Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements
(Unaudited)
For the three-month period ended 30 June 2019
together with
Independent Auditor's Review Report

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For the three-month period ended 30 June 2019

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

To the Shareholders of Arabian Centres Company

Introduction

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial statements of Arabian Centres Company ("the Company") and its subsidiaries ("the Group) which comprise:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated statement of profit or loss for the three-month period ended 30 June 2019;
- the condensed consolidated statement of comprehensive income for the three-month period ended 30 June 2019;
- the condensed consolidated statement of changes in equity for the three-month period ended 30 June 2019;
- the condensed consolidated statement of cash flows for the three-month period ended 30 June 2019; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 condensed consolidated interim financial statements of Arabian Centres Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Hani Hamzah A. Bedairi
License No: 460

Al Riyadh, 18 Dhul Hijjah 1440H
Corresponding to: 19 August 2019

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محاسبون ومراجعون قانونيون
C.R. 46
Certified Public Accountants
KPMG Al Fozan & Partners

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Statement of Financial Position
As at 30 June 2019

	Note	**30 June 2019 Unaudited SR**	31 March 2019 Audited SR
Assets			
Current assets			
Cash and cash equivalents		**376,738,004**	457,670,983
Accounts receivable		**306,179,891**	299,245,146
Amounts due from related parties	6	**736,012,044**	567,558,035
Advances to a contractor, related party	6	**541,749,386**	499,595,478
Prepayments and other current assets		**83,651,569**	96,244,969
Accrued revenue (rentals) – current portion		**28,553,175**	30,191,211
Total current assets		**2,072,884,069**	1,950,505,822
Non-current assets			
Advances to a contractor, related party – non-current portion	6	**105,318,598**	105,318,598
Accrued revenue (rentals) – non-current portion		**57,106,351**	60,382,421
Investment in an equity-accounted investee	7	**48,494,835**	42,238,721
Other investments	8	**107,111,763**	108,708,763
Investment properties	9	**11,018,746,765**	10,983,848,465
Right-of-use assets	4	**3,635,730,035**	--
Property and equipment		**110,728,231**	114,773,889
Total non-current assets		**15,083,236,578**	11,415,270,857
Total assets		**17,156,120,647**	13,365,776,679
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of long-term loans	10	**449,479,636**	501,875,532
Lease liability on right-of-use assets – current portion	4	**443,059,357**	--
Accounts payable		**214,329,912**	217,760,402
Amounts due to related parties	6	**17,106,387**	22,499,022
Unearned revenue		**315,073,878**	305,506,061
Accrued lease rentals – current portion	4	--	11,480,894
Accruals and other current liabilities		**215,465,086**	326,082,270
Zakat payable		**89,466,366**	82,457,716
Total current liabilities		**1,743,980,622**	1,467,661,897
Non-current liabilities			
Long-term loans – non-current portion	10	**5,639,425,954**	6,239,159,152
Lease liability on right-of-use assets – non-current portion	4	**3,693,056,731**	--
Accrued lease rentals – non-current portion	4	--	515,366,044
Employees' end-of-service benefits		**32,761,751**	31,744,170
Other non-current liabilities		**45,043,307**	47,085,296
Total non-current liabilities		**9,410,287,743**	6,833,354,662
Total liabilities		**11,154,268,365**	8,301,016,559
Equity			
Share capital	11	**4,750,000,000**	4,450,000,000
Share premium	11	**411,725,703**	--
Statutory reserve	12	**449,699,309**	449,699,309
Other reserves		**(19,869,000)**	(18,272,000)
Retained earnings		**406,250,960**	183,241,759
Equity attributable to the Shareholders of the Parent Company		**5,997,806,972**	5,064,669,068
Non-controlling interests		**4,045,310**	91,052
Total equity		**6,001,852,282**	5,064,760,120
Total liabilities and equity		**17,156,120,647**	13,365,776,679

The accompanying notes from 1 to 19 form an integral part of these condensed consolidated interim financial statements.

