

Arabian Centres Company

(A Saudi Joint Stock Company)

Consolidated financial statements
For the nine-month period ended 31 December 2022
together with the **Independent Auditor's Report**

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

For the nine-month period ended 31 December 2022

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كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent Auditor's Report

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 statements of financial position as at 31 December 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period ended 31 December 2022, 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 December 2022, and its consolidated financial performance and its consolidated cash flows for the nine-month period 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Change in accounting policy

We draw attention to Note 6 of the consolidated financial statements which describes that the Group has changed its accounting policy for measurement of investment properties from cost to fair value model. Accordingly, the comparative information presented as at and for the year ended on 31 March 2022 has been restated. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Change in reporting period

We draw attention to Note 1 of the consolidated financial statements, which describes that the Company changed its year-end from 31 March to 31 December, with effect from 5 Jumada'II 1444H (corresponding to 29 December 2022). As a result, the comparative information presented is not comparable. Our opinion is not modified in respect of this matter.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (40,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة متقلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي متفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

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.

Revenue recognition

See Notes 7(c) and 25 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>During the nine-month period ended 31 December 2022, the Group recognized total revenue of SAR 1.69 billion (31 March 2022: SAR 2.04 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 face to achieve performance targets and without achieving revenue recognition requirements as per requirements of IFRS.</p>	<p>Our audit procedures, included among others:</p> <ul style="list-style-type: none"> – Assessed the Group accounting policies by considering the requirements of the relevant accounting standards; – Assessed the design and implementation, and tested the operating effectiveness of both manual and automated controls over: <ul style="list-style-type: none"> ○ The accuracy and validity of the input of key terms of the contract, ○ Tenant's acknowledgement to the amendments of lease contracts including modified and terminated leases; and ○ Recognition of revenue accurately over the term of the lease contracts. – Evaluated key contractual arrangements including rental discounts by considering relevant documentation and agreements with customers; – Tested revenue recognized during the period in respect of a sample of lease contracts to assess whether revenue recognized under these contracts complies with Group's revenue recognition policy and terms of the lease contracts; – Obtained on a sample basis, accounts receivable balance confirmations from the Group's tenants and investigated any discrepancies; – Tested manual journal entries posted to the revenue accounts to identify any unusual items; – Performed cut off procedures to assess that revenue was recognised in the correct period; and – Evaluated the disclosures included in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

Fair valuation of investment properties

See Note 7(d), 8 and 36 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the Group held investment properties with a fair value of SR 23.01 billion (31 March 2022: SR 23.97 billion) which are used for earning rentals and capital appreciation.</p> <p>During the current nine-month period, the Group changed its accounting policy for subsequent measurement of investment properties from cost model to fair value model which resulted in re-statement of prior periods comparative figures.</p> <p>Valuation of investment properties is considered a key audit matter since valuation of the property portfolio is a significant area of judgement, underpinned by a number of assumptions and has a high degree of estimation uncertainty, with a potentially significant range of reasonable outcomes.</p> <p>The Group engaged multiple professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Professional Standards in line with Capital Market Authority (CMA) requirements to obtain two valuations for each investment property.</p> <p>The property portfolio (excluding lands) was valued using the discounted cash-flows method. The valuation of land is based on the sales comparison method.</p> <p>Key inputs in the valuation process included discount rates, yield rates, contracted estimated rental values, forecasted occupancy and cost to complete expenses which are influenced by prevailing market forces and the specific characteristics of each property in the portfolio.</p>	<p>Our audit procedures, included among others:</p> <ul style="list-style-type: none"> – Evaluated the experience and qualification of the real estate valuation experts appointed by management and whether the valuation approach was suitable for determining the fair value of the properties; – Verified the accuracy of the underlying data by 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; – Verified on sample basis whether property-specific current information supplied to the external valuers by management reflects the underlying property records held by the Group which have been tested during our audit; – Verified the mathematical calculation that management has taken lower of the two fair valuations for each investment property as required in line with CMA requirements; – Involved our real estate valuation specialist to assess the valuation methodology and determine whether significant assumptions including market comparability for land, discount rates, annual growth rate and yield rates for shopping malls are within an acceptable range. – Where assumptions and the resulting fair values were outside expected range or otherwise deemed unusual, we undertook further inquiries with the external valuers to challenge the assumptions; and – Evaluated the adequacy of the financial statement disclosures, including disclosure of key assumptions, judgements and sensitivities.

