

# **Arabian Centres Company**

(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements  
(Unaudited)

For the three-month period ended 31 March 2023  
together with the

**Independent Auditor's Review Report**

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

For the three-month period ended 31 March 2023

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## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# 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 31 March 2023 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 31 March 2023;
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2023;
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2023;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2023; 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 condensed consolidated interim financial statements 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 31 March 2023 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 03 Dhu al-Qi`dah 1444H  
Corresponding to: 23 May 2023

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

As at 31 March 2023

|   | Notes | 31 March<br>2023<br>Unaudited | 31 December<br>2022<br>Audited |
|---|-------|-------------------------------|--------------------------------|
| <b>Assets</b>   |       |                               |                                |
| Investment properties   | 8     | 23,739,580,800                | 23,075,741,378                 |
| Property and equipment  |       | 62,086,995                    | 63,412,471                     |
| Accrued revenue – non-current portion                         |       | 168,125,891                   | 182,392,826                    |
| Investment in equity accounted investee and others            | 9     | 72,574,197                    | 64,874,137                     |
| Other non-current assets                                      |       | 24,409,080                    | 24,818,172                     |
| <b>Non-current assets</b>                                     |       | <b>24,066,776,963</b>         | <b>23,411,238,984</b>          |
| Development properties  |       | 350,912,142                   | 345,683,721                    |
| Accrued revenue   |       | 84,062,945                    | 91,196,413                     |
| Accounts receivable   |       | 376,572,393                   | 388,214,220                    |
| Amounts due from related parties                              | 11    | 430,229,205                   | 417,815,065                    |
| Prepayments and other assets                                  |       | 229,176,372                   | 206,384,728                    |
| Short-term bank deposit                                       |       | 28,750,000                    | --                             |
| Cash and cash equivalents                                     | 10    | 839,025,650                   | 610,445,796                    |
|   |       | <b>2,338,728,707</b>          | <b>2,059,739,943</b>           |
| Assets held for sale  | 8     | --                            | 405,880,057                    |
| <b>Current assets</b>   |       | <b>2,338,728,707</b>          | <b>2,465,620,000</b>           |
| <b>Total assets</b>   |       | <b>26,405,505,670</b>         | <b>25,876,858,984</b>          |
| <b>Equity</b>   |       |                               |                                |
| Share capital   |       | 4,750,000,000                 | 4,750,000,000                  |
| Share premium   |       | 411,725,703                   | 411,725,703                    |
| Statutory reserve   |       | 722,492,544                   | 722,492,544                    |
| Other reserves  |       | 16,592,093                    | 16,511,299                     |
| Retained earnings   |       | 8,145,486,590                 | 8,118,388,376                  |
| <b>Equity attributable to the shareholders of the Company</b> |       | <b>14,046,296,930</b>         | <b>14,019,117,922</b>          |
| <b>Non-controlling interest</b>                               |       | <b>54,152,263</b>             | <b>49,482,783</b>              |
| <b>Total equity</b>   |       | <b>14,100,449,193</b>         | <b>14,068,600,705</b>          |
| <b>Liabilities</b>  |       |                               |                                |
| Loans and borrowings  | 13    | 7,635,955,287                 | 7,433,674,604                  |
| Lease liabilities   |       | 2,326,661,254                 | 2,383,687,028                  |
| Employee benefits   |       | 29,817,840                    | 28,486,108                     |
| Other non-current liabilities                                 |       | 58,240,138                    | 47,571,467                     |
| <b>Non-current liabilities</b>                                |       | <b>10,050,674,519</b>         | <b>9,893,419,207</b>           |
| Loans and borrowings  | 13    | 903,315,625                   | 903,315,625                    |
| Lease liabilities – current portion                           |       | 307,419,225                   | 255,589,354                    |
| Accounts payable and other liabilities                        |       | 646,805,453                   | 459,263,679                    |
| Amount due to related parties                                 | 11    | 22,167,680                    | 6,339,458                      |
| Unearned revenue  |       | 319,205,641                   | 239,109,599                    |
| Zakat liabilities   |       | 55,468,334                    | 51,221,357                     |
| <b>Current liabilities</b>                                    |       | <b>2,254,381,958</b>          | <b>1,914,839,072</b>           |
| <b>Total liabilities</b>                                      |       | <b>12,305,056,477</b>         | <b>11,808,258,279</b>          |
| <b>Total equity and liabilities</b>                           |       | <b>26,405,505,670</b>         | <b>25,876,858,984</b>          |


The attached notes from 1 to 22 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:

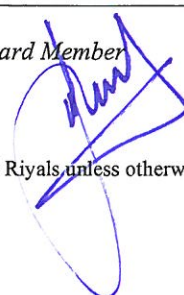
**Waleed Al-Rebdi**  
Chief Financial Officer



**Alison Rehill-Erguven**  
Chief Executive Officer



Board Member



All amounts are presented in Saudi Riyals, unless otherwise stated.



# Arabian Centres Company (A Saudi Joint Stock Company)

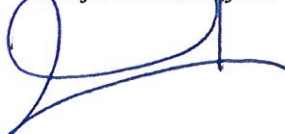
## Condensed consolidated statement of profit or loss

For the three-month period ended 31 March 2023

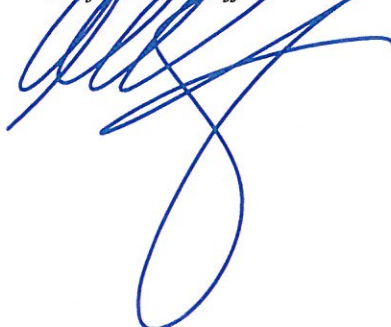
|  | Notes | Three-month period ended   |                            |
|--|-------|----------------------------|----------------------------|
|  |       | 31 March 2023<br>Unaudited | 31 March 2022<br>Unaudited |
| Revenue  | 14    | 576,782,088                | 519,168,004                |
| Cost of revenue - Direct costs                                     |       | (85,635,642)               | (73,113,096)               |
| <b>Gross profit</b>  |       | <b>491,146,446</b>         | <b>446,054,908</b>         |
| Other operating income   | 15    | 267,880,734                | 20,017,618                 |
| Net fair value loss on investment properties                       | 8     | (51,741,101)               | (74,125,659)               |
| Advertisement and promotion expenses                               |       | (13,770,659)               | (9,639,123)                |
| General and administrative expenses                                |       | (88,816,660)               | (74,528,036)               |
| Impairment loss on accounts receivable and accrued revenue rentals |       | (114,616,471)              | 16,873,883                 |
| Other operating expenses   |       | —                          | (29,065,684)               |
| <b>Operating profit</b>  |       | <b>490,082,289</b>         | <b>295,587,907</b>         |
| Finance costs over loans and borrowings                            |       | (60,331,122)               | (40,791,445)               |
| Finance costs over lease liabilities                               |       | (26,420,418)               | (40,491,362)               |
| <b>Net finance costs</b>   |       | <b>(86,751,540)</b>        | <b>(81,282,807)</b>        |
| Share of loss of equity-accounted investee                         | 9     | (2,945,484)                | (11,044,401)               |
| <b>Profit before zakat</b>   |       | <b>400,385,265</b>         | <b>203,260,699</b>         |
| Zakat charge   |       | (12,367,571)               | (31,403,701)               |
| <b>Profit for the period</b>                                       |       | <b>388,017,694</b>         | <b>171,856,998</b>         |
| <b>Profit for the period is attributable to:</b>                   |       |                            |                            |
| - Shareholders of the Company                                      |       | 383,348,214                | 175,178,554                |
| - Non-controlling interest   |       | 4,669,480                  | (3,321,556)                |
|  |       | <b>388,017,694</b>         | <b>171,856,998</b>         |
| <b>Earnings per share</b>  |       |                            |                            |
| Basic and diluted earnings per share                               | 16    | 0.81                       | 0.37                       |

The attached notes from 1 to 22 are an integral part of these condensed consolidated interim financial statements.