Jabri Maali	Olivier Nougarou	Fawaz Alhokair
Chief Financial Officer	Chief Executive Officer	Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Statement of Profit or Loss
For the three-month period ended 30 June 2019

	Note	Three-month period ended 30 June 2019 Unaudited SR	Three-month period ended 30 June 2018 Audited SR
Revenue	13	572,503,719	558,309,130
Costs of revenue			
- Direct costs		(77,075,424)	(142,199,371)
- Depreciation of right-of-use assets	4	(37,879,343)	--
- Depreciation of investment properties	9	(64,769,328)	(60,264,361)
Gross profit		392,779,624	355,845,398
Other income		232,569	6,439,205
Other expense		--	(4,642,710)
Advertisement and promotion expenses		(1,090,024)	(1,393,206)
Charge for impairment on accounts receivable	17	(16,195,695)	(26,347,693)
General and administration expenses		(48,380,980)	(37,849,494)
Operating profit		327,345,494	292,051,500
Share of profit of equity-accounted investee	7	6,256,114	5,551,010
Interest expense on lease liabilities	4	(25,032,751)	--
Finance cost		(73,885,902)	(210,791,794)
Profit before zakat		234,682,955	86,810,716
Zakat		(7,719,496)	(5,859,017)
Profit for the period		226,963,459	80,951,699
Profit for the period attributable to:			
Shareholders of the Parent Company		223,009,201	77,403,194
Non-controlling interests		3,954,258	3,548,505
		226,963,459	80,951,699
Earnings per share:			
Basic and diluted earnings per share attributable to the Shareholders of the Company	14	0.49	0.17

The accompanying notes from 1 to 19 form an integral part of these condensed consolidated interim financial statements.

Jabri Maali
Chief Financial Officer

Olivier Nougarou
Chief Executive Officer

Fawaz Alhokair
Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Statement of Comprehensive Income
For the three-month period ended 30 June 2019

	Three-month period ended 30 June 2019 Unaudited SR	Three-month period ended 30 June 2018 Audited SR
Profit for the period	226,963,459	80,951,699
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Re-measurement of defined benefit liability	--	1,508,000
Other investment at FVOCI – net change in fair value	(1,597,000)	--
Other comprehensive income for the period	(1,597,000)	1,508,000
Total comprehensive income for the period	225,366,459	82,459,699
Total comprehensive income for the period attributable to:		
Shareholders of the Parent Company	221,412,201	78,911,194
Non-controlling interests	3,954,258	3,548,505
	225,366,459	82,459,699

The accompanying notes from 1 to 19 form an integral part of these condensed consolidated interim financial statements.

Jabri Maali
Chief Financial Officer

Olivier Nougarou
Chief Executive Officer

Fawaz Alhokair
Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Statement of Changes in Equity
For the three-month period ended 30 June 2019

	Attributable to Shareholders of the Parent Company							
	Share capital SR	Share premium SR	Statutory reserve SR	Other reserves SR	Retained earnings SR	Total SR	Non-controlling interests SR	Total equity SR
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 period	--	--	--	--	77,403,194	77,403,194	3,548,505	80,951,699
Other comprehensive income for the period	--	--	--	1,508,000	--	1,508,000	--	1,508,000
Total comprehensive income for the period	--	--	--	1,508,000	77,403,194	78,911,194	3,548,505	82,459,699
Dividends	--	--	--	--	(180,000,000)	(180,000,000)	--	(180,000,000)
Balance at 30 June 2018 (audited)	4,450,000,000	--	370,739,315	(17,109,000)	10,005,004	4,813,635,319	9,138,744	4,822,774,063
Balance at 1 April 2019	**4,450,000,000**	--	**449,699,309**	**(18,272,000)**	**183,241,759**	**5,064,669,068**	**91,052**	**5,064,760,120**
Profit for the period	--	--	--	--	**223,009,201**	**223,009,201**	**3,954,258**	**226,963,459**
Other comprehensive income for the period	--	--	--	**(1,597,000)**	--	**(1,597,000)**	--	**(1,597,000)**
Total comprehensive income for the period	--	--	--	**(1,597,000)**	**223,009,201**	**221,412,201**	**3,954,258**	**225,366,459**
Increase in share capital (Note 11)	**300,000,000**	--	--	--	--	**300,000,000**	--	**300,000,000**
Share premium (Note 11)	--	**411,725,703**	--	--	--	**411,725,703**	--	**411,725,703**
Balance at 30 June 2019 (unaudited)	**4,750,000,000**	**411,725,703**	**449,699,309**	**(19,869,000)**	**406,250,960**	**5,997,806,972**	**4,045,310**	**6,001,852,282**

The accompanying notes from 1 to 19 form an integral part of these condensed consolidated interim financial statements.

