SR 2.9 billion) including variation orders (note 6).

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate 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. The movement of the investment during the year is as follow:

	<i>Percentage of ownership</i>	<i>Opening balance</i> <i>SR</i>	<i>Share of net income</i> <i>SR</i>	<i>Dividend</i> <i>SR</i>	<i>Additions to investments</i> <i>SR</i>	<i>Ending balance</i> <i>SR</i>
2016	25%	47,549,229	8,647,661	(20,000,000)	-	36,196,890
2015	25%	39,652,865	10,607,860	(16,250,000)	13,538,504	47,549,229

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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10. AVAILABLE FOR SALE INVESTMENTS

	2016 SR	2015 SR
Investments in real estate projects (i)	225,782,871	225,782,871
Investments real estate fund (ii)	8,671,465	9,918,284
	<u>234,454,336</u>	<u>235,701,155</u>

(i) *Investments in real estate:*

	2016 SR	2015 SR
Amlak International for Real Estate Finance Company (previously known as Amlak International for Real Estate Development and Finance Company) (a)	121,500,000	121,500,000
Yanbu Real Estate (b)	53,384,204	53,384,204
Khomasiat Taibah Limited Company (previously known as Al Khomasiat Yathrib Company) (c)	50,000,000	50,000,000
Akwan properties (d)	898,667	898,667
	<u>225,782,871</u>	<u>225,782,871</u>

- a) The Group's equity investment of 8.5% in Amlak International for Real Estate Finance Company (previously known as Amlak International for Real Estate Development and Finance Company) is owned directly and indirectly through the Company's subsidiaries. The Group has paid SR 121.5 million to acquire the investments which includes payment of SR 45 million as premium for the investment.
- b) This investment represents investment in real estate held by Yanbu Real Estate (Mosahama).
- c) This represents 7.14% equity investment in Khomasiat Taibah Limited Company (previously known as Al Khomasiat Yathrib Company). The investment is in the name of the ultimate parent, Saudi FAS Holding Company, which has assigned the investment to the benefit of the Company.
- d) This represents 4.5% equity investment in Akwaan Properties purchased through an ultimate parent, Saudi FAS Holding Company which assigned it to the Company benefit. The Company is still committed to settle SR 2,696,000 (2015: SR 2,696,000) for the acquisition of its equity stake.

(ii) *Investments real estate fund:*

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 8.7 million as of 31 December 2015 (31 March 2015: SR 9.9 million). The unrealised loss amounting to SR 1.2 million (2015: unrealised gain amounting to SR 2.9 million) has been recognised in available for sale investments as part of equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

10. AVAILABLE FOR SALE INVESTMENTS (continued)

(ii) *Investments real estate fund: (continued)*

Movement in the investments in real estate fund was as follows:

	2016	2015
	SR	SR
Cost:		
At the beginning of the year	7,000,000	-
Additions	-	7,000,000
	<hr/>	<hr/>
At the end of the year	7,000,000	7,000,000
	<hr/>	<hr/>
Revaluation adjustments:		
At the beginning of the year	2,918,284	-
Unrealised (loss) gain during the year	(1,246,819)	2,918,284
	<hr/>	<hr/>
At the end of the year	1,671,465	2,918,284
	<hr/>	<hr/>
Net carrying amount	8,671,465	9,918,284
	<hr/> <hr/>	<hr/> <hr/>

Arabian Centres Company Limited and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 MARCH 2016

11. INVESTMENT PROPERTIES

The estimated useful lives of the investment properties for the calculation of depreciation are as follows:

	33 years Shorter of economic life or lease term					
	<i>Land</i> <i>SR</i>	<i>Buildings</i> <i>SR</i>	<i>Building on</i> <i>leasehold land</i> <i>SR</i>	<i>Projects under</i> <i>construction</i> <i>SR</i>	<i>Total</i> <i>2016</i> <i>SR</i>	<i>Total</i> <i>2015</i> <i>SR</i>
<i>Cost:</i>						
At the beginning of the year	4,238,505,592	2,072,146,336	1,733,601,055	1,237,333,470	9,281,586,453	4,807,398,283
Additions	-	-	20,203,560	592,818,157	613,021,717	3,894,560,219
Transfer to related parties (note 6)	(764,905,022)	-	-	(151,000,000)	(915,905,022)	(175,183,338)
Transfer from a related party (note 6)	-	-	-	-	-	764,905,022
Write off	-	-	-	(8,443,094)	(8,443,094)	(10,093,733)
Transfers	-	139,284,791	326,951,037	(466,235,828)	-	-
At the end of the year	<u>3,473,600,570</u>	<u>2,211,431,127</u>	<u>2,080,755,652</u>	<u>1,204,472,705</u>	<u>8,970,260,054</u>	<u>9,281,586,453</u>
<i>Depreciation:</i>						
At the beginning of the year	-	466,980,715	470,747,316	-	937,728,031	792,061,550
Charge for the year	-	49,589,639	130,953,192	-	180,542,831	145,666,481
At the end of the year	<u>-</u>	<u>516,570,354</u>	<u>601,700,508</u>	<u>-</u>	<u>1,118,270,862</u>	<u>937,728,031</u>
<i>Net book value</i>						
At 31 March 2016	<u>3,473,600,570</u>	<u>1,694,860,773</u>	<u>1,479,055,144</u>	<u>1,204,472,705</u>	<u>7,851,989,192</u>	
At 31 March 2015	<u>4,238,505,592</u>	<u>1,605,165,621</u>	<u>1,262,853,739</u>	<u>1,237,333,470</u>		<u>8,343,858,422</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