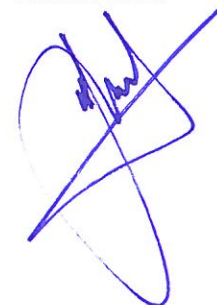
**Waleed Al-Rabdi**  
Chief Financial Officer



**Alison Rehill-Erguven**  
Chief Executive Officer



Board Member



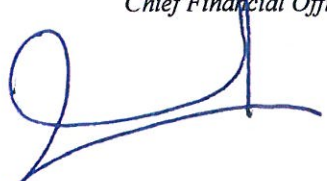
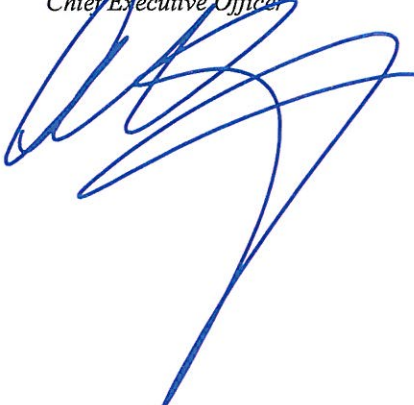
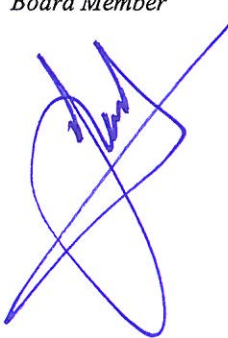
All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 31 March 2023

|  | Notes | Three-month period ended   |                            |
|--|-------|----------------------------|----------------------------|
|  |       | 31 March 2023<br>Unaudited | 31 March 2022<br>Unaudited |
| <b>Profit for the period</b>   |       | <b>388,017,694</b>         | <b>171,856,998</b>         |
| <b>Other comprehensive income</b>  |       |                            |                            |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> |       |                            |                            |
| - Cash flow hedges – effective portion of change in fair value               |       | <b>80,794</b>              | 4,114,942                  |
| - Foreign currency translation difference of equity accounted investee       |       | --                         | --                         |
| <i>Items that will not be reclassified to profit or loss:</i>                |       |                            |                            |
| - Remeasurement of end of service liability                                  |       | --                         | 1,804,659                  |
| <b>Total comprehensive income for the period</b>                             |       | <b>388,098,488</b>         | <b>177,776,599</b>         |
| <b>Total comprehensive income for the period attributable to:</b>            |       |                            |                            |
| - Shareholders of the Company  |       | <b>383,429,008</b>         | 181,098,155                |
| - Non-controlling interests  |       | <b>4,669,480</b>           | (3,321,556)                |
|  |       | <b>388,098,488</b>         | <b>177,776,599</b>         |

The attached notes from 1 to 22 are an integral part of these condensed consolidated interim financial statements.

|   |  |  |
|---|--|--|
| <br><b>Waleed Al-Rebdi</b><br><i>Chief Financial Officer</i> | <br><b>Alison Rehill-Erguven</b><br><i>Chief Executive Officer</i> | <br><i>Board Member</i> |
|---|--|--|

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 31 March 2023

| Notes   | Attributable to shareholders of the Company |               |                   |                |                   |                | Non-Controlling interest | Total equity   |
|---|---|---------------|-------------------|----------------|-------------------|----------------|--------------------------|----------------|
|   | Share capital                               | Share premium | Statutory reserve | Other reserves | Retained earnings | Total          |                          |                |
| Balance at 1 January 2022 – Unaudited         | 4,750,000,000                               | 411,725,703   | 561,758,636       | 8,078,739      | 7,984,536,161     | 13,716,099,239 | 47,718,814               | 13,763,818,053 |
| Total comprehensive income for the period     | --  | --            | --                | --             | 175,178,554       | 175,178,554    | (3,321,556)              | 171,856,998    |
| Profit for the period                         | --  | --            | --                | 5,919,601      | --                | 5,919,601      | --                       | 5,919,601      |
| Other comprehensive income                    | --  | --            | --                | 5,919,601      | 175,178,554       | 181,098,155    | (3,321,556)              | 177,776,599    |
| Total comprehensive income for the period     | --  | --            | 77,543,151        | --             | (77,543,151)      | --             | --                       | --             |
| Transfer to statutory reserve                 | --  | --            | --                | --             | --                | --             | --                       | --             |
| Transactions with shareholders of the company | --  | --            | --                | --             | --                | --             | --                       | --             |
| Dividends                                     | --  | --            | --                | --             | (356,250,000)     | (356,250,000)  | --                       | (356,250,000)  |
| Balance at 31 March 2022 – Audited            | 4,750,000,000                               | 411,725,703   | 639,301,787       | 13,998,340     | 7,725,921,564     | 13,540,947,394 | 44,397,258               | 13,585,344,652 |
| Balance at 1 January 2023 – Audited           | 4,750,000,000                               | 411,725,703   | 722,492,544       | 16,511,299     | 8,118,388,376     | 14,019,117,922 | 49,482,783               | 14,068,600,705 |
| Total comprehensive income for the period     | --  | --            | --                | --             | 383,348,214       | 383,348,214    | 4,669,480                | 388,017,694    |
| Profit for the period                         | --  | --            | --                | 80,794         | --                | 80,794         | --                       | 80,794         |
| Other comprehensive income                    | --  | --            | --                | 80,794         | 383,348,214       | 383,429,008    | 4,669,480                | 388,098,488    |
| Total comprehensive income for the period     | --  | --            | --                | --             | --                | --             | --                       | --             |
| Transactions with shareholders of the company | --  | --            | --                | --             | --                | --             | --                       | --             |
| Dividends                                     | --  | --            | --                | --             | (356,250,000)     | (356,250,000)  | --                       | (356,250,000)  |
| Balance at 31 March 2023 – Unaudited          | 4,750,000,000                               | 411,725,703   | 722,492,544       | 16,592,093     | 8,145,486,590     | 14,046,296,930 | 54,152,263               | 14,100,449,193 |

The attached notes from 1 to 22 are an integral part of these condensed consolidated interim financial statements.

Waleed Al-Rebdi  
Chief Financial Officer

Alison Rehill-Erguven  
Chief Executive Officer

Board Member

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 31 March 2023

|  | Notes | Three-month<br>period ended<br>31 March 2023<br>Unaudited | Three-month<br>period ended<br>31 March 2022<br>Unaudited |
|--|-------|---|---|
| <b>Cash flows from operating activities:</b>                         |       |   |   |
| Profit before Zakat  |       | 400,385,265   | 203,260,699   |
| <i>Adjustments for:</i>  |       |   |   |
| - Depreciation on property and equipment                             |       | 4,194,792   | 6,552,687   |
| - Depreciation on right-of-use assets                                |       | --  | 4,167,331   |
| - Impairment loss on accounts receivable and accrued revenue rentals |       | 114,616,471   | (16,873,883)  |
| - Provision for employee benefits                                    |       | 1,807,885   | 3,157,876   |
| - Finance cost over loans and borrowings                             |       | 60,331,122  | 40,791,445  |
| - Finance cost over lease liabilities                                |       | 26,420,418  | 40,491,362  |
| - Share of loss of equity-accounted investee                         | 9     | 2,945,484   | 11,044,401  |
| - Gain on disposal of investment property                            | 15    | (238,668,127)   | --  |
| - Gain on lease termination  | 15    | (16,439,631)  | --  |
| - Fair value gain of other investments                               | 9     | --  | (92,548)  |
| - Lease rental concession  |       | (937,500)   | --  |
| - Impairment on advances to suppliers                                |       | --  | 8,263   |
| - Net fair value loss on investment properties                       | 8     | 51,741,101  | 74,125,659  |
|  |       | 406,397,280   | 366,633,292   |
| <i>Changes in:</i>   |       |   |   |
| - Accounts receivable  |       | (87,510,412)  | 56,039,819  |
| - Amounts due from related parties, net                              |       | 3,414,082   | (4,664,542)   |
| - Prepayments and other assets                                       |       | (22,301,776)  | (14,530,815)  |
| - Accounts payable and other liabilities                             |       | 58,194,684  | 23,772,831  |
| - Accrued revenue  |       | 5,936,171   | 4,527,727   |
| - Unearned revenue   |       | 80,096,042  | 40,773,687  |
| - Short term bank deposit  |       | (28,750,000)  | --  |
| <b>Cash generated from operating activities</b>                      |       | <b>415,476,071</b>  | <b>472,551,999</b>  |
| Employee benefits paid   |       | (476,153)   | (364,847)   |
| Zakat paid   |       | (8,120,594)   | (8,510,034)   |
| <b>Net cash from operating activities</b>                            |       | <b>406,879,324</b>  | <b>463,677,118</b>  |
| <b>Cash flows from investing activities:</b>                         |       |   |   |
| Additions to development properties                                  |       | (5,228,421)   | (16,470,610)  |
| Additions to investment properties, net                              |       | (621,951,401)   | (353,212,161)   |
| Acquisition of equity-accounted investee and others                  | 9     | (10,645,544)  | (3,535,000)   |
| Acquisition of property and equipment                                |       | (2,869,316)   | 2,715,757   |
| Proceeds from disposal of investment property                        | 8     | 644,548,184   | --  |
| <b>Net cash from / (used in) investing activities</b>                |       | <b>3,853,502</b>  | <b>(370,502,014)</b>                                      |

All amounts are presented in Saudi Riyals unless otherwise stated.

