

# **Arabian Centres Company**

(A Saudi Joint Stock Company)

Consolidated financial statements  
For the year ended 31 March 2021

together with the **Independent Auditor's Report**

**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Consolidated financial statements**

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Year ended 31 March 2021

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# Arabian Centres Company (A Saudi Joint Stock Company)

## Consolidated financial statements

Year ended 31 March 2021

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## كي بي إم جي للاستشارات المهنية

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

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

# Independent Auditor's Report

## To the Shareholders of Arabian Centres Company

### Opinion

We have audited the consolidated financial statements of Arabian Centres Company ("the Company") (and its subsidiaries) (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

Revenue recognition	
See Note 7 and 25 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 March 2021, the Group recognized total revenue of SAR 1.86 billion (31 March 2020: SAR 2.20 billion).</p> <p>The Group revenue mainly consists of rental income from lease contracts.</p> <p>Revenue recognition is considered a key audit matter since revenue is a key measure of the Group's performance and there is a risk that revenue may be overstated resulting from the pressure management may feel to achieve performance targets, especially in the current pandemic situation, and may recognize revenue through unauthorized amendments to key terms of lease contracts, ignore discounts offered to customers or accelerate recognition of revenue through accrual in the incorrect period by adjusting the system configuration.</p>	<p>Our audit procedures, included among others:</p> <ul style="list-style-type: none"> <li>– Assessing the Group accounting policies by considering the requirements of the relevant accounting standards;</li> <li>– Assessing the design and implementation, and testing the operating effectiveness of both manual and automated controls over: <ul style="list-style-type: none"> <li>○ The accuracy and validity of the input of key terms of the contract</li> <li>○ Tenant's acknowledgement to the amendments of lease contracts; and</li> <li>○ Recognition of revenue accurately over the term of the lease contracts.</li> </ul> </li> <li>– Evaluating key contractual arrangements including rental discounts by considering relevant documentation and agreements with the customers;</li> <li>– Testing revenue recognized during the year in respect of a sample of lease contracts to assess whether revenue recognized under these contracts complies with Group's revenue recognition and terms of the lease contracts;</li> <li>– Obtaining, on a sample basis, accounts receivable balance confirmations from the Group's tenants and investigating any discrepancies;</li> <li>– Testing manual journal entries posted to the revenue accounts to identify any unusual items;</li> <li>– Performing cut off procedures to assess that revenue was recognised in the correct period; and</li> <li>– Evaluating the disclosures included in the consolidated financial statements.</li> </ul>

# Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

Impairment of investment properties	
See Note 7 and 8 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2021, the Group owned investment properties with a carrying amount of SR 11.97 billion (31 March 2020: SR 11.36 billion) which are used for earning rentals and capital appreciation.</p> <p>Considering the fluctuation in real estate prices and the possible impact on rentals, the Group assesses at each reporting date whether there is an indication that investment property may be impaired.</p> <p>If any impairment indicators exist, the Group estimates the recoverable amount of investment properties using external real estate valuation experts who consider expected future rentals, discount rates and other assumptions in determining the value of these investment properties.</p> <p>We considered this as the key audit matter due to the significant judgment involved and the key assumptions used in determining the recoverable amount of the investment properties.</p>	<p>Our audit procedures, included among others:</p> <ul style="list-style-type: none"> <li>– Evaluating the experience and qualification of the real estate valuation experts appointed by management and considering the experts suitability for the valuation of investment properties;</li> <li>– Involving our specialist to assess the key assumptions used by the real estate valuation experts in determining the value of the investment properties;</li> <li>– Agreeing the specific details (area, location etc.) of the investment properties as per the valuation reports with the Group records and title deeds of the investment properties;</li> <li>– Comparing the recoverable amount of the investment properties as per the Valuation Report to their carrying values to determine whether the recognition of any impairment loss is required; and</li> <li>– Evaluating the adequacy of the disclosures included in the consolidated financial statements.</li> </ul>

# Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of directors, are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.







# Arabian Centres Company (A Saudi Joint Stock Company)

## Consolidated statement of financial position

As at 31 March 2021

	Notes	31 March 2021	31 March 2020
<b>Assets</b>			
Investment properties	8	11,967,476,773	11,356,912,845
Right-of-use assets	9A	3,121,596,866	3,561,974,788
Property and equipment	10	75,546,196	91,474,811
Advances to a contractor	14C	582,469,359	614,438,352
Accrued revenue – non-current portion	23(ii)	341,395,259	99,835,361
Equity-accounted investment	11	--	53,079,928
Other non-current assets	15	22,500,000	--
Other investments	12	5,975,840	104,463,375
<b>Non-current assets</b>		<b>16,116,960,293</b>	<b>15,882,179,460</b>
Accrued revenue	23(ii)	170,697,630	69,362,957
Accounts receivable	13	247,870,806	234,254,125
Amounts due from related parties	14B	379,445,963	591,222,957
Prepayments and other assets	15	99,459,039	138,790,964
Cash and cash equivalents	16	635,669,921	1,045,680,193
		<b>1,533,143,359</b>	<b>2,079,311,196</b>
Assets held for sale	10	4,674,647	--
<b>Current assets</b>		<b>1,537,818,006</b>	<b>2,079,311,196</b>
<b>Total assets</b>		<b>17,654,778,299</b>	<b>17,961,490,656</b>
<b>Equity</b>			
Share capital	17	4,750,000,000	4,750,000,000
Share premium	17	411,725,703	411,725,703
Statutory reserve	18	561,758,636	513,092,734
Other reserves	18	7,184,631	(18,103,542)
Retained earnings		320,429,968	326,282,581
<b>Equity attributable to the shareholders of the Company</b>		<b>6,051,098,938</b>	<b>5,982,997,476</b>
Non-controlling interest		1,319,575	1,258,156
<b>Total equity</b>		<b>6,052,418,513</b>	<b>5,984,255,632</b>
<b>Liabilities</b>			
Loans and borrowings	20	6,861,285,252	6,970,743,077
Lease liabilities	9B	3,523,411,045	3,899,162,750
Employee benefits	21	21,673,040	30,370,714
Other non-current liabilities	22	69,448,668	52,729,339
<b>Non-current liabilities</b>		<b>10,475,818,005</b>	<b>10,953,005,880</b>
Loans and borrowings	20	119,375,000	45,000,000
Lease liabilities – current portion	9B	337,122,007	338,065,081
Accounts payable and other liabilities	23	405,102,129	381,514,197
Amount due to related parties	14B	162,319	3,899,682
Unearned revenue	23(i)	240,501,793	177,225,232
Zakat liabilities	24	24,278,533	78,524,952
<b>Current liabilities</b>		<b>1,126,541,781</b>	<b>1,024,229,144</b>
<b>Total liabilities</b>		<b>11,602,359,786</b>	<b>11,977,235,024</b>
<b>Total equity and liabilities</b>		<b>17,654,778,299</b>	<b>17,961,490,656</b>

The attached notes from 1 to 46 are an integral part of these consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors, on behalf of the Shareholders, on 11 Dhul Qa'dah 1442H (21 June 2021) and signed on its behalf by:

Waleed Khalid Al-Rebdi  
Chief Financial Officer

Faisal Abdulaziz Al-Jedai  
Chief Executive Officer

Fawaz Abdulaziz Al-Mokarr  
Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

# Arabian Centres Company (A Saudi Joint Stock Company)

## Consolidated statement of profit or loss


For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
Revenue	25	1,856,358,833	2,197,315,187
Cost of revenue			
- Direct costs	26	(315,243,141)	(316,594,593)
- Depreciation of right-of-use assets	9C	(206,324,134)	(155,864,844)
- Depreciation of investment properties	8	(311,653,382)	(286,418,176)
<b>Gross profit</b>		<b>1,023,138,176</b>	<b>1,438,437,574</b>
Other operating income	27A	145,616,338	12,678,935
Advertisement and promotion expenses	27B	(20,275,126)	(12,946,592)
General and administrative expenses	27C	(191,488,397)	(182,674,510)
Impairment loss on accounts receivable and accrued revenue rentals	13	(138,363,175)	(119,264,999)
Other operating expense	27D	(2,070,338)	(3,376,868)
<b>Operating profit</b>		<b>816,557,478</b>	<b>1,132,853,540</b>
Finance costs over loans and borrowings	27E	(172,892,445)	(351,259,733)
Finance costs over lease liabilities	9B	(172,238,307)	(134,543,493)
<b>Net finance costs</b>		<b>(345,130,752)</b>	<b>(485,803,226)</b>
Share from profit of equity-accounted investee	11	1,652,443	15,841,207
<b>Profit before zakat</b>		<b>473,079,169</b>	<b>662,891,521</b>
Zakat reversal / (charge)	24A	13,641,266	(20,290,170)
<b>Profit for the year</b>		<b>486,720,435</b>	<b>642,601,351</b>
<b>Profit for the year is attributable to:</b>			
- Shareholders of the Company		486,659,016	633,934,247
- Non-controlling interest		61,419	8,667,104
		<b>486,720,435</b>	<b>642,601,351</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	28	1.02	1.35

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

  
Waleed Khalid Al-Rebdi  
Chief Financial Officer

  
Faisal Abdullah Al-Jedaie  
Chief Executive Officer

  
Fawaz Abdulaziz Al-Hokair  
Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
Profit for the year		486,720,435	642,601,351
<b>Other comprehensive income/ (loss)</b>			
<i>Items that are or may be reclassified subsequently to consolidated statement of profit or loss:</i>			
- Cash flow hedges – effective portion of change in fair value	30B	(1,082,698)	--
<i>Items that will not be reclassified to consolidated statement of profit or loss:</i>			
- Re-measurements of defined benefit liability	21A	3,069,871	3,969,458
- Other investments at FVOCI – net change in fair value	12	54,455,273	(3,801,000)
<b>Total comprehensive income for the year</b>		<b>543,162,881</b>	<b>642,769,809</b>
<b>Total comprehensive income for the year attributable to:</b>			
- Shareholders of the Company		543,101,462	634,102,705
- Non-controlling interests		61,419	8,667,104
		<b>543,162,881</b>	<b>642,769,809</b>

