

Arabian Centres Company

(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements
(Unaudited)

For the three-month period ended 30 June 2022
together with the

Independent Auditor's Review Report

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

For the three-month period ended 30 June 2022

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Arabian Centres Company (A Saudi Joint Stock Company)

Condensed consolidated interim financial statements

For the three-month period ended 30 June 2022

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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 30 June 2022 condensed consolidated interim financial statements of **Arabian Centres Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated statement of profit or loss for the three-month period ended 30 June 2022;
- the condensed consolidated statement of comprehensive income for the three-month period ended 30 June 2022;
- the condensed consolidated statement of changes in equity for the three-month period ended 30 June 2022;
- the condensed consolidated statement of cash flows for the three-month period ended 30 June 2022; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of Review

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



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

To the Shareholders of Arabian Centres Company (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 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.

Report on Other Legal and Regulatory Requirements

The Company has not complied with the requirements prescribed by the applicable requirements of the Regulations for Companies, as the Company has an outstanding receivable balance of SR 47.4 million from a shareholder as at 30 June 2022.

KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460



Riyadh, on 23 Muharram 1444H
Corresponding to: 21 August 2022

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

As at 30 June 2022

	Notes	30 June 2022 Unaudited	31 March 2022 Audited
Assets			
Investment properties	8	12,755,608,684	12,671,172,262
Right-of-use assets		2,847,286,475	2,900,541,380
Property and equipment		69,946,613	72,511,679
Advances to a contractor	10	676,529,567	595,352,020
Accrued revenue – non-current portion		250,667,321	239,873,160
Investment in equity accounted investee and others	9	68,857,721	70,381,798
Other non-current assets		30,136,356	17,500,000
Non-current assets		16,699,032,737	16,567,332,299
Development properties		306,184,721	292,853,450
Accrued revenue		125,333,660	119,936,580
Accounts receivable		288,268,758	238,986,246
Amounts due from related parties	10	431,719,647	325,270,527
Prepayments and other assets		202,602,861	180,655,736
Cash and cash equivalents		465,014,575	556,127,750
Current assets		1,819,124,222	1,713,830,289
Total assets		18,518,156,959	18,281,162,588
Equity			
Share capital		4,750,000,000	4,750,000,000
Share premium		411,725,703	411,725,703
Statutory reserve		605,442,463	605,442,463
Other reserves		16,178,155	13,998,340
Retained earnings		127,093,598	1,084,412
Equity attributable to the shareholders of the Company		5,910,439,919	5,782,250,918
Non-controlling interest		24,791	(1,669,853)
Total equity		5,910,464,710	5,780,581,065
Liabilities			
Loans and borrowings	12	7,458,939,910	7,513,603,269
Lease liabilities		3,386,588,114	3,397,752,809
Employee benefits		26,908,574	25,437,575
Other non-current liabilities		55,144,074	53,583,832
Non-current liabilities		10,927,580,672	10,990,377,485
Loans and borrowings	12	589,193,125	277,570,313
Lease liabilities – current portion		404,349,817	406,454,763
Accounts payable and other liabilities		396,674,128	515,760,837
Amount due to a related party	10	1,300,000	--
Unearned revenue		238,122,302	269,230,403
Zakat liabilities		50,472,205	41,187,722
Current liabilities		1,680,111,577	1,510,204,038
Total liabilities		12,607,692,249	12,500,581,523
Total equity and liabilities		18,518,156,959	18,281,162,588

The attached notes from 1 to 21 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:


Walid Al-Rebdi
 Chief Financial Officer


Mohamed Mourad
 Managing Director


Fawaz Al-Hokair
 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 30 June 2022

	Notes	Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
Revenue	13	562,948,964	510,679,230
Cost of revenue			
- Direct costs		(95,510,120)	(96,348,426)
- Depreciation of right-of-use assets		(48,527,655)	(47,300,019)
- Depreciation of investment properties	8	(87,732,897)	(81,352,828)
- Impairment of investment properties	8	(25,038,548)	--
Gross profit		306,139,744	285,677,957
Other operating income		1,253,992	2,051,073
Advertisement and promotion expenses		(6,966,755)	(6,879,340)
General and administrative expenses		(62,490,608)	(51,075,888)
Impairment loss on accounts receivable and accrued revenue rentals		(14,959,067)	(15,251,020)
Operating profit		222,977,306	214,522,782
Finance costs over loans and borrowings		(44,484,482)	(48,819,992)
Finance costs over lease liabilities		(39,877,912)	(36,895,171)
Net finance costs		(84,362,394)	(85,715,163)
Share of loss from equity-accounted investee		(1,626,599)	--
Profit before zakat		136,988,313	128,807,619
Zakat charge		(9,284,483)	(2,536,641)
Profit for the period		127,703,830	126,270,978
Profit for the period is attributable to:			
- Shareholders of the Company		126,009,186	126,606,810
- Non-controlling interest		1,694,644	(335,832)
		127,703,830	126,270,978
Earnings per share			
Basic and diluted earnings per share	14	0.27	0.27

The attached notes from 1 to 21 are an integral part of these condensed consolidated interim financial statements.