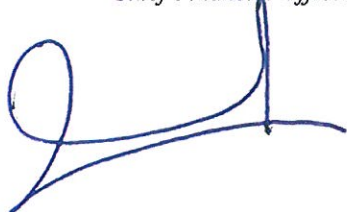
**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Condensed consolidated statement of cash flows (continued)**

For the three-month period ended 31 March 2023

|  | Notes | Three-month<br>period ended<br>31 March 2023<br>Unaudited | Three-month<br>period ended<br>31 March 2022<br>Unaudited |
|--|-------|---|---|
| <b>Cash flows from financing activities:</b>   |       |   |   |
| Proceeds from loans and borrowings   | 13    | 207,260,289   | 134,921,875   |
| Transaction costs paid during the period   | 13    | (10,000,000)  | 889,312   |
| Proceeds from Sukuk II Payable Deferred Premium  |       | —   | 40,078,125  |
| Payment of finance costs over loans and borrowings   |       | —   | 14,633,786  |
| Payment of dividend to shareholders  |       | (356,250,000)   | (356,250,000)   |
| Payments of lease liabilities  |       | (23,163,261)  | (33,448,875)  |
| <b>Net cash used in financing activities</b>   |       | <b>(182,152,972)</b>                                      | <b>(199,175,777)</b>                                      |
| Net increase / (decrease) in cash and cash equivalents                                     |       | 228,579,854   | (106,000,673)   |
| Cash and cash equivalents at the beginning of period                                       |       | 610,445,796   | 662,128,423   |
| <b>Cash and cash equivalents at end of the period</b>                                      |       | <b>839,025,650</b>  | <b>556,127,750</b>  |
| <b>Significant non-cash transactions:</b>  |       |   |   |
| - Capitalized finance costs for projects under construction                                |       | 78,913,233  | 48,564,056  |
| - Capitalized arrangement fees for projects under construction                             |       | 1,668,671   | 1,050,237   |
| - Capitalized finance cost over lease liabilities for projects under construction          |       | 8,924,089   | 9,018,621   |
| - Capitalized employee benefits for projects under construction and property and equipment |       | 4,123,129   | —   |
| - Transfer of investment property from related party                                       |       | —   | 85,039,100  |

The attached notes from 1 to 22 are an integral part of these condensed consolidated interim financial statements.

**Waleed Al-Rebdi**  
*Chief Financial Officer*



**Alison Rehill-Erguven**  
*Chief Executive Officer*



*Board Member*



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

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For the three-month period ended 31 March 2023

### 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.

On 29 December 2022, the shareholders approved the change of the fiscal year of the Company to 31 December from 31 March.

The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the New Law") came into force on 26/06/1444 H (corresponding to January 19, 2023) as well as the amended implementing regulations issued by the Capital Market Authority (CMA) based on the New Law. For certain provisions of the New Law and the amended CMA implementing regulations, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Law and will amend its By-laws with the amendments in the provisions required to align with the provisions of the New Law and the amended CMA implementing regulations, and with any other amendments that may take advantage of the New Law and the amended CMA implementing regulations. Consequently, the Company shall present the amended By-laws to the shareholders in its Extraordinary General Assembly meeting for their ratification.



# Arabian Centres Company (A Saudi Joint Stock Company)

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2023

### 1. Reporting entity (continued)

Following is the list of subsidiaries included in these condensed consolidated interim financial statements as at 31 March 2023 and 31 December 2022:

| 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 |
|----|---|--------------------------|--|------------------|--|------------------|--------------------|-------------------------|
|    |   |                          | 31 March 2023                                      | 31 December 2022 | 31 March 2023  | 31 December 2022 |                    |                         |
| 1  | Al Bawarij International for Development & Real Estate Investment Company                             | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 500,000            | 500                     |
| 2  | Al Makarem International for Real Estate Development Company  | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 500,000            | 500                     |
| 3  | Oyoun Al Raed Mall Trading  | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 100,000            | 100                     |
| 4  | Oyoun Al Basateen Company for Trading   | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 100,000            | 100                     |
| 5  | Al-Qassem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company | Kingdom of Saudi Arabia  | 50%  | 50%              | --   | --               | 500,000            | 500                     |
| 6  | Yarmouk Mall Company Limited  | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 500,000            | 500                     |
| 7  | Mall of Arabia Company Limited  | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 500,000            | 500                     |
| 8  | Dhahran Mall Trading Company Limited  | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 500,000            | 500                     |
| 9  | Al Noor Mall Trading Company Limited  | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 500,000            | 500                     |
| 10 | Al Yasmeen Mall Trading Company Limited   | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 100,000            | 100                     |
| 11 | Al Hamra Mall Trading Company Limited   | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 100,000            | 100                     |
| 12 | Al Erth Al Rasekh Trading Company Limited   | Kingdom of Saudi Arabia  | 95%  | 95%              | 5%   | 5%               | 100,000            | 100                     |
| 13 | Derayah Destination Arabia Diversified Fund   | Kingdom of Saudi Arabia  | 100%   | 100%             | --   | --               | --                 | --                      |
| 14 | Riyad Real Estate Development Fund – Jawharat AlRiyadh  | Kingdom of Saudi Arabia  | 100%   | 100%             | --   | --               | --                 | --                      |
| 15 | Riyad Real Estate Development Fund – Jawharat Jeddah  | Kingdom of Saudi Arabia  | 100%   | 100%             | --   | --               | --                 | --                      |



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

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For the three-month period ended 31 March 2023

## **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 period ended 31 December 2022 ("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
- Investment properties at fair value

## **4. Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Saudi Riyals ("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**

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 period ended 31 December 2022. A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning on 1 January 2023, however, they did not have any 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 31 March 2023

## 7. Standards issued but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed consolidated interim financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- 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.

## 8. Investment properties

|   | Notes | 31 March<br>2023<br>Unaudited | 31 December<br>2022<br>Audited |
|---|-------|-------------------------------|--------------------------------|
| Investment properties                           | 8A    | 22,654,052,675                | 22,345,814,321                 |
| Advance payment for projects under construction | 8B    | 1,085,528,125                 | 729,927,057                    |
|   |       | <b>23,739,580,800</b>         | <b>23,075,741,378</b>          |

### A. Investment properties

|   | Notes | 31 March<br>2023<br>Unaudited | 31 December<br>2022<br>Audited |
|---|-------|-------------------------------|--------------------------------|
| Balance at the beginning of the period                |       | 22,751,694,378                | 23,366,553,661                 |
| Additions during the period                           |       | 359,979,455                   | 620,277,916                    |
| Disposal during the period                            | (i)   | (405,880,057)                 | (253,812,000)                  |
| Disposal on sale of subsidiary                        |       | --                            | (557,480,304)                  |
| Impact of reassessment of lease                       |       | --                            | (479,055,119)                  |
| Depreciation on right-of-use asset                    |       | --                            | (5,550,331)                    |
| Net fair value (loss) / gain on investment properties | (ii)  | (51,741,101)                  | 60,760,555                     |
| Balance at the end of the period                      | (v)   | <b>22,654,052,675</b>         | <b>22,751,694,378</b>          |

### Presented in condensed consolidated statement of financial position as:

|                       |     |                       |                       |
|-----------------------|-----|-----------------------|-----------------------|
| Investment properties |     | 22,654,052,675        | 22,345,814,321        |
| Asset held for sale   | (i) | --                    | 405,880,057           |
|                       |     | <b>22,654,052,675</b> | <b>22,751,694,378</b> |

- i. During the three-month period ended 31 March 2023, the Group disposed off a portion of the Jawharat Riyadh land for a total consideration of **SR 644.5 million** resulting in a gain of **SR 238.6 million** which has been recorded under other operating income in the condensed consolidated statement of profit or loss.

During the nine-month period ended 31 December 2022, the Group disposed off the Olaya land for a total consideration of **SR 230 million** resulting in a loss on disposal of **SR 23.3 million** which was recorded under other expenses in the consolidated statement of profit or loss.

- ii. During the three-month period ended 31 March 2023, the Group terminated a project under development and related land operating lease agreement. Fair value loss for the period includes a loss of **SR 142.6 million** relating to termination of the project under development.

