

Arabian Centres Company

(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements

(Unaudited)

For the three-month and six-month periods ended 30 September 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 and six-month periods ended 30 September 2021

Contents	Pages
Independent auditor's review report	1 – 2
Condensed consolidated interim financial statements	
- Condensed consolidated statement of financial position	3
- Condensed consolidated statement of profit or loss	4
- Condensed consolidated statement of comprehensive income	5
- Condensed consolidated statement of changes in equity	6
- Condensed consolidated statement of cash flows	7 – 8
- Notes to the condensed consolidated interim financial statements	9 – 27

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

For the three-month and six-month periods ended 30 September 2021

Notes to the Condensed consolidated interim financial statements index

Basis of preparation

1. Reporting entity.....	9
2. Statement of compliance	11
3. Basis of measurement	11
4. Functional and presentation currency	11
5. Significant accounting estimates, assumptions and judgements	11
6. Significant accounting policies	11
7. Standards issued but not yet effective	12

Assets

8. Investment properties	13
9. Other investments	14
10. Related party transactions and balances.....	14

Equity and liabilities

11. Share capital.....	16
12. Reserves	16
13. Dividends distribution.....	16
14. Loans and borrowings.....	17

Performance for the period

15. Revenue	19
16. Other operating income	20
17. Earnings per share.....	20
18. Operating segments.....	21

Financial instruments

19. Financial instruments - fair values and risk management	21
--	----

Other information

20. Commitments and contingencies	27
21. Impact of covid-19.....	27
22. Subsequent events.....	27
23. Approval of the Condensed consolidated interim financial statements	27



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No 1010425494

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 September 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 September 2021;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 September 2021;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 September 2021;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 September 2021;
- the condensed consolidated statement of cash flows for the six-month period ended 30 September 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 September 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.

Emphasis of Matter

We draw attention to Note 8(iii) to the condensed consolidated interim financial statements, which describes management's judgement relating to the control and ownership of a piece of land and the related project under development. Our conclusion is not modified in respect of this matter.

KPMG Professional Services



Hani Hamzah A. Bedairi
License No: 460

Riyadh, on 6 Rabi' II 1443H
Corresponding to: 11 November 2021



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

As at 30 September 2021

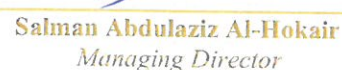
	Notes	30 September 2021 Unaudited	31 March 2021 Audited
Assets			
Investment properties	8	12,337,363,387	11,967,476,773
Right-of-use assets		3,009,639,608	3,121,596,866
Property and equipment		75,600,350	75,546,196
Advances to a contractor	10	574,936,920	582,469,359
Accrued revenue – non-current portion		279,998,643	341,395,259
Other non-current assets		22,500,000	22,500,000
Other investments	9	6,505,424	5,975,840
Non-current assets		16,306,544,332	16,116,960,293
Accrued revenue		139,999,322	170,697,630
Accounts receivable		259,820,806	247,870,806
Amounts due from related parties	10	480,421,034	379,445,963
Prepayments and other assets		121,488,866	99,459,039
Cash and cash equivalents		814,437,076	635,669,921
		1,816,167,104	1,533,143,359
Assets held for sale		--	4,674,647
Current assets		1,816,167,104	1,537,818,006
Total assets		18,122,711,436	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	6,109,512	7,184,631
Retained earnings		182,356,434	320,429,968
Equity attributable to the shareholders of the Company		5,911,950,285	6,051,098,938
Non-controlling interest		244,381	1,319,575
Total equity		5,912,194,666	6,052,418,513
Liabilities			
Loans and borrowings	14	7,562,609,063	6,861,285,252
Lease liabilities		3,468,948,787	3,523,411,045
Employee benefits		25,399,413	21,673,040
Other non-current liabilities		59,832,233	69,448,668
Non-current liabilities		11,116,789,496	10,475,818,005
Loans and borrowings	14	85,655,208	119,375,000
Lease liabilities – current portion		284,212,061	337,122,007
Accounts payable and other liabilities		459,879,684	405,102,129
Amount due to related parties	10	--	162,319
Unearned revenue		240,386,225	240,501,793
Zakat liabilities		23,594,096	24,278,533
Current liabilities		1,093,727,274	1,126,541,781
Total liabilities		12,210,516,770	11,602,359,786
Total equity and liabilities		18,122,711,436	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:


Waleed Khalid Al-Rebdi
 Chief Financial Officer


Faisal Abdullah Al-Jedaie
 Chief Executive Officer


Salman Abdulaziz Al-Hokair
 Managing Director

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 and six-month periods ended 30 September 2021

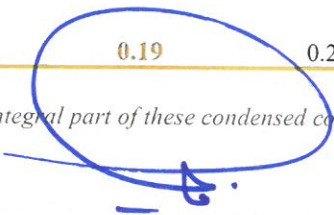
	Notes	Three-month period ended		Six-month period ended	
		30 September 2021 Unaudited	30 September 2020 Unaudited	30 September 2021 Unaudited	30 September 2020 Unaudited
Revenue	15	497,041,957	464,842,757	1,007,721,187	940,695,872
Cost of revenue					
- Direct costs		(90,289,438)	(81,527,974)	(186,637,864)	(141,960,246)
- Depreciation of right-of-use assets		(55,634,681)	(53,308,698)	(102,934,700)	(95,881,272)
- Depreciation of investment properties	8	(84,244,014)	(75,233,800)	(165,596,842)	(149,430,471)
Gross profit		266,873,824	254,772,285	552,551,781	553,423,883
Other operating income	16	3,218,234	49,527,332	5,269,305	86,204,460
Advertisement and promotion expenses		(4,120,699)	(6,576,099)	(11,000,039)	(10,267,219)
General and administrative expenses		(66,605,748)	(43,964,445)	(117,681,636)	(82,917,818)
Impairment loss on accounts receivable and accrued revenue rentals		(16,259,461)	(41,798,186)	(31,510,481)	(67,040,479)
Operating profit		183,106,150	211,960,887	397,628,930	479,402,827
Finance costs over loans and borrowings		(41,882,844)	(62,587,243)	(90,702,836)	(137,740,033)
Finance costs over lease liabilities		(47,856,369)	(37,185,088)	(84,751,540)	(73,114,273)
Net finance costs		(89,739,213)	(99,772,331)	(175,454,376)	(210,854,306)
Share from profit of equity-accounted investee		--	2,481,619	--	4,134,062
Profit before zakat		93,366,937	114,670,175	222,174,554	272,682,583
Zakat charge		(2,536,641)	(3,591,069)	(5,073,282)	(8,507,253)
Profit for the period		90,830,296	111,079,106	217,101,272	264,175,330
Profit for the period is attributable to:					
- Shareholders of the Company		91,569,658	109,025,588	218,176,466	261,783,960
- Non-controlling interest		(739,362)	2,053,518	(1,075,194)	2,391,370
		90,830,296	111,079,106	217,101,272	264,175,330

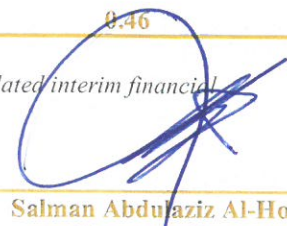
Earnings per share

Basic and diluted earnings per share	17	0.19	0.23	0.46	0.55
--------------------------------------	----	------	------	------	------

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


Waheed Khalid Al-Rebdi
 Chief Financial Officer


Faisal Abdullah Al-Jedaie
 Chief Executive Officer


Salman Abdulaziz Al-Hokair
 Managing Director

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month and six-month periods ended 30 September 2021