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

  
**Waheed Khalid Al-Rebdi**  
 Chief Financial Officer

  
**Faisal Abdullah Al-Jedaie**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al-Hokan**  
 Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

**Arabian Centres Company (A Saudi Joint Stock Company)**  
**Consolidated statement of changes in equity**


For the year ended 31 March 2021

Attributable to shareholders of the Company

	Notes	Share capital	Share premium	Statutory reserve	Other reserves	Retained earnings	Total	Non-Controlling interest	Total equity
Balance at 1 April 2019		4,450,000,000	--	449,699,309	(18,272,000)	183,241,759	5,064,669,068	91,052	5,064,760,120
Total comprehensive income for the year									
Profit for the year		--	--	--	--	633,934,247	633,934,247	8,667,104	642,601,351
Other comprehensive income		--	--	--	168,458	--	168,458	--	168,458
Total comprehensive income for the year		--	--	--	168,458	633,934,247	634,102,705	8,667,104	642,769,809
Changes in ownership interests									
Issue of shares	1 <sup>st</sup>	300,000,000	411,725,703	--	--	--	711,725,703	--	711,725,703
		300,000,000	411,725,703	--	--	--	711,725,703	--	711,725,703
Transactions with shareholders of the company									
Transfers to statutory reserve		--	--	63,393,425	--	(63,393,425)	--	--	--
Dividends	1 <sup>st</sup>	--	--	--	--	(427,500,000)	(427,500,000)	(7,500,000)	(435,000,000)
		--	--	63,393,425	--	(490,893,425)	(427,500,000)	(7,500,000)	(435,000,000)
Balance at 31 March 2020		4,750,000,000	411,725,703	513,092,734	(18,103,542)	326,282,581	5,982,997,476	1,258,156	5,984,255,632
Balance at 1 April 2020		4,750,000,000	411,725,703	513,092,734 <sup>*</sup>	(18,103,542)	326,282,581	5,982,997,476	1,258,156	5,984,255,632
Total comprehensive income for the year									
Profit for the year		--	--	--	--	486,659,016	486,659,016	61,419	486,720,435
Other comprehensive income		--	--	--	56,442,446	--	56,442,446	--	56,442,446
Total comprehensive income for the year		--	--	--	56,442,446	486,659,016	543,101,462	61,419	543,162,881
Transfers to retained earnings	12 <sup>th</sup>	--	--	--	(31,154,273)	31,154,273	--	--	--
Transfers to statutory reserve		--	--	48,665,902	--	(48,665,902)	--	--	--
Transactions with shareholders of the company									
Dividends	1 <sup>st</sup>	--	--	--	--	(475,000,000)	(475,000,000)	--	(475,000,000)
		--	--	--	--	(475,000,000)	(475,000,000)	--	(475,000,000)
Balance at 31 March 2021		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

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

  
Walid Khalid Al-Rebdi  
Chief Financial Officer

  
Faisal Abdullah Al-Jedaie  
Chief Executive Officer

  
Fawaz Abdulaziz Al-Hokan  
Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

# Arabian Centres Company (A Saudi Joint Stock Company)

## Consolidated statement of cash flows

For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
<b>Cash flows from operating activities:</b>			
Profit before Zakat		473,079,169	662,891,521
<i>Adjustments for:</i>			
- Depreciation on investment properties	8	311,653,382	286,418,176
- Depreciation on property and equipment	10	26,816,191	30,784,955
- Depreciation on right-of-use assets	9A	210,091,177	159,631,890
- Impairment loss on accounts receivable and accrued revenue rentals	13	138,363,175	119,264,999
- Provision for employee benefits	21	7,248,891	7,164,937
- Finance cost over loans and borrowings	27E	172,892,445	351,259,733
- Finance cost over lease liabilities	9B	172,238,307	134,543,493
- Discount on lease rentals	9B	(76,703,029)	(370,000)
- Share from profit of equity-accounted investee	11	(1,652,443)	(15,841,207)
- Gain from sale of equity-accounted investee	27A	(42,767,629)	--
- Impairment on advances to suppliers	27D	--	2,822,235
- Change in fair value of other investments	12	288,535	444,388
		1,391,548,171	1,739,015,120
<b>Changes in:</b>			
- Accounts receivable		(151,979,856)	(54,273,978)
- Amounts due from related parties, net		75,108,333	(137,101,460)
- Prepayments and other current assets		(19,681,191)	(91,050,374)
- Accounts payable and other liabilities		51,809,077	(70,346,637)
- Accrued revenue		(342,894,566)	(78,624,688)
- Unearned revenue		63,276,561	(128,280,829)
<b>Cash generated from operating activities</b>		<b>1,067,186,529</b>	<b>1,179,337,154</b>
Employee benefits paid	21	(12,876,694)	(4,568,935)
Zakat paid	24	(20,285,625)	(5,877,732)
<b>Net cash from operating activities</b>		<b>1,034,024,210</b>	<b>1,168,890,487</b>
<b>Cash flows from investing activities:</b>			
Additions to investment properties, net	8	(220,381,610)	(116,925,849)
Acquisition of property and equipment	10	(15,562,223)	(7,485,877)
Proceeds from disposal of equity accounted investee	11	97,500,000	--
Dividend received from equity accounted investee	11	--	5,000,000
Proceeds from disposal of other investments	12	152,654,273	--
Advances to a contractor, related party		(357,034,885)	(343,943,774)
<b>Net cash used in investing activities</b>		<b>(342,824,445)</b>	<b>(463,355,500)</b>

All amounts are presented in Saudi Riyals unless otherwise stated.




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

Year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
<b>Cash flows from financing activities:</b>			
Proceeds from loans and borrowings	20	—	7,243,625,202
Repayments of loans and borrowings	20	(45,000,000)	(6,932,826,693)
Transaction costs paid during the year	20	(8,659,934)	(114,671,202)
Payment of finance costs over loans and borrowings	22	(292,694,175)	(384,093,476)
Repayments of lease liabilities	9B	(279,855,928)	(282,059,608)
Proceeds from initial public offering	17	—	780,000,000
Dividends paid	19	(475,000,000)	(427,500,000)
<b>Net cash used in financing activities</b>		<b>(1,101,210,037)</b>	<b>(117,525,777)</b>
Net (decrease) / increase in cash and cash equivalents		(410,010,272)	588,009,210
Cash and cash equivalents at the beginning of year		1,045,680,193	457,670,983
<b>Cash and cash equivalents at end of the year</b>	16	<b>635,669,921</b>	<b>1,045,680,193</b>
<b>Significant non-cash transactions:</b>			
Investment properties transferred from Saudi FAS Hotels to Arabian Centres Company	8A	131,340,000	--
- Capitalized finance cost for project under construction	22	123,428,143	55,858,564
- Capitalized arrangement fees for project under construction	20	2,348,324	5,570,992
- Capitalized finance cost over lease liabilities for project under construction	9B	47,692,692	91,470,816
- Capitalized depreciation of right-of-use assets for project under construction	9A	26,732,930	57,750,995
- Capitalized advances to contractors for project under construction		370,293,611	331,905,340
- Advance to landlord classified to lease liabilities	9B	36,513,006	--
- Advance to lessor reclassified to other finance receivables		22,500,000	--
- Zakat payable transferred to the Ultimate Parent Company	24	20,319,528	18,345,202
- Right-of-use assets	9A	--	3,656,779,235
- Lease liability on right-of-use assets	9B	--	4,171,064,692
- Prepaid rent reclassified to right-of-use assets		--	46,400,060
- Non-controlling interest dividends settled through adjusting amounts due to related parties		--	7,500,000
- Accruals and other current liabilities reclassified to right-of-use assets		--	808,475
- Initial public offering transaction costs	13	--	68,274,297

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

  
**Walid Khalid Al-Jabali**  
 Chief Financial Officer

  
**Faisal Abdullah Al-Jedaie**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al-Hokair**  
 Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.



## Arabian Centres Company (A Saudi Joint Stock Company)

### Notes to the consolidated financial statements

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For the year ended 31 March 2021

#### 1. Reporting entity

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

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

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

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

## Arabian Centres Company (A Saudi Joint Stock Company)

### Notes to the consolidated financial statements

For the year ended 31 March 2021

#### 1. Reporting entity (continued)

Following is the list of subsidiaries included in these consolidated financial statements as of 31 March 2021 and 31 March 2020:

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 2021	31 March 2020	31 March 2021	31 March 2020		
1	Riyadh Centres Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
2	Al Bawarij International for Development & Real Estate Investment Company	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
3	Al Makarem International for Real Estate Development Company	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
4	Oyoun Al Raed Mall Trading	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
5	Oyoun Al Basateen Company for Trading	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
6	Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company	Kingdom of Saudi Arabia	50%	50%	--	--	500,000	500
7	Yamouk Mall Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
8	Al Erth Al Matin Trading Company	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
9	Arkan Salam for Real Estate and Contracting Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	1,000,000	1,000
10	Mall of Arabia Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
11	Aziz Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
12	Dhahran Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
13	Al Noor Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
14	Al Yasmeen Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
15	Al Dammam Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
16	Al Malaz Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
17	Al Hamra Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
18	Al Erth Al Rasekh Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100

During the year ended 31 March 2021, the Group has signed a Sale Purchase agreement to acquire 39,253 (25.5%) ordinary shares of Vogacloset Limited, UK (an e-commerce Company) for a total consideration of SR 68,856,933. As at 31 March 2021, the necessary legal formalities for transfer of ownership including the regulatory approvals have not completed. The investment in Vogacloset will be accounted for as an associate once the legal formalities and necessary approvals are obtained.