11. INVESTMENT PROPERTIES (continued)

Net book value of the Group's land at 31 March is as follows:

	Owned by the Group / partners	Title deeds registered with bank Yes / No	2016 SR	2015 SR
Shopping malls – lands				
- Aziziah Mall – Makkah	Group	Yes	178,227,665	178,227,665
- Mall of Arabia – Jeddah	Group	Yes	141,115,102	141,115,102
- Sahara plaza – Riyadh	Group	Yes	75,240,000	75,240,000
- Al Noor center	Group	Yes	68,120,000	68,120,000
- Jubail land	Group	Yes	32,500,000	32,500,000
- Hafouf Al Ahsa Mall	Group	Yes	20,700,145	20,700,145
			515,902,912	515,902,912
Lands				
- Oyoum Al Raed land	Group	Yes	1,770,439,948	1,770,439,948
- Oyoum Al Basateen	Group	Yes	1,067,162,500	1,067,162,500
- Dammam land	Group	Yes	117,395,210	117,395,210
- Aziz Mall land – generator	Partners	No	2,700,000	2,700,000
- King Fahad Road (*)	Group	No	-	400,000,000
- Al Qasseem Land (*)	Group	Yes	-	364,905,022
			2,957,697,658	3,722,602,680
Total land net book value			3,473,600,570	4,238,505,592

(*) During 2016, the Group partner's has resolved in their meeting held on 22 Jumad Thani 1437H (Corresponding to 31 March 2016) to transfer Al Qasseem Land to Saudi FAS Holding Company (the ultimate parent company) by net book value. In addition, during the same meeting, the Group partner's has resolved to sell King Fahad Road land to FAS Holding Company for Hotels (affiliate company) for an amount of SR 400,000,000 (note 6).

As at 31 March 2016, the title deeds of plots of land amounting to SR 3,470.9 million (2015: SR 3,835.8 million) are registered in the name of local banks against a long-term loan (note 13).

The title deeds of plots of land amounting to SR 2.7 million (2015: SR 2.7 million) are in the name of the partners, who have assigned these for the benefit of the Group.

The lease agreements for leasehold land on which the Group's buildings are constructed are in the name of an affiliated company and other related parties (note 6).

Projects under construction include shopping malls, which are under various stages of completion. All contracts for construction and the design of these projects are awarded to the affiliates Fawaz Abdulaziz Al Hokair & Co Real Estate Company (note 6).

As at 31 March 2016, an amount of SR 83.5 million (2015: SR 6.17 million) was capitalised as cost of borrowings for the construction of projects under construction (note 13).

As at 31 March 2016, an amount of SR 6.5 million (2015: SR 0.74 million) was capitalised as amortised transaction cost for the construction of projects under construction (note 13 - i).

Arabian Centres Company Limited and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 MARCH 2016

12. PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Tools and equipment	4 – 8 years
Furniture and fixtures	4 – 10 years
Vehicles	4 years

	<i>Tools and equipment</i> SR	<i>Furniture and fixtures</i> SR	<i>Vehicles</i> SR	Total 2016 SR	<i>Total 2015 SR</i>
Cost:					
At the beginning of the year	47,888,384	41,119,736	2,486,312	91,494,432	81,787,002
Additions	24,508,802	16,210,850	722,500	41,442,152	9,707,430
Transfer to a related party (note 6)	(478,915)	(6,740)	-	(485,655)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	71,918,271	57,323,846	3,208,812	132,450,929	91,494,432
Depreciation:					
At the beginning of the year	34,663,245	21,617,944	2,468,354	58,749,543	50,946,186
Charge for the year (note 23)	7,333,771	5,492,025	37,328	12,863,124	7,803,357
Transfer to a related party (note 6)	(48,316)	(60)	-	(48,376)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	41,948,700	27,109,909	2,505,682	71,564,291	58,749,543
Net book value					
31 March 2016	29,969,571	30,213,937	703,130	60,886,638	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
31 March 2015	13,225,139	19,501,792	17,958		32,744,889
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>