	Three-month period ended		Six-month period ended	
	30 September 2021 Unaudited	30 September 2020 Unaudited	30 September 2021 Unaudited	30 September 2020 Unaudited
Profit for the period	90,830,296	111,079,106	217,101,272	264,175,330
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	(156,664)	59,936	79,655	(1,049,812)
<i>Items that will not be reclassified to profit or loss:</i>				
- Remeasurement of end of service liability	(1,154,774)	(1,217,478)	(1,154,774)	(1,217,148)
- Other investments at FVOCI – net change in fair value	--	39,432,816	--	63,633,816
Total comprehensive income for the period	89,518,858	149,354,380	216,026,153	325,542,186
Total comprehensive income for the period attributable to:				
- Shareholders of the Company	90,258,220	147,300,862	217,101,347	323,150,816
- Non-controlling interests	(739,362)	2,053,518	(1,075,194)	2,391,370
	89,518,858	149,354,380	216,026,153	325,542,186

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


Waleed Khalid Al-Rebdi
 Chief Financial Officer


Faisal Abdullah Al-Jedaie
 Chief Executive Officer


Salman Abdulaziz Al-Hokair
 Managing Director

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**

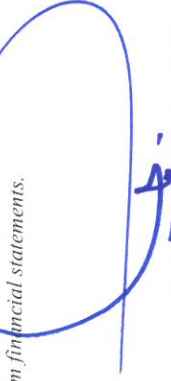
For the six-month period ended 30 September 2021

Attributable to shareholders of the Company								
Notes	Share capital	Share premium	Statutory reserve	Other reserves	Retained earnings	Total	Non-Controlling interest	Total equity
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	--	--	--	--	261,783,960	261,783,960	2,391,370	264,175,330
Other comprehensive income	--	--	--	61,366,856	--	61,366,856	--	61,366,856
Total comprehensive income for the period				61,366,856	261,783,960	323,150,816	2,391,370	325,542,186
Transactions with shareholders of the company								
Dividends	--	--	--	--	(237,500,000)	(237,500,000)	--	(237,500,000)
Balance at 30 September 2020 – Unaudited	4,750,000,000	411,725,703	513,092,734	43,263,314	350,566,541	6,068,648,292	3,649,526	6,072,297,818
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 for the period	--	--	--	--	218,176,466	218,176,466	(1,075,194)	217,101,272
Other comprehensive income	--	--	--	(1,075,119)	--	(1,075,119)	--	(1,075,119)
Total comprehensive income / (loss) for the period				(1,075,119)	218,176,466	217,101,347	(1,075,194)	216,026,153
Transactions with shareholders of the company								
Dividends	--	--	--	--	(356,250,000)	(356,250,000)	--	(356,250,000)
Balance at 30 September 2021 – Unaudited	4,750,000,000	411,725,703	561,758,636	6,109,512	182,356,434	5,911,950,285	244,381	5,912,194,666

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



Walied Khalid Al-Rebdi
Chief Financial Officer



Faisal Abdullah Al-Jedaie
Chief Executive Officer



Salman Abdulaziz Al-Hokair
Managing Director

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 six-month period ended 30 September 2021

		Six-month period ended 30 September 2021	Six-month period ended 30 September 2020
	Notes	Unaudited	Unaudited
Cash flows from operating activities:			
Profit before Zakat		222,174,554	272,682,583
Adjustments for:			
- Depreciation on investment properties	8	165,596,842	149,430,471
- Depreciation on property and equipment		9,505,516	13,683,394
- Depreciation on right-of-use assets		104,193,825	97,764,795
- Impairment loss on accounts receivable and accrued revenue rentals		31,510,481	67,040,479
- Provision for employee benefits		3,440,926	4,108,543
- Finance cost over loans and borrowings		90,702,836	134,642,579
- Finance cost over lease liabilities		84,751,540	73,114,273
- Discount on lease rentals		--	(81,828,029)
- Share from profit of equity-accounted investee		--	(4,134,062)
- Change in fair value of other investments	9	(529,584)	--
- Gain from disposal of assets held for sale	16	(429,474)	--
		710,917,462	726,505,026
Changes in:			
- Accounts receivable		(43,460,481)	(61,882,492)
- Amounts due from related parties, net		(101,137,390)	164,555,965
- Prepayments and other assets		(22,029,834)	993,697
- Accounts payable and other liabilities		9,194,399	16,595,340
- Accrued revenue		92,094,931	(476,009,713)
- Unearned revenue		(115,568)	49,766,304
Cash generated from operating activities		645,463,519	420,524,127
Employee benefits paid		(869,327)	(10,762,089)
Zakat paid		(5,757,719)	--
Net cash from operating activities		638,836,473	409,762,038
Cash flows from investing activities:			
Additions to investment properties, net		(15,088,282)	(86,202,342)
Acquisition of property and equipment		(9,456,550)	(690,270)
Proceeds from disposal of assets held for sale		5,001,000	--
Proceed from disposal of other investments		--	77,048,147
Advances to a contractor, related party		(383,765,418)	(107,200,000)
Net cash used in investing activities		(403,309,250)	(117,044,465)