Jabri Maali
Chief Financial Officer

Olivier Nougarou
Chief Executive Officer

Fawaz Alhokair
Chairman

Arabian Centres Company and its Subsidiaries
(A Saudi Joint Stock Company)
Condensed Consolidated Statement of Cash Flows
For the three-month period ended 30 June 2019

	Note	Three-month period ended 30 June 2019 Unaudited SR	Three-month period ended 30 June 2018 Audited SR
Cash flows from Operating activities			
Profit before Zakat		234,682,955	86,810,716
Adjustments for:			
Depreciation of investment properties	9	64,769,328	60,264,361
Depreciation of property and equipment		8,319,856	7,956,739
Depreciation of right-of-use assets	4	38,843,343	--
Share of profit of equity accounted investee	7	(6,256,114)	(5,551,010)
Finance cost		73,885,902	210,791,794
Interest expense on lease liabilities	4	25,032,751	--
Provision for employees' end-of-services benefits		1,199,578	1,582,000
Impairment loss on accounts receivable	17	16,195,695	26,347,693
Impairment on advances to suppliers		--	4,480,491
Change in fair value of other investments (FVTPL)		--	162,220
		456,673,294	392,845,004
Changes in:			
Accounts receivable		(23,130,436)	(53,231,021)
Amounts due from related parties, net		(173,846,644)	(442,554,200)
Prepayments and other current assets		(95,645,837)	(653,237)
Accrued revenue		4,914,106	(2,650,882)
Accounts payable		(71,704,787)	(69,275,005)
Unearned revenue		9,567,817	70,125,372
Accrued lease rentals		--	7,094,563
Accruals and other current liabilities		(22,321,760)	73,164,545
Cash generated from / (used in) operating activities		84,505,753	(25,134,861)
Employees' end-of-service benefits paid		(182,000)	--
Zakat paid		(710,844)	--
Net cash from / (used in) operating activities		83,612,909	(25,134,861)
Cash flows from investing activities			
Additions to investment properties		(49,408,136)	(11,749,756)
Purchase of property and equipment		(4,274,198)	(2,960,190)
Dividend received from an associate		--	9,000,000
Advances to a contractor, related party		(42,153,908)	(116,751,136)
Net cash used in investing activities		(95,836,242)	(122,461,082)
Cash flows from financing activities			
Payment of financial charges		(183,352,497)	(42,763,280)
Payment of lease liabilities		(12,426,220)	--
Proceeds from long-term loans		68,790,840	6,496,666,668
Payment of transaction costs		--	(91,692,960)
Repayment of long-term loans		(721,721,769)	(5,955,000,000)
Proceeds from Initial Public Offering		780,000,000	--
Net cash (used in) / from financing activities		(68,709,646)	407,210,428
Net (decrease) / increase in cash and cash equivalents		(80,932,979)	259,614,485
Cash and cash equivalents at the beginning of the period		457,670,983	80,350,968
Cash and cash equivalents at end of the period		376,738,004	339,965,453

	Three-month period ended 30 June 2019 Unaudited SR	Three-month period ended 30 June 2018 Audited SR
Non-cash transactions:		
Dividends settled through Ultimate Parent Company's account	--	(180,000,000)
Investment property transferred to related parties	--	107,242,362
Amounts due to the Ultimate Parent Company settled through related parties' account	--	(162.219)
Sale of land settled through Ultimate Parent Company's account	--	34,137,967
Capitalized interest for project under construction	19,937,655	--
Capitalized arrangement fees for project under construction	801,834	--
Right-of-use assets	3,685,554,416	--
Lease liability on right of use assets	4,105,047,274	--
Prepaid rent reclassified to right of use assets	108,239,237	--
Capitalized depreciation of right-of-use assets for project under construction	10,981,038	--
Capitalized interest expense on lease liabilities for project under construction	12,252,343	--
Accruals and other current liabilities reclassified to right of use assets	808,475	--

The accompanying notes from 1 to 19 form an integral part of these condensed consolidated interim financial statements.