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

For the three-month period ended 31 March 2023

**8. Investment properties (continued)**

**A. Investment properties (continued)**

- iii. On 15 May 2022, there was partial fire outbreak at the Mall of Dhahran in the Eastern Province of Saudi Arabia. The mall was closed for a short period and reopened its doors on 7 June 2022, with an exception to some damaged area that is currently under restoration. The impact of the fire outbreak has been factored in by the valuers in the fair value of the mall as at 31 March 2023. Surveyors are in the process of assessing the extent of loss, following which the Group will file a claim for reimbursement with the insurers.
- iv. All leasehold interests meet the definition of an investment property and, accordingly, the Group has accounted for the right-of-use assets as part of investment property as allowed by IFRS 16. The lands are restricted to be used for commercial purposes in relation to the Group's businesses and the right to renew the lease is based on mutual agreements between the parties. If the respective leases are not renewed the land and buildings will be transferred to the lessors at the end of the lease term.
- v. The carrying amount at reporting date includes the fair value for following:

|   | <b>31 March<br/>2023<br/>Unaudited</b> | 31 December<br>2022<br>Audited |
|---|--|--------------------------------|
| Shopping malls at owned lands             | <b>10,997,690,908</b>                  | 11,001,779,497                 |
| Shopping malls at leasehold lands         | <b>6,379,744,114</b>                   | 6,496,382,519                  |
| Owned lands held as investment properties | <b>289,793,460</b>                     | 290,359,220                    |
| Projects under construction               | <b>4,986,824,193</b>                   | 4,963,173,142                  |
|   | <b>22,654,052,675</b>                  | 22,751,694,378                 |

vi. Fair value of investment properties

a) *Fair value hierarchy*

The fair value measurement for investment property of **SR 22,654 million** (31 December 2022: SR 22,752 million) has been categorized as a level 3 fair value based on the significant unobservable inputs adopted by the valuer in the valuation technique used which are future retail rental payment terms; discount rates; and capitalization rate (yields).

The fair value of investment properties as at the reporting dates for all properties, whether owned or leased, is determined by independent external valuers with appropriate qualifications and experience in the valuation of properties. The effective dates of the valuations are 31 March 2023, 31 December 2022 and are prepared in accordance with Royal Institution of Chartered Surveyors ("RICS") Global Standards 2020 which comply with the international valuation standards and the RICS Professional Standards.

b) *Inter-relationship between key unobservable inputs and fair value measurement*

**31 March 2023**

| Property                         | Fair value<br>SR million | Valuation<br>technique    | Significant<br>unobservable input | Range       |
|----------------------------------|--------------------------|---------------------------|-----------------------------------|-------------|
| Shopping Malls                   | 17,377                   | Discounted<br>cash flows  | Occupancy (%)                     | 66% - 100%  |
|                                  |                          |                           | Future rent growth (%)            | 2%-5%       |
|                                  |                          |                           | Discount rate (%)                 | 10% - 21%   |
| Properties under<br>construction | 4,987                    | Discounted<br>cash flows  | Occupancy (%)                     | 90%-95%     |
|                                  |                          |                           | Future rent growth (%)            | 2%          |
|                                  |                          |                           | Discount rate (%)                 | 12% - 16%   |
| Owned land                       | 290                      | Comparable<br>transaction | Average price (SR<br>/sqm)        | 210 - 8,375 |

The estimated fair value would increase/(decrease) if the discount rates were lower/(higher) and/or the growth rates and occupancy% were higher/(lower).

**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements (continued)**  
For the three-month period ended 31 March 2023

**8. Investment properties (continued)**

**A. Investment properties (continued)**

vi. Fair value of investment properties (continued)

b) *Inter-relationship between key unobservable inputs and fair value measurement (continued)*

**31 December 2022**

| Property                         | Fair value<br>SR million | Valuation<br>technique    | Significant<br>unobservable input                            | Range                            |
|----------------------------------|--------------------------|---------------------------|--|----------------------------------|
| Shopping Malls                   | 17,498                   | Discounted<br>cash flows  | Occupancy (%)<br>Future rent growth (%)<br>Discount rate (%) | 66% - 100%<br>2%-5%<br>10% - 21% |
| Properties under<br>construction | 4,964                    | Discounted<br>cash flows  | Occupancy (%)<br>Future rent growth (%)<br>Discount rate (%) | 90%-95%<br>2%<br>12% - 16%       |
| Owned land                       | 290                      | Comparable<br>transaction | Average price (SR /sqm)                                      | 210 – 8,834                      |

c) *Reconciliation of fair value as per fair valuer to accounting fair value*

Accrued lease income at the reporting date, relating to the accounting for operating lease rentals on a straight line basis as per IFRS 16 and lease liabilities have been adjusted from the fair valuation as per fair valuer, in order to avoid double counting of assets and liabilities, as mentioned below:

|   | <b>31 March<br/>2023<br/>Unaudited</b> | <b>31 December<br/>2022<br/>Audited</b> |
|---|--|---|
| Fair value of land and buildings as per valuer        | <b>20,405,475,520</b>                  | 20,456,023,688                          |
| Less: Adjustment for accrued operating lease income   | <b>(252,188,836)</b>                   | (273,589,239)                           |
| Add: carrying amount of lease liabilities             | <b>2,500,765,991</b>                   | 2,569,259,929                           |
| <b>Total carrying amount of investment properties</b> | <b>22,654,052,675</b>                  | 22,751,694,378                          |

vii. Amounts recognized in profit or loss for investment property that generated income.

|  | <b>Three-month period ended</b>    |                                    |
|--|------------------------------------|------------------------------------|
|  | <b>31 March 2023<br/>Unaudited</b> | <b>31 March 2022<br/>Unaudited</b> |
| Revenue from investment property                                     | <b>576,782,088</b>                 | 519,168,004                        |
| Direct operating expenses on properties that generated rental income | <b>85,635,642</b>                  | 73,113,096                         |

viii. The following table shows the valuation technique to measure fair value of investment property

|                        |   |
|------------------------|---|
| Discounted cash flows  | The gross fair value (net costs to complete), as applicable, is derived using DCF and is benchmarked against net initial yield.             |
| Comparable transaction | Properties held for future development are valued using comparable methodology which involves analyzing other relevant market transactions. |



**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements (continued)**  
For the three-month period ended 31 March 2023

## 8. Investment properties (continued)

### B. Advance payments for projects under construction

It represents advance payments to the contractor 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 ended 31 March 2023 | Three-month period ended 31 March 2022 | 31 March 2023 Unaudited | 31 December 2022 Audited |
| Lynx Contracting Company | Limited Liability | Affiliate    | 99,450,163                             | 223,022,117                            | 1,077,548,089           | 720,068,772              |
| Other                    |                   |              |  |  | 7,980,036               | 9,858,285                |
|                          |                   |              |  |  | <b>1,085,528,125</b>    | <b>729,927,057</b>       |

With the consent of the shareholders of the Company, the Company has signed a framework agreement for the construction of all projects with the Lynx Contracting Company.

## 9. Investment in equity accounted investee and others

|   |              | 31 March 2023 Unaudited | 31 December 2022 Audited |
|---|--------------|-------------------------|--------------------------|
|   | <i>Notes</i> |                         |                          |
| Investment in Joint venture and associate | 9A           | 71,414,783              | 63,714,723               |
| Investment in real estate fund at FVTPL   | 9B           | 1,159,414               | 1,159,414                |
|   |              | <b>72,574,197</b>       | <b>64,874,137</b>        |

### A. Investment in Joint venture and associate

| Name of an entity                                       |             | 31 March 2023 Unaudited | 31 December 2022 Audited |
|---|-------------|-------------------------|--------------------------|
|   | <i>Note</i> |                         |                          |
| FAS Lab Holding Company (Joint Venture)                 | (i)         | 71,164,783              | 63,714,723               |
| Khozam Mall Real Estate Development Company (Associate) | (ii)        | 250,000                 | --                       |
|   |             | <b>71,414,783</b>       | <b>63,714,723</b>        |

- This represents a 50% equity investment in the share capital of FAS Lab Holding Company, a limited liability company incorporated in the Kingdom of Saudi Arabia, which is engaged primarily in leading the digital initiatives of the Group including but not limited to providing the malls visitors and shoppers with a specialized and advanced loyalty program, simplified and innovative consumer financing solutions and an e-commerce platform.
- This represents a 50% equity investment in the share capital of Khozam Mall Real Estate Development Company, a closed joint stock Company incorporated in the Kingdom of Saudi Arabia, which is engaged primarily in the construction of real estate projects. The Company has been established during the year and is yet to commence commercial operations.



