

Arabian Centres Company

(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements
(Unaudited)

For the three-month period ended 30 June 2021
together with the

Independent Auditor's Review Report

Arabian Centres Company (A Saudi Joint Stock Company)
Condensed consolidated interim financial statements

For the three-month period ended 30 June 2021

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Arabian Centres Company (A Saudi Joint Stock Company)

Condensed consolidated interim financial statements

For the three-month period ended 30 June 2021

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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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 2021 condensed consolidated interim financial statements of **Arabian Centres Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated statement of profit or loss for the three-month period ended 30 June 2021;
- the condensed consolidated statement of comprehensive income for the three-month period ended 30 June 2021;
- the condensed consolidated statement of changes in equity for the three-month period ended 30 June 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 30 June 2021;
- 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.



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

To the Shareholders of Arabian Centres Company (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 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.

KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460

Riyadh, on 14 Muharram 1443H
Corresponding to: 22 August 2021



Arabian Centres Company (A Saudi Joint Stock Company)
Condensed consolidated statement of financial position

As at 30 June 2021

| | Notes | 30 June 2021 Unaudited | 31 March 2021 Audited |
|---|-------|------------------------------|-----------------------------|
| Assets | | | |
| Investment properties | 8 | 12,098,197,634 | 11,967,476,773 |
| Right-of-use assets | | 3,065,034,085 | 3,121,596,866 |
| Property and equipment | | 78,751,637 | 75,546,196 |
| Advances to a contractor | 10 | 638,823,807 | 582,469,359 |
| Accrued revenue – non-current portion | | 305,166,739 | 341,395,259 |
| Other non-current assets | | 22,500,000 | 22,500,000 |
| Other investments | 9 | 5,975,840 | 5,975,840 |
| Non-current assets | | 16,214,449,742 | 16,116,960,293 |
| Accrued revenue | | 155,192,765 | 170,697,630 |
| Accounts receivable | | 270,892,976 | 247,870,806 |
| Amounts due from related parties | 10 | 368,643,377 | 379,445,963 |
| Prepayments and other assets | | 105,769,036 | 99,459,039 |
| Cash and bank balances | | | |
| - Cash and cash equivalents | | 989,057,305 | 635,669,921 |
| - Short-term bank deposits | | 150,000,000 | -- |
| Assets held for sale | | -- | 4,674,647 |
| Current assets | | 2,039,555,459 | 1,537,818,006 |
| Total assets | | 18,254,005,201 | 17,654,778,299 |
| Equity | | | |
| Share capital | 11 | 4,750,000,000 | 4,750,000,000 |
| Share premium | | 411,725,703 | 411,725,703 |
| Statutory reserve | 12 | 561,758,636 | 561,758,636 |
| Other reserves | 12 | 7,420,950 | 7,184,631 |
| Retained earnings | | 90,786,778 | 320,429,968 |
| Equity attributable to the shareholders of the Company | | 5,821,692,067 | 6,051,098,938 |
| Non-controlling interest | | 983,743 | 1,319,575 |
| Total equity | | 5,822,675,810 | 6,052,418,513 |
| Liabilities | | | |
| Loans and borrowings | 14 | 7,465,587,996 | 6,861,285,252 |
| Lease liabilities | | 3,465,190,591 | 3,523,411,045 |
| Employee benefits | | 22,861,056 | 21,673,040 |
| Other non-current liabilities | | 64,878,132 | 69,448,668 |
| Non-current liabilities | | 11,018,517,775 | 10,475,818,005 |
| Loans and borrowings | 14 | 148,750,000 | 119,375,000 |
| Lease liabilities – current portion | | 313,980,410 | 337,122,007 |
| Accounts payable and other liabilities | | 677,911,465 | 405,102,129 |
| Amount due to related parties | 10 | -- | 162,319 |
| Unearned revenue | | 245,354,567 | 240,501,793 |
| Zakat liabilities | | 26,815,174 | 24,278,533 |
| Current liabilities | | 1,412,811,616 | 1,126,541,781 |
| Total liabilities | | 12,431,329,391 | 11,602,359,786 |
| Total equity and liabilities | | 18,254,005,201 | 17,654,778,299 |

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors and signed on its behalf by:


Waheed Khalid Al-Rebdi
 Chief Financial Officer


Faisal Abdullah Al-Jedaie
 Chief Executive Officer


Fawaz Abdulaziz Al-Hokair
 Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)

Condensed consolidated statement of profit or loss

For the three-month period ended 30 June 2021

| | Notes | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|--|-------|---|---|
| Revenue | 15 | 510,679,230 | 475,853,115 |
| Cost of revenue | | | |
| - Direct costs | | (96,348,426) | (60,432,272) |
| - Depreciation of right-of-use assets | | (47,300,019) | (42,572,574) |
| - Depreciation of investment properties | 8 | (81,352,828) | (74,196,671) |
| Gross profit | | 285,677,957 | 298,651,598 |
| Other operating income | 16 | 2,051,073 | 36,700,691 |
| Advertisement and promotion expenses | | (6,879,340) | (3,691,120) |
| General and administrative expenses | | (51,075,888) | (38,953,373) |
| Impairment loss on accounts receivable and accrued revenue rentals | | (15,251,020) | (25,242,293) |
| Other operating expense | | -- | (23,563) |
| Operating profit | | 214,522,782 | 267,441,940 |
| Finance costs over loans and borrowings | | (48,819,992) | (75,152,790) |
| Finance costs over lease liabilities | | (36,895,171) | (35,929,185) |
| Net finance costs | | (85,715,163) | (111,081,975) |
| Share from profit of equity-accounted investee | | -- | 1,652,443 |
| Profit before zakat | | 128,807,619 | 158,012,408 |
| Zakat charge | | (2,536,641) | (4,916,184) |
| Profit for the period | | 126,270,978 | 153,096,224 |
| Profit for the period is attributable to: | | | |
| - Shareholders of the Company | | 126,606,810 | 152,758,372 |
| - Non-controlling interest | | (335,832) | 337,852 |
| | | 126,270,978 | 153,096,224 |
| Earnings per share | | | |
| Basic and diluted earnings per share | 17 | 0.27 | 0.32 |