Walied Al-Rebdi
Chief Financial Officer


Mohamed Mourad
Managing Director


Fawaz Al-Hakeir
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 30 June 2022

	Notes	Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
Profit for the period		127,703,830	126,270,978
Other comprehensive income/ (loss)			
<i>Items that are or may be reclassified subsequently to condensed consolidated profit or loss:</i>			
- Cash flow hedges – effective portion of change in fair value		2,179,815	236,319
<i>Items that will not be reclassified to condensed consolidated profit or loss:</i>			
- Other investments at FVOCI – net change in fair value		--	--
Total comprehensive income for the period		129,883,645	126,507,297
Total comprehensive income for the period attributable to:			
- Shareholders of the Company		128,189,001	126,843,129
- Non-controlling interests		1,694,644	(335,832)
		129,883,645	126,507,297

The attached notes from 1 to 21 are an integral part of these Condensed consolidated interim financial statements.


Waleed Al-Rebdi
 Chief Financial Officer


Mohamad Mourad
 Managing Director


Fawaz Al-Hakair
 Board Member

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

	Attributable to shareholders of the Company								
	Votes	Share capital	Share premium	Statutory reserve	Other reserves	Retained earnings	Total	Non-Controlling interest	Total equity
Balance at 1 April 2021 – Audited		4,750,000,000	411,725,703	561,758,636	7,184,631	320,429,968	6,051,098,938	1,319,575	6,052,418,513
Total comprehensive income for the period		--	--	--	--	126,606,810	126,606,810	(335,832)	126,270,978
Profit / (loss) for the period		--	--	--	236,319	--	236,319	--	236,319
Other comprehensive income		--	--	--	236,319	--	236,319	--	236,319
Total comprehensive income / (loss) for the period		--	--	--	--	126,606,810	126,843,129	(335,832)	126,507,297
Transactions with shareholders of the company									
Dividends (note 11)									
Balance at 30 June 2021 – Unaudited		4,750,000,000	411,725,703	561,758,636	7,420,950	90,786,778	5,821,692,067	983,743	5,822,675,810
						(356,250,000)	(356,250,000)	--	(356,250,000)
Balance at 1 April 2022 – Audited		4,750,000,000	411,725,703	605,442,463	13,998,340	1,084,412	5,782,250,918	(1,569,853)	5,780,581,065
Total comprehensive income for the period		--	--	--	--	126,009,186	126,009,186	1,694,644	127,703,830
Profit for the period		--	--	--	2,179,815	--	2,179,815	--	2,179,815
Other comprehensive income		--	--	--	2,179,815	--	2,179,815	--	2,179,815
Total comprehensive income for the period		--	--	--	--	126,009,186	128,189,001	1,694,644	129,883,645
Balance at 30 June 2022 – Unaudited		4,750,000,000	411,725,703	605,442,463	16,178,155	127,093,598	5,910,439,919	24,791	5,910,464,710

The attached notes from 1 to 21 are an integral part of these condensed consolidated interim financial statements.


Walied Al-Rebdi
 Chief Financial Officer


Mohamed Mourad
 Managing Director


Fawaz Al-Ho Kair
 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 30 June 2022

		Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
	Notes		
Cash flows from operating activities:			
Profit before Zakat		136,988,313	128,807,619
Adjustments for:			
- Depreciation on investment properties	8	87,732,897	81,352,828
- Impairment of investment properties	8	25,038,548	--
- Depreciation on property and equipment		4,542,980	5,250,742
- Depreciation on right-of-use assets		48,527,655	48,559,144
- Impairment loss on accounts receivable and accrued revenue rentals		14,959,067	15,251,020
- Provision for employee benefits		1,647,958	1,352,715
- Finance cost over loans and borrowings		44,484,482	48,819,992
- Finance cost over lease liabilities		39,877,912	36,895,171
- Share from profit of equity-accounted investee		1,626,599	--
- Change in fair value of other investment	9	(188,800)	--
- Rental concession on a lease		(937,500)	--
- Gain on disposal of asset held for sale		--	(429,474)
		404,300,111	365,859,757
Changes in:			
- Accounts receivable		(61,945,031)	(38,273,190)
- Amounts due from related parties, net		(106,672,111)	10,640,267
- Prepayments and other current assets		(32,403,666)	(7,370,692)
- Accounts payable and other liabilities		(33,390,721)	(50,722,924)
- Accrued revenue		(18,487,789)	51,733,386
- Unearned revenue		(31,108,101)	4,852,774
Cash generated from operating activities		120,292,692	336,719,378
Employee benefits paid		(176,959)	(164,699)
Net cash from operating activities		120,115,733	336,554,679
Cash flows from investing activities:			
Additions to development properties		(13,331,271)	--
Additions to investment properties, net		(12,474,575)	(69,341,974)
Acquisition of property and equipment		(1,977,914)	(8,353,061)
Proceeds from disposal of other investment		6,000,000	--
Proceeds from sale of property and equipment		--	5,001,000
Additions to equity accounted investee and other		(5,690,731)	--
Investment in short-term bank deposits		--	(150,000,000)
Advances to a contractor, related party		(192,074,957)	(131,315,324)
Net cash used in investing activities		(219,549,448)	(354,009,359)