**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements (continued)**  
For the three-month period ended 31 March 2023

**9. Investment in equity accounted investee and others (continued)**

**A. Investment in Joint venture and associate (continued)**

i. Reconciliation of carrying amount

| <b>FAS Lab Holding Company (Joint Venture)</b> | <b>Opening balance</b> | <b>Additions</b>  | <b>Share in losses</b> | <b>Other comprehensive loss</b> | <b>Ending balance</b> |
|--|------------------------|-------------------|------------------------|---------------------------------|-----------------------|
| <b>31 March 2023- Unaudited</b>                | <b>63,714,723</b>      | <b>10,395,544</b> | <b>(2,945,484)</b>     | <b>---</b>                      | <b>71,164,783</b>     |
| <b>31 December 2022- Audited</b>               | <b>63,783,826</b>      | <b>8,013,722</b>  | <b>(7,159,334)</b>     | <b>(923,491)</b>                | <b>63,714,723</b>     |

| <b>Khozam Mall Real Estate Development Company (Associate)</b> | <b>Opening balance</b> | <b>Additions</b> | <b>Share in losses</b> | <b>Other comprehensive loss</b> | <b>Ending balance</b> |
|--|------------------------|------------------|------------------------|---------------------------------|-----------------------|
| <b>31 March 2023- Unaudited</b>                                | <b>--</b>              | <b>250,000</b>   | <b>--</b>              | <b>--</b>                       | <b>250,000</b>        |

ii. Summarized financial statements – FAS Lab Holding Company

|                   | <b>31 March 2023</b> | <b>31 December 2022</b> |
|-------------------|----------------------|-------------------------|
|                   | <b>Unaudited</b>     | <b>Audited</b>          |
| Assets            | <b>319,060,295</b>   | 294,510,053             |
| Liabilities       | <b>(142,992,401)</b> | (136,527,133)           |
| <b>Net Assets</b> | <b>176,067,894</b>   | 157,982,920             |

|   |                    |              |
|---|--------------------|--------------|
| Revenue   | <b>114,673,253</b> | 389,720,819  |
| Operating loss  | <b>(3,712,196)</b> | (12,685,030) |
| Total comprehensive loss  | <b>(3,229,493)</b> | (11,140,002) |
| Loss for the period attributable to shareholders of the company | <b>(3,866,628)</b> | (14,318,667) |

**B. Investment in a real estate fund at FVTPL**

| <b>Name of the real estate fund</b> | <b>31 March 2023</b> | <b>31 December 2022</b> |
|-------------------------------------|----------------------|-------------------------|
|                                     | <b>Unaudited</b>     | <b>Audited</b>          |
| <b>Al Jawhara Real Estate Fund</b>  | <b>1,159,414</b>     | 1,159,414               |

This represents equity investment in Al Jawhara Real Estate Fund (formerly known as Digital City Fund) purchased for SR 6.8 million. During the nine-month period ended December 31, 2022, the Group sold units in the fund and realized a gain on disposal of investment of SR 180,000 in the consolidated statement of profit or loss. As at 31 March 2023, the net asset value (NAV) of the investment amounted to SR 1.2 million (31 December 2022: SR 1.2 million) and no unrealized gain has been recognized in the consolidated statement of profit or loss (31 December 2022: gain of SR 0.38 million).

**10. Cash and cash equivalents**

|                                  | <b>31 December 2023</b> | <b>31 December 2022</b> |
|----------------------------------|-------------------------|-------------------------|
|                                  | <b>Unaudited</b>        | <b>Audited</b>          |
| Bank balances – current accounts | <b>799,076,855</b>      | 378,077,716             |
| Cheques under collection         | <b>39,000,000</b>       | 231,323,093             |
| Cash in hand                     | <b>948,795</b>          | 1,044,987               |
|                                  | <b>839,025,650</b>      | 610,445,796             |

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

For the three-month period ended 31 March 2023

## **11. 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 remunerations of directors and other key management personnel ('KMP') during the three-month period ended 31 March are as follows:

|                                   | <b>31 March<br/>2023<br/>Unaudited</b> | <b>31 March<br/>2022<br/>Unaudited</b> |
|-----------------------------------|--|--|
| End of service benefits           | <b>4,575,597</b>                       | 2,524,989                              |
| Salaries and short-term benefits  | <b>3,526,989</b>                       | 2,950,500                              |
| Total key management compensation | <b>8,102,586</b>                       | 5,475,489                              |

### **B. Related party transactions and balances**

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

|                                 | <b>31 March<br/>2023<br/>Unaudited</b> | <b>31 December<br/>2022<br/>Audited</b> |
|---------------------------------|--|---|
| Amount due from related parties | <b>430,229,205</b>                     | 417,815,065                             |
| Amount due to related parties   | <b>(22,167,680)</b>                    | (6,339,458)                             |
|                                 | <b>408,061,525</b>                     | 411,475,607                             |

# Arabian Centres Company (A Saudi Joint Stock Company)

## Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 31 March 2023

### 11. Related party transactions and balances (continued)

#### B. Related party transactions and balances (continued)

*U - 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 received |              |            | Total        | Balance as at 31 March 2023 |
|---|----------------------------|--|--------------|------------|--------------|-----------------------------|
|   |                            | Security services received                       | Others       |            |              |                             |
| 31 March 2023-Unaudited   |                            |  |              |            |              |                             |
| Transactions with ultimate shareholder  |                            |  |              |            |              |                             |
| Saudi FAS Holding Company   | Closed Joint Stock Company | 822,676  | --           | --         | 822,676      | --                          |
| Transactions with fellow subsidiaries (subsidiaries of shareholder)           |                            |  |              |            |              |                             |
| Fawaz Abdulaziz Al Hokair Company and its subsidiaries                        | Joint Stock Company        | 91,758,957                                       | --           | --         | 91,758,957   | 105,798,290                 |
| Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries | Joint Stock Company        | 5,638,931  | --           | --         | 5,638,931    | 13,175,642                  |
| Salman & Sons Holding Co and its associates                                   | Limited Liability Company  | 14,975,335                                       | --           | --         | 14,975,335   | 102,489,903                 |
| Majd Al Amal Co. Limited and its associates                                   | Limited Liability Company  | 5,853,487  | --           | --         | 5,853,487    | 55,032,830                  |
| Tadaris Alnajd Security Company   | Limited Liability Company  | --   | (15,527,830) | --         | (15,527,830) | 10,811,051                  |
| Ezdihar Holding Co and its subsidiaries                                       | Limited Liability Company  | 12,568,846                                       | --           | --         | 12,568,846   | 105,424,475                 |
| Others, net   | Limited Liability Company  | 1,615,969  | (3,175,244)  | (824,052)  | (2,383,327)  | 15,329,334                  |
|   |                            | 133,234,201                                      | (18,703,074) | (824,052)  | 113,707,075  | 408,061,525                 |
| 31 December 2022-Audited  |                            |  |              |            |              |                             |
| Transactions during the three-month period ended 31 March 2022                |                            |  |              |            |              |                             |
| Transactions with ultimate shareholder  |                            |  |              |            |              |                             |
| Saudi FAS Holding Company   | Closed Joint Stock Company | 494,335  | --           | 15,530,951 | 16,025,286   | --                          |
| Transactions with fellow subsidiaries (subsidiaries of shareholder)           |                            |  |              |            |              |                             |
| FAS Holding Company for Hotels and its subsidiaries                           | Joint Stock Company        | --   | --           | 66,295,172 | 66,295,172   | 158,196,905                 |
| Fawaz Abdulaziz Al Hokair Company and its subsidiaries                        | Joint Stock Company        | 94,854,021                                       | --           | --         | 94,854,021   | --                          |
| Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries | Joint Stock Company        | 6,442,914  | --           | --         | 6,442,914    | 16,177,998                  |
| Salman & Sons Holding Co and its associates                                   | Limited Liability Company  | 12,196,593                                       | --           | --         | 12,196,593   | 90,313,341                  |
| Majd Al Amal Co. Limited and its associates                                   | Limited Liability Company  | 5,889,429  | --           | --         | 5,889,429    | 47,670,205                  |
| Tadaris Alnajd Security Company   | Limited Liability Company  | --   | --           | --         | --           | 3,637,973                   |
| Ezdihar Holding Co and its subsidiaries                                       | Limited Liability Company  | 13,333,700                                       | --           | --         | 13,333,700   | 88,138,532                  |
| Others, net   | Limited Liability Company  | 1,422,064  | --           | --         | 1,422,064    | 7,340,653                   |
|   |                            | 134,633,056                                      | --           | 81,826,123 | 216,459,179  | 411,475,607                 |

**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements (continued)**  
For the three-month period ended 31 March 2023

## 12. Dividends distribution

### 31 March 2023

- i. On 1 January 2023, the Board of Directors resolved to distribute an interim dividend for the first half of period ended 31 December 2022 amounting to SR 0.75 per share aggregating to SR 356,250,000. The dividend was paid on 12 February 2023.