Jabri Maali
Chief Financial Officer

Olivier Nougarou
Chief Executive Officer

Fawaz Alhokair
Chairman

1 CORPORATE INFORMATION AND ACTIVITIES

Arabian Centres Company ("the Company") (previously incorporated in Kingdom of Saudi Arabian as a Closed Joint Stock Company), is a Saudi Joint Stock Company and listed on the Saudi Stock Exchange with effect from 22 May 2019. The Company is registered in Riyadh, Kingdom of Saudi Arabia ("KSA") under commercial registration 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 Company and its subsidiaries mentioned below are collectively referred to as "the Group". The principal business objectives of the Group are to purchase lands, build, develop and invest in buildings, selling or leasing of buildings and construction of commercial buildings including demolition, repair, excavation and maintenance works. It also includes maintenance and operation of commercial centres, tourist resorts, hotels and restaurants, managing and operating temporary and permanent exhibitions, compounds and hospitals.

Following is the list of subsidiaries of the Group that are included in these consolidated interim financial statements as of 30 June 2019 and 30 June 2018:

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

(i) All subsidiaries are limited liability companies incorporated in KSA.
(ii) Indirect ownership is held through other subsidiaries within the Group.

2 BASIS OF PREPARATION AND PRESENTATION

Statement of compliance

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

Significant changes from the last annual consolidated financial statements are described in Note 4.

Basis of measurement, functional and presentation currency

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

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 interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit / loss and each component of OCI are attributed to the shareholders of the Group 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.

2 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

Basis of consolidation

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

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

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

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

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

Dividends received or receivable from an associate 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.

2 BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

The Group has adopted IFRS 16 Leases from 1 April 2019. There are no other new standards, however, there are number of amendments and interpretations which are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated interim financial statements.

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

A. Definition of a lease

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

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

B. As a lessee

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

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

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

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

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

C. As a lessor

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

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Transition

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

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

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

Impact on transition

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

Assets:	**SR**
Right-of-use of assets	**3,685,554,416**
Prepayments	**(108,239,236)**
Accrued revenue	**885,156**
Total impact on assets:	**3,578,200,336**
Liabilities:	
Lease lability	**4,105,047,274**
Accrued lease rentals	**(526,846,938)**
Total impact on labilities:	**3,578,200,336**
Total impact on equity:	**--**

Operating lease commitment at 31 March 2019 as disclosed in the Group's consolidated financial statements	**7,098,635,252**
Discounted using the incremental borrowing rate at 1 April 2019	**4,105,047,274**
Lease liabilities recognised at 1 April 2019	**4,105,047,274**

Impact for the period ended 30 June 2019

Right-of-use assets	
Balance as at 1 April 2019	**3,685,554,416**
Depreciation charge for the period:	
- Costs of revenue	**(37,879,343)**
- General and administrative expenses	**(964,000)**
Depreciation capitalized for projects under construction	**(10,981,038)**
Balance at the end of the period	**3,635,730,035**
Lease liabilities	
Balance as at 1 April 2019	**4,105,047,274**
Lease payments	**(12,426,220)**
Interest expense for the period	**25,032,751**
Interest capitalized for projects under construction	**18,462,283**
Balance at the end of the period	**4,136,116,088**

5 STANDARDS ISSUES BUT NOT YET EFFECTIVE

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

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

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

6.1 Parent entity

Name	Type
Saudi FAS Holding Company	Ultimate Parent Company
FAS Real Estate Company Limited	Immediate Parent Company

6.2 Subsidiaries

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

6.3 Key management personnel compensation

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

	Three-month period ended 30 June 2019 (Unaudited) SR	Three-month period ended 30 June 2018 (Audited) SR
End-of-service benefits	**262,153**	269,582
Salaries and short-term benefits	**4,678,821**	3,001,315
Total key management compensation	**4,940,974**	3,270,897

6.4 Related party transactions

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

	Three-month period ended 30 June 2019 (Unaudited) SR	Three-month period ended 30 June 2018 (Audited) SR
Ultimate Parent Company		
Transfer of project under construction along with prepaid rent and accrued lease rentals to Ultimate Parent Company	**--**	107,242,362
Dividends settled through adjusting amounts due to related parties	**--**	180,000,000
Payment to suppliers on behalf of the Ultimate Parent Company	**--**	1,340,085
Initial public offering expenses charged to Ultimate Parent Company	**16,192,603**	--
Fellow subsidiaries and other related parties		
Construction work included in projects under construction	**38,863,910**	4,747,974
Rental revenue, net	**158,077,099**	119,368,837
Service expenses	**29,410,658**	17,909,657

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. The process of awarding these contracts does not include bidding.