All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

	Notes	Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
Cash flows from financing activities:			
Proceeds from loans and borrowings	12	294,707,708	2,437,500,000
Repayments of loans and borrowings	12	(42,827,979)	(1,770,000,000)
Transaction costs paid during the period	12	--	(40,175,073)
Payment of finance costs over loans and borrowings		(182,309,424)	(124,319,761)
Repayments of lease liabilities		(61,249,765)	(132,163,102)
Net cash from financing activities		8,320,540	370,842,064
Net (decrease) / increase in cash and cash equivalents		(91,113,175)	353,387,384
Cash and cash equivalents at the beginning of period		556,127,750	635,669,921
Cash and cash equivalents at end of the period		465,014,575	989,057,305
Significant non-cash transactions:			
- Dividends declared during the period		--	356,250,000
- Capitalized finance cost for project under construction		57,569,884	44,924,102
- Capitalized arrangement fees for project under construction		1,199,036	937,225
- Capitalized finance cost over lease liabilities for project under construction		9,039,712	13,905,879
- Capitalized depreciation of right-of-use assets for project under construction		4,727,250	8,003,635
- Capitalized advances to contractors for project under construction		110,897,410	74,960,874
- Capitalized investment property paid by related party		1,300,000	--
- Investment in Joint venture paid by related party		222,991	--

The attached notes from 1 to 21 are an integral part of these condensed consolidated interim financial statements.


Waleed Al-Rebdi
 Chief Financial Officer


Mohamed Mourad
 Managing Director


Fawaz Al-Hokair
 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

For the three-month period ended 30 June 2022

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), the legal status of the Company had changed from a Limited Liability Company to a Saudi Closed Joint Stock Company.

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

The Company and its subsidiaries’ (collectively referred to as “the Group”) principal business objectives are to purchase lands, build, develop and invest in buildings, sell or lease of buildings and the construction of commercial buildings including demolition, repair, excavation, and maintenance works. It also includes maintenance and operation of commercial centres, tourist resorts, hotels, and restaurants, managing and operating temporary and permanent exhibitions, compounds, and hospitals.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period ended 30 June 2022

1. Reporting entity (continued)

Following is the list of subsidiaries included in these condensed consolidated interim financial statements as of 30 June 2022 and 31 March 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
			30 June 2022	31 March 2022	30 June 2021	31 March 2021		
1	Riyadh Centres Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
2	Al Bawarij International for Development & Real Estate Investment Company	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
3	Al Makarem International for Real Estate Development Company	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
4	Oyoun Al Raed Mall Trading	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
5	Oyoun Al Basateen Company for Trading	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
6	Al-Qasseeem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company	Kingdom of Saudi Arabia	50%	50%	--	--	500,000	500
7	Yarmouk Mall Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
8	Mall of Arabia Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
9	Dhahran Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
10	Al Noor Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
11	Al Yasmeen Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
12	Al Dammam Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
13	Al Hamra Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
14	Al Erth Al Rasekh Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
15	Derayah Destination Arabia Diversified Fund	Kingdom of Saudi Arabia	100%	100%	--	--	--	--
16	Riyad Real Estate Development Fund – Jawharat AlRiyadh (i)	Kingdom of Saudi Arabia	100%	--	--	--	--	--
17	Riyad Real Estate Development Fund – Jawharat Jeddah (ii)	Kingdom of Saudi Arabia	100%	--	--	--	--	--

- i) During the three-month period ended 30 June 2022, the Group invested in a newly established private real estate fund named Riyadh Real Estate Development Fund – Jawharat AlRiyadh. The Group signed an agreement with Riyad Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of SAR 2.796 billion.
- ii) During the three-month period ended 30 June 2022, the Group invested in a newly established private real estate fund named Riyadh Real Estate Development Fund – Jawharat Jeddah. The Group signed an agreement with Riyad Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of SAR 1.568 billion.

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

For the three-month period ended 30 June 2022

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Group’s latest annual consolidated financial statements as at and for the year ended 31 March 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
- Employees end of service benefits using projected unit credit method

4. Functional and presentation currency

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

5. Significant accounting estimates, assumptions and judgements

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

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

6. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the latest annual consolidated financial statements as at and for the year ended 31 March 2022. Certain comparative figures have been reclassified to conform to current period’s presentation.