All amounts are presented in Saudi Riyals unless otherwise stated.

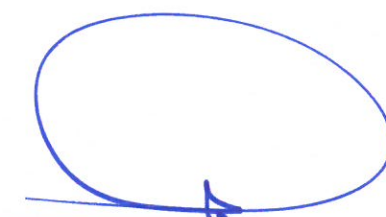
Arabian Centres Company (A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows (continued)

For the six-month period ended 30 September 2021

	Notes	Six-month period ended 30 September 2021 Unaudited	Six-month period ended 30 September 2020 Unaudited
Cash flows from financing activities:			
Proceeds from loans and borrowings	14	3,321,328,125	--
Repayments of loans and borrowings	14	(2,613,750,000)	--
Transaction costs paid during the period	14	(49,656,725)	(8,659,934)
Payment of finance costs over loans and borrowings		(150,225,960)	(151,665,580)
Payment of dividend to shareholders		(356,250,000)	(237,130,811)
Repayments of lease liabilities		(208,205,508)	(62,358,522)
Net cash used in financing activities		(56,760,068)	(459,814,847)
Net increase / (decrease) in cash and cash equivalents		178,767,155	(167,097,274)
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		814,437,076	878,582,919
Significant non-cash transactions:			
- Capitalized finance cost for project under construction		103,120,389	19,754,377
- Capitalized arrangement fees for project under construction		2,131,730	364,697
- Capitalized finance cost over lease liabilities for project under construction		16,081,764	41,044,065
- Capitalized depreciation of right-of-use assets for project under construction		7,763,434	26,398,286
- Advance to contractors classified to lease liabilities		--	31,432,158
- Capitalized advances to contractors for project under construction		391,297,857	113,521,721

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


Waleed Khalid Al-Rebdi
 Chief Financial Officer


Faisal Abdullah Al-Jedaie
 Chief Executive Officer


Salman Abdulaziz Al-Hokair
 Managing Director

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

For the six-month period ended 30 September 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 six-month period ended 30 September 2021

1. Reporting entity (continued)

Following is the list of subsidiaries included in these condensed consolidated interim financial statements as of 30 September 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 September 2021	31 March 2021	30 September 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 31 March 2021, the Group 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 September 2021, the necessary legal formalities for transfer of ownership including the regulatory approvals have not been completed. The investment in Vogacloset will be accounted for as an associate once the legal formalities and necessary approvals are obtained (please refer to note 22).

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 September 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
- Employee 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 except as described in note 8(iii) relating to the significant judgement relating to the control and ownership of a piece of land and project under construction.

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 six-month period ended 30 September 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)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- COVID-19 Related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)
- 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)

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 six-month period ended 30 September 2021

8. Investment properties

	Notes	30 September 2021 Unaudited	31 March 2021 Audited
Cost			
Balance at the beginning of the period / year		14,497,294,275	13,575,076,965
Additions:			
Purchase during the period / year		535,483,456	790,877,310
Transfers from related party during the period / year	(ii)	--	131,340,000
Balance at the end of the period / year	(iii)	15,032,777,731	14,497,294,275
Accumulated depreciation			
Balance at the beginning of the period / year		2,529,817,502	2,218,164,120
Charge for the period / year		165,596,842	311,653,382
Balance at the end of the period / year		2,695,414,344	2,529,817,502
Net book value		12,337,363,387	11,967,476,773