6 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

6.5 Related party balances

The following table summarizes related parties balances:

i) Amounts due from related parties:

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Current		
Ultimate Parent Company		
Saudi FAS Holding Company	**2,719,405**	--
Other related parties		
Fellow subsidiaries of Hokair Group		
FAS Holding Company for Hotels	**350,322,570**	350,322,579
Food and Entertainment Trading Company Limited (a)	**80,588,176**	73,076,057
Nesk Trading Project Company Limited (b)	**58,545,201**	31,792,316
Coffee Centers Company Limited (a)	**2,997,960**	2,704,437
Other related parties		
Fawaz Abdulaziz Al Hokair & Co. (b)	**95,720,074**	--
Abdul Mohsin Al Hokair Group for Tourism and Development(a)	**48,311,230**	23,017,193
Billy Games Company Limited (a)	**30,621,123**	26,342,675
Tadaris Najd Security Company	**20,114,779**	18,612,907
Food Gate Co	**16,185,445**	14,727,580
FAS Technologist Trading Co	**10,721,904**	9,732,700
Azal Restaurant Co	**9,224,599**	7,202,288
Kids Space Company Limited (a)	**4,889,786**	4,058,996
Skill Innovative Games Co. (a)	**3,114,402**	2,527,781
Next Generation Co	**615,991**	2,121,140
Others	**1,319,399**	1,319,386
	736,012,044	567,558,035

6 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

6.5 Related party balances (continued)

ii) Amounts due to related parties:

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Current		
Ultimate Parent Company		
Saudi FAS Holding Company	**--**	4,067,636
Other related parties		
Fawaz Abdulaziz Al Hokair & Co. (b)	**--**	3,758,106
Etqan Facilities Management	**17,106,387**	14,673,280
	17,106,387	22,499,022

6.6 Terms and conditions of transactions with related parties

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

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

6.7 Advances to a contractor – related party

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

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Other related party		
Fawaz Abdulaziz Al Hokair & Partners Real Estate Company		
Current portion	**541,749,386**	499,595,478
Non-current portion	**105,318,598**	105,318,598
	647,067,984	604,914,076

(a) These mainly represent rental receivables from the related parties.
(b) These mainly represent advance rentals received, net of rental income receivables.

7 INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE

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

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

	Percentage of ownership	**Opening balance SR**	**Share in earnings SR**	**Dividend SR**	**Ending balance SR**
As at 30 June 2019	**25%**	**42,238,721**	**6,256,114**	**--**	**48,494,835**
As at 31 March 2019	25%	39,669,322	11,569,399	(9,000,000)	42,238,721

8 OTHER INVESTMENTS

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Investments in real estate companies at FVOCI - unquoted (i)	**100,403,000**	102,000,000
Investment in a real estate fund at FVTPL– unquoted (ii)	**6,708,763**	6,708,763
Total	**107,111,763**	108,708,763

(i) Investments in real estate companies - unquoted:

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Amlak International for Real Estate Finance Company	**100,403,000**	102,000,000
	100,403,000	102,000,000

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

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

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

8 OTHER INVESTMENTS (CONTINUED)

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

	Three-month period ended 30 June 2019 (Unaudited) SR	Year ended 31 March 2019 (Audited) SR
Cost:		
At the beginning and end of the period / year	**7,000,000**	7,000,000
Revaluation adjustments:		
At the beginning of the period / year	**(291,237)**	(23,783)
Unrealized loss during the period / year	--	(267,454)
At the end of the period / year	**(291,237)**	(291,237)
Net carrying amount	**6,708,763**	6,708,763

9 INVESTMENT PROPERTIES

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Cost		
Balance at the beginning of the period / year	**12,915,594,409**	12,457,814,627
Additions during the period / year	**99,667,628**	637,621,391
Transfer to Ultimate Parent Company	**--**	(174,328,961)
Disposal during the period / year	**--**	(5,512,648)
Balance at the end of the period / year	**13,015,262,037**	12,915,594,409
Accumulated depreciation		
Balance at the beginning of the period / year	**(1,931,745,944)**	(1,675,945,127)
Charge for the period / year	**(64,769,328)**	(256,916,024)
Eliminated on disposal	**--**	1,115,207
Balance at the end of the period / year	**(1,996,515,272)**	(1,931,745,944)
Net book value	**11,018,746,765**	10,983,848,465

Fair value of investment property

Management estimates that the fair value of the investment properties as at 30 June 2019 is SR 21,882,352,695. The management last external valuation was as at 31 March 2019. The valuers had appropriate qualifications and experience in the valuation of properties at the relevant locations. The effective date of the valuation was 31 March 2019 and prepared in accordance with Royal Institution of Chartered Surveyors ("RICS") Global Standards 2017 which comply with the international valuation standards.