7. Standards issued but not yet effective

A number of new pronouncements are effective for annual years beginning on or after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Definition of accounting estimate (Amendments to IAS 8)
- Disclosure of Accounting policies (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction -(Amendments to IAS 12)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

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

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

For the three-month period ended 30 June 2022

8. Investment properties

	30 June 2022	31 March 2022
<i>Notes</i>	Unaudited	Audited
<u>Cost</u>		
Balance at the beginning of the period / year	15,544,038,713	14,497,294,275
Additions during the period / year	197,207,867	1,231,108,345
Transferred to development properties	--	(269,403,007)
Transfers during the period / year from related party (i)	--	85,039,100
Balance at the end of the period / year	15,741,246,580	15,544,038,713
<u>Accumulated depreciation</u>		
Balance at the beginning of the period / year	2,872,866,451	2,529,817,502
Charge for the period / year	87,732,897	343,048,949
Impairment charge for the period (ii)	25,038,548	--
Balance at the end of the period / year	2,985,637,896	2,872,866,451
Net book value	12,755,608,684	12,671,172,262

- i. During the year ended 31 March 2022, Saudi FAS Holding Company transferred lands and buildings worth **SR 85 million** to settle the outstanding receivables from FAS Holding Company for Hotels.
- ii. On 15 May 2022, there was partial fire outbreak at the Mall of Dahrán 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 Group has estimated the loss to the buildings and civil work and recorded an impairment loss of **SR 25 million** during the period. Surveyors are in the process of assessing the extent of loss, following which the Group will file a claim for reimbursement with the insurance Company.

Fair value of investment properties

Management estimates that the fair value of the investment properties as at 30 June 2022 is **SR 23,160 million**. The management has carried out external valuation as at 31 March 2022. The valuers had appropriate qualifications and experience in the valuation of properties at the relevant locations. The effective date of the valuation was 31 March 2022 and prepared in accordance with Royal Institution of Chartered Surveyors ("RICS") Global Standards 2017 which comply with the international valuation standards. The fair value hierarchy for the investment properties for disclosure purposes is grouped in level 3, with significant unobservable inputs adopted by the Valuer which are transparency of retail rental payment terms; discount rates; and capitalization rate (yields).

9. Investment in equity accounted investee and others

	30 June 2022	31 March 2022
<i>Note</i>	Unaudited	Audited
Investment in a Joint venture 9A	68,070,949	63,783,826
Investment in a real estate fund at FVTPL 9B	786,772	6,597,972
	68,857,721	70,381,798

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

For the three-month period ended 30 June 2022

9. Investment in equity accounted investee and others (Continued)

A. Investment in a Joint venture

Name of an entity	30 June 2022 Unaudited	31 March 2022 Audited
FAS Lab Holding Company	68,070,949	63,783,826
	68,070,949	63,783,826

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.

i. Reconciliation of carrying amount

	Opening balance	Additions	Share in losses	Dividends	Ending balance
30 June 2022	63,783,826	5,913,722	(1,626,599)	--	68,070,949
31 March 2022	--	78,828,227	(15,044,401)	--	63,783,826

ii. Summarized financial statements

	30 June 2022 Unaudited	31 March 2022 Audited
Assets	269,289,184	267,709,353
Liabilities	(133,504,854)	(133,385,334)
Net Assets	135,784,330	134,324,019
Revenue	107,551,384	133,145,330
Operating loss	(1,655,553)	(38,339,655)
Total comprehensive loss	(460,475)	(37,851,576)
Loss for the period / year attributable to shareholders of the company	(3,253,198)	(30,088,802)

B. Investment in a real estate fund at FVTPL

Name of the real estate fund	30 June 2022 Unaudited	31 March 2022 Audited
Al Jawhara Real Estate Fund	786,772	6,597,972
	786,772	6,597,972

This represents equity investment in Al Jawhara Real Estate Fund (formerly known as Digital City Fund) purchased for SR 6.8 million. During the period, the Group sold units in fund and realized gain on disposal of investment SR 180,000 in condensed consolidated statement of profit or loss. As at 30 June 2022, the net asset value (NAV) of the investment amounted to SR 0.8 million (31 March 2022: SR 6.5 million). An unrealized gain amounting to SR 8,800 has been recognized in the consolidated statement of profit or loss (31 March 2022: loss of SR 0.62 million).