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

Arabian Centres Company (A Saudi Joint Stock Company)
Condensed consolidated statement of comprehensive income

For the three-month period ended 30 June 2021

| | <i>Notes</i> | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|--|--------------|--|--|
| Profit for the period | | 126,270,978 | 153,096,224 |
| Other comprehensive income/ (loss) | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | |
| - Cash flow hedges – effective portion of change in fair value | | 236,319 | (1,109,748) |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| - Other investments at FVOCI – net change in fair value | | -- | 24,201,000 |
| Total comprehensive income for the period | | 126,507,297 | 176,187,476 |
| Total comprehensive income for the period attributable to: | | | |
| - Shareholders of the Company | | 126,843,129 | 175,849,624 |
| - Non-controlling interests | | (335,832) | 337,852 |
| | | 126,507,297 | 176,187,476 |

The attached notes from 1 to 23 are an integral part of these Condensed consolidated interim financial statements.

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)
Condensed consolidated statement of changes in equity

For the three-month period ended 30 June 2021

| <i>Notes</i> | Attributable to shareholders of the Company | | | | | Total | Non-Controlling interest | Total equity |
|---|---|---------------|-------------------|----------------|-------------------|---------------|--------------------------|---------------|
| | Share capital | Share premium | Statutory reserve | Other reserves | Retained earnings | | | |
| Balance at 1 April 2020 – Audited | 4,750,000,000 | 411,725,703 | 513,092,734 | (18,103,542) | 326,282,581 | 5,982,997,476 | 1,258,156 | 5,984,255,632 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | -- | -- | -- | -- | 152,758,372 | 152,758,372 | 337,852 | 153,096,224 |
| Other comprehensive income | -- | -- | -- | 23,091,252 | -- | 23,091,252 | -- | 23,091,252 |
| Total comprehensive income for the period | -- | -- | -- | 23,091,252 | 152,758,372 | 175,849,624 | 337,852 | 176,187,476 |
| Balance at 30 June 2020 – Unaudited | 4,750,000,000 | 411,725,703 | 513,092,734 | 4,987,710 | 479,040,953 | 6,158,847,100 | 1,596,008 | 6,160,443,108 |
| | | | | | | | | |
| Balance at 1 April 2021 – Audited | 4,750,000,000 | 411,725,703 | 561,758,636 | 7,184,631 | 320,429,968 | 6,051,098,938 | 1,319,575 | 6,052,418,513 |
| Total comprehensive income for the period | | | | | | | | |
| Profit / (loss) for the period | -- | -- | -- | -- | 126,606,810 | 126,606,810 | (335,832) | 126,270,978 |
| Other comprehensive income | -- | -- | -- | 236,319 | -- | 236,319 | -- | 236,319 |
| Total comprehensive income / (loss) for the period | -- | -- | -- | 236,319 | 126,606,810 | 126,843,129 | (335,832) | 126,507,297 |
| Transactions with shareholders of the company | | | | | | | | |
| Dividends <i>13</i> | -- | -- | -- | -- | (356,250,000) | (356,250,000) | -- | (356,250,000) |
| Balance at 30 June 2021 – Unaudited | 4,750,000,000 | 411,725,703 | 561,758,636 | 7,420,950 | 90,786,778 | 5,821,692,067 | 983,743 | 5,822,675,810 |

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)

Condensed consolidated statement of cash flows

For the three-month period ended 30 June 2021

| | | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|--|-------|---|---|
| | Notes | | |
| Cash flows from operating activities: | | | |
| Profit before Zakat | | 128,807,619 | 158,012,408 |
| Adjustments for: | | | |
| - Depreciation on investment properties | 8 | 81,352,828 | 74,196,671 |
| - Depreciation on property and equipment | | 5,250,742 | 6,926,304 |
| - Depreciation on right-of-use assets | | 48,559,144 | 43,514,335 |
| - Impairment loss on accounts receivable and accrued revenue rentals | | 15,251,020 | 25,242,293 |
| - Provision for employee benefits | | 1,352,715 | 1,172,475 |
| - Finance cost over loans and borrowings | | 48,819,992 | 75,152,790 |
| - Finance cost over lease liabilities | | 36,895,171 | 35,929,185 |
| - Discount on lease rentals | | -- | (35,300,030) |
| - Share from profit of equity-accounted investee | | -- | (1,652,443) |
| - Gain from disposal of assets held for sale | 16 | (429,474) | -- |
| | | 365,859,757 | 383,193,988 |
| Changes in: | | | |
| - Accounts receivable | | (38,273,190) | (51,501,161) |
| - Amounts due from related parties, net | | 10,640,267 | 11,022,571 |
| - Prepayments and other current assets | | (7,370,692) | (2,833,062) |
| - Accounts payable and other liabilities | | (50,722,924) | 46,380,230 |
| - Accrued revenue | | 51,733,386 | (257,405,931) |
| - Unearned revenue | | 4,852,774 | (14,167,724) |
| Cash generated from operating activities | | 336,719,378 | 114,688,911 |
| Employee benefits paid | | (164,699) | (8,423,382) |
| Zakat paid | | -- | -- |
| Net cash from operating activities | | 336,554,679 | 106,265,529 |
| Cash flows from investing activities: | | | |
| Additions to investment properties, net | 8 | (144,302,848) | (31,236,974) |
| Acquisition of property and equipment | | (8,353,061) | (150,408) |
| Proceeds from disposal of assets held for sale | | 5,001,000 | -- |
| Investment in short-term bank deposits | | (150,000,000) | -- |
| Advances to a contractor, related party | | (56,354,450) | (27,575,265) |
| Net cash used in investing activities | | (354,009,359) | (58,962,647) |