All amounts are presented in Saudi Riyals unless otherwise stated.

## Arabian Centres Company (A Saudi Joint Stock Company)

### Notes to the consolidated financial statements

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For the year ended 31 March 2021

## 2. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants and Company's by-laws.

## 3. Basis of measurement

These consolidated financial statements are prepared under the historical cost convention except for the following material items in the 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 consolidated financial statements are presented in Saudi Arabian Riyal ("SR"), which is the functional currency of the Group.

## 5. Significant accounting estimates, assumptions and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

### A. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

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

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For the year ended 31 March 2021

**5. Significant accounting estimates, assumptions and judgements (continued)**

**A. Estimates and assumptions (continued)**

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs.

Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Long-term assumptions for employee benefits

Employees' end-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Measurement of Expected Credit Loss (ECL) allowance for accounts receivable: key assumptions in determining the weighted average loss rate

The Group's exposure to credit risk is influenced mainly by the individual characteristics of the customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with other social-economic factors. Such estimates are based on assumptions relating to those factors and actual results may differ, resulting in future changes to the impairment.

Economic useful lives of investment properties and property and equipment

The Group's management determines the estimated useful lives of its investment properties and property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

**B. Critical judgements in applying accounting standards**

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of the reasonable certainty of exercising options of lease term extension

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.



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

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For the year ended 31 March 2021

**5. Significant accounting estimates, assumptions and judgements (continued)**

**B. Critical judgements in applying accounting standards (continued)**

*Determination of the incremental borrowing rate of lease liabilities*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when the need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

*Component parts of investment properties and property and equipment*

The Group's assets, classified within investment properties and property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

*Determination of control and significant influence*

i. Management's judgement in assessing control over consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has in relation to the investees.

In certain cases where the Group owns 50% or less of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

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

For the year ended 31 March 2021

**5. Significant accounting estimates, assumptions and judgements (continued)**

**B. Critical judgements in applying accounting standards (continued)**

*Determination of control and significant influence (continued)*

Based on above considerations, management of the Group believes:

- there is a pattern of past and existing practice of the Group's involvement in the relevant activities of these investees resulting in an impact on their returns and also indicating a more than passive interest of the Group in such investees; and
- the Group has created an environment in which the set-up and function of these investees and their interrelationship with the Group leads towards a judgement of 'control'.

Hence, the Group has consolidated those investees, which meet the above criteria as part of the Group's consolidated financial statements.

- ii. Management's judgement in assessing significant influence over investees:

Judgement was required, particularly where the Group owns shareholding and voting rights of generally 20% and above but where the management does not believe that it has 'control' or 'joint control' over such investee.

In case of such investee, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not 'control' or 'joint control'. IFRSs as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process.

By virtue of the Group's shareholding rights in the investee's general meetings, as well as the Group's representation on Board of Directors of such investee and the Group's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("associate").

The Group is accounting for such investment in an associate under the equity method of accounting.

**6. Changes in significant accounting policies**

The Group has adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e., for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 are lease modifications.

**7. Summary of significant accounting policies**

**A. Basis of consolidation**

**i. Subsidiaries**

Please refer to *note 5* for details on judgements applied by the Group in respect of determination of control.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit / loss and each component of OCI are attributed to the Shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A list of subsidiaries is provided in *note 1* which also discloses the percentage of ownership.



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

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For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**A. Basis of consolidation (continued)**

**ii. Change in ownership interest**

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

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

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

**iii. Non-controlling interests**

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

**iv. Associate**

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in an associate is accounted for using the equity method of accounting, after initially being recognized at cost.

Equity method of accounting is used for the investment in an associate. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of profit or loss, and the Group's share of movements in OCI of the investee in consolidated statement of comprehensive income, if any.

Dividends received or receivable from an associate are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions, if any, between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

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

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

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For the year ended 31 March 2021

## **7. Summary of significant accounting policies (continued)**

### **A. Basis of consolidation (continued)**

#### **iv. Associate (continued)**

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

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

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

### **B. Foreign currencies**

#### **i. Transactions and balances**

Foreign currency transactions are translated into Saudi Riyal (SR) at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of profit or loss. Translation of non-monetary items depends on whether they are recognized at historical cost or at fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in consolidated statement of comprehensive income or consolidated statement of profit or loss).

### **C. Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer and is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any levies or duty.

#### **Rental income**

The Group is the lessor for various operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management are reasonably certain that the tenant will exercise that option. Accrued revenue is recognized to the extent that the revenue has been earned but not yet billed.

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

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For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**C. Revenue recognition (continued)**

***Rental income (continued)***

Tenant lease incentives including rental discounts are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. Unamortized portion of these incentives are classified under accrued revenue in the statement of financial position.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of profit or loss when the right to receive them arises.

***Turnover rent***

The Group recognizes income from turnover rent on the basis of turnover reports submitted by the tenants. In the absence of reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

***Service charges, management charges and other expenses recoverable from tenants***

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes due. Service and management charges related to repairs and maintenance of the building facilities and other such receipts are included in revenue while the related costs, which are included as part of cost of revenue, as the management considers that the Group acts as a principal in this respect.

Service charges related to utilities for heavy users are presented net of the related costs and are recorded as part of “commission income on provisions for utilities for heavy users, net” under revenue in the consolidated statement of profit or loss, since the management considers that the Group acts as an agent in this respect.

***Principal versus agent consideration***

The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Group has considered if it has obtained control of the specified services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk and discretion in establishing price. The Group has concluded it is the principal in all of its revenue arrangements (except for service charges related to utilities for heavy users – as discussed in the previous section) since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

***Presentation and disclosure requirements***

As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Please refer to [note 25](#) for the disclosure on disaggregated revenue.

***Interest income***

Interest income is recognized using the Effective Interest Rate (“EIR”) method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original EIR.

***Dividend income***

Dividend income from investments is recognized when the Group’s rights to receive payment have been established.

***Other income***

All other income are recognized on an accrual basis when the Group’s right to earn the income is established.

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

For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**D. Investment properties**

Investment property comprises completed property and property under construction or redevelopment that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer charges, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the costs of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value. Land and projects under construction are not depreciated.

Expenditure for repairs and maintenance are charged to consolidated statement of profit or loss as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized.

<b>Class of assets</b>	<b>Number of years</b>
Building: Electrical components	25 years
Building: Mechanical components	15 years
Building: Firefighting system	30 years
Building: Conveying system	20 years
Building	50 years
Building on leasehold land: Mechanical components	15 – 25 years (Shorter of economic life or lease term)
	4 – 50 years
Building on leasehold land	(Shorter of economic life or lease term)

Transfers are made to/from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to date the date of change in use.

Investment properties is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefits is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss in the period of de-recognition.

**E. Property and equipment**

Property and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Expenditures on repairs and maintenance are expensed to the consolidated statement of profit or loss in the period they are incurred. Subsequent expenditures that increase the value or materially extend the life of the related assets are capitalized. Leaseholds improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement and the term of the lease.

Depreciation is calculated from the date the item of property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

<b>Class of asset</b>	<b>Number of years</b>
Tools and equipment	4 – 8 years
Furniture and fixtures	4 – 10 years
Vehicles	4 years
Leasehold improvements	5 – 6 years (Shorter of economic life or lease term)



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

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For the year ended 31 March 2021

## **7. Summary of significant accounting policies (continued)**

### **E. Property and equipment (continued)**

Residual values, useful lives and methods of depreciation of property and equipment are reviewed on an annual basis, and adjusted prospectively if appropriate, at each reporting date. Properties under construction, which are not ready for its intended use, are not depreciated.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period when the asset is derecognized.

The carrying amounts of property and equipment is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

### **F. Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, used by the Group in the management of its short-term commitments and are available to the Group without any restriction.

### **G. Financial instruments**

#### **i. Recognition and initial measurement**

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant finance component) or finance liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without significant financing component is initially measured at the transaction price.

#### **ii. Classification and subsequent measurement**

Financial assets – initial measurement

On initial measurement, a financial asset is classified as measured at: amortized cost, FVOCI – debt instrument; FVOCI – equity instrument or fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to initial measurement unless the Group changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**G. Financial instruments (continued)**

**ii. Classification and subsequent measurement (continued)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets: Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose,
- consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets: Subsequent measurement and gains and losses*

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at Amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment loss, if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Equity investments At FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss as well.

*Financial liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.



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

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For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**G. Financial instruments (continued)**

**iii. Derecognition**

*Financial assets*

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognized.

*Financial liabilities*

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**iv. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**H. Impairment of financial instruments**

The Group applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:

- financial assets measured at amortized cost; and
- contract assets

Loss allowances for accounts receivable with or without significant financing component are measured at an amount equal to lifetime ECL.

Bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**H. Impairment of financial instruments (continued)**

ECL Model

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 720 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**I. Derivative financial instruments and hedge accounting**

The Group holds derivative financial instruments to hedge its commission rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in condensed consolidated statement of profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in condensed consolidated statement of comprehensive income and accumulated in the hedging reserve under other reserves. The effective portion of changes in the fair value of the derivative that is recognized in condensed consolidated statement of comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in condensed consolidated statement of profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect consolidated statement of profit or loss.

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

For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**1. Derivative financial instruments and hedge accounting (continued)**

*Cash flow hedges (continued)*

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to consolidated statement of profit or loss in the same period or periods as the hedged expected future cash flows affect consolidated statement of profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to condensed consolidated statement of profit or loss.

*Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

In July 2017, the United Kingdom Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. In December 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the Interbank Offered Rate ("LIBOR") reform. In addition, the amendments require companies to provide additional information about their hedging relationships which are directly affected by these uncertainties. The amendments are effective beginning on 1 January 2020.

Additionally, the IASB is considering the potential consequences on financial reporting of replacing an existing benchmark with an alternative. IBOR reforms and expectation of cessation of LIBOR will impact Group's current risk management strategy and possibly accounting for certain financial instruments used for hedging. The Group has cash flow hedges (please refer to [note 30](#)) which are exposed to the impact of LIBOR.

The Group uses financial instruments as part of its risk management strategy to manage exposures arising from variation of commission rates that could affect net income or other comprehensive income and applies hedge accounting to these instruments. The Group has certain borrowings where the reference rate is linked to the LIBOR. The Group is assessing the impact to ensure a smooth transition from LIBOR to new benchmark rates.

**J. Impairment of non-financial assets and liabilities**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

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

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For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**J. Impairment of non-financial assets and liabilities (continued)**

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

**K. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.



## **Arabian Centres Company (A Saudi Joint Stock Company)**

### **Notes to the consolidated financial statements (continued)**

For the year ended 31 March 2021

## **7. Summary of significant accounting policies (continued)**

### **L. Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The Group classifies all other liabilities as non-current.

### **M. Expenses**

Advertisement and promotion expenses principally comprise expenses incurred in promotion and advertisement of the shopping malls. All other expenses are classified as cost of revenues and general and administration expenses.

General and administration expenses include expenses not specifically part of the cost of revenue and promotion and advertising expenses. Allocations between general and administration expenses and cost of revenues, when required, are made on a consistent basis.

### **N. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion, when substantially all of the development work is completed. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

### **O. Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre- zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as financial charges.

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

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For the year ended 31 March 2021

**7. Summary of significant accounting policies (continued)**

**P. Employee benefits and post-employment benefits**

**i. Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare and child education allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

**ii. End-of-services benefits obligation**

The Group end of service benefits qualifies as a defined benefit plan. The liability recognized in the consolidated statement of financial position is the Defined Benefit Obligation (DBO) at the reporting date.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For instances where there is no deep market in such bonds, the market rates on government bonds are used. The discount rate is based on government bond yields in KSA.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the consolidated statement of profit or loss.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss as past service costs.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor and Workmen Law as well as the Group's policy.

**Q. Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia on an accrual basis. The zakat expense is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

In calculating the zakat expense for the current year, the Group has adjusted its profit and applied certain deductions to its zakat base used to calculate the zakat expenses. However, the zakat legislations of the Zakat, Tax and Customs Authority in relation to those assessments and deductions are not clear. The Group's management made its best estimates for those assumptions based on industry practice and historical experience.

**R. Dividends**

The Company recognizes a liability to make dividend distribution to the shareholders of the Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the applicable relevant Regulations of Saudi Arabia, a distribution is authorized when it is approved by the shareholders or when interim dividends are approved by the Board of Directors. A corresponding amount is recognized directly in equity.



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

For the year ended 31 March 2021

## **7. Summary of significant accounting policies (continued)**

### **8. Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

#### As a lessee

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

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

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

#### Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

#### As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The Group has applied IFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease component.

### **T. Segment reporting**

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses.
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

Management considers the operations of the Group as a whole as one operating segment as all subsidiaries engage in similar business activities.

A geographical segment is a Group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. All of the Group's operation are conducted in KSA hence only one geographic segment has been identified.



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

For the year ended 31 March 2021

**8. Investment properties (continued)**

**B. Fair value of investment properties**

Management has appointed independent valuers to determine the fair value of the investment properties as of 31 March 2021. According to the valuers, the fair value of the investment properties as at 31 March 2021 is **SR 21,516 million**. The valuers have appropriate qualifications and experience in the valuation of properties at the relevant locations. The effective date of the valuation was 31 March 2021 and prepared in accordance with Royal Institution of Chartered Surveyors ("RICS") Global Standards 2017 which comply with the international valuation standards.

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

The Company recognizes the amounts recognized in the investment properties at cost. The amounts recognized in the statement of profit or loss for investment properties during the years are as follows:

	Notes	31 March 2021	31 March 2020
Revenue	25	1,856,358,833	2,197,315,187
Direct costs	26	(315,243,141)	(316,594,593)
Depreciation of investment properties	84	(311,653,382)	(286,418,176)
		<b>1,229,462,310</b>	<b>1,594,302,418</b>

Net book values of the Group's lands as at the end of the reporting years are as follows:

	Notes	Owned by the company	Title deeds registered with the company	31 March 2021	31 March 2020
<b>Shopping malls - land</b>					
- Al Noor		Yes	Yes	68,120,000	68,120,000
- Jubail Mall		Yes	Yes	32,500,000	32,500,000
- Mall of Arabia – Jeddah	(i)	Yes	No	141,115,102	141,115,102
- Sahara Plaza – Riyadh	(i)	Yes	No	75,240,000	75,240,000
- Al Ehsa Mall	(i)	Yes	No	20,700,145	20,700,145
- Hamra Mall	(i)	Yes	No	256,100,000	256,100,000
- Nakheel Dammam Mall	(i)	Yes	No	210,000,000	210,000,000
- Salam Mall	(ii)	Yes	No	250,000,000	250,000,000
- Aziziah Mall – Makkah	(ii)	Yes	No	192,696,248	178,227,665
				<b>1,246,471,495</b>	<b>1,232,002,912</b>
<b>Lands</b>					
- Oyoun Al Raed		Yes	Yes	1,770,439,947	1,770,439,947
- Oyoun Al Basateen		Yes	Yes	1,067,162,500	1,067,162,500
- Al Qasseem		Yes	Yes	350,000,000	350,000,000
- Abha		Yes	Yes	62,000,000	62,000,000
- Khaleej Mall	(i)	Yes	No	290,209,050	290,209,050
- Al Ahssa Mall Extension Land	(iii)	Yes	No	20,700,000	--
- Jeddah Land	(iii)	Yes	No	60,465,000	--
				<b>3,620,976,497</b>	<b>3,539,811,497</b>
<b>Total land value</b>				<b>4,867,447,992</b>	<b>4,771,814,409</b>

- i. The title deeds of all plots of land are registered in the name of local banks against loans and borrowings (please refer to note 20).

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

For the year ended 31 March 2021

**8. Investment properties (continued)**

- ii. The title deeds of these plots of land are registered in the name of local banks against facilities which were repaid during the year ended 31 March 2020. The transfer of these title deeds to the Company is in progress.
- iii. Transfer of title deeds for these plots are under progress (please refer to note 14B(ii)).

**9. Right-of-use assets and lease liabilities**

**A. Right-of-use assets**

	Notes	31 March 2021	31 March 2020
Balance at beginning of the year		3,561,974,788	3,656,779,235
Additions during the year		66,987,624	122,578,438
Remeasurement of ROU assets	9F	(270,541,439)	--
Depreciation charge for the year	9C	(210,091,177)	(159,631,890)
Depreciation capitalized for projects under construction		(26,732,930)	(57,750,995)
<b>Balance at end of the year</b>		<b>3,121,596,866</b>	<b>3,561,974,788</b>

**B. Lease liabilities**

Lease liabilities are presented in the consolidated statement of financial position as follows:

	Notes	31 March 2021	31 March 2020
Balance at beginning of the year		4,237,227,831	4,171,064,692
Additions during the year		66,987,624	122,578,438
Lease payments during the year		(279,855,928)	(282,059,608)
Rent concessions during the year	9E	(76,703,029)	(370,000)
Remeasurement of lease liabilities	9F	(270,541,439)	--
Transfer from prepayments and other assets		(36,513,006)	--
Interest expense during the year	9C	172,238,307	134,543,493
Interest capitalized for projects under construction		47,692,692	91,470,816
<b>Balance at end of the year</b>		<b>3,860,533,052</b>	<b>4,237,227,831</b>

	31 March 2021	31 March 2020
Non-current portion of lease liabilities	3,523,411,045	3,899,162,750
Current portion of lease liabilities	337,122,007	338,065,081
<b>Balance at end of the year</b>	<b>3,860,533,052</b>	<b>4,237,227,831</b>

**C. Amounts recognized in profit or loss**

	Notes	31 March 2021	31 March 2020
Depreciation of right-of-use assets			
- Cost of revenue		(206,324,134)	(155,864,844)
- General and administrative expenses	27C	(3,767,043)	(3,767,046)
		(210,091,177)	(159,631,890)
Interest on lease liabilities	9B	172,238,307	134,543,493

**D. Group Commitment to lease contracts**

	31 March 2021	31 March 2020
Within one year	521,870,380	571,161,280
After one year but not more than five years	1,338,010,402	1,420,780,211
More than five years	4,453,033,818	5,170,031,208
	<b>6,312,914,600</b>	<b>7,161,972,699</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

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For the year ended 31 March 2021

**9. Right-of-use assets and lease liabilities (continued)**

**E. Rent concessions**

The Group negotiated rent concessions with its landlords for the majority of its leased malls as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its leased lands/ malls. The amount recognized in consolidated profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is **SR 76.70 million** (2020: Nil).

**F. Lease remeasurements**

The Group negotiated lease amendments for the Company's lease contract for the U-walk Jeddah Centre (formerly named Zahra Mall). The lease amendments mainly included reduction of lease commitments over the term of the contract and corresponding change in lease term.