### 31 December 2022

- i. On 2 July 2022, the Board of Directors resolved to distribute an interim dividend for the second half of the year ended 31 March 2022 amounting to SR 0.75 per share aggregating to SR 356,250,000. The dividend was paid on 26 July 2022.

## 13. Loans and borrowings

|   | 31 March<br>2023<br>Unaudited | 31 December<br>2022<br>Audited |
|---|-------------------------------|--------------------------------|
| <i>Note</i>   |                               |                                |
| Islamic facility with banks (i)                       | 3,406,121,575                 | 3,206,842,927                  |
| Sukuk (ii)  | 5,133,149,337                 | 5,130,147,302                  |
| <i>13 B</i>   | 8,539,270,912                 | 8,336,990,229                  |
| <b>Loans and Borrowings - Current liabilities</b>     | <b>903,315,625</b>            | <b>903,315,625</b>             |
| <b>Loans and Borrowings - Non-current liabilities</b> | <b>7,635,955,287</b>          | <b>7,433,674,604</b>           |
|   | <b>8,539,270,912</b>          | <b>8,336,990,229</b>           |

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 18.

### A. Terms and repayment

#### i. Facility 1

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 a 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). These facilities are fully utilized as at reporting date.

The long-term loan is repayable in unequal semi-annual instalments and are subject to commission rates based on SIBOR/LIBOR plus an agreed commission rate. 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 18*.

The facilities are secured by insurance policies, proceeds of rental income, and land and buildings of several malls.

During the nine-month period ended 31 December 2022, the Group borrowed an additional SR 575 million from the existing Revolving Murabaha Facility.

#### Facility 2

During the period ended 31 December 2022, a subsidiary of the Group has entered into a long-term Islamic facility arrangement amounting to SR 800 million with a local bank.

During the period ended 31 March 2023, a subsidiary of the Group has entered into a long-term Islamic facility arrangement amounting to SR 1,000 million with a local bank.

The long-term loan is repayable in unequal semi-annual instalments and are subject to commission rates based on SIBOR plus an agreed commission rate. The facilities are secured by Lands.

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

For the three-month period ended 31 March 2023

**13. Loans and borrowings (continued)**

During the three-month period ended 31 March 2023, the Group has drawn-down **SR 207 million** (period ended 31 December 2022: SR 63 million) from the facilities.

The above facility agreements contain covenants, which among other things, require certain financial ratios to be maintained.

ii. Sukuk

- a) 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 of 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.
- b) 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 issued additional Sukuk II certificates amounting to USD 225 million (equivalent SR 843.75 million), at a premium of 4.75%. Sukuk Certificates may be subject to early redemption at the option of the Company as per specified conditions mentioned in the Sukuk Certificate.

**B. Reconciliation of carrying amount**

|  | Notes | Islamic facility<br>with banks | Sukuk                | Total                |
|--|-------|--------------------------------|----------------------|----------------------|
| Balance at 1 April 2022                        |       | 2,723,415,669                  | 5,156,200,000        | 7,879,615,669        |
| Proceeds received during the year              |       | 638,308,994                    |                      | 638,308,994          |
| Repayments made during the year                |       | (102,563,584)                  |                      | (102,563,584)        |
|  | (i)   | 3,259,161,079                  | 5,156,200,000        | 8,415,361,079        |
| Un-amortized transaction costs                 | (ii)  | (52,318,152)                   | (53,478,788)         | (105,796,940)        |
| Deferred Sukuk premium                         | (iii) | --                             | 27,426,090           | 27,426,090           |
| Balance at 31 December 2022-<br>Audited        |       | 3,206,842,927                  | 5,130,147,302        | 8,336,990,229        |
| Balance at 1 January 2023                      |       | 3,259,161,079                  | 5,156,200,000        | 8,415,361,079        |
| Proceeds received during the period            |       | 207,260,289                    | --                   | 207,260,289          |
| Repayments made during the period              |       | --                             | --                   | --                   |
|  | (i)   | 3,466,421,368                  | 5,156,200,000        | 8,622,621,368        |
| Un-amortized transaction costs                 | (ii)  | (60,299,793)                   | (48,675,039)         | (108,974,832)        |
| Deferred Sukuk premium                         | (iii) | --                             | 25,624,376           | 25,624,376           |
| <b>Balance at 31 March 2023-<br/>Unaudited</b> |       | <b>3,406,121,575</b>           | <b>5,133,149,337</b> | <b>8,539,270,912</b> |



**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements (continued)**  
For the three-month period ended 31 March 2023

**13. Loans and borrowings (continued)**

**B. Reconciliation of carrying amount (continued)**

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

|                                 | Islamic facility<br>with banks | Sukuk                | Total                |
|---------------------------------|--------------------------------|----------------------|----------------------|
| <b>31 December 2022-Audited</b> |                                |                      |                      |
| Within one year                 | 903,315,625                    | --                   | 903,315,625          |
| Between two to five years       | 1,312,147,537                  | 5,156,200,000        | 6,468,347,537        |
| More than five years            | 1,043,697,917                  | --                   | 1,043,697,917        |
|                                 | <b>3,259,161,079</b>           | <b>5,156,200,000</b> | <b>8,415,361,079</b> |
| <b>31 March 2023-Unaudited</b>  |                                |                      |                      |
| Within one year                 | <b>903,315,625</b>             | --                   | <b>903,315,625</b>   |
| Between two to five years       | <b>1,519,407,826</b>           | <b>5,156,200,000</b> | <b>6,675,607,826</b> |
| More than five years            | <b>1,043,697,917</b>           | --                   | <b>1,043,697,917</b> |
|                                 | <b>3,466,421,368</b>           | <b>5,156,200,000</b> | <b>8,622,621,368</b> |

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

|   | Islamic facility<br>with banks | Sukuk              | Total              |
|---|--------------------------------|--------------------|--------------------|
| Balance at 1 April 2022                   | 53,463,354                     | 67,890,041         | 121,353,395        |
| Arrangement fees paid                     | 5,118,750                      | --                 | 5,118,750          |
| Amortization for the year                 | (4,650,111)                    | (11,969,122)       | (16,619,233)       |
| Capitalized arrangement fees              | (1,613,841)                    | (2,442,131)        | (4,055,972)        |
| Balance at 31 December 2022-Audited       | 52,318,152                     | 53,478,788         | 105,796,940        |
| Balance at 1 January 2023                 | <b>52,318,152</b>              | <b>53,478,788</b>  | <b>105,796,940</b> |
| Arrangement fees paid                     | <b>10,000,000</b>              | --                 | <b>10,000,000</b>  |
| Amortization for the period               | <b>(1,162,783)</b>             | <b>(3,990,654)</b> | <b>(5,153,437)</b> |
| Capitalized arrangement fees              | <b>(855,576)</b>               | <b>(813,095)</b>   | <b>(1,668,671)</b> |
| <b>Balance at 31 March 2023-Unaudited</b> | <b>60,299,793</b>              | <b>48,675,039</b>  | <b>108,974,832</b> |

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<br>with banks | Sukuk              | Total              |
|---|--------------------------------|--------------------|--------------------|
| Balance at 1 April 2022                   | --                             | 32,911,308         | 32,911,308         |
| Addition during the year                  | --                             | --                 | --                 |
| Amortization for the period               | --                             | (5,485,218)        | (5,485,218)        |
| Balance at 31 December 2022-Audited       | --                             | 27,426,090         | 27,426,090         |
| Balance at 1 January 2023                 | --                             | <b>27,426,090</b>  | <b>27,426,090</b>  |
| Amortization for the period               | --                             | <b>(1,801,714)</b> | <b>(1,801,714)</b> |
| <b>Balance at 31 March 2023-Unaudited</b> | --                             | <b>25,624,376</b>  | <b>25,624,376</b>  |

**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements (continued)**  
For the three-month period ended 31 March 2023