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows (continued)

For the three-month period ended 30 June 2021

| | Notes | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|--|-------|---|---|
| Cash flows from financing activities: | | | |
| Proceeds from loans and borrowings | 14 | 2,437,500,000 | -- |
| Repayments of loans and borrowings | 14 | (1,770,000,000) | -- |
| Transaction costs paid during the period | 14 | (40,175,073) | (7,875,000) |
| Payment of finance costs over loans and borrowings | | (124,319,761) | (153,066,241) |
| Repayments of lease liabilities | | (132,163,102) | (11,061,050) |
| Net cash generated from / (used in) financing activities | | 370,842,064 | (172,002,291) |
| Net increase / (decrease) in cash and cash equivalents | | 353,387,384 | (124,699,409) |
| Cash and cash equivalents at the beginning of period | | 635,669,921 | 1,045,680,193 |
| Cash and cash equivalents at end of the period | | 989,057,305 | 920,980,784 |
| Significant non-cash transactions: | | | |
| - Dividends declared during the period | | 356,250,000 | -- |
| - Capitalized finance cost for project under construction | | 44,924,102 | 10,296,928 |
| - Capitalized arrangement fees for project under construction | | 937,225 | -- |
| - Capitalized finance cost over lease liabilities for project under construction | | 13,905,879 | 20,587,253 |
| - Capitalized depreciation of right-of-use assets for project under construction | | 8,003,635 | 13,198,942 |

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three-month period ended 30 June 2021

1. Reporting entity

Arabian Centres Company (“the Company”) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (“KSA”) under commercial registration numbered 1010209177 and dated 7 Rabi Thani 1426H (corresponding to 15 May 2005). The registered office is located at Nakheel District, P.O. Box 341904, Riyadh 11333, KSA.

The Company was formed on 7 Rabi Thani 1426H (corresponding to 15 May 2005) as Limited Liability Company. On 8 Muhurram 1439H (corresponding to 28 September 2017) legal status of the Company had changed from a Limited Liability Company to a Saudi Closed Joint Stock Company.

On 22 May 2019, the Company completed its Initial Public Offering (“IPO”) and its ordinary shares were listed on the Saudi Stock Exchange (“Tadawul”). In connection with IPO, the Company has issued 95 million of its ordinary shares for a cash payment and the legal status of the Company changed from Saudi Closed Joint Stock Company to Saudi Joint Stock Company.

The Company and its subsidiaries’ (collectively referred to as “the Group”) principal business objectives are to purchase lands, build, develop and invest in buildings, sell or lease of buildings and the 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.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

1. Reporting entity (continued)

Following is the list of subsidiaries included in these condensed consolidated interim financial statements as of 30 June 2021 and 31 March 2021:

| No | Subsidiaries | Country of incorporation | Direct ownership interest held by the Group as at: | | Indirect ownership interest held by the Group as at: | | Share Capital (SR) | Number of shares issued |
|----|--|--------------------------|--|---------------|--|---------------|--------------------|-------------------------|
| | | | 30 June 2021 | 31 March 2021 | 30 June 2021 | 31 March 2021 | | |
| 1 | Riyadh Centres Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 2 | Al Bawarij International for Development & Real Estate Investment Company | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 3 | Al Makarem International for Real Estate Development Company | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 4 | Oyoun Al Raed Mall Trading | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |
| 5 | Oyoun Al Basateen Company for Trading | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |
| 6 | Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company | Kingdom of Saudi Arabia | 50% | 50% | -- | -- | 500,000 | 500 |
| 7 | Yarmouk Mall Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 8 | Al Erth Al Matin Trading Company | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |
| 9 | Arkan Salam for Real Estate and Contracting Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 1,000,000 | 1,000 |
| 10 | Mall of Arabia Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 11 | Aziz Mall Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 12 | Dhahran Mall Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 13 | Al Noor Mall Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 500,000 | 500 |
| 14 | Al Yasmeen Mall Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |
| 15 | Al Dammam Mall Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |
| 16 | Al Malaz Mall Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |
| 17 | Al Hamra Mall Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |
| 18 | Al Erth Al Rasekh Trading Company Limited | Kingdom of Saudi Arabia | 95% | 95% | 5% | 5% | 100,000 | 100 |

During the financial year ended 30 March 2021, the Group has signed a Sale Purchase agreement to acquire 39,253 (25.5%) ordinary shares of Vogacloset Limited, UK (an e-commerce Company) for a total consideration of SR 68,856,933. As at 30 June 2021, the necessary legal formalities for transfer of ownership including the regulatory approvals have not completed. The investment in Vogacloset will be accounted for as an associate once the legal formalities and necessary approvals are obtained.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Group’s latest annual consolidated financial statements as at and for the year ended 31 March 2021 (“latest annual Consolidated Financial Statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group’s financial position and performance since the latest annual Consolidated Financial Statements.

3. Basis of measurement

These condensed consolidated interim financial statements are prepared under the historical cost convention except for the following material items in the condensed consolidated statement of financial position:

- Other investments at fair value
- Derivative financial instruments at fair value
- Employees end of service benefits using projected unit credit method

4. Functional and presentation currency

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

5. Significant accounting estimates, assumptions and judgements

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

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual Consolidated Financial Statements.

6. Significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the latest annual consolidated financial statements as at and for the year ended 31 March 2021. Certain comparative figures have been reclassified to conform to current period’s presentation.

The change in accounting policy will also be reflected in the Group’s consolidated financial statements as at and for the year ending 31 March 2022. The Group has initially adopted Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the Phase 2 amendments) from 1 April 2021.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 31 March 2021. There is no impact on opening equity balances as a result of retrospective application.