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

For the year ended 31 March 2021

**10. Property and equipment**

**Reconciliation of carrying amount**

	Tools and equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Capital work in progress	Total
<b>Cost:</b>						
Balance at 1 April 2019	143,405,482	92,376,616	3,633,902	32,455,796	1,389,796	273,261,592
Additions during the year	3,567,839	3,508,077	--	409,961	--	7,485,877
Transfers during the year	--	--	--	1,292,721	(1,292,721)	--
<b>Balance at 31 March 2020</b>	<b>146,973,321</b>	<b>95,884,693</b>	<b>3,633,902</b>	<b>34,158,478</b>	<b>97,075</b>	<b>280,747,469</b>
Additions during the year	317,016	288,826	--	480,424	14,475,957	15,562,223
Transfer to assets held for sale (i)	(1,986,125)	(5,133,015)	--	(9,414,279)	--	(16,533,419)
<b>Balance at 31 March 2021</b>	<b>145,304,212</b>	<b>91,040,504</b>	<b>3,633,902</b>	<b>25,224,623</b>	<b>14,573,032</b>	<b>279,776,273</b>
<b>Accumulated depreciation</b>						
Balance at 1 April 2019	83,308,826	55,921,367	3,628,594	15,628,916	--	158,487,703
Charge for the year	12,889,457	10,871,613	5,308	7,018,577	--	30,784,955
<b>Balance at 31 March 2020</b>	<b>96,198,283</b>	<b>66,792,980</b>	<b>3,633,902</b>	<b>22,647,493</b>	<b>--</b>	<b>189,272,658</b>
Charge for the year	10,825,396	7,451,260	--	8,539,535	--	26,816,191
Transfer to assets held for sale (i)	(1,264,793)	(2,740,524)	--	(7,853,455)	--	(11,858,772)
<b>Balance at 31 March 2021</b>	<b>105,758,886</b>	<b>71,503,716</b>	<b>3,633,902</b>	<b>23,333,573</b>	<b>--</b>	<b>204,230,077</b>
<b>Carrying amounts:</b>						
<b>At 31 March 2020</b>	<b>50,775,038</b>	<b>29,091,713</b>	<b>--</b>	<b>11,510,985</b>	<b>97,075</b>	<b>91,474,811</b>
<b>At 31 March 2021</b>	<b>39,545,326</b>	<b>19,536,788</b>	<b>--</b>	<b>1,891,050</b>	<b>14,573,032</b>	<b>75,546,196</b>

(i) On 23 February 2021, the Group entered into sale agreement to sell certain equipment, furniture and leasehold improvements with effect from 15 May 2021 and with net book value of SR 4.7 million at a consideration of SR 5.01 million. Accordingly, these assets has been classified as held for sale in the statement of financial position.

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

## 11. Equity-accounted investment

Equity-accounted investment represents an investment in the share capital of Aswaq Al Mustaqbal for Trading Company, a real estate company incorporated in the Kingdom of Saudi Arabia, which is engaged primarily in the general contracting for buildings, building maintenance, electrical and mechanical works and acquisition of lands to construct buildings for sale or lease. During the year, the Group has sold its investment for total proceeds of **SR 97.5 million** and accordingly recognized a gain on disposal of **SR 42.7 million** in the consolidated statement of profit or loss.

### A. Reconciliation of carrying amount

	Aswaq Al Mustaqbal for Trading Company
Balance at 1 April 2019	42,238,721
Dividend	(5,000,000)
Share of profit for the year	15,841,207
<b>Balance at 31 March 2020</b>	<b>53,079,928</b>
Share of profit for the year	1,652,443
Disposal	(54,732,371)
<b>Balance at 31 March 2021</b>	<b>--</b>

### B. Summarized financial statements

	31 March 2020
Assets	250,040,393
Liabilities	(37,720,681)
<b>Net Assets</b>	<b>212,319,712</b>
Revenue	150,040,846
Profit from continuing operations	63,364,828
Other comprehensive income	--
<b>Total comprehensive income</b>	<b>63,364,828</b>

## 12. Other investments

### Reconciliation of carrying amount

	Equity securities at FVTPL (i)	Equity securities at FVOCI (ii)	Total
Balance at 1 April 2019	6,708,763	102,000,000	108,708,763
<b>Revaluation adjustments</b>			
Unrealized loss to consolidated Profit & loss	(444,388)	--	(444,388)
Unrealized loss to consolidated OCI	--	(3,801,000)	(3,801,000)
<b>Balance at 31 March 2020</b>	<b>6,264,375</b>	<b>98,199,000</b>	<b>104,463,375</b>
Balance at 1 April 2020	6,264,375	98,199,000	104,463,375
<b>Revaluation adjustments</b>			
Unrealized loss to consolidated Profit & loss	(288,535)	--	(288,535)
Unrealized gain to consolidated OCI	--	54,455,273	54,455,273
<b>Movement</b>			
Disposals	--	(152,654,273)	(152,654,273)
<b>Balance at 31 March 2021</b>	<b>5,975,840</b>	<b>--</b>	<b>5,975,840</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

## Arabian Centres Company (A Saudi Joint Stock Company)

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

For the year ended 31 March 2021

#### 12. Other investments (continued)

- i. This represents 0.25% equity investment in Al Jawhara Real Estate Fund (formerly known as Digital City Fund) (68 units each for SR 100,000) purchased for **SR 7 million**. Net asset value (NAV) of the investment amounted to **SR 5.9 million** (31 March 2020: SR 6.3 million). The realized loss amounting to **SR 0.3 million** has been recognized in the consolidated statement of profit or loss (31 March 2020: SR 0.4 million).
- ii. During the year, Amlak International for Real Estate Finance Company announced its IPO. In relation to the IPO, the Group disposed 30% of its investment in Amlak International at an offer price of SR 16 per share.

Furthermore, the Group has disposed 100% of its post IPO holding with historical cost of SR 121.5 million and realized a total fair value gain of **SR 54.4 million** in consolidated statement of comprehensive income. Further, total unrealized fair value gain of **SR 31.2 million** was transferred to retained earnings from other reserves upon disposal of the investment.

#### 13. Accounts receivable

Accounts receivables comprise of interest free net receivables due from tenants with no credit rating. Before accepting any new customer, management of the Group assesses the potential customer's credit quality and defines credit limits. Unimpaired accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and vast majority are, therefore, unsecured.

##### Reconciliation of carrying amount

	Note	31 March 2021	31 March 2020
Gross accounts receivable		431,919,019	399,801,424
Less: Impairment loss on accounts receivable	(i)	(184,048,213)	(165,547,299)
		247,870,806	234,254,125

- i. Movement in the impairment loss allowance was as follows:

	31 March 2021	31 March 2020
Balance at 1 April	165,547,299	144,542,907
Impairment charge for the year	104,964,101	119,264,999
Write-off	(86,463,187)	(98,260,607)
<b>Balance at 31 March</b>	<b>184,048,213</b>	<b>165,547,299</b>
<b>Amounts directly charged to consolidated profit and loss (i) - Impairment of accrued revenue</b>	<b>33,399,074</b>	<b>--</b>

Please refer to **Note 30C** for ageing of unimpaired accounts receivable.

- (i) It represents release of unamortized portion of rent free period / lease straight lining to profit or loss on account of termination of lease.

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

For the year ended 31 March 2021

**14. Related party transactions and balances**

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

**A. Key management personnel compensation**

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

	31 March 2021	31 March 2020
End of service benefits	3,189,786	5,211,437
Salaries and short-term benefits	15,841,304	18,225,189
Total key management compensation	19,031,090	23,436,626

**B. Related party transactions and balances**

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

	31 March 2021	31 March 2020
Amount due from related parties	379,445,963	591,222,957
Amount due to related parties	(162,319)	(3,899,682)
	379,283,644	587,323,275



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

For the year ended 31 March 2021

**14. Related party transactions and balances (continued)**

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

*II - During the year, 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	Notes	Business status	Transactions					Accounts receivable / (Payable)
			Renting of retail and office space services rendered	Security services rendered	Transfer of Zakat payable	Others	Total	
<b>31 March 2021</b>								
Transactions with ultimate shareholder								
Saudi FAS Holding Company	(i)	Closed Joint Stock Company	3,449,751	--	(20,319,528)	--	(16,869,777)	--
Transactions with fellow subsidiaries (subsidiaries of shareholder)								
FAS Holding Company for Hotels and its subsidiaries	(ii)	Limited Liability Company	--	--	--	131,340,000	131,340,000	218,982,570
Fawaz Abdulaziz Al Hokair Company and its subsidiaries	(iii)	Joint Stock Company	359,963,174	--	--	--	359,963,174	81,369,641
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	(iv)	Joint Stock Company	21,395,241	--	--	--	21,395,241	28,947,242
Salman & Sons Holding Co and its associates	(v)	Limited Liability Company	33,433,898	--	--	--	33,433,898	23,588,248
Majd Al Amal Co. Limited and its associates	(vi)	Limited Liability Company	23,842,530	--	--	--	23,842,530	8,855,548
Tadaris Alnajd Security Company	(vii)	Limited Liability Company	--	67,766,094	--	--	67,766,094	8,825,690
Ezdihar Holding Co and its subsidiaries	(viii)	Limited Liability Company	36,845,540	--	--	--	36,845,540	6,741,667
Others, net	(ix)	Limited Liability Company	5,834,529	--	--	--	5,834,529	1,973,038
			484,764,663	67,766,094	(20,319,528)	131,340,000	663,551,229	379,283,644
<b>31 March 2020</b>								
Transactions with ultimate shareholder								
Saudi FAS Holding Company	(i)	Closed Joint Stock Company	--	--	(18,345,202)	63,269,505	44,924,303	5,402,530
Transactions with fellow subsidiaries (subsidiaries of shareholder)								
FAS Holding Company for Hotels and its subsidiaries	(ii)	Limited Liability Company	--	--	--	--	--	350,322,579
Fawaz Abdulaziz Al Hokair Company and its subsidiaries	(iii)	Joint Stock Company	458,879,070	--	--	--	458,879,070	113,320,300
Salman & Sons Holding Co and its associates	(v)	Limited Liability Company	57,600,562	--	--	--	57,600,562	40,413,708
Ezdihar Holding Co and its subsidiaries	(viii)	Limited Liability Company	29,903,139	--	--	--	29,903,139	25,990,786
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	(iv)	Joint Stock Company	26,834,371	--	--	7,500,000	34,334,371	28,211,447
Tadaris Alnajd Security Company	(vii)	Limited Liability Company	--	57,278,571	--	--	57,278,571	18,868,656
Majd Al Amal Co. Limited and its associates	(vi)	Limited Liability Company	1,069,546	--	--	--	1,069,546	1,032,501
Others, net	(ix)	Limited Liability Company	24,019,359	36,818,438	--	2,136,265	62,974,062	3,760,768
			598,306,047	94,097,009	(18,345,202)	72,905,770	746,963,624	587,323,275

All amounts are presented in Saudi Riyals unless otherwise stated.