- Buildings on leasehold land includes buildings of SR 138.6 million (31 March 2021: SR 142.6 million) which are constructed on leasehold lands where lease agreements are in the name of related parties.
- During the year ended 31 March 2021, Group has acquired through transfer of lands and buildings worth SR 131.3 million to partially settle the outstanding receivables from FAS Holding Company for Hotels.
- This amount includes a piece of land in Riyadh which was acquired by the Group in 2013 from a private real estate investment fund with a carrying value of SR 1,770 million (31 March 2021: SR 1,770 million). The land is under development under an approved scheme issued by the Riyadh Development Authority. The carrying amount of the development is SR 628 million (31 March 2021: SR 519 million).

The Supreme Court through its decision dated 23 Rajab 1442H (7 March 2021), cancelled certain land title deeds sighting the violation of applicable legal procedures for the transfer of title deeds and subsequent deeds. Consequently, the title deed of the land owned by the Group was cancelled.

The Group has submitted a letter to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud on 20 September 2021 requesting the cancellation of the Supreme Court decision as:

- the Royal Decree issued on 11 Rajab 1442H (23 February 2021), that directs to form a team to resolve the issues of the deeds that are within an approved scheme and therefore should not be assigned to the courts;
- the real estate in the deed was purchased under a proper sale purchase agreement by the Group; and
- the infrastructure development of the land started after obtaining the required approvals from authorities in line with the approved scheme issued by the Riyadh Development Authority, and under the supervision of Riyadh Municipality.

Based on an opinion from an independent legal counsel and recent precedents, management is confident that their request will be considered and the land title will be reinstated. Further, management believes that the rightful land ownership of the Group is not impacted merely on account of certain legal procedures not being met on transfer of the original land deed. Thus, the Group continues to control the land and its use and continues the construction and development of the land. Furthermore, the independent legal counsel confirms in the remote instance the request is rejected, the Group has legal recourse available to recover the cost of land and any related damages from the seller.

Fair value of investment properties

Management estimates that the fair value of the investment properties as at 30 September 2021 is SR 21.76 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).

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

For the six-month period ended 30 September 2021

9. Other investments

	30 September 2021 Unaudited	31 March 2021 Audited
Investment in a real estate fund at FVTPL (i)	6,505,424	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 6.8 million**. As at 30 September 2021, Net asset value (NAV) of the investment amounted to **SR 6.5 million** (31 March 2021: SR 5.9 million). An unrealized gain amounting to **SR 0.52 million** has been recognized in the condensed consolidated statement of profit or loss (31 March 2021: SR 0.3 million).

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 September 2021 Unaudited	30 September 2020 Unaudited
End of service benefits	3,607,000	2,974,407
Salaries and short-term benefits	22,825,500	3,733,350
Total key management compensation	26,432,500	6,707,757

B. Related party transactions and balances

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

	30 September 2021 Unaudited	31 March 2021 Audited
Amount due from related parties	480,421,034	379,445,963
Amount due to related parties	--	(162,319)
	480,421,034	379,283,644