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

10 LONG TERM LOANS

Movement in the long term loans follows:

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Balance at the beginning of the period / year	**6,814,144,763**	5,955,000,000
Drawdowns / addition of a new facility	**68,790,840**	7,086,318,069
Repayments during the period / year	**(724,506,981)**	(6,227,173,306)
	6,158,428,622	6,814,144,763
Less: un-amortized transaction costs	**(69,523,032)**	(73,110,079)
Balance at the end of the period / year	**6,088,905,590**	6,741,034,684
Less: current portion of long-term loans	**(449,479,636)**	(501,875,532)
Non-current portion of long-term loans	**5,639,425,954**	6,239,159,152

Un-amortized transaction costs movement is as follows:

	Three-month period ended 30 June 2019 (Unaudited) SR	Year ended 31 March 2019 (Audited) SR
Balance at the beginning of the period / year	**73,110,079**	126,970,874
Additions during the period / year	**--**	91,692,960
Write off during the period / year	**--**	(125,171,285)
Capitalized arrangement fees	**(801,834)**	(2,197,021)
Amortized transaction costs during the period / year	**(2,785,213)**	(18,185,449)
Balance at the end of the period / year	**69,523,032**	73,110,079

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

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Within one year	**449,479,636**	501,875,532
Between two to five years	**1,659,493,248**	2,706,323,985
More than five years	**4,049,455,738**	3,605,945,246
Total	**6,158,428,622**	6,814,144,763

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 period ended 30 June 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 1,424 million out of the total Murabaha facility amount and SR 5,731 million out of the total Ijara facility amount.

10 LONG TERM LOANS (CONTINUED)

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.

11 SHARE CAPITAL AND SHARE PREMIUM

On 14 Rajab 1440H (corresponding to 21 March 2019), the general assembly of shareholders has approved an increase in the share capital of the Company from SR 4,450 million to SR 4,750 million through the proceed received from the initial public offering of the Company. All legal formalities required to enforce the increase in the share capital were completed during the period ended 30 June 2019. The movement in share capital and share premium is as follows:

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

12 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.

13 REVENUE

	Three-month period ended 30 June 2019 (Unaudited) SR	Three-month period ended 30 June 2018 (Audited) SR
Rental income (*)	**537,808,615**	532,315,370
Service and management charges income	**24,491,187**	25,117,583
Commission income on provisions for utilities for heavy users, net	**769,982**	876,177
Turnover rent	**9,433,935**	--
Total	**572,503,719**	558,309,130

(*) 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:

13 REVENUE (CONTINUED)

	30 June 2019 (Unaudited) SR	30 June 2018 (Audited) SR
Within one year	**1,393,565,147**	1,802,277,985
After one year but not more than five years	**1,644,468,996**	2,236,154,441
More than five years	**286,036,986**	221,627,254
	3,324,071,129	4,260,059,680

14 EARNINGS PER SHARE

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

The weighted average number of shares for the periods ended 30 June 2019 and 30 June 2018, have been arrived at by taking the effect of increase in the share capital from the beginning of the earliest period presented (i.e. 1 April 2018), in order to comply with the requirements of IAS 33.

Weighted average number of shares	
Number of issued shares on 1 April 2018	445,000,000
Effect of new shares issued in initial public offering	12,857,143
Weighted average number of shares on 1 April 2018	457,857,143

	Period ended 30 June 2019 (Unaudited) SR	Period ended 30 June 2018 (Audited) SR
Profit for the period attributable to Shareholders of the Company	**223,009,201**	77,403,194
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**457,857,143**	457,857,143
Basic and diluted earnings per share attributable to the Shareholders of the Company	**0.49**	0.17

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

15 SEGMENT REPORTING

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

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

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

16 FINANCIAL INSTRUMENTS

Financial instruments by category

Financial instruments have been categorised as follows:

Financial assets	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Cash and bank balances	**376,738,004**	457,670,983
Accounts receivable	**306,179,891**	299,245,146
Amounts due from related parties	**736,012,044**	567,558,035
Other investments	**107,111,763**	108,708,763
Total financial assets	**1,526,041,702**	1,433,182,927

Financial liabilities	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Accounts payable	**214,329,912**	217,760,402
Amounts due to related parties	**17,106,387**	22,499,022
Long-term loans	**6,088,905,590**	6,741,034,684
Tenants' security deposits	**71,126,223**	65,416,279
Total financial liabilities	**6,391,468,112**	7,046,710,387

Fair value estimation of financial instruments

The following table present the Group's financial instruments measured at fair value at 30 June 2019 and 31 March 2019:

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
30 June 2019 (unaudited)				
Investments real estate fund	--	--	6,708,763	6,708,763
Amlak International for Real Estate Finance Company	--	--	100,403,000	100,403,000
31 March 2019 (audited)				
Investments real estate fund	--	--	6,708,763	6,708,763
Amlak International for Real Estate Finance Company	--	--	102,000,000	102,000,000

17 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 30 June 2019 and 30 June 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):

	Three-month period ended 30 June 2019 (Unaudited) SR	Three-month period ended 30 June 2018 (Audited) SR
Gain / (loss) through the condensed consolidated statement of profit or loss		
Floating rate debt:		
SIBOR +100bps	**(47,109,870)**	(16,190,417)
SIBOR -100bps	**47,109,870**	16,190,417

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.

17. 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 30 June 2019

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

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

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

17 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table provides information about the exposure to credit risk and ECLs for accounts receivable from customers as at 30 June 2019:

30 June 2019 (unaudited)	Gross carrying amount	Weighted-average loss	Loss allowance (%)
0–90 days past due	91,885,275	7,193,349	**7.83%**
91–180 days past due	72,480,933	6,103,463	**8.42%**
181–270 days past due	69,594,407	10,724,166	**15.41%**
271–360 days past due	40,508,757	6,296,199	**15.54%**
361 –450 days past due	37,265,179	10,415,195	**27.95%**
451 -540 days past due	17,471,566	6,062,638	**34.70%**
541 –630 days past due	25,774,860	10,668,520	**41.39%**
631 -720 days past due	16,733,213	8,070,769	**48.20%**
More than 720 days past due	94,491,486	94,491,486	**100%**
	466,205,676	**160,025,785**	

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

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited)
Balance at the beginning of the period / year	**144,542,906**	138,616,823
Impact of adoption of IFRS 9	**--**	(36,761,710)
Amount written off during the period / year	**(712,816)**	(836,672)
Charge for the period / year	**16,195,695**	43,524,466
Balance at the end of the period / year	**160,025,785**	144,542,906

Due from related parties

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

17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

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

Contractual maturities of financial liabilities	**Less than 6 months**	**Between 6 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	SR	**SR**	**SR**	**SR**	**SR**	**SR**
30 June 2019 (unaudited)						
Accounts payable	**214,329,912**	**--**	**--**	**--**	**--**	**214,329,912**
Amounts due to related parties	**17,106,387**	**--**	**--**	**--**	**--**	**17,106,387**
Tenants' security deposits	**55,876,423**	**15,310,324**	**21,026,707**	**21,726,534**	**2,229,540**	**116,169,528**
Long-term loans	**441,547,714**	**409,985,768**	**966,195,507**	**2,820,552,325**	**3,117,487,899**	**7,755,769,213**
Total	**728,860,436**	**425,296,092**	**987,222,214**	**2,842,278,859**	**3,119,717,439**	**8,103,375,040**

Contractual maturities of financial liabilities	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	SR	SR	SR	SR	SR	SR
31 March 2019 (audited)						
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

17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management

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

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

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

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

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Total liabilities	**11,154,268,365**	8,301,016,559
Less: cash and bank balances	**(376,738,004)**	(457,670,983)
Net debt	**10,777,530,361**	7,843,345,576
Equity attributable to the Shareholders of the Parent Company	**5,997,806,972**	5,064,669,068
Debt to adjusted capital ratio	**1.80**	1.55

18. COMMITMENTS AND CONTINGENCIES

Commitments

	30 June 2019 (Unaudited) SR	31 March 2019 (Audited) SR
Commitments for projects under construction	**2,235,687,669**	2,226,873,326

19. COMPARATIVE FIGURES

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