## 14. Revenue

|  |      | Three-month<br>period ended<br>31 March<br>2023<br>Unaudited | Three-month<br>period ended<br>31 March<br>2022<br>Unaudited |
|--|------|--|--|
|  | Note |  |  |
| Rental income                                      | (i)  | 532,445,841  | 477,306,634  |
| Service and management fee income                  |      | 24,463,819   | 30,249,068   |
| Turnover rent                                      |      | 19,043,733   | 10,866,580   |
| Commission income on provisions for utilities, net |      | 828,695  | 745,722  |
|  |      | <b>576,782,088</b>   | <b>519,168,004</b>   |

- i. Rental income includes related maintenance and service charge 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<br>period ended<br>31 March<br>2023<br>Unaudited | Three-month<br>period ended<br>31 March<br>2022<br>Unaudited |
|---|--|--|
| Within one year                             | 1,672,335,372  | 1,711,178,874  |
| After one year but not more than five years | 2,010,763,675  | 1,914,060,983  |
| More than five years                        | 284,401,112  | 410,990,333  |
|   | <b>3,967,500,159</b>   | <b>4,036,230,190</b>   |

## 15. Other operating income

|   | Three-month<br>period ended<br>31 March<br>2023<br>Unaudited | Three-month<br>period ended<br>31 March<br>2022<br>Unaudited |
|---|--|--|
| Gain on sale of investment property (Note 8A(i))  | 238,668,127  | --   |
| Gain on termination of lease                      | 16,439,631   | --   |
| Recovery of written off receivables               | 10,776,469   | --   |
| Waiver of amount payable to disposed subsidiaries | --   | 18,129,016   |
| Others  | 1,996,507  | 1,888,602  |
|   | <b>267,880,734</b>   | <b>20,017,618</b>  |

## 16. Earnings per share

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

|  | Three-month period ended<br>31 March<br>2023<br>Unaudited | 31 March<br>2022<br>Unaudited |
|--|---|-------------------------------|
| Profit attributable to ordinary shareholders | 383,348,214   | 175,178,554                   |
| Weighted average number of ordinary shares   | 475,000,000   | 475,000,000                   |
| Basic and diluted earnings per share         | <b>0.81</b>   | <b>0.37</b>                   |

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

For the three-month period ended 31 March 2023

## 17. 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 the consolidated statement of comprehensive income.

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

## 18. Financial instruments - fair values and risk management

### A. Accounting classification and fair values

Financial instruments have been categorized as follows:

|                                    |              | 31 March<br>2023<br>Unaudited | 31 December<br>2022<br>Audited |
|------------------------------------|--------------|-------------------------------|--------------------------------|
| <b>Financial Assets</b>            | <i>Notes</i> |                               |                                |
| Other investments                  | 9            | 1,159,414                     | 1,159,414                      |
| Other financial receivables        |              | 104,224,034                   | 104,486,404                    |
| Amounts due from related parties   | 11           | 430,229,205                   | 417,815,065                    |
| Accounts receivable                |              | 376,572,393                   | 388,214,220                    |
| Profit rate swaps used for hedging |              | 7,124,755                     | 7,043,961                      |
| Cash and cash equivalents          | 10           | 839,025,650                   | 610,445,796                    |
|                                    |              | <b>1,758,335,451</b>          | <b>1,529,164,860</b>           |
| <b>Financial Liabilities</b>       |              |                               |                                |
| Loans and borrowings               | 13           | 8,539,270,912                 | 8,336,990,229                  |
| Lease liabilities                  |              | 2,634,080,479                 | 2,639,276,382                  |
| Accounts payable                   |              | 121,359,506                   | 118,951,524                    |
| Other liabilities                  |              | 422,017,457                   | 204,162,320                    |
| Amount due to related party        | 11           | 22,167,680                    | 6,339,458                      |
| Tenants' security deposits         |              | 159,793,626                   | 158,673,106                    |
|                                    |              | <b>11,898,689,660</b>         | <b>11,464,393,019</b>          |

The following table presents the Group's financial instruments measured at fair value at 31 March 2023 and 31 December 2022:

|   |                 | 31 March 2023-Unaudited  |           |           |           |
|---|-----------------|--------------------------|-----------|-----------|-----------|
|   | Carrying amount | Fair value               |           |           |           |
|   |                 | Level 1                  | Level 2   | Level 3   | Total     |
| Financial assets                                  |                 |                          |           |           |           |
| FVTPL – equity instruments (a)                    |                 |                          |           |           |           |
| Al Jawhara Real Estate Fund                       | 1,159,414       | --                       | --        | 1,159,414 | 1,159,414 |
| Derivatives designated as hedging instruments (b) | 7,124,755       | --                       | 7,124,755 | --        | 7,124,755 |
|   |                 |                          |           |           |           |
|   |                 | 31 December 2022-Audited |           |           |           |
|   | Carrying amount | Fair value               |           |           |           |
|   |                 | Level 1                  | Level 2   | Level 3   | Total     |
| Financial assets                                  |                 |                          |           |           |           |
| FVTPL – equity instruments (a)                    |                 |                          |           |           |           |
| Al Jawhara Real Estate Fund                       | 1,159,414       | --                       | --        | 1,159,414 | 1,159,414 |
| Derivatives designated as hedging instruments (b) | 7,043,961       | --                       | 7,043,961 | --        | 7,043,961 |

## **18. Financial instruments - fair values and risk management (continued)**

### **A. Accounting classification and fair values (continued)**

- (a) The valuation is derived based on net asset value of the fund which is based on market multiples derived from comparable companies to the investee and adjusted for non-marketability of the investee.
- (b) The fair value of commission rate swaps has been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectation of future interest rates, representing Level 2 in the IFRS 13 fair value hierarchy.

### **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 positive 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 | 31 March<br>2023 | 31 December<br>2022 |
|---|--------------------|------------|------------------|---------------------|
|   |                    |            | Unaudited        | Audited             |
| Commission payments on floating rate loan | IRS                | Positive   | 7,124,755        | 7,043,961           |

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 31 March 2023. 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.



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

### C. Financial risk management (continued)

#### i. Credit risk (continued)

##### 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.

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 31 March 2023.

|                    | 31 March 2023-Unaudited |                       |                    |
|--------------------|-------------------------|-----------------------|--------------------|
|                    | Gross Carrying amount   | Weighted-average loss | Loss Allowance (%) |
| 0-90 days          | 107,733,095             | 21,615,843            | 20%                |
| 91-180 days        | 94,276,623              | 22,939,389            | 24%                |
| 181-270 days       | 95,754,239              | 27,949,605            | 29%                |
| 271-360 days       | 69,726,548              | 21,156,759            | 30%                |
| 361-450 days       | 35,752,898              | 13,611,242            | 38%                |
| 451-540 days       | 38,937,974              | 15,691,809            | 40%                |
| 541-630 days       | 32,794,116              | 16,248,612            | 50%                |
| 631-720 days       | 32,044,530              | 18,292,301            | 57%                |
| More than 720 days | 116,021,011             | 88,963,081            | 77%                |
|                    | <b>623,041,034</b>      | <b>246,468,641</b>    |                    |

|                    | 31 December 2022-Audited |                       |                    |
|--------------------|--------------------------|-----------------------|--------------------|
|                    | Gross Carrying amount    | Weighted-average loss | Loss Allowance (%) |
| 0-90 days          | 110,173,161              | 13,707,754            | 12%                |
| 91-180 days        | 99,288,349               | 16,421,056            | 17%                |
| 181-270 days       | 86,585,249               | 15,381,037            | 18%                |
| 271-360 days       | 44,653,878               | 11,210,581            | 25%                |
| 361-450 days       | 44,176,668               | 13,460,611            | 30%                |
| 451-540 days       | 36,635,522               | 13,984,109            | 38%                |
| 541-630 days       | 33,821,347               | 14,963,099            | 44%                |
| 631-720 days       | 29,279,546               | 15,327,850            | 52%                |
| More than 720 days | 75,001,342               | 56,944,745            | 76%                |
|                    | <b>559,615,062</b>       | <b>171,400,842</b>    |                    |



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

### C. Financial risk management (continued)

#### i. Credit risk (continued)

##### Accounts Receivable (continued)

During the three-month period ended 31 March 2023, the Group has written off receivables amounting to **Nil** (Nine-month period ended 31 December 2022: SR 77.9 million). In addition, the group has directly charged to profit or loss an amount of **SR 39.5 million** (Nine-month period ended 31 December 2022: SR 14.6 million) on account of impairment of accrued revenue.