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

For the six-month period ended 30 September 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 / services	Security services received	Others	Total	Balance as at
		Transactions during six months ended 30 September 2021				30 September
		Unaudited				2021 Unaudited
30 September 2021						
Transactions with ultimate shareholder						
Saudi FAS Holding Company	Closed Joint Stock Company	991,144	--	10,755,500	11,746,644	10,279,021
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	182,088,032	--	1,757,632	183,845,664	144,973,301
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	Joint Stock Company	14,814,326	--	--	14,814,326	10,869,890
Salman & Sons Holding Co and its associates	Limited Liability Company	24,158,006	--	--	24,158,006	28,738,988
Majd Al Amal Co. Limited and its associates	Limited Liability Company	9,257,022	--	--	9,257,022	24,390,917
Tadaris Alnajd Security Company	Limited Liability Company	--	37,634,564	--	37,634,564	323,835
Ezdihar Holding Co and its subsidiaries	Limited Liability Company	24,410,395	--	--	24,410,395	35,711,044
Others, net	Limited Liability Company	2,515,805	--	--	2,515,805	6,151,468
		258,234,730	37,634,564	12,513,132	308,382,426	480,421,034
Transactions during six months ended 30 September 2020						
Unaudited						
31 March 2021						
Audited						
Transactions with ultimate shareholder						
Saudi FAS Holding Company	Closed Joint Stock Company	--	--	--	--	--
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	189,858,440	--	--	189,858,440	81,369,641
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	Joint Stock Company	21,100,050	--	--	21,100,050	28,947,242
Salman & Sons Holding Co and its associates	Limited Liability Company	26,675,886	--	--	26,675,886	23,588,248
Majd Al Amal Co. Limited and its associates	Limited Liability Company	5,333,943	--	--	5,333,943	8,855,548
Tadaris Alnajd Security Company	Limited Liability Company	--	30,244,654	--	30,244,654	8,825,690
Ezdihar Holding Co and its subsidiaries	Limited Liability Company	19,162,401	--	--	19,162,401	6,741,667
Others, net	Limited Liability Company	1,638,258	--	29,199	1,667,457	1,973,038
		263,768,978	30,244,654	29,199	294,042,831	379,283,644

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 September 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	
			Six month period 30 September 2021 Unaudited	Six month period 30 September 2020 Unaudited	30 September 2021 Unaudited	31 Mar 2021 Audited
Lynx Contracting Company	Limited Liability	Affiliate	365,109,644	144,825,584	574,936,920	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 September 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 September 2021

- On 27 April 2021, the Board of Directors resolved to distribute 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 was 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.

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

For the six-month period ended 30 September 2021

14. Loans and borrowings

	30 September 2021	31 March 2021
<i>Note</i>	Unaudited	Audited
Islamic facility with banks (i)	2,533,603,950	5,143,177,982
Sukuks (ii)	5,114,660,321	1,837,482,270
<i>14 B</i>	7,648,264,271	6,980,660,252
Loans and Borrowings - Current liabilities	85,655,208	119,375,000
Loans and Borrowings - Non Current liabilities	7,562,609,063	6,861,285,252
	7,648,264,271	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 in November 2019 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 31 March 2021.

During the period ended 30 September 2021, in addition to the scheduled semi-annual repayment of SR 45 million, the company has made voluntary repayments of SR 202 million against the Murabaha facility, SR 1,617 million against the Ijara facility, and SR 750 million to fully repay the Revolving Murabaha facility.

- ii. Sukuks:
 - On 20 November 2019, 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 certain specified conditions mentioned in the Sukuk Certificate.
 - On 7 April 2021, Arabian Centres Sukuk II Limited (a special purpose company established for the purpose of issuing Sukuk) completed the issuance of a Five and half year International USD denominated Shari'ah compliant Sukuk "Sukuk II 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. On 28 July 2021, the Company has issued additional Sukuk II certificates amounting to USD 225 million (equivalent SR 843.75 million), at a premium of 4.75%. These certificates are secured by the proceeds of rental income of certain malls. Sukuk Certificates may be subject to early redemption at the option of the Company as per 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 six-month period ended 30 September 2021

14. Loans and borrowings (continued)

B. Reconciliation of carrying amount

	Notes	Islamic facility with banks	Sukuks	Total
Balance at 1 April 2020 – Audited		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- Audited		5,204,993,272	1,874,950,000	7,079,943,272
Proceeds received during the period		--	3,281,250,000	3,281,250,000
Repayments made during the period		(2,613,750,000)	--	(2,613,750,000)
	(i)	2,591,243,272	5,156,200,000	7,747,443,272
Un-amortized transaction costs	(ii)	(57,639,322)	(78,113,706)	(135,753,028)
Deferred Sukuk premuim	(iii)	--	36,574,027	36,574,027
Balance at 30 September 2021 - Unaudited		2,533,603,950	5,114,660,321	7,648,264,271