Significant policies applicable from 1 April 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

6. Significant accounting policies (continued)

Significant policies applicable from 1 April 2021 for interest rate benchmark reform (continued)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications set out above to the additional changes.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Group applies the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Group amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Group continues to apply the existing accounting policies

7. Standards issued but not yet effective

A number of new pronouncements are effective for annual years beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Definition of accounting estimate (Amendments to IAS 8)
- Disclosure of Accounting policies (Amendments to IAS 1)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

These amended standards and interpretations are not expected to have a significant impact on the condensed consolidated interim financial statements.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

8. Investment properties

| | 30 June 2021 Unaudited | 31 March 2021 Audited |
|--|---------------------------------------|-----------------------------|
| <i>Notes</i> | | |
| <u>Cost</u> | | |
| Balance at the beginning of the period / year | 14,497,294,275 | 13,575,076,965 |
| Additions during the period / year | 212,073,689 | 790,877,310 |
| Transfers during the period / year from related party (ii) | -- | 131,340,000 |
| Balance at the end of the period / year | 14,709,367,964 | 14,497,294,275 |
| <u>Accumulated depreciation</u> | | |
| Balance at the beginning of the period / year | 2,529,817,502 | 2,218,164,120 |
| Charge for the period / year | 81,352,828 | 311,653,382 |
| Balance at the end of the period / year | 2,611,170,330 | 2,529,817,502 |
| Net book value | 12,098,197,634 | 11,967,476,773 |

- i. Buildings on leasehold land includes buildings of **SR 142.6 million** (31 March 2021: SR 142.6 million) which are constructed on leasehold lands where lease agreements are in the name of related parties.
- ii. During the year ended 31 March 2021, Saudi FAS Holding Company transferred lands and buildings worth SR 131.3 million to partially settle the outstanding receivables from FAS Holding Company for Hotels.

Fair value of investment properties

Management estimates that the fair value of the investment properties as at 30 June 2021 is **SR 21.58 million**. The management has carried out external valuation as at 31 March 2021. 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 2021 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).

9. Other investments

| | 30 June 2021 Unaudited | 31 March 2021 Audited |
|---|---------------------------------------|-----------------------------|
| Investment in a real estate fund at FVTPL (i) | 5,975,840 | 5,975,840 |

- i. This represents 0.25% equity investment in Al Jawhara Real Estate Fund (formerly known as Digital City Fund) (68 units each for SR 100,000) purchased for **SR 7 million**. Net asset value (NAV) of the investment amounted to **SR 5.9 million** (31 March 2021: SR 5.9 million). An unrealized loss amounting to **SR Nil** has been recognized in the condensed consolidated statement of profit or loss (31 March 2021: SR 0.3 million).

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

10. Related party transactions and balances

For the purpose of these condensed consolidated interim financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, and vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities. Balances and transactions between the Company and its subsidiaries, which are related parties within the Group, have been eliminated on consolidation

A. Key management personnel compensation

The remuneration of directors and other key management personnel ('KMP') are as follow:

| | 30 June 2021 Unaudited | 30 June 2020 Unaudited |
|-----------------------------------|---------------------------------------|---------------------------------------|
| End of service benefits | 228,236 | 1,152,021 |
| Salaries and short-term benefits | 3,912,750 | 4,571,254 |
| Total key management compensation | 4,140,986 | 5,723,275 |

B. Related party transactions and balances

I - Related party balances are presented in the statement of financial position as follows:

| | 30 June 2021 Unaudited | 31 March 2021 Audited |
|---------------------------------|---------------------------------------|--------------------------------------|
| Amount due from related parties | 368,643,377 | 379,445,963 |
| Amount due to related parties | -- | (162,319) |
| | 368,643,377 | 379,283,644 |

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

10. Related party transactions and balances (continued)

B. Related party transactions and balances (continued)

II - 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:

| Name of related party | Business status | Rental income and other fees / | Security services | Others | Total | Balance as at |
|---|----------------------------|---|-------------------|-----------|-------------|---------------|
| | | services | received | | | |
| | | Transactions during three months ended 30 June 2021 | | | | 30 June 2021 |
| | | Unaudited | | | | Unaudited |
| 30 June 2021 | | | | | | |
| Transactions with ultimate shareholder | | | | | | |
| Saudi FAS Holding Company | Closed Joint Stock Company | 494,671 | -- | -- | 494,671 | 2,168,959 |
| Transactions with fellow subsidiaries (subsidiaries of shareholder) | | | | | | |
| FAS Holding Company for Hotels and its subsidiaries | Limited Liability Company | -- | -- | -- | -- | 218,982,570 |
| Fawaz Abdulaziz Al Hokair Company and its subsidiaries | Joint Stock Company | 93,180,040 | -- | -- | 93,180,040 | 41,839,892 |
| Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries | Joint Stock Company | 9,374,123 | -- | -- | 9,374,123 | 35,048,694 |
| Salman & Sons Holding Co and its associates | Limited Liability Company | 11,253,866 | -- | -- | 11,253,866 | 22,083,930 |
| Majd Al Amal Co. Limited and its associates | Limited Liability Company | 6,684,175 | -- | -- | 6,684,175 | 17,572,001 |
| Tadaris Alnajd Security Company | Limited Liability Company | -- | 20,989,513 | -- | 20,989,513 | 3,212,815 |
| Ezdihar Holding Co and its subsidiaries | Limited Liability Company | 13,048,761 | -- | -- | 13,048,761 | 23,464,902 |
| Others, net | Limited Liability Company | 876,400 | -- | -- | 876,400 | 4,269,614 |
| | | 134,912,036 | 20,989,513 | -- | 155,901,549 | 368,643,377 |
| | | Transactions during three months ended 30 June 2020 | | | | 31 March 2021 |
| | | Unaudited | | | | Audited |
| 31 March 2021 | | | | | | |
| Transactions with ultimate shareholder | | | | | | |
| Saudi FAS Holding Company | Closed Joint Stock Company | -- | -- | 1,457,547 | 1,457,547 | -- |
| Transactions with fellow subsidiaries (subsidiaries of shareholder) | | | | | | |
| FAS Holding Company for Hotels and its subsidiaries | Limited Liability Company | -- | -- | -- | -- | 218,982,570 |
| Fawaz Abdulaziz Al Hokair Company and its subsidiaries | Joint Stock Company | 93,101,047 | -- | -- | 93,101,047 | 81,369,641 |
| Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries | Joint Stock Company | 6,872,655 | -- | -- | 6,872,655 | 28,947,242 |
| Salman & Sons Holding Co and its associates | Limited Liability Company | 13,830,884 | -- | -- | 13,830,884 | 23,588,248 |
| Majd Al Amal Co. Limited and its associates | Limited Liability Company | 1,915,213 | -- | -- | 1,915,213 | 8,855,548 |
| Tadaris Alnajd Security Company | Limited Liability Company | -- | 15,158,567 | -- | 15,158,567 | 8,825,690 |
| Ezdihar Holding Co and its subsidiaries | Limited Liability Company | 9,110,485 | -- | -- | 9,110,485 | 6,741,667 |
| Others, net | Limited Liability Company | 1,260,292 | -- | 105,995 | 1,366,287 | 1,973,038 |
| | | 126,090,576 | 15,158,567 | 1,563,542 | 142,812,685 | 379,283,644 |