Arabian Centres Company Limited and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

13. LONG-TERM LOANS

The movement in long-term loans is as follows:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Balance at the beginning of the year	3,813,500,000	2,673,000,000
Addition of a new facility (A)	900,000,000	1,235,000,000
Repayments	(229,500,000)	(94,500,000)
	4,484,000,000	3,813,500,000
Less: un-amortised transaction costs	(78,759,297)	(74,625,789)
	4,405,240,703	3,738,874,211
Less: current portion of long-term loans	(351,000,000)	(229,500,000)
Balance at the end of the year	4,054,240,703	3,509,374,211

Un-amortised transaction costs movement as follow:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Balance at the beginning of the year	74,625,789	36,427,007
Additions during the year related to a new facility	16,000,000	44,327,050
Amortised transaction cost during the year (note i below)	(11,866,492)	(6,128,268)
Balance at the end of the year	78,759,297	74,625,789

i) Amortised transaction cost during the year was allocated as follow:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Capitalised to investment properties – projects under construction (note 11)	6,462,648	738,784
Amortisation charge for the year (note 24)	5,403,844	5,389,484
Balance at the end of the year	11,866,492	6,128,268

Below is the repayment schedule of the outstanding long-term loans as at 31 March:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Within one year	351,000,000	229,500,000
Between two to five years	2,941,812,500	2,665,000,000
More than five years	1,191,187,500	919,000,000
	4,484,000,000	3,813,500,000

The Group obtained the above long-term loans from local banks which are repayable in semi-annual instalments. These facilities are subject to commission rates based on fixed commission rates and 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 partners.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 MARCH 2016

13. LONG-TERM LOANS (continued)

A) During 2016, the Group;

- (i) Obtained a long-term loan facility for construction of Oyoum Al Basateen Mall - Jeddah amounting to SR 1,600 million from a local bank out of which SR 900 million was utilized during the current year. The loan carries commission of SIBOR plus agreed margin per annum and is secured by assignment of leases, insurance policies, proceeds of rental income, land and building and personal and corporate guarantees from the partners. The loan is repayable on a semi-annual basis and the principal repayment will start after three years grace period from May 2018. The new facility will be repaid in 14 unequal semi-annual instalments, the first instalment will be due in May 2018 and last instalment due in April 2025. The commission is payable on a semi-annual basis from May 2015.

B) During 2015 and previous years, the Group obtained the following:

- (i) Obtained a long-term loan facility for construction of Mall of Arabia - Riyadh amounting to SR 1,970 million from a local bank out of which SR 1,235 million was utilised during 2015. The loan carries fixed commission per annum till completion of the mall and other certain agreed margin thereafter and is secured by assignment of leases, insurance policies, proceeds of rental income, land and building and personal and corporate guarantees from the partners. The loan is repayable on a semi-annual basis and the principal repayment will start after three years grace period from July 2017. The facility will be repaid in 14 unequal semi-annual instalments, the first instalment will be due in July 2017 and last instalment due in January 2024. The commission is payable on a semi-annual basis from June 2014.
- (ii) Long-term loan amounting to SR 750 million from a local bank. The loan carries fixed commission margin per annum and is secured by assignment of leases, insurance policies, proceeds of rental income, land and building and personal and corporate guarantees from the partners. The loan is repayable in 15 unequal semi-annual instalments, the first instalment was due in December 2013 and last instalment due in December 2020. The commission was payable on a semi-annual basis from December 2013.
- (iii) Long-term loan amounting to SR 1,950 million from a local bank. The loan carries fixed commission of SIBOR plus agreed margin per annum and is secured by assignment of leases, insurance policies, proceeds of rental income, land and building and personal and corporate guarantees from the partners. The loan is repayable in 15 unequal semi-annual instalments, the first instalment was due in December 2013 and last instalment due in December 2020. The commission was payable on a semi-annual basis from December 2013.

Murabaha facility agreements contain covenants, which among other things, require certain financial ratios to be maintained. The Company ensures that it is always in compliance with the loan covenants prescribed in such agreements. In case of breach of covenant at any point of time, the management ensures that it reconciles its position with the lending banks and that it has obtained a formal waiver from the related lender.

As at 31 March 2016, an amount of SR 83.5 million (2015: SR 6.17 million) was capitalised as cost of borrowings for the construction of projects under construction (note 11).