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

For the three-month period ended 30 June 2022

10. Related party transactions and balances

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

A. Key management personnel compensation

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

	30 June 2022 Unaudited	30 June 2021 Unaudited
End of service benefits	504,784	228,236
Salaries and short-term benefits	3,075,594	3,912,750
Total key management compensation	3,580,378	4,140,986

B. Related party transactions and balances

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

	30 June 2022 Unaudited	31 March 2022 Audited
Amount due from related parties	431,719,647	325,270,527
Amount due to a related party	(1,300,000)	--
	430,419,647	325,270,527

All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)

For the three-month period ended 30 June 2022

10. Related party transactions and balances (continued)

B. Related party transactions and balances (continued)

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

Name of related party	Business status	Transactions			
		Rental income and other fees / services	Security services received	Others	Total
		Transactions during three months ended 30 June 2022			Balance as at 30 June 2022
Unaudited					
30 June 2022					30 June 2022
Transactions with ultimate shareholder					
Saudi FAS Holding Company	Closed Joint Stock Company	494,988	--	(222,991)	271,997
Transactions with fellow subsidiaries (subsidiaries of shareholder)					
Fawaz Abdulaziz Al Hokair Company and its subsidiaries	Joint Stock Company	90,144,758	--	--	90,144,758
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	Joint Stock Company	8,114,191	--	--	8,114,191
Salman & Sons Holding Co and its associates	Limited Liability Company	16,243,745	--	--	16,243,745
Majd Al Amal Co. Limited and its associates	Limited Liability Company	6,368,146	--	--	6,368,146
Tadaris Almajid Security Company	Limited Liability Company	--	17,186,409	--	17,186,409
Ezdihar Holding Co and its subsidiaries	Limited Liability Company	12,512,148	--	--	12,512,148
Others, net	Limited Liability Company	1,399,472	--	(1,300,000)	99,472
		135,277,448	17,186,409	(1,522,991)	150,940,866
					430,419,647
31 March 2022					Audited
Transactions during three months ended 30 June 2021					
Unaudited					
31 March 2022					
Transactions with ultimate shareholder					
Saudi FAS Holding Company	Closed Joint Stock Company	494,671	--	--	494,671
Transactions with fellow subsidiaries (subsidiaries of shareholder)					
Fawaz Abdulaziz Al Hokair Company and its subsidiaries	Joint Stock Company	93,180,040	--	--	93,180,040
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	Joint Stock Company	9,374,123	--	--	9,374,123
Salman & Sons Holding Co and its associates	Limited Liability Company	11,253,866	--	--	11,253,866
Majd Al Amal Co. Limited and its associates	Limited Liability Company	6,684,175	--	--	6,684,175
Tadaris Almajid Security Company	Limited Liability Company	--	20,989,513	--	20,989,513
Ezdihar Holding Co and its subsidiaries	Limited Liability Company	13,048,761	--	--	13,048,761
Others, net	Limited Liability Company	876,400	--	--	876,400
		134,912,036	20,989,513	--	155,901,549
					325,270,527

All amounts are presented in Saudi Rivals unless otherwise stated.

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

For the three-month period ended 30 June 2022

10. Related party transactions and balances (continued)

C. Advances to a contractor

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

Name of related party	Business status	Relationship	Construction work services received		Balances	
			Three-month period 30 June 2022	Three-month period 30 June 2021	30 June 2022	31 Mar 2022
			Unaudited	Unaudited	Unaudited	Audited
Lynx Contracting Company	Limited Liability	Affiliate	104,264,067	113,611,042	676,529,567	595,352,020

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

11. Dividends distribution

30 June 2021

During the period ended 30 June 2021, the Board of Directors resolved to distribute an interim dividend for the second half of the year ended 31 March 2021 amounting to **SR 0.75 per share**, aggregating to **SR 356,250,000** as per resolution dated 15th Ramadan 1442H (corresponding to 27 April 2021). The Company has paid the dividends during the prior year.

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

For the three-month period ended 30 June 2022

12. Loans and borrowings

	30 June 2022 Unaudited	31 March 2022 Audited
Note		
Islamic facility with banks (i)	2,923,920,028	2,669,952,315
Sukuks (ii)	5,124,213,007	5,121,221,267
12 B	8,048,133,035	7,791,173,582
Loans and Borrowings - Current liabilities	589,193,125	277,570,313
Loans and Borrowings - Non Current liabilities	7,458,939,910	7,513,603,269
	8,048,133,035	7,791,173,582

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 16.

A. Terms and repayment

- i. The Group entered into a long-term Islamic facility arrangement amounting to SR 5,250 million (equivalent USD 1,400 million), with local and international banks. This facility is divided into 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 except revolving Murabaha facility.

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 16.

The facilities are secured by insurance policies, proceeds of rental income, and land and buildings of several malls. However, formalities relating to registration of security documents are under process.

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

During the three-month period ended 30 June 2022, the Company has borrowed additional SAR 294.7 million from the existing Revolving Murabaha Facility.

- 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 in five years. Sukuk Certificates may be subject to early redemption at the option of the Company as per certain specified conditions mentioned in the Sukuk Certificate.
 - 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.