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

10. Related party transactions and balances (continued)

C. Advances to a contractor

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

| Name of related party | Business status | Relationship | Construction work services received | | Balances | |
|--------------------------|-------------------|--------------|-------------------------------------|---------------------------------|--------------|-------------|
| | | | Three month period 30 June 2021 | Three month period 30 June 2020 | 30 June 2021 | 31 Mar 2021 |
| | | | Unaudited | Unaudited | Unaudited | Audited |
| Lynx Contracting Company | Limited Liability | Affiliate | 113,611,042 | 8,978,139 | 638,823,807 | 582,469,359 |

With the consent of the shareholders of the Company, the Company has signed framework agreement for the construction of all projects are awarded to other related party Lynx Contracting Company (formerly known as Fawaz Abdulaziz Al Hokair & Partners Real Estate Company)

11. Share capital

On 14 Rajab 1440H (corresponding to 21 March 2019), the general assembly of shareholders approved an increase in the share capital of the Company from SR 4,450 million to SR 4,750 million through the proceeds received from the initial public offering of the Company. All legal formalities required to enforce the increase in the share capital were completed during the year ended 31 March 2020.

| | No. of shares | Share capital | Share premium |
|--|--------------------|----------------------|--------------------|
| Balance at 31 March 2021 – Audited | 475,000,000 | 4,750,000,000 | 411,725,703 |
| Balance at 30 June 2021 – Unaudited | 475,000,000 | 4,750,000,000 | 411,725,703 |

12. Reserves

Statutory reserve

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia and Company's by-laws, the Company is required to recognize a reserve comprising 10% of its net profit for the year until such reserve equals 30% of its share capital. The reserve is not available for distribution. The reserve would be set aside based on the annual consolidated financial statements.

Other reserves

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

13. Dividends distribution

30 June 2021

- On 27 April 2021, the Board of Directors proposed an interim dividend for second half of the year ended 31 March 2021 amounting to **SR 0.75 per share** aggregating to **SR 356,250,000**. The dividend will be paid on 15 July 2021.

31 March 2021

- During the year ended 31 March 2021, the Board of Directors resolved to distribute final dividends amounting to **SR 0.50 per share** aggregating to **SR 237,500,000** as per resolution dated 22 Dhul Qadah 1441H (corresponding to 13 July 2020) and was approved by shareholders on 30 September 2020. The Company has paid the dividends during the year ended 31 March 2021.
- During the year, the Board of Directors resolved to distribute interim dividends amounting to **SR 0.50 per share** aggregating to **SR 237,500,000** as per resolution dated 14th Jumada Al-Awwal 1442H (corresponding to 29 December 2020). The Company has paid the dividends during the year ended 31 March 2021.

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

14. Loans and borrowings

| | 30 June 2021 | 31 March 2021 |
|---|----------------------|----------------------|
| Note | Unaudited | Audited |
| Islamic facility with banks (i) | 3,301,887,996 | 5,143,177,982 |
| Sukuks (ii) | 4,312,450,000 | 1,837,482,270 |
| 14 B | 7,614,337,996 | 6,980,660,252 |
| Loans and Borrowings - Current liabilities | 148,750,000 | 119,375,000 |
| Loans and Borrowings - Non Current liabilities | 7,465,587,996 | 6,861,285,252 |
| | 7,614,337,996 | 6,980,660,252 |

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in [Note 19](#).

A. Terms and repayment

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

The loans and borrowings is repayable in unequal semi-annual instalments and are subject to commission rates based on SIBOR/LIBOR plus an agreed commission rate. During the year ended 31 March 2021, in order to reduce its exposure to commission rate risks the Group has entered into an Islamic profit rate swap for portion of its long-term loan. For details [refer note 19](#).

The facilities are secured by insurance policies, proceeds of rental income, and land and buildings of several malls. However, formalities relating to registration of security documents are under process. The above facility agreements contain covenants, which among other things, require certain financial ratios to be maintained.

These facilities were fully utilized by the company during the financial year ended March 31, 2021. During the period, in addition to semi-annual repayments of SR 45 million, company has settled the Murabaha facility amounted to SR 108 million, Ijara facility by SR 867 million and Revolving Murabaha facility by SR 750 million.