## **14. Related party transactions and balances (continued)**

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

#### *III - Information about the fellow subsidiaries and their relationship*

- i. Saudi FAS Holding Company is the ultimate parent of the Company via assignment of shares by the Company's immediate parent company (FAS Real Estate Company Limited). The Company has various transactions with its ultimate parent in relation to ongoing business support activities provided by the ultimate parent.
- ii. FAS Holding Company for Hotels is a subsidiary of the Company's parent Saudi FAS Holding Company. During the year, as per mutual agreement between Saudi FAS Holding Company (Ultimate Parent Company), FAS holding Company for Hotels and Arabian Centres Company, FAS Hotels settled SR 131.3 million by transferring lands to the Group (Refer note 8). The title of these lands are in the name of Saudi FAS Holding Company (Ultimate Parent Company) and transfer of title deeds are in the process.
- iii. Fawaz Abdulaziz Al Hokair Company is one of the Group's Key Account Tenants and leases stores in various of the Company's malls. The Company is party to a framework agreement with Fawaz Abdulaziz Al Hokair Company which aims to ensure that all tenancy leases between the parties for all of the Company's malls are conducted on a basis which are approved by the management / Board of Directors.
- iv. Abdul Mohsin Al Hokair Group for Tourism and Development leases space for indoor and outdoor family entertainment centres in the Group's shopping malls. These leases range from 5 to 10 years in length. Abdul Mohsin Al Hokair and Tourism and Development is owned by a relative of the Controlling Shareholders.
- v. Salman & Sons Holding Co and its associates is a mix of entities which leases spaces in several of the Group's shopping malls mainly for entertainment purposes. These entities are owned by controlling shareholder (Salman Abdulaziz Alhokair) and their close family members. These are as follows:
  - Sala Entertainment Company leases space for an indoor soft play entertainment venue in the Company's shopping malls. The leases are for a term of 10 years.
  - Kids Space Company leases space in Mall of Arabia (Jeddah) for 'Kidzania', a children's interactive play centre. The term of the lease is ten years, with automatic renewal unless one party gives notice. The lease contains turnover rent provisions and rent escalation mechanics.
  - Via Media, Vida first for beverages Est., Vida Trading Est. and Fashion District Co. leases spaces in several of the Group's shopping malls. The term of the leases range from 1 to 3 years.
  - Skills Innovative Games leases space for entertainment venues in Yasmeen Mall Jeddah. The term of the lease is approximately 10 years.
- vi. Majd Al Amal Co. Limited and its associates is a mix of entities which leases spaces in several of the Company's shopping malls. The term of the leases range from 3 to 7 years. The Company is owned by close family members of the Controlling Shareholders. Entities includes Majd Al Amal Co. limited, Wealth Company Limited, Almuzn Foods and Sarya Al Majd Co.
- vii. Tadaris Alnajd Security Company (TNS) currently provides security services to all of the Company's shopping malls. The Company entered into a civil security services agreement with TNS providing that TNS provides civil security services in the malls, which includes the provision of security guards and other security personnel and security vehicles. The agreement is automatically renewable by mutual consent.
- viii. Ezdihar Holding Co and its subsidiaries is a mix of entities which leases spaces in several of the Company's shopping malls mainly for trading purposes. These entities are owned by close family members of the Controlling Shareholder (Fawaz Abdulaziz Alhokair) and their close family members. These are as follows:

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

For the year ended 31 March 2021

**14. Related party transactions and balances (continued)**

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

- Next Generation Company Limited currently leases cinemas and space planned for cinemas in the Company's shopping malls.
- Ezdihar Sports Co. leases space for a fitness centres in U-Walk. The term of the lease range is approximately 10 years.
- ix. Others mainly include transactions with Etqan Facilities Management, Echo Design Consultant, Fahad Abdulaziz Al Hokair Trading EST, FAS Technologist Trading Company, Coffee Centres Company Limited, Nail Place Trading Est and Food and Entertainment company Limited.

**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	
			2021	2020	31 Mar 2021	31 Mar 2020
Lynx Contracting Company	Limited Liability	Affiliate	370,293,611	331,905,340	582,469,359	614,438,352

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)

**15. Prepayments and other assets**

	31 March 2021	31 March 2020
Advances to suppliers	92,991,316	118,055,522
Prepaid expenses	21,845,811	14,322,142
Employees' receivables	3,495,328	4,808,626
Others	3,626,584	1,604,674
	121,959,039	138,790,964
Less: Non-current advances	(22,500,000)	--
	99,459,039	138,790,964

**16. Cash and cash equivalents**

	Note	31 March 2021	31 March 2020
Bank balances – current accounts		548,856,924	391,977,700
Bank balances – time deposits	(i)	85,690,914	652,286,189
Cash in hand		1,122,083	1,416,304
		635,669,921	1,045,680,193

- i. The average rate on bank time deposits during the year ranges from 0.43% to 0.71% (2020: 0.85% to 0.90%) per annum with an average maturity of 30 to 106 days.

All amounts are presented in Saudi Riyals unless otherwise stated.

# Arabian Centres Company (A Saudi Joint Stock Company)

## Notes to the consolidated financial statements (continued)

For the year ended 31 March 2021

### 17. Share capital

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

	No. of shares	Share capital	Share premium
Balance at 1 April 2019	445,000,000	4,450,000,000	--
Issuance of new shares at SR 26 per share (SR 10 par value)	30,000,000	300,000,000	480,000,000
Transaction costs on new share issue	--	--	(68,274,297)
<b>Balance at 31 March 2020</b>	<b>475,000,000</b>	<b>4,750,000,000</b>	<b>411,725,703</b>
<b>Balance at 31 March 2021</b>	<b>475,000,000</b>	<b>4,750,000,000</b>	<b>411,725,703</b>

### 18. Reserves

#### Statutory reserve

In accordance with Company's by-laws and regulation for Companies, the Company must transfer 10% of its profit for the year to the statutory reserve. In accordance with Company's by-laws and regulation for Companies, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution. The reserve would be set aside based on the annual consolidated financial statements.

#### Other reserves

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

### 19. Dividends distribution

#### 31 March 2021

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

#### 31 March 2020

- During the year, the Board of Directors resolved to distribute interim dividends amounting to **SR 0.90 per share** aggregating to **SR 427,500,000** as per resolution dated 9 Rabi al-Thani 1441H (corresponding to 6 December 2019). The Company has paid the dividends as at the reporting date.

### 20. Loans and borrowings

	Note	31 March 2021	31 March 2020
Islamic facility with banks (i)		5,143,177,982	5,188,502,555
Sukuk (ii)		1,837,482,270	1,827,240,522
	20 B	6,980,660,252	7,015,743,077
<b>Loans and Borrowings - Current liabilities</b>		<b>119,375,000</b>	<b>45,000,000</b>
<b>Loans and Borrowings - Non Current liabilities</b>		<b>6,861,285,252</b>	<b>6,970,743,077</b>
		<b>6,980,660,252</b>	<b>7,015,743,077</b>

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 30.

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the year ended 31 March 2021

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

**A. Terms and repayment**

- i. The Group entered into a long-term Islamic facility arrangement amounting to SR 5,250 million (equivalent USD 1,400 million), with local and international banks. This facility is divided into Murabaha facility up to SR 500 million (maturing in 12 years), Ijara facilities up to SR 4,000 million (maturing in 8 and 12 years), and Revolving Murabaha up to SR 750 million (maturing in 3 years). 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. During the current period 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 30*.

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. The Group is in compliant with the loan covenants as at the reporting date.

- ii. Arabian Centres Sukuk Limited (a special purpose company established for the purpose of issuing Sukuk) completed the issuance of an International USD denominated Shari'ah compliant Sukuk "Sukuk Certificates" amounting to USD 500 million (equivalent SR 1,875 million), at a par value of USD 0.2 million each, annual yield payable semi-annually and a maturity in five years. Sukuk Certificates may be subject to early redemption at the option of the Company as per the certain specified conditions mentioned in the Sukuk Certificate.