14. UNEARNED REVENUE

Unearned revenue represents rentals received from tenants in advance.

	2016	2015
	SR	SR
Balance at the beginning of the year	337,673,158	252,988,271
Advance rentals received from tenants	1,996,831,592	1,723,280,335
	2,334,504,750	1,976,268,606
Revenue recognised in consolidated statement of income	(1,852,213,685)	(1,638,595,448)
Balance at the end of the year	482,291,065	337,673,158

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15. ACCRUALS AND OTHER CURRENT LIABILITIES

	2016	2015
	SR	SR
Tenants security deposits	70,238,413	56,702,336
Accrued finance charges	23,262,125	35,043,153
Employees' accruals	13,066,526	14,284,213
Accrued expenses	10,329,196	22,176,368
Others	2,473,705	4,482,682
	119,369,965	132,688,752

16. ZAKAT

Charge for the year

Zakat charge for the year amounting to SR 32,998,878 consists of the current year provision (2015: SR 53,461,618).

The current year zakat provision is based on the following:

	2016	2015
	SR	SR
Partners' equity, beginning balance	4,555,438,293	2,199,764,571
Income before zakat	1,032,962,521	1,086,298,365
Non-current liabilities	4,075,179,597	4,427,911,418
Non-current assets	(10,380,620,491)	(9,417,697,972)

Some of these amounts 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 for the year ended 31 March is as follows:

	2016			2015
	Company	Subsidiaries	Total	Total
	SR	SR	SR	SR
Balance at beginning of the year	-	53,461,618	53,461,618	123,830,867
Provision for the year	32,998,878	-	32,998,878	53,461,618
Transferred to a related party (note 6)	-	-	-	(123,830,867)
Prior years adjustment	4,032,444	-	4,032,444	-
Paid during the year	(2,000,000)	-	(2,000,000)	-
Balance at end of the year	35,031,322	53,461,618	88,492,940	53,461,618

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16. ZAKAT (continued)

Status of assessments

The Company has filed its zakat returns from inception date up to the year ended 31 March 2006 with GAZT and received the related zakat certificates. The zakat assessments have been completed up to year ended 31 March 2006.

Effective the year ended 31 March 2007, the ultimate parent company, Saudi FAS Holding Company, is preparing and submitting consolidated zakat return for the ultimate parent company and its wholly owned subsidiaries, including Arabian Centres Company Limited to GAZT as per GAZT letter. Accordingly, the consolidated zakat returns for the years ended 31 March 2007 to 2014 have been submitted to GAZT. It should be noted that despite the fact that the ultimate parent company is submitting a consolidated zakat return including its wholly owned subsidiaries, the Group's management computes and records the zakat provision based on the Group's individual Zakat base / adjusted income.

On 5 Jumaada Al Awal 1436H (corresponding to 24 February 2015), the ultimate parent company received a letter from GAZT requesting the ultimate parent company and its subsidiaries to submit individual zakat return for each company instead of consolidated zakat returns previously submitted starting from 31 March 2007 to 31 March 2014. The ultimate parent company has submitted its appeal which is still under GAZT review as at 31 March 2016.

17. LONG-TERM ACCOUNTS PAYABLE

This represents remaining amount payable for land purchased during prior year for SR 1,067 million. During the current year, the amount payable was settled through a new long-term loan amounting to SR 1,600 million obtained from a local bank (note 11 and note 13).

18. CAPITAL

On 3 Jumad Awal 1436H (corresponding to 22 February 2015), the partners of the Company have approved admission of new partners and increase the capital of the Company from SR 1 million to SR 4,450 million through transfer of partners' contribution account amounting to SR 2,257,183,825 as of 28 February 2015 (note 20) and retained earnings amounting to SR 2,191,816,175. The legal formalities related to this resolution were completed before the year ended 31 March 2015. The partners and their respective holdings as at 31 March 2016 and 2015 are as follows:

<i>Name of partner</i>	<i>Ownership %</i>	<i>Number of shares</i>	<i>Amount SR</i>
FAS Real Estate Company Limited	52	2,314,000	2,314,000,000
Saaf International Co. Limited	3	133,500	133,500,000
Mr. Fawaz Abdulaziz Al Hokair	15	667,500	667,500,000
Mr. Salman Abdulaziz Al Hokair	15	667,500	667,500,000
Dr. Abdul Majeed Abdulaziz Al Hokair	15	667,500	667,500,000
	<u>100</u>	<u>4,450,000</u>	<u>4,450,000,000</u>

19. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by appropriation of 10% of the annual net income until the reserve equals 50% of capital. This reserve is not available for dividend distribution.