- ii. Arabian Centres Sukuk Limited (a special purpose company established for the purpose of issuing Sukuk) completed the issuance of an International USD denominated Shari'ah compliant Sukuk "Sukuk Certificates" amounting to USD 500 million (equivalent SR 1,875 million), at a par value of USD 0.2 million each, annual yield of 5.375% payable semi-annually and a maturity in five years. Sukuk Certificates may be subject to early redemption at the option of the Company as per the certain specified conditions mentioned in the Sukuk Certificate.
- iii. On 7 April 2021, Arabian Centres Sukuk II Limited (a special purpose company established for the purpose of issuing Sukuk) completed the issuance of an International USD denominated Shari'ah compliant Sukuk "Sukuk Certificates" amounting to USD 650 million (equivalent SR 2,437.5 million), at a par value of USD 0.2 million each, annual yield of 5.625% payable semi-annually and a maturity in five years. Sukuk II certificates are secured by the proceeds of rental income of several malls. Sukuk Certificates may be subject to early redemption at the option of the Company as per the certain specified conditions mentioned in the Sukuk Certificate.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

14. Loans and borrowings (continued)

B. Reconciliation of carrying amount

| | Notes | Islamic facility with banks | Sukuks | Total |
|--|-------|--------------------------------|----------------------|------------------------|
| Balance at 1 April 2020 | | 5,249,993,272 | 1,874,950,000 | 7,124,943,272 |
| Proceeds received during the year | | -- | -- | -- |
| Repayments made during the year | | (45,000,000) | -- | (45,000,000) |
| | (i) | 5,204,993,272 | 1,874,950,000 | 7,079,943,272 |
| Un-amortized transaction costs | (ii) | (61,815,290) | (37,467,730) | (99,283,020) |
| Balance at 31 March 2021 - Audited | | 5,143,177,982 | 1,837,482,270 | 6,980,660,252 |
| Balance at 1 April 2021 | | 5,204,993,272 | 1,874,950,000 | 7,079,943,272 |
| Proceeds received during the period | | -- | 2,437,500,000 | 2,437,500,000 |
| Repayments made during the period | | (1,770,000,000) | -- | (1,770,000,000) |
| | (i) | 3,434,993,272 | 4,312,450,000 | 7,747,443,272 |
| Un-amortized transaction costs | (ii) | (59,727,306) | (73,377,970) | (133,105,276) |
| Balance at 30 June 2021 - Unaudited | | 3,375,265,966 | 4,239,072,030 | 7,614,337,996 |

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

| | Islamic facility with banks | Sukuks | Total |
|---------------------------------|--------------------------------|----------------------|----------------------|
| 31 March 2021 – Audited | | | |
| Within one year | 119,375,000 | -- | 119,375,000 |
| Between two to five years | 1,944,376,272 | -- | 1,944,376,272 |
| More than five years | 3,141,242,000 | 1,874,950,000 | 5,016,192,000 |
| | 5,204,993,272 | 1,874,950,000 | 7,079,943,272 |
| 30 June 2021 – Unaudited | | | |
| Within one year | 148,750,000 | -- | 148,750,000 |
| Between two to five years | 1,355,000,000 | -- | 1,355,000,000 |
| More than five years | 1,931,243,272 | 4,312,450,000 | 6,243,693,272 |
| | 3,434,993,272 | 4,312,450,000 | 7,747,443,272 |

ii. Un-amortized transaction costs movement is as follows:

| | Islamic facility with banks | Sukuks | Total |
|--|--------------------------------|--------------------|--------------------|
| Balance at 1 April 2020 | 61,490,717 | 47,709,478 | 109,200,195 |
| Arrangement fees paid | 8,659,934 | -- | 8,659,934 |
| Amortization for the year | (7,265,298) | (8,963,487) | (16,228,785) |
| Capitalized arrangement fees | (1,070,063) | (1,278,261) | (2,348,324) |
| Balance at 31 March 2021 – Audited | 61,815,290 | 37,467,730 | 99,283,020 |
| Balance at 1 April 2021 | 61,815,290 | 37,467,730 | 99,283,020 |
| Arrangement fees paid | -- | 40,175,073 | 40,175,073 |
| Amortization for the period | (1,729,727) | (3,685,865) | (5,415,592) |
| Capitalized arrangement fees | (358,257) | (578,968) | (937,225) |
| Balance at 30 June 2021 – Unaudited | 59,727,306 | 73,377,970 | 133,105,276 |

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

15. Revenue

| | | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|--|------|---|---|
| | Note | | |
| Rental income | (i) | 488,487,060 | 449,913,621 |
| Service and management fee income | | 19,807,099 | 21,632,293 |
| Turnover rent | | 1,664,738 | 3,877,964 |
| Commission income on provisions for utilities for heavy users, net | | 720,333 | 429,237 |
| | | 510,679,230 | 475,853,115 |

- i. Rental income includes related maintenance and insurance costs of Malls' premises charged to 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:

| | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|---|---|---|
| Within one year | 1,810,582,777 | 1,556,516,740 |
| After one year but not more than five years | 2,150,482,986 | 2,134,936,819 |
| More than five years | 491,473,114 | 576,559,025 |
| | 4,452,538,877 | 4,268,012,584 |

16. Other operating income

| | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|------------------------------------|---|---|
| Gain on lease termination | 999,000 | -- |
| Gain on assets held for sale | 429,474 | -- |
| Commission income on bank deposits | 492,278 | 1,400,661 |
| Rental concession on leases | -- | 35,300,030 |
| Other income | 130,321 | -- |
| | 2,051,073 | 36,700,691 |

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

17. Earnings per share

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

| | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|--|---|---|
| Profit attributable to ordinary shareholders | 126,606,810 | 152,758,372 |
| Weighted average number of ordinary shares | 475,000,000 | 475,000,000 |
| Basic and diluted earnings per share | 0.27 | 0.32 |

18. Operating segments

The Group's activities and business lines used as a basis for the financial reporting are consistent with the internal reporting process and information reviewed by the Chief operating decision maker (CODM). Management considers the operations of the Group as a whole as one operating segment as all subsidiaries engage in similar business activities.