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 September 2021 – Unaudited			
Within one year	85,655,208	--	85,655,208
Between two to five years	780,254,167	1,874,950,000	2,655,204,167
More than five years	1,725,333,897	3,281,250,000	5,006,583,897
	2,591,243,272	5,156,200,000	7,747,443,272

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

For the six-month period ended 30 September 2021

14. Loans and borrowings (continued)

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	--	49,656,725	49,656,725
Amortization for the period	(3,457,881)	(7,597,106)	(11,054,987)
Capitalized arrangement fees	(718,087)	(1,413,643)	(2,131,730)
Balance at 30 September 2021 – Unaudited	57,639,322	78,113,706	135,753,028

iii. Deferred Sukuk premium

This represents the premium received on further issuance of Sukuk II (i.e. Issue price less face value of the certificate) and is amortized over the life of the instrument using the effective interest rate at the date of initial recognition of the instrument. Movement is as follows:

	Islamic facility with banks	Sukuks	Total
Balance at 1 April 2021 – Audited	--	--	--
Addition:	--	(40,078,125)	(40,078,125)
Amortization for the period	--	3,504,098	3,504,098
Balance at 30 September 2021 – Unaudited	--	(36,574,027)	(36,574,027)

15. Revenue

	Note	Six-month period ended 30 September 2021 Unaudited	Six-month period ended 30 September 2020 Unaudited
Rental income	(i)	934,046,906	885,316,240
Service and management fee income		39,891,929	44,778,108
Turnover rent		31,400,130	9,324,993
Commission income on provisions for utilities for heavy users, net		2,382,222	1,276,531
		1,007,721,187	940,695,872

i. Rental income includes related maintenance and insurance costs of Malls' premises charged to each of the tenants.

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

For the six-month period ended 30 September 2021

15. Revenue (continued)

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:

	Six-month period ended 30 September 2021 Unaudited	Six-month period ended 30 September 2020 Unaudited
Within one year	1,752,424,810	1,834,647,297
After one year but not more than five years	2,014,538,710	2,382,798,855
More than five years	424,696,386	473,667,304
	4,191,659,906	4,691,113,456

16. Other operating income

	Six-month period ended 30 September 2021 Unaudited	Six-month period ended 30 September 2020 Unaudited
Compensation received from landlord	1,875,000	8,875,000
Commission income on bank deposits	1,318,274	3,097,454
Gain on lease termination	999,000	--
Change in fair value of other investments	529,584	(173,084)
Gain on assets held for sale	429,474	--
Other income	117,973	3,053,971
Rental concession on leases	--	72,953,029
Transaction costs on equity investment	--	(1,601,910)
	5,269,305	86,204,460

17. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period 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 September 2021 Unaudited	Three-month period ended 30 September 2020 Unaudited	Six-month period ended 30 September 2021 Unaudited	Six-month period ended 30 September 2020 Unaudited
Profit attributable to ordinary shareholders	91,569,658	109,025,588	218,176,466	261,783,960
Weighted average number of ordinary shares	475,000,000	475,000,000	475,000,000	475,000,000
Basic and diluted earnings per share	0.19	0.23	0.46	0.55

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

For the six-month period ended 30 September 2021

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 September 2021	31 March 2021
Financial Assets	Notes	Unaudited	Audited
Cash and cash equivalents		814,437,076	635,669,921
Amounts due from related parties	10	480,421,034	379,445,963
Accounts receivable		259,820,806	247,870,806
Other non-current assets		22,500,000	22,500,000
Other investments	9	6,505,424	5,975,840
		1,583,684,340	1,291,462,530
Financial Liabilities			
Loans and borrowings	14	7,648,264,271	6,980,660,252
Lease liabilities		3,753,160,848	3,860,533,052
Accounts payable		150,945,615	164,525,699
Tenants' security deposits		139,883,184	127,413,234
Amount due to related parties	10	--	162,319
Other liabilities		242,338,171	172,573,386
		11,934,592,089	11,305,867,942