20. PARTNERS' CONTRIBUTION ACCOUNT

On 3 Jumad Awal 1436H (corresponding to 22 February 2015), the partners of the Company have approved the transfer of partners' contribution account balance amounting to SR 2,257,183,825 as of 28 February 2015 as part of Company's capital increase; therefore the balance was transferred to capital before the year ended 31 March 2015 (note 18).

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21. DIVIDENDS DISTRIBUTION

The Company's partners in their meeting held on 22 Jumad Thani 1437H (corresponding to 31 March 2016) resolved to distribute dividend amounting to SR 870,000,000 (2015: nil) and transferred it to the partners' account.

22. ADVERTISEMENT AND PROMOTION EXPENSES

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Advertisement	15,699,645	4,734,342
Promotions	8,199,777	3,796,758
	23,899,422	8,531,100

23. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Employees' salaries and other benefits	50,486,164	35,155,812
Professional fees	35,989,638	4,939,032
Allowance for doubtful receivables (note 5)	26,164,067	-
Depreciation (note 12)	12,863,124	7,803,357
Insurance	5,740,232	4,481,028
Government expenses	2,589,768	2,514,181
Others	3,547,222	3,217,421
	137,380,215	58,110,831

24. FINANCIAL CHARGES

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Commission expense on long-term loans	100,026,975	106,215,416
Amortisation of transaction costs (note 13 - i)	5,403,844	5,389,484
Bank charges	369,677	1,552,103
	105,800,496	113,157,003

25. OTHER INCOME, NET

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Dividend income from available for sale investments	8,925,000	268,421
Refund from a utility company for amounts previously billed to the Group	-	22,639,337
Write back of liabilities waived off by a creditor	-	13,538,500
Realised gain on sale of available for sale investments, net	-	8,315,644
Others	1,688,264	(3,940,243)
	10,613,264	40,821,659

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26. COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies as of 31 March are as follows:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Commitments for projects under construction (note 11)	2,491,733,817	1,750,593,891
Commitments to purchase equity investments (note 10)	2,696,000	2,696,000
Letter of guarantee	5,400,000	5,400,000

27. OPERATING LEASE COMMITMENTS

Commitments for minimum lease payments under non-cancellable operating leases are as follows:

	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Less than one year	404,192,193	411,686,143
One to five years	2,309,824,277	1,791,565,570
More than five years	10,285,168,330	6,815,130,613
	12,999,184,800	9,018,382,326

The lease agreements are in the name of the related parties of the Group, who have assigned these leases in favour of the Group (note 6).

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.

The above commitments include lease agreement with a ultimate parent, Saudi FAS Holding Company, amounted to SR 768 million (2015: SR 810 million). The amount due in next twelve months is SR 42 million (2015: SR 42 million).

Payments under operating leases are recognised as expenses under cost of revenues during the year which amounted to SR 161,343,971 (2015: SR 113,482,623).

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances, accounts receivables, other assets, due from related parties, investments in associate and available for sale investments. The Group financial liabilities consist of loans, unearned revenue, due to related parties and payables.

The fair values of financial instruments are not materially different from their carrying values at the consolidated balance sheet date.

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29. 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, accounts payable and cash and bank balances that arise directly from its operations.

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

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices.

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 interest bearing long-term assets, but has commission bearing liabilities at 31 March 2016. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

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 advisers 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.

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 both its leasing activities and financing 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.

Tenant receivables

Tenants are assessed according to Group criteria prior to entering into lease arrangements.

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 due from related parties (note 6). 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 partners.

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by ultimate parent'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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29. RISK MANAGEMENT (continued)

Liquidity Risk

Is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

Currency Risk

Is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the consolidated financial statements accordingly.

30. KEY SOURCES OF ESTIMATION UNCERTAINTY

Doubtful accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the consolidated balance sheet date, gross accounts receivable were SR 231,905,937 (2015: SR 137,960,005) with SR 26,164,067 (2015: nil) allowance for doubtful receivables. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Useful lives of investment properties and property and equipment

The Group management determines the estimated useful lives of its investment properties and property and equipment for calculating depreciation. The estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

31. SUBSEQUENT EVENTS

Subsequent to the year end, Riyadh Centres Company Limited (a subsidiary) obtained a long-term loan amounting to SR 5,550 million from a local bank for the construction of shopping malls portfolio. The loan carries fixed commission of SIBOR plus agreed margin per annum and is secured by assignment of leases, insurance policies, proceeds of rental income, land, building and personal and corporate guarantees from the partners. The loan is repayable in 17 unequal semi-annual basis starting from October 2016.

32. COMPARATIVE FIGURES

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