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

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

19. Financial instruments - fair values and risk management

A. Accounting classification and fair values

Financial instruments have been categorized as follows:

| | | 30 June 2021 Unaudited | 31 March 2021 Audited |
|------------------------------------|--------------|------------------------------|-----------------------------|
| Financial Assets | <i>Notes</i> | | |
| Other investments | 9 | 5,975,840 | 5,975,840 |
| Other non-current assets | | 22,500,000 | 22,500,000 |
| Amounts due from related parties | 10 | 368,643,377 | 379,445,963 |
| Accounts receivable | | 270,892,976 | 247,870,806 |
| Cash and cash equivalents | | 989,057,305 | 635,669,921 |
| | | 1,657,069,498 | 1,291,462,530 |
| Financial Liabilities | | | |
| Loans and borrowings | 14 | 7,614,337,996 | 6,980,660,252 |
| Lease liabilities | | 3,779,171,001 | 3,860,533,052 |
| Accounts payable | | 126,364,072 | 164,525,699 |
| Tenants' security deposits | | 136,272,133 | 127,413,234 |
| Amount due to related parties | 10 | -- | 162,319 |
| Profit rate swaps used for hedging | | 846,379 | 1,082,698 |
| | | 11,656,991,581 | 11,134,377,254 |

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

19. Financial instruments - fair values and risk management (continued)

The following table present the Group's financial instruments measured at fair value at 30 June 2021 and 31 March 2021:

| | 30 June 2021 – Unaudited | | | | |
|-----------------------------|--------------------------|------------|---------|-----------|-----------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| FVTPL – equity instruments | | | | | |
| Al Jawhara Real Estate Fund | 5,975,840 | -- | -- | 5,975,840 | 5,975,840 |
| | | | | | |
| | 31 March 2021 - Audited | | | | |
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| FVTPL – equity instruments | | | | | |
| Al Jawhara Real Estate Fund | 5,975,840 | -- | -- | 5,975,840 | 5,975,840 |

B. Derivatives designated as hedging instruments

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

| Description of the hedged items | Hedging instrument | Fair Value | 30 June 2021 | 31 Mar 2021 |
|---|--------------------|------------|--------------|-------------|
| | | | Unaudited | Audited |
| Commission payments on floating rate loan | IRS | Negative | 846,379 | 1,082,698 |

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

Fair values of cash flow hedge represent the mark to market values of the Islamic Profit rate swaps as at 30 June 2021. The cash flow hedge reserve included under other reserves represents the effective portion of cash flow hedge.

For the three-month period ended 30 June 2021

19. Financial instruments - fair values and risk management (continued)

C. Financial risk management

The Group has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including commission rate risk, real estate risk, currency risk and commodity risk)
- Capital management risk

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.

i. 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.

Bank balances and deposits are held with local banks with sound external credit ratings.

Accounts Receivable

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

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

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

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the year 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.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

19. Financial instruments - fair values and risk management (continued)

C. Financial risk management (continued)

i. Credit risk (continued)

Accounts Receivable (continued)

The following table provides information about the exposure to credit risk and ECLs for accounts receivable from customers after adjusting with Loss given Default (LGD) ratio as at 30 June 2021. The ECL for accounts receivables from customers as at as at 31 March 2021 are before LGD adjustment.

| | 30 June 2021 | | |
|--------------------|------------------------------|------------------------------|---------------------------|
| | Unaudited | | |
| | Gross Carrying amount | Weighted-average loss | Loss Allowance (%) |
| 0–90 days | 62,231,342 | 7,525,454 | 12.1% |
| 91–180 days | 64,241,469 | 10,204,771 | 15.9% |
| 181–270 days | 58,137,317 | 9,026,795 | 15.5% |
| 271–360 days | 48,145,337 | 13,389,920 | 27.8% |
| 361 –450 days | 35,247,315 | 12,419,236 | 35.2% |
| 451 -540 days | 39,783,904 | 17,793,875 | 44.7% |
| 541 –630 days | 34,366,563 | 17,083,331 | 49.7% |
| 631 -720 days | 30,257,458 | 17,944,716 | 59.3% |
| More than 720 days | 76,179,891 | 72,309,523 | 94.9% |
| | 448,590,596 | 177,697,621 | |

| | 31 March 2021 | | |
|--------------------|------------------------------|------------------------------|---------------------------|
| | Audited | | |
| | Gross Carrying amount | Weighted-average loss | Loss Allowance (%) |
| 0–90 days | 64,458,039 | 11,979,514 | 18.6% |
| 91–180 days | 64,170,804 | 13,583,431 | 21.2% |
| 181–270 days | 65,728,423 | 15,447,076 | 23.5% |
| 271–360 days | 46,139,512 | 15,462,182 | 33.5% |
| 361 –450 days | 45,558,472 | 20,135,619 | 44.2% |
| 451 -540 days | 37,876,023 | 20,073,473 | 53.0% |
| 541 –630 days | 31,807,854 | 19,005,528 | 59.8% |
| 631 -720 days | 24,792,400 | 16,973,898 | 68.5% |
| More than 720 days | 51,387,492 | 51,387,492 | 100.0% |
| | 431,919,019 | 184,048,213 | |

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 (please refer to note 10B). 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.

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.