**B. Reconciliation of carrying amount**

	Notes	Islamic facility with banks	Sukuk	Total
Balance at 1 April 2019		6,814,144,763	--	6,814,144,763
Proceeds received during the year		5,368,675,202	1,874,950,000	7,243,625,202
Repayments made during the year		(6,932,826,693)	--	(6,932,826,693)
	(i)	5,249,993,272	1,874,950,000	7,124,943,272
Un-amortized transaction costs	(ii)	(61,490,717)	(47,709,478)	(109,200,195)
<b>Balance at 31 March 2020</b>		<b>5,188,502,555</b>	<b>1,827,240,522</b>	<b>7,015,743,077</b>
Balance at 1 April 2020		<b>5,249,993,272</b>	<b>1,874,950,000</b>	<b>7,124,943,272</b>
Proceeds received during the year		--	--	--
Repayments made during the year		(45,000,000)	--	(45,000,000)
	(i)	<b>5,204,993,272</b>	<b>1,874,950,000</b>	<b>7,079,943,272</b>
Un-amortized transaction costs	(ii)	(61,815,290)	(37,467,730)	(99,283,020)
<b>Balance at 31 March 2021</b>		<b>5,143,177,982</b>	<b>1,837,482,270</b>	<b>6,980,660,252</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

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

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

	Islamic facility with banks	Sukuk	Total
<b>31 March 2020</b>			
Within one year	45,000,000	--	45,000,000
Between two to five years	2,063,751,272	--	2,063,751,272
More than five years	3,141,242,000	1,874,950,000	5,016,192,000
	5,249,993,272	1,874,950,000	7,124,943,272
<b>31 March 2021</b>			
Within one year	119,375,000	--	119,375,000
Between two to five years	1,944,376,272	--	1,944,376,272
More than five years	3,141,242,000	1,874,950,000	5,016,192,000
	5,204,993,272	1,874,950,000	7,079,943,272

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

	Notes	Islamic facility with banks	Sukuk	Total
Balance at 1 April 2019		73,110,079	--	73,110,079
Arrangement fees paid		63,462,460	51,208,742	114,671,202
Written-off for the year	27E	(59,930,701)	--	(59,930,701)
Amortization for the year	27E	(9,707,245)	(3,372,148)	(13,079,393)
Capitalized arrangement fees		(5,443,876)	(127,116)	(5,570,992)
<b>Balance at 31 March 2020</b>		61,490,717	47,709,478	109,200,195
Balance at 1 April 2020		61,490,717	47,709,478	109,200,195
Arrangement fees paid		8,659,934	--	8,659,934
Amortization for the year	27E	(7,265,298)	(8,963,487)	(16,228,785)
Capitalized arrangement fees		(1,070,063)	(1,278,261)	(2,348,324)
<b>Balance at 31 March 2021</b>		61,815,290	37,467,730	99,283,020

**21. Employee benefits**

The Group grants end-of-service benefits (benefit plan) to its employees taking into consideration the local labor law requirements in KSA. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end-of-service plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation (equivalent to a duration of around 12 years). In countries where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in the Kingdom to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between the US and Saudi Arabia.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within other reserves under the consolidated statement of comprehensive income and in the consolidated statement of changes in equity.

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

For the year ended 31 March 2021

**21. Employee benefits (continued)**

**A. Movement in employee benefits liability**

	31 March 2021	31 March 2020
Balance at 1 April	30,370,714	31,744,170
Total amount recognized in the consolidated statement of profit or loss		
Past service cost	—	(559,934)
Current service cost	6,334,716	6,437,034
Interest cost	914,175	1,287,837
	7,248,891	7,164,937
Amount recognized in the consolidated statement of comprehensive income		
Actuarial gain arising from		
– other assumptions and experience adjustments	(3,069,871)	(3,969,458)
Benefits paid	(12,876,694)	(4,568,935)
Balance at 31 March	21,673,040	30,370,714

**B. Significant actuarial assumptions**

The significant actuarial assumptions used were as follows:

	31 March 2021	31 March 2020
<b>Economic assumptions</b>		
Gross discount rate	3.2%	5%
Withdrawal rate	10%	5%
Salary growth rate	3%	0% for FY 2020-21 and 5% for each future year
Retirement age	60	60

**C. Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions made in the calculation is as follows:

	31 March 2021		31 March 2020	
	Increase	Decrease	Increase	Decrease
Salary inflation (1% movement)	23,889,878	19,736,467	34,944,145	26,514,308
Discount rate (1% movement)	19,757,337	23,908,461	26,560,223	34,975,580
Withdrawal rate (20% movement)	20,903,100	22,473,896	30,067,011	30,669,042

**22. Accounts payable and other liabilities**

	Notes	31 March 2021	31 March 2020
<b>Accounts payable</b>			
Accounts payable	(i)	164,525,699	149,442,700
		164,525,699	149,442,700
<b>Other liabilities</b>			
Accrued finance cost	(iii)	87,356,027	101,061,998
Tenants' security deposits	(ii)	57,964,566	66,404,608
Accrued expenses		60,976,225	49,956,485
Employees' salaries and benefits		24,241,134	13,238,421
Government duties & taxes		8,955,780	1,409,985
Profit rate swaps used for hedging	30	1,082,698	--
		240,576,430	232,071,497
<b>Accounts payable and other liabilities</b>		405,102,129	381,514,197

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

**22. Accounts payable and other liabilities (continued)**

- i. Accounts payable are amounts which are owed to suppliers for the purchase of goods or services. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.
- ii. Non-current portion of tenants' security deposits aggregating to SR 69.45 million (31 March 2020: SR 52.73 million) are disclosed as other non-current liabilities.
- iii. Movement in accrued finance cost is as follows:

	Note	31 March 2021	31 March 2020
Balance at beginning of the year		101,061,998	153,561,227
Commission expense	27E	155,560,061	275,735,683
Payment of finance costs		(292,694,175)	(384,093,476)
Capitalized finance costs		123,428,143	55,858,564
<b>Balance at end of the year</b>		<b>87,356,027</b>	<b>101,061,998</b>

**23. Contract balances**

- i) Unearned revenue represent cash received against services to be performed or goods to be delivered by the Group in the future. At the end of each accounting period, adjusting entries are made to recognize the portion of unearned revenue that has been earned during the year.
- ii) Accrued revenue represents the following:

	Note	31 March 2021	31 March 2020
Unamortized portion of lease incentives			
- discounts		312,592,014	76,801,419
- rent free period and straight-lining		199,500,875	92,396,899
		<b>512,092,889</b>	<b>169,198,318</b>
Presented in statement of financial position as follows:			
Accrued revenue – non-current portion		341,395,259	99,835,361
Accrued revenue – current portion		170,697,630	69,362,957
		<b>512,092,889</b>	<b>169,198,318</b>

**24. Zakat**

**A. Amounts recognized in consolidated statement of profit or loss**

	Note	2021	2020
Current year zakat charge		25,000,000	20,290,170
Prior years reversal	24C(ii)	(38,641,266)	--
		<b>(13,641,266)</b>	<b>20,290,170</b>

Computation of zakat charge is as follows:

	31 March 2021	31 March 2020
Shareholders' equity and other payables	16,270,216,874	16,556,991,436
Adjusted net income	583,639,718	654,215,251
Deductions	15,860,696,524	16,399,599,887
Zakat base	993,160,068	811,606,800
<b>Zakat at 2.5% (higher of adjusted net income or Zakat base)</b>	<b>25,000,000</b>	<b>20,290,170</b>

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the year ended 31 March 2021

**24. Zakat (continued)**

**B. Reconciliation of carrying amount**

	<i>Note</i>	<b>31 March 2021</b>	<b>31 March 2020</b>
Balance at beginning of the year		<b>78,524,952</b>	82,457,716
Current year zakat charge	<i>24A</i>	<b>25,000,000</b>	20,290,170
Prior years reversal	<i>24C(ii)</i>	<b>(38,641,266)</b>	--
Transferred to ultimate parent company		<b>(20,319,528)</b>	(18,345,202)
Payments		<b>(20,285,625)</b>	(5,877,732)
<b>Balance at end of the year</b>		<b>24,278,533</b>	78,524,952

**C. Status of assessment**

- i. Status of zakat assessments is as follows:
  - The Group has submitted the zakat return up to the year ended 31 March 2020 and obtained the provisional zakat certificate. The zakat certificate is valid until 31 July 2021.
  - Until the year ended 31 March 2019, the Ultimate Parent Company prepared and submitted combined zakat returns for the Ultimate Parent Company and its wholly owned subsidiaries, including Arabian Centres Company, to Zakat, Tax and Customs Authority as per Zakat, Tax and Customs Authority letter. The ultimate parent Company has received final assessment order for zakat until the year 31 March 2016.
- ii. The Ultimate parent company has allocated **SR 38.66 million** as Group's share of Zakat liability for the years 2017 to 2019. The group has Zakat provision of **SR 77.3 million** for the years 2017 to 2019. Accordingly, the Group has recorded the reversal of excess provisions in the consolidated statement of profit or loss for year ended 31 March 2021. Any additional settlements with Zakat, Tax and Customs Authority until the years 2019 will be borne by ultimate parent company.

**25. Revenue**

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Rental income	<i>(i)</i>	<b>1,736,243,466</b>	2,038,143,187
Service and management charges income		<b>89,577,726</b>	93,477,708
Commission income on provisions for utilities for heavy users, net		<b>2,771,570</b>	3,297,512
Turnover rent		<b>27,766,071</b>	62,396,780
		<b>1,856,358,833</b>	2,197,315,187

- i. Rental income includes related maintenance and insurance costs of Malls' premises included as a part of rent for each of the tenants.

Group as a lessor:

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

	<b>31 March 2021</b>	<b>31 March 2020</b>
Within one year	<b>1,918,964,222</b>	1,553,240,470
After one year but not more than five years	<b>2,438,912,279</b>	2,254,271,279
More than five years	<b>600,834,616</b>	645,170,715
	<b>4,958,711,117</b>	4,452,682,464

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

**26. Direct costs**

	2021	2020
Utilities expense	103,718,959	110,510,793
Security expense	67,429,816	56,949,711
Cleaning expense	63,158,628	57,510,792
Repairs and maintenance	46,562,118	52,755,946
Employees' salaries and other benefits	34,233,843	36,137,114
Others	139,777	2,730,237
	<b>315,243,141</b>	<b>316,594,593</b>

**27. Income and expenses**

**A. Other operating income**

	Notes	2021	2020
Rental concession on leases	9B	76,703,029	370,000
Income from sale of equity accounted investment		42,767,629	--
Compensation received from landlord		10,750,000	
Reversal of liability no longer payable	(i)	6,840,105	6,179,043
Commission income on bank deposits		4,698,264	--
Dividend income		2,857,500	5,737,500
Other income		999,811	392,392
		<b>145,616,338</b>	<b>12,678,935</b>

i. Represents long aged deposits which are no longer payable.