##### 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 11B). 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 operate. 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 31 March 2023

**18. 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                 |
|--|-----------------------|----------------------|-------------------------|-----------------------|-----------------------|----------------------|-----------------------|
| <b>31 March 2023-Unaudited</b>                   |                       |                      |                         |                       |                       |                      |                       |
| Accounts payable                                 | 121,359,506           | 121,359,506          | --                      | --                    | --                    | --                   | 121,359,506           |
| Tenants' security deposits                       | 159,793,626           | 71,900,763           | 29,652,725              | 37,519,684            | 20,404,734            | 315,720              | 159,793,626           |
| Other liabilities                                | 422,017,457           | 422,017,457          | --                      | --                    | --                    | --                   | 422,017,457           |
| Due to related parties                           | 22,167,680            | 22,167,680           | --                      | --                    | --                    | --                   | 22,167,680            |
| Lease liabilities                                | 2,634,080,479         | 282,785,120          | 151,213,308             | 227,133,390           | 664,619,631           | 2,999,056,733        | 4,324,808,182         |
| Loans and borrowings                             | 8,539,270,912         | 1,075,795,899        | 331,924,068             | 2,534,661,715         | 5,386,494,259         | 1,248,355,605        | 10,577,231,546        |
|  | <b>11,898,689,660</b> | <b>1,996,026,425</b> | <b>512,790,101</b>      | <b>2,799,314,789</b>  | <b>6,071,518,624</b>  | <b>4,247,728,058</b> | <b>15,627,377,997</b> |
| <b>31 December 2022-Audited</b>                  |                       |                      |                         |                       |                       |                      |                       |
| Accounts payable                                 | 118,951,524           | 118,951,524          | --                      | --                    | --                    | --                   | 118,951,524           |
| Tenants' security deposits                       | 158,673,106           | 93,131,320           | 17,970,317              | 29,753,414            | 17,383,624            | 434,429              | 158,673,104           |
| Other liabilities                                | 204,162,320           | 204,162,320          | --                      | --                    | --                    | --                   | 204,162,320           |
| Due to related parties                           | 6,339,458             | 6,339,458            | --                      | --                    | --                    | --                   | 6,339,458             |
| Lease liabilities                                | 2,639,276,382         | 195,135,113          | 175,129,382             | 254,286,890           | 678,466,712           | 3,045,417,085        | 4,348,435,182         |
| Loans and borrowings                             | 8,336,990,229         | 1,076,009,249        | 321,974,381             | 2,516,369,539         | 5,154,645,105         | 1,255,230,891        | 10,324,229,165        |
|  | <b>11,464,393,019</b> | <b>1,693,728,984</b> | <b>515,074,080</b>      | <b>2,800,409,843</b>  | <b>5,850,495,441</b>  | <b>4,301,082,405</b> | <b>15,160,790,753</b> |

## **18. 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 31 March 2023 and 31 March 2022. 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):

|   | <b>Three-month<br/>period ended<br/>31 March<br/>2023<br/>Unaudited</b> | <b>Three-month<br/>period ended<br/>31 March<br/>2022<br/>Unaudited</b> |
|---|---|---|
| <b>Gain/(loss) through the condensed consolidated<br/>statement of profit or loss</b> |   |   |
| <b>Floating rate debt:</b>  |   |   |
| SIBOR +100bps   | <b>(8,666,053)</b>  | <b>(6,808,539)</b>  |
| SIBOR -100bps   | <b>8,666,053</b>  | <b>6,808,539</b>  |

#### 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:

- 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
- 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 31 March 2023

**19. Commitments and contingencies**

|   |             | <b>31 March<br/>2023<br/>Unaudited</b> | <b>31 December<br/>2022<br/>Audited</b> |
|---|-------------|--|---|
|   | <i>Note</i> |  |   |
| <b>Commitments</b>                          |             |  |   |
| Commitments for projects under construction | (i)         | <b>3,134,020,562</b>                   | <b>3,265,050,000</b>                    |
| Outstanding bank guarantees                 |             | <b>10,998,384</b>                      | <b>13,000,000</b>                       |

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

(ii) The Group is currently involved in legal arbitration proceedings brought by a contractor that alleges that Group owes them for work already carried out under the contract. The Group is disputing the claims against it and believes it has strong legal grounds to defend itself. However, the arbitration proceedings' ultimate outcome is uncertain, and the company cannot guarantee that it will successfully defend itself. The potential financial impact of **SAR 25 million** has been recorded in the condensed consolidated financial statements, which reflects management estimate of the total expected financial exposure.

**Arabian Centres Company (a Saudi joint stock company)**

**Notes to the condensed consolidated interim financial statements (continued)**

For the three-month period ended 31 March 2023

**20. Summarized financial information of material subsidiaries**

The following are the summarized financial statements of material subsidiaries consolidated within the Group financial statements:

|                                    | Al-Qasseem Company<br>for Entertainment and<br>Commercial Projects<br>Owned by Abdulmohsin<br>Alhokair and Company | Riyadh Real<br>Estate<br>Development<br>Funds<br>Jawharat Jeddah | Riyadh Real<br>Estate<br>Development<br>Funds<br>Jawharat Riyadh | Derayah<br>Destination<br>Arabia<br>Diversified Fund |
|------------------------------------|--|--|--|--|
| <b>31 March 2023</b>               |  |  |  |  |
| <b>Assets</b>                      |  |  |  |  |
| Investment properties              | 211,829,405  | 1,738,140,738  | 2,248,139,010  | --   |
| Cash and cash equivalents          | --   | 6,526,530  | 344,817,684  | 40,479,157   |
| Other assets                       | 20,780,267   | 13,192,646   | 26,721,054   | --   |
|                                    | 232,609,672  | 1,757,859,914  | 2,619,677,748  | 40,479,157   |
| <b>Liabilities</b>                 |  |  |  |  |
| Loans and borrowings               | --   | 83,587,747   | 171,862,786  | --   |
| Lease liabilities                  | 78,233,735   | --   | --   | --   |
| Other liabilities                  | 46,071,411   | 11,262,249   | 15,403,104   | 4,823,075  |
|                                    | 124,305,146  | 94,849,996   | 187,265,890  | 4,823,075  |
| <b>Net assets</b>                  | <b>108,304,526</b>   | <b>1,663,009,918</b>   | <b>2,432,411,858</b>   | <b>35,656,082</b>                                    |
| <b>31 December 2022-Audited</b>    |  |  |  |  |
| <b>Assets</b>                      |  |  |  |  |
| Investment properties              | 206,622,266  | 1,413,734,581  | 2,454,020,995  | --   |
| Cash and cash equivalents          | --   | 7,536,666  | --   | 40,488,162   |
| Other assets                       | 24,211,347   | 272,652  | 200,000  | --   |
|                                    | 230,833,613  | 1,421,543,899  | 2,454,220,995  | 40,488,162   |
| <b>Liabilities</b>                 |  |  |  |  |
| Loans and borrowings               | --   | 58,828,677   | --   | --   |
| Lease liabilities                  | 77,301,026   | --   | --   | --   |
| Other liabilities                  | 52,908,921   | 8,059,529  | 12,997,219   | 4,823,075  |
|                                    | 130,209,947  | 66,888,206   | 12,997,219   | 4,823,075  |
| <b>Net assets</b>                  | <b>100,623,666</b>   | <b>1,354,655,693</b>   | <b>2,441,223,776</b>   | <b>35,665,087</b>                                    |
| <b>Three-month period ended</b>    |  |  |  |  |
| <b>31 March 2023-Unaudited</b>     |  |  |  |  |
| <b>Statement of profit or loss</b> |  |  |  |  |
| Revenue                            | 10,387,207   | --   | --   | --   |
| Gross profit / (loss)              | 8,791,198  | (68,639)   | (75,119)   | --   |
| Profit / (loss) for the period     | 9,338,960  | (1,235,757)  | 260,786,663  | (9,005)  |
| <b>Three-month period ended</b>    |  |  |  |  |
| <b>31 March 2022-Unaudited</b>     |  |  |  |  |
| <b>Statement of profit or loss</b> |  |  |  |  |
| Revenue                            | 8,763,119  | --   | --   | --   |
| Gross profit                       | 6,464,408  | --   | --   | --   |
| Profit for the period              | (6,643,111)  | --   | --   | --   |



## **21. Subsequent events**

On 2 April 2023, the Board of Directors resolved to distribute dividends for the second half of the period ended 31 December 2022 amounting to **SR 1** per share aggregating to **SR 475,000,000**. The dividends were paid on 16 April 2023.

## **22. Approval of the condensed consolidated interim financial statements**

These condensed consolidated interim financial statements were approved by the Board of Directors for issuance on 2 Dhu al-Qi'dah 1444H (corresponding to 22 May 2023).