Arabian Centres Company (a Saudi joint stock company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

19. Financial instruments - fair values and risk management (continued)

C. Financial risk management (continued)

ii. 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: | Carrying amount | Less than 6 months | Between 6 and 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|--|-----------------|--------------------|-------------------------|-----------------------|-----------------------|---------------|----------------|
| 30 June 2021 - Unaudited | | | | | | | |
| Accounts payable | 126,364,072 | 126,364,072 | -- | -- | -- | -- | 126,364,072 |
| Tenants' security deposits | 136,272,133 | 50,826,885 | 20,567,115 | 33,777,193 | 30,572,182 | 528,758 | 136,272,133 |
| Profit rate swaps used for hedging | 846,379 | -- | 846,379 | -- | -- | -- | 846,379 |
| Lease liabilities | 3,779,171,001 | 291,615,846 | 144,052,913 | 332,074,333 | 1,030,734,803 | 4,369,223,588 | 6,167,701,483 |
| Loans and borrowings | 7,614,337,996 | 246,927,156 | 244,917,454 | 545,570,670 | 3,832,013,126 | 4,573,806,334 | 9,443,234,740 |
| | 11,656,991,581 | 715,733,959 | 410,383,861 | 911,422,196 | 4,893,320,111 | 8,943,558,680 | 15,874,418,807 |
| 31 March 2021 – Audited | | | | | | | |
| Accounts payable | 164,525,699 | 164,525,699 | -- | -- | -- | -- | 164,525,699 |
| Amount due to related parties | 162,319 | 162,319 | -- | -- | -- | -- | 162,319 |
| Tenants' security deposits | 127,413,234 | 40,293,459 | 17,671,107 | 38,219,100 | 30,650,403 | 579,165 | 127,413,234 |
| Profit rate swaps used for hedging | 1,082,698 | -- | 1,082,698 | -- | -- | -- | 1,082,698 |
| Lease liabilities | 3,860,533,052 | 364,037,743 | 157,833,637 | 326,538,899 | 1,011,471,503 | 4,453,033,818 | 6,312,915,600 |
| Loans and borrowings | 6,980,660,252 | 171,452,233 | 202,685,196 | 430,030,285 | 4,204,876,875 | 3,449,478,272 | 8,458,522,861 |
| | 11,134,377,254 | 740,471,453 | 379,272,638 | 794,788,284 | 5,246,998,781 | 7,903,091,255 | 15,064,622,411 |

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

19. Financial instruments - fair values and risk management (continued)

C. Financial risk management (continued)

iii. 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 2021 and 31 March 2021. 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):

| Gain/(loss) through the condensed consolidated statement of profit or loss | Three-month period ended 30 June 2021 Unaudited | Three-month period ended 30 June 2020 Unaudited |
|---|--|--|
| Floating rate debt: | | |
| SIBOR +100bps | (77,474,433) | (71,249,433) |
| SIBOR -100bps | 77,474,433 | 71,249,433 |

Real estate risk

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

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

Currency risk

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

iv. Capital management risk

The Board's policy is to maintain an efficient capital base as to maintain investor, creditor and market confidence and to sustain future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders

Arabian Centres Company (a Saudi joint stock company)
Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2021

20. Commitments and contingencies

During the year ended 31 March 2021, the Group received a demand letter from the Zakat, Tax and Customs Authority claiming additional Value added tax (VAT) of **SR 24.6 million** and penalties of **SR 40.8 million** for the period up to 31 December 2019.

The Group objected the demand and has deposited **SR 24.6 million** under appeal. However, Zakat, Tax and Customs Authority is still reviewing the responses and supporting documentations submitted by the Group. Based on the assessments of management and the independent consultant handling the appeal, the Group is comfortable that it has adequate documentation to support the appeal, and accordingly, expects the additional VAT liability to be reversed by Zakat, Tax and Customs Authority. Hence, no provision has been recorded and the amount paid under appeal has been classified under Prepayments and other current assets.

At 31 March 2021, the Group has outstanding bank guarantees of **SR 304,233** (2021: SR 304,233) issued by a local bank.

| | | 30 June 2021 Unaudited | 31 March 2021 Audited |
|---|------|------------------------------|-----------------------------|
| | Note | | |
| Commitments | | | |
| Commitments for projects under construction | (i) | 3,811,723,345 | 3,622,612,328 |
| Commitments for acquisition of investment | 1 | 68,856,933 | 68,856,933 |

(i). These commitments pertain to construction of shopping malls across the Kingdom of Saudi Arabia.

21. Impact of covid-19

The COVID-19 pandemic, which commenced at the beginning of 2020 has caused significant disruption in the economic and commercial sectors in general at both the global and local levels. The government of the Kingdom of Saudi Arabia has taken stimulus measures and launched initiatives to support the economy to reduce the adverse effects of this pandemic. On May 21, 2020, Company announced rent relief and support packages, offered waiver of contractual base rent and service charge for all tenants from 16 March 2020 for a period of six weeks (45 days). For tenants whose stores were mandatorily closed by government decision will also benefit from the rent relief program starting the date of government closure until the earlier of (i) date of closure is lifted or (ii) 30 June 2020. Further, all escalations on the contracts will be halted for two years 2020 and 2021.

Accordingly, as of 31 March 2021 management has approved a total discount of **SR 579 million** which will be amortized over the remaining period of leases with tenants. The impact of rent relief for the three-month period ended 30 June 2021 is **SR 51 million** (31 March 2021: SR 241 million).

The Group's management continues to study and follow up all the variables that affect the Group's activities, however, due to the inability to determine the time period of this pandemic and the precautionary measures and procedures as to what will emerge in the future, it is currently difficult to determine the size and extent of any financial impact accurately on the results of the Group up to the date of issuance of these Condensed consolidated interim financial statements. However, the Group does not anticipate any significant adverse implication in future related to the Group remaining as a going concern.

22. Subsequent events

On 28 July 2021, Arabian Centres Sukuk II Limited (a special purpose company established for the purpose of issuing Sukuk) completed the additional issuance of an International USD denominated Shari'ah compliant Sukuk "Sukuk Certificates" amounting to USD 225 million (equivalent SR 843.75 million), annual yield payable semi-annually and a maturity in five years.

23. Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors for issuance on 11 Muharram 1443H (corresponding to 19 August 2021).

All amounts are presented in Saudi Riyals unless otherwise stated.