**B. Advertisement and promotion expenses**

	2021	2020
Sponsorship	9,472,295	4,160,625
Advertisement	7,616,849	2,532,010
Promotions	3,185,982	6,253,957
	<b>20,275,126</b>	<b>12,946,592</b>

**C. General and administrative expenses**

	Note	2021	2020
Employees' salaries and other benefits		109,652,095	96,307,451
Depreciation on property and equipment	10	26,816,191	30,784,955
Professional fees		20,021,346	14,533,876
Communication and internet expense		8,931,642	12,853,654
Insurance expense		7,477,619	7,029,636
Government expenses		4,406,172	6,791,359
Depreciation of right-of-use assets	9C	3,767,043	3,767,046
Board expenses		4,095,000	3,905,000
Maintenance		1,609,008	200,740
Others		4,712,281	6,500,793
		<b>191,488,397</b>	<b>182,674,510</b>

**D. Other operating expense**

	Note	2021	2020
Change in fair value of other investments	12	288,535	444,388
Impairment loss on advances to suppliers		--	2,822,235
Others		1,781,803	110,245
		<b>2,070,338</b>	<b>3,376,868</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

## 27. Income and expenses (continued)

### E. Finance costs over loans and borrowings

	Notes	2021	2020
Commission expense	22	155,560,061	275,735,683
Amortization of upfront fees	20B(ii)	16,228,785	13,079,393
Write-off of unamortized transaction cost	20B(ii)	--	59,930,701
Bank charges		1,103,599	2,513,956
		<b>172,892,445</b>	<b>351,259,733</b>

## 28. 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.

	Note	31 March 2021	31 March 2020
Profit attributable to ordinary shareholders		<b>486,659,016</b>	633,934,247
Weighted average number of ordinary shares	17	<b>475,000,000</b>	470,737,705
<b>Basic and diluted earnings per share</b>		<b>1.02</b>	1.35

## 29. 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.

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

### A. Accounting classification and fair values

Financial instruments have been categorized as follows:

Financial Assets	Notes	31 March 2021	31 March 2020
Other investments	12	<b>5,975,840</b>	104,463,375
Other financial receivables		<b>22,500,000</b>	--
Amounts due from related parties	14B	<b>379,445,963</b>	591,222,957
Accounts receivable	13	<b>247,870,806</b>	234,254,125
Cash and cash equivalents	16	<b>635,669,921</b>	1,045,680,193
		<b>1,291,462,530</b>	<b>1,975,620,650</b>
<b>Financial Liabilities</b>			
Loans and borrowings	20	<b>6,980,660,252</b>	7,015,743,077
Lease liabilities	9B	<b>3,860,533,052</b>	4,237,227,831
Accounts payable	22	<b>164,525,699</b>	149,442,700
Tenants' security deposits		<b>127,413,234</b>	119,133,947
Amount due to related parties	14B	<b>162,319</b>	3,899,682
Profit rate swaps used for hedging	22	<b>1,082,698</b>	--
		<b>11,134,377,254</b>	<b>11,525,447,237</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

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

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

The following table present the Group's financial instruments measured at fair value at 31 March 2021 and 31 March 2020:

	31 March 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments					
Al Jawhara Real Estate Fund	5,975,840	--	--	5,975,840	5,975,840
FVOCI – equity instruments					
Amlak International for Real Estate Finance Company	--	--	--	--	--
	31 March 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments					
Al Jawhara Real Estate Fund	6,264,375	--	--	6,264,375	6,264,375
FVOCI – equity instruments					
Amlak International for Real Estate Finance Company	98,199,000	--	--	98,199,000	98,199,000

#### B. Derivatives designated as hedging instruments

As at 31 March 2021, 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	31 Mar 2021	31 Mar 2020
Commission payments on floating rate loan	IRS	Negative	1,082,698	--

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

Fair values of cash flow hedge represent the mark to market values of the Islamic Profit rate swaps as at 31 March 2021. The cash flow hedge reserve included under other reserves represents the effective portion of cash flow hedge.

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the year ended 31 March 2021

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

**C. Financial risk management**

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

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

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

**i. Credit risk**

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

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

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

Accounts Receivable

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

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

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

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

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

For the year ended 31 March 2021

**30. 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 as at 31 March 2021 and 31 March 2020:

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

	31 March 2020		
	Gross Carrying amount	Weighted-average loss	Loss Allowance (%)
0-90 days	53,440,320	3,374,520	6.3%
91-180 days	77,196,999	8,405,148	10.9%
181-270 days	81,428,407	13,146,524	16.1%
271-360 days	56,618,562	13,755,863	24.3%
361-450 days	31,688,310	30,737,331	97.0%
451-540 days	30,458,967	29,589,159	97.1%
541-630 days	26,577,256	26,011,424	97.9%
631-720 days	26,565,490	24,700,217	93.0%
More than 720 days	15,827,113	15,827,113	100.0%
	399,801,424	165,547,299	

During the year ended 31 March 2020, to consider the impact of COVID-19 on the collectability, the Group had revised certain inputs and assumptions for the determination of expected credit losses ("ECL"). The adjustments to inputs and assumptions resulted in an additional ECL of SR 60 million for the Group.

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 14B). 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 consolidated financial statements (continued)**

For the year ended 31 March 2021

**30. 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 2021</b>							
Accounts payable	164,525,699	164,525,699	--	--	--	--	164,525,699
Amount due to related parties	162,319	162,319	--	--	--	--	162,319
Tenants' security deposits	127,413,234	40,293,459	17,671,107	38,219,100	30,650,403	579,165	127,413,234
Profit rate swaps used for hedging	1,082,698	--	1,082,698	--	--	--	1,082,698
Lease liabilities	3,860,533,052	364,037,743	157,833,637	326,538,899	1,011,471,503	4,453,033,818	6,312,915,600
Loans and borrowings	6,980,660,252	171,452,233	202,685,196	430,030,285	4,204,876,875	3,449,478,272	8,458,522,861
	11,134,377,254	740,471,453	379,272,638	794,788,284	5,246,998,781	7,903,091,255	15,064,622,411
<b>31 March 2020</b>							
Accounts payable	149,442,700	149,442,700	--	--	--	--	149,442,700
Amount due to related parties	3,899,682	3,899,682	--	--	--	--	3,899,682
Tenants' security deposits	119,133,947	46,994,940	19,409,668	23,373,195	27,093,771	2,262,373	119,133,947
Lease liabilities	4,237,227,831	394,592,601	176,568,679	346,767,199	1,074,013,012	5,170,031,208	7,161,972,699
Loans and borrowings	7,015,743,077	154,330,489	204,805,482	435,978,748	4,231,880,901	4,146,554,789	9,173,550,409
	11,525,447,237	749,260,412	400,783,829	806,119,142	5,332,987,684	9,318,848,370	16,607,999,437

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

**30. 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 2021 and 31 March 2020. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

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

Gain/(loss) through the consolidated statement of profit or loss	31 March 2021	31 March 2020
<b>Floating rate debt:</b>		
SIBOR +100bps	(70,799,433)	(71,249,433)
SIBOR -100bps	70,799,433	71,249,433

Real estate risk

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

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

Currency risk

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

Commodity price risk

It is the risk associated with changes in prices to certain commodities including corn, sugar and soya etc. that the Group is exposed to and its unfavorable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item.



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

For the year ended 31 March 2021

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

**C. Financial risk management (continued)**

**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:

- iii) 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
- iv) to provide an adequate return to shareholders

**31. Commitments and contingencies**

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

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

At 31 March 2021, the Group has outstanding bank guarantees of **SR 304,233** (2020: Nil) issued by a local bank.

	Note	31 March 2021	31 March 2020
<b>Commitments</b>			
Commitments for projects under construction	(i)	<b>3,622,612,328</b>	3,567,294,491
Commitments for acquisition of investment	1	<b>68,856,933</b>	--

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

**32. Standards issued but not yet effective**

There are no new standards issued that were effective from 1 April 2020, however, there are number of amendments to the existing standards but they do not have a material effect on the consolidated financial statements of the Group except as detailed in note 6.

A number of new pronouncements are effective for annual years beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- 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 consolidated financial statements.

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the year ended 31 March 2021

### **33. 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 lease. The impact of rent relief for the year ended 31 March 2021 is **SR 241 million** (31 March 2020: SR 20.4 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 consolidated financial statements. However, the Group does not anticipate any significant adverse implication in future related to the Group remaining as a going concern.

### **34. Subsequent events**

- i) On 7 April 2021, Arabian Centres Sukuk II Limited (a special purpose company established for the purpose of issuing Sukuk) completed the issuance of an International USD denominated Shari'ah compliant Sukuk "Sukuk Certificates" amounting to USD 650 million (equivalent SR 2,437.5 million), annual yield payable semi-annually and a maturity in five and a half years.
- ii) On 27 April 2021, the Board of Directors have resolved to distribute dividends for second half of year ended 31 March 2021 amounting to SR 0.75 per share aggregating to SR 356,250,000. The expected date of payment will be 15 July 2021.

### **35. Comparative figures**

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

### **36. Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Board of Directors for issuance on 11 Dhul Qa'dah 1442H (corresponding to 21 June 2021).