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

	Carrying amount	30 September 2021 – Unaudited			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments					
Al Jawhara Real Estate Fund	6,505,424	--	--	6,505,424	6,505,424
	Carrying amount	31 March 2021 - Audited			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments					
Al Jawhara Real Estate Fund	5,975,840	--	--	5,975,840	5,975,840

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

For the six-month period ended 30 September 2021

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

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 September 2021	31 Mar 2021
			Unaudited	Audited
Commission payments on floating rate loan	IRS	Negative	1,003,043	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 September 2021. The cash flow hedge reserve included under other reserves represents the effective portion of cash flow hedge.

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 and currency 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, lease liability, 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.

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

For the six-month period ended 30 September 2021

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

C. Financial risk management (continued)

i. Credit risk (continued)

Accounts Receivable (continued)

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.

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 September 2021. The ECL for accounts receivables from customers as at 31 March 2021 are before LGD adjustment.

	30 September 2021		
	Unaudited		
	Gross Carrying amount	Weighted-average loss	Loss Allowance (%)
0-90 days	58,574,899	5,922,301	10.1%
91-180 days	56,386,520	8,964,865	15.9%
181-270 days	52,463,173	9,226,689	17.6%
271-360 days	40,193,990	10,378,204	25.8%
361-450 days	36,255,493	12,080,107	33.3%
451-540 days	30,488,715	12,201,422	40.0%
541-630 days	34,468,327	17,141,358	49.7%
631-720 days	30,004,217	17,006,199	56.7%
More than 720 days	102,728,795	88,822,178	86.5%
	441,564,129	181,743,323	

	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	

For the six-month period ended 30 September 2021

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

C. Financial risk management (continued)

i. Credit risk (continued)

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 six-month period ended 30 September 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 September 2021 - Unaudited							
Accounts payable	150,945,615	150,945,615	--	--	--	--	150,945,615
Tenants' security deposits	139,883,184	57,288,206	22,762,744	30,728,907	28,920,568	182,759	139,883,184
Other liabilities	242,338,171	242,338,171	--	--	--	--	242,338,171
Lease liabilities	3,753,160,848	342,428,027	159,816,819	337,152,429	663,228,648	4,645,827,736	6,148,453,659
Loans and borrowings	7,648,264,271	205,975,824	223,273,245	479,531,799	3,434,502,308	5,251,509,524	9,594,792,700
	11,934,592,089	998,975,843	405,852,808	847,413,135	4,126,651,524	9,897,520,019	16,276,413,329
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
Other liabilities	172,573,386	172,573,386	--	--	--	--	172,573,386
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
	11,305,867,942	913,044,839	378,189,940	794,788,284	5,246,998,781	7,903,091,255	15,236,113,099

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

For the six-month period ended 30 September 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 September 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	Six-month period ended 30 September 2021 Unaudited	Six-month period ended 30 September 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 six-month period ended 30 September 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 (ZATCA) 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. Upon appeal from the Group, the penalties were waived by ZATCA.

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.

	Note	30 September 2021 Unaudited	31 March 2021 Audited
Commitments			
Commitments for projects under construction	(i)	3,595,668,418	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 six-month period ended 30 September 2021 is **SR 93.9 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

The Group established FAS Lab Holding Company "FAS Lab", a Limited Liability Company in Saudi Arabia for the purpose of leading joint digital initiatives for Arabian Centres Company and Fawaz Abdulaziz Al Hokair & Co. ("Alhokair"). The Group will exercise significant influence over the entity and will be accounted for as an associate starting from the three month period ending 31 December 2021.

On 18 October 2021, Arabian Centres Company announced the successful completion of transferring the shares of the E-Commerce Platform "Vogacloset" to the Group with a value of SAR 68.9 million representing 25.5% of Vogacloset's share capital. The Group is in progress of transferring the acquired shares to FAS Lab.

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 6 Rabi' II 1443H (corresponding to 11 November 2021).