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

For the three-month period ended 30 June 2022

12. Loans and borrowings (continued)

B. Reconciliation of carrying amount

	Notes	Islamic facility with banks	Sukuks	Total
Balance at 1 April 2021		5,204,993,272	1,874,950,000	7,079,943,272
Proceeds received during the year		175,000,000	3,281,250,000	3,456,250,000
Repayments made during the year		(2,656,577,603)	--	(2,656,577,603)
	(i)	2,723,415,669	5,156,200,000	7,879,615,669
Un-amortized transaction costs	(ii)	(53,463,354)	(67,890,041)	(121,353,395)
Deferred Sukuk premium	(iii)	--	32,911,308	32,911,308
Balance at 31 March 2022		2,669,952,315	5,121,221,267	7,791,173,582
Balance at 1 April 2022		2,723,415,669	5,156,200,000	7,879,615,669
Proceeds received during the period		294,707,708	--	294,707,708
Repayments made during the period		(42,827,979)	--	(42,827,979)
	(i)	2,975,295,398	5,156,200,000	8,131,495,398
Un-amortized transaction costs	(ii)	(51,375,370)	(63,085,867)	(114,461,237)
Deferred Sukuk premium	(iii)	--	31,098,874	31,098,874
Balance at 30 June 2022 - Unaudited		2,923,920,028	5,124,213,007	8,048,133,035

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

	Islamic facility with banks	Sukuks	Total
31 March 2022 – Audited			
Within one year	277,570,313	--	277,570,313
Between two to five years	585,190,625	1,874,950,000	2,460,140,625
More than five years	1,860,654,731	3,281,250,000	5,141,904,731
	2,723,415,669	5,156,200,000	7,879,615,669
30 June 2022 – Unaudited			
Within one year	589,193,125	--	589,193,125
Between two to five years	660,768,750	1,874,950,000	2,535,718,750
More than five years	1,725,333,523	3,281,250,000	5,006,583,523
	2,975,295,398	5,156,200,000	8,131,495,398

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

	Islamic facility with banks	Sukuks	Total
Balance at 1 April 2021	61,815,290	37,467,730	99,283,020
Arrangement fees paid	--	48,857,946	48,857,946
Amortization for the year	(6,931,111)	(15,428,249)	(22,359,360)
Capitalized arrangement fees	(1,420,825)	(3,007,386)	(4,428,211)
Balance at 31 March 2022 – Audited	53,463,354	67,890,041	121,353,395
Balance at 1 April 2022	53,463,354	67,890,041	121,353,395
Amortization for the period	(1,675,708)	(4,017,414)	(5,693,122)
Capitalized arrangement fees	(412,276)	(786,760)	(1,199,036)
Balance at 30 June 2022 – Unaudited	51,375,370	63,085,867	114,461,237

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

12. Loans and borrowings (continued)

iii. Deferred Sukuk premium

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

	Islamic facility with banks	Sukuks	Total
Balance at 1 April 2021	--	--	--
Addition during the year	--	40,078,125	40,078,125
Amortization for the year	--	(7,166,817)	(7,166,817)
Balance at 31 March 2022-Audited	--	32,911,308	32,911,308
Balance at 1 April 2022	--	32,911,308	32,911,308
Addition during the year	--	--	--
Amortization for the year	--	(1,812,434)	(1,812,434)
Balance at 30 June 2022-Unaudited	--	31,098,874	31,098,874

13. Revenue

	Note	Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
Rental income	(i)	523,164,857	474,983,662
Service and management fee income		27,080,514	20,352,980
Turnover rent		11,629,393	14,626,194
Commission income on provisions for utilities for heavy users, net		1,074,200	716,394
		562,948,964	510,679,230

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

Group as a lessor:

The Group has entered into operating leases on its investment properties portfolio consisting of various buildings. These leases have terms of between 1 to 5 years. Leases include a clause to enable upward revision of the rental charge depending on the lease agreements. Future minimum rentals receivable under non-cancellable operating leases as at the end of the reporting periods are as follows:

	Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
Within one year	1,581,669,079	1,810,582,777
After one year but not more than five years	1,877,673,061	2,150,482,986
More than five years	373,609,677	491,473,114
	3,832,951,817	4,452,538,877

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

14. Earnings per share

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

	Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
Profit attributable to ordinary shareholders	126,009,186	126,606,810
Weighted average number of ordinary shares	475,000,000	475,000,000
Basic and diluted earnings per share	0.27	0.27

15. Operating segments

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

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

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

16. Financial instruments - fair values and risk management

A. Accounting classification and fair values

Financial instruments have been categorized as follows:

		30 June 2022 Unaudited	31 March 2022 Audited
Financial Assets	Notes		
Other investments	9	786,772	6,597,972
Other financial receivables		22,500,000	22,500,000
Amounts due from related parties	10	431,719,647	325,270,527
Accounts receivable		288,268,758	238,986,246
Profit rate swaps used for hedging		7,260,941	5,081,126
Cash and cash equivalents		465,014,575	556,127,750
		1,215,550,693	1,154,563,621
Financial Liabilities			
Loans and borrowings	12	8,048,133,035	7,791,173,582
Lease liabilities		3,790,937,931	3,804,207,572
Accounts payable		88,467,037	135,545,542
Amount due to a related party	10	1,300,000	--
Other liabilities		181,678,292	263,265,623
Tenants' security deposits		150,474,271	146,958,481
		12,260,990,566	12,141,150,800

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

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

The following table presents the Group's financial instruments measured at fair value at 30 June 2022 and 31 March 2022:

	30 June 2022 – Unaudited				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments					
Al Jawhara Real Estate Fund	786,772	--	--	786,772	786,772
	31 March 2022 - Audited				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments					
Al Jawhara Real Estate Fund	6,597,972	--	--	6,597,972	6,597,972

B. Derivatives designated as hedging instruments

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

Description of the hedged items	Hedging instrument	Fair Value	30 June 2022	31 Mar 2022
			Unaudited	Audited
Commission payments on floating rate loan	IRS	Positive	7,260,941	5,081,126

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

Fair values of cash flow hedge represent the mark to market values of the Islamic Profit rate swaps as at 30 June 2022. The cash flow hedge reserve included under other reserves represents the effective portion of cash flow hedge.

For the three-month period ended 30 June 2022

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

C. Financial risk management

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

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

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's investment properties portfolio. The Group has accounts receivable, amounts due from related parties, accounts payable and cash and cash equivalents that arise directly from its operations.

i. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its leasing activities, including deposits with banks and financial institutions.

Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

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

Accounts Receivable

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

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

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

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

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

For the three-month period ended 30 June 2022

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

C. Financial risk management (continued)

i. Credit risk (continued)

Accounts Receivable (continued)

The following table provides information about the exposure to credit risk and ECLs for accounts receivable from customers after adjusting with Loss given Default (LGD) ratio as at 30 June 2022.

	30 June 2022		
	Unaudited		
	Gross Carrying amount	Weighted-average loss	Loss Allowance (%)
0–90 days	78,457,718	8,204,762	10.5%
91–180 days	56,893,842	9,146,766	16.1%
181–270 days	58,852,274	10,059,990	17.1%
271–360 days	53,807,620	11,738,985	21.8%
361 –450 days	35,657,662	10,515,853	29.5%
451 –540 days	31,703,770	11,013,901	34.7%
541 –630 days	17,658,664	7,172,572	40.6%
631 –720 days	18,608,497	9,019,808	48.5%
More than 720 days	51,981,597	38,480,249	74.0%
	403,621,644	115,352,886	

	31 March 2022		
	Audited		
	Gross Carrying amount	Weighted-average loss	Loss Allowance (%)
0–90 days	57,043,842	9,781,339	17.1%
91–180 days	59,102,274	11,242,546	19.0%
181–270 days	54,157,620	11,215,120	20.7%
271–360 days	45,801,646	12,742,090	27.8%
361 –450 days	37,627,522	13,228,561	35.2%
451 –540 days	22,959,442	9,266,082	40.4%
541 –630 days	24,675,270	12,051,280	48.8%
631 –720 days	18,665,285	11,070,752	59.3%
More than 720 days	99,611,239	90,060,124	90.4%
	419,644,140	180,657,894	

During the period ended 30 June 2022, the Group has written off receivables amounting to **SR 77.9 million** (31 March 2022: SR 34.5 million).

Due from related parties

An impairment analysis is performed at each reporting date on an individual basis for the major related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (please refer to note 10B). The Group does not hold collateral as a security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to due from related parties as low, as majority of the related parties are owned by the same shareholders.

Financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by Ultimate Parent Company's treasury in accordance with the Group's policy. Cash is substantially placed with national banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

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

C. Financial risk management (continued)

ii. Liquidity risk

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

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

Contractual maturities of financial liabilities:	Carrying amount	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
30 June 2022 - Unaudited							
Accounts payable	88,467,037	88,467,037	--	--	--	--	88,467,037
Amount due to a related party	1,300,000	1,300,000	--	--	--	--	1,300,000
Tenants' security deposits	150,474,271	73,330,351	21,999,846	31,987,831	22,850,412	305,831	150,474,271
Other liabilities	181,678,292	181,678,292	--	--	--	--	181,678,292
Lease liabilities	3,790,937,931	421,094,961	162,023,047	359,859,730	1,005,225,217	4,070,248,444	6,018,451,399
Loans and borrowings	8,048,133,035	744,657,158	266,700,506	590,615,502	6,616,681,363	1,527,864,953	9,746,519,482
	12,260,990,566	1,510,527,799	450,723,399	982,463,063	7,644,756,992	5,598,419,228	16,186,890,481
31 March 2022 - Audited							
Accounts payable	135,545,542	135,545,542	--	--	--	--	135,545,542
Tenants' security deposits	146,958,481	66,561,240	26,813,409	30,839,499	22,438,502	305,831	146,958,481
Other liabilities	263,265,623	263,265,623	--	--	--	--	263,265,623
Lease liabilities	3,804,207,572	433,492,347	167,789,014	355,693,657	982,828,792	4,139,897,350	6,079,701,160
Loans and borrowings	7,791,173,582	225,187,421	415,872,179	513,832,523	6,736,832,663	1,686,251,429	9,577,976,215
	12,141,150,800	1,124,052,173	610,474,602	900,365,679	7,742,099,957	5,826,454,610	16,203,447,021

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

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

C. Financial risk management (continued)

iii. Market risk

Market risk is the risk that changes in market prices, such as currency rates and interest rates that will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group has no significant commission bearing long-term assets, but has commission bearing liabilities at 30 June 2022 and 30 June 2021. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The following table demonstrates the sensitivity of the Group to a reasonably possible change, with all other variables held constant, of the Groups profit before zakat (through the impact on floating rate borrowings):

	Three-month period ended 30 June 2022 Unaudited	Three-month period ended 30 June 2021 Unaudited
Gain/(loss) through the condensed consolidated statement of profit or loss		
Floating rate debt:		
SIBOR +100bps	(29,752,954)	(34,349,933)
SIBOR -100bps	29,752,954	34,349,933

Real estate risk

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

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

Currency risk

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

iv. Capital management risk

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

The Group's objectives when managing capital are:

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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For the three-month period ended 30 June 2022

17. Commitments and contingencies

During the year 2020, the Group received a value added tax (VAT) assessment from the Zakat, Tax and Customs Authority (ZATCA) claiming additional VAT of **SR 24.6 million** and penalties of **SR 40.8 million** for the period from February 2018 till 31 December 2019. The penalties were waived by ZATCA based on the Royal decree No. (45089) dated 23/7/1441 (corresponding 17/3/2020).

The Group objected to the VAT assessment and has deposited **SR 24.6 million** under appeal. The ruling notification was issued in favor of the Group by the General Secretariat of the Tax Committees (GSTC) on December 2021. During the period ended 30 June 2022, ZATCA has filed an appeal to Higher Appeal Committee against the notification issued by GSTC. Based on the assessments of management and the independent consultant handling the appeal, the Group is comfortable that it has adequate documentation, and accordingly, expects the outcome to be in favor of the Group. Hence, no provision has been recorded and the amount paid under appeal has been classified under Prepayments and other current assets.

		30 June 2022 Unaudited	31 March 2022 Audited
	Note		
Commitments			
Commitments for projects under construction	(i)	3,539,403,060	3,513,755,880
Outstanding bank guarantees		95,620,244	91,076,025

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

18. Impact of covid-19

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

Accordingly, as of 31 March 2021 management has approved a total discount of **SR 579 million** which will be amortized over the remaining period of leases with tenants. The impact of rent relief for the three-month period ended 30 June 2022 is **SR 29 million** (31 March 2022: SR 174 million).

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

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

For the three-month period ended 30 June 2022

19. Summarized Financial Statement of Subsidiaries

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

	Al-Qaseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company	Riyadh Real Estate Development Funds Jawharat Jeddah	Riyadh Real Estate Development Funds Jawharat Riyadh	Derayah Destination Arabia Diversified Fund
30 June 2022 – Unaudited				
Assets				
Investment Properties	12,289,597	1,387,085,683	2,540,600,075	154,836,935
Right-of-use assets	91,008,353	--	--	--
Advance to Contractor	--	180,939,331	255,620,985	--
Other Assets	22,466,282	--	--	--
	125,764,232	1,568,025,014	2,796,221,060	154,836,935
Liabilities				
Loans and borrowings	--	--	--	--
Lease liabilities	90,230,862	--	--	--
Other liabilities	35,483,788	530,418	666,133	2,133,334
	125,714,650	530,418	666,133	2,133,334
Net assets	49,582	1,567,494,596	2,795,554,927	152,703,601
31 March 2022 - Audited				
Assets				
Investment Properties	11,962,884	--	--	150,930,528
Right-of-use assets	94,165,361	--	--	--
Advance to Contractor	9,161,592	--	--	--
Other Assets	23,561,625	--	--	--
	138,851,462	--	--	150,930,528
Liabilities				
Loans and borrowings	--	--	--	--
Lease liabilities	89,155,122	--	--	--
Other liabilities	53,036,046	--	--	--
	142,191,168	--	--	--
Net assets	(3,339,706)	--	--	150,930,528
Three month ended 30 June 2022				
– Unaudited				
Statement of profit or loss				
Revenues	11,261,343	--	--	--
Gross Profit	5,197,986	--	--	--
Profit / (Loss) for the period	3,389,288	(530,418)	(666,133)	(833,334)
Three month ended 30 June 2021				
– Unaudited				
Statement of profit or loss				
Revenues	11,259,784	--	--	--
Gross Profit	1,685,860	--	--	--
Loss for the period	(671,663)	--	--	--

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the three-month period ended 30 June 2022

20. Subsequent events

On 2 July 2022, the Board of Directors have resolved to distribute dividends 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 Company has paid the dividends on 26 July 2022.

21. Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors for issuance on 18 Muharram 1444H (corresponding to 16 August 2022).