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 December 2022

		31 December 2022	31 March 2022	1 April 2021
	Notes		Restated–Note 36	Restated – Note 36
Assets				
Investment properties	8	23,075,741,378	23,971,829,249	23,158,687,381
Right-of-use assets		–	–	1,259,122
Property and equipment	10	63,412,471	72,511,679	75,546,196
Accrued revenue – non-current portion	23(ii)	182,392,826	239,873,160	341,395,259
Investment in equity accounted investee and others	12	64,874,137	70,381,798	5,975,840
Other non-current assets	15	24,818,172	17,500,000	22,500,000
Non-current assets		23,411,238,984	24,372,095,886	23,605,363,798
Development properties	11	345,683,721	292,853,450	–
Accrued revenue	23(ii)	91,196,413	119,936,580	170,697,630
Accounts receivable	13	388,214,220	238,986,246	247,870,806
Amounts due from related parties	14B	417,815,065	325,270,527	379,445,963
Prepayments and other assets	15	206,384,728	180,655,736	99,459,039
Cash and cash equivalents	16	610,445,796	556,127,750	635,669,921
		2,059,739,943	1,713,830,289	1,533,143,359
Asset held for sale	8A	405,880,057	–	4,674,647
Current assets		2,465,620,000	1,713,830,289	1,537,818,006
Total assets		25,876,858,984	26,085,926,175	25,143,181,804
Equity				
Share capital	17	4,750,000,000	4,750,000,000	4,750,000,000
Share premium	17	411,725,703	411,725,703	411,725,703
Statutory reserve	18	722,492,544	639,301,787	561,758,636
Other reserves	18	16,511,299	13,998,340	7,184,631
Retained earnings		8,118,388,376	7,725,921,564	7,740,533,200
Equity attributable to the shareholders of the Company		14,019,117,922	13,540,947,394	13,471,202,170
Non-controlling interest		49,482,783	44,397,258	69,619,848
Total equity		14,068,600,705	13,585,344,652	13,540,822,018
Liabilities				
Loans and borrowings	20	7,433,674,604	7,513,603,269	6,861,285,252
Lease liabilities	9	2,383,687,028	3,397,752,809	3,523,411,045
Employee benefits	21	28,486,108	25,437,575	21,673,040
Other non-current liabilities	22(ii)	47,571,467	53,583,832	69,448,668
Non-current liabilities		9,893,419,207	10,990,377,485	10,475,818,005
Loans and borrowings – current portion	20	903,315,625	277,570,313	119,375,000
Lease liabilities – current portion	9	255,589,354	406,454,763	337,122,007
Accounts payable and other liabilities	22	459,263,679	515,760,837	405,102,129
Amount due to related parties	14B	6,339,458	–	162,319
Unearned revenue	23(i)	239,109,599	269,230,403	240,501,793
Zakat liabilities	24B	51,221,357	41,187,722	24,278,533
Current liabilities		1,914,839,072	1,510,204,038	1,126,541,781
Total liabilities		11,808,258,279	12,500,581,523	11,602,359,786
Total equity and liabilities		25,876,858,984	26,085,926,175	25,143,181,804

The attached notes from 1 to 38 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 8 Ramadan 1444H (corresponding to 30 March 2023) and signed on its behalf by:


Waleed Al-Rebdi
 Chief Financial Officer


Alison Rehill-Erguven
 Chief Executive Officer


Fawaz Al-Hokair
 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 nine-month period ended 31 December 2022

	Notes	Nine-month period ended 31 December 2022	Year ended 31 March 2022 Restated Note 36	Nine-month period ended 31 December 2021 "Pro forma" Restated Note 36
Revenue	25	1,687,534,280	2,037,485,632	1,518,317,628
Cost of revenue - Direct costs	26	(275,997,528)	(359,445,164)	(286,332,068)
Gross profit		1,411,536,752	1,678,040,468	1,231,985,560
Other operating income	27A	3,572,849	27,425,335	7,407,717
Net fair value gain / (loss) on investment properties	8A	60,760,555	(210,816,079)	(136,690,420)
Advertisement and promotion expenses	27B	(28,544,793)	(25,440,649)	(15,801,526)
General and administrative expenses	27C	(207,068,519)	(248,316,660)	(173,788,624)
Impairment loss on accounts receivable and accrued revenue rentals	13	(83,315,372)	(56,348,376)	(73,222,259)
Other operating expenses	27D	(26,574,648)	(30,324,808)	(1,259,124)
Operating profit		1,130,366,824	1,134,219,231	838,631,324
Finance costs over loans and borrowings	27E	(146,848,717)	(166,856,736)	(126,065,291)
Finance costs over lease liabilities	9A	(102,262,967)	(162,339,246)	(121,847,884)
Net finance costs		(249,111,684)	(329,195,982)	(247,913,175)
Share from loss of equity-accounted investee	12	(7,159,334)	(15,044,401)	(4,000,000)
Profit before zakat		874,095,806	789,978,848	586,718,149
Zakat charge	24	(37,102,712)	(39,769,923)	(8,366,222)
Profit for the period / year		836,993,094	750,208,925	578,351,927
Profit for the period / year is attributable to:				
- Shareholders of the Company		831,907,569	775,431,515	600,252,961
- Non-controlling interest		5,085,525	(25,222,590)	(21,901,034)
		836,993,094	750,208,925	578,351,927
Earnings per share				
Basic and diluted earnings per share	28	1.75	1.63	1.26

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.


Waleed Al-Rebdi
 Chief Financial Officer


Alison Rehill-Erguven
 Chief Executive Officer


Fawaz 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 nine-month period ended 31 December 2022

	Notes	Nine-month period ended 31 December 2022	Year ended 31 March 2022 Restated Note 36	Nine-month period ended 31 December 2021 "Pro forma" Restated Note 36
Profit for the period / year		836,993,094	750,208,925	578,351,927
Other comprehensive income/ (loss)				
<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	1,962,835	6,163,824	2,048,882
- Foreign currency translation difference of equity accounted investee	12A	(923,491)	--	--
<i>Items that will not be reclassified to consolidated statement of profit or loss:</i>				
- Re-measurement of defined benefit liability	21A	1,473,615	649,885	(1,154,774)
Total comprehensive income for the period / year		839,506,053	757,022,634	579,246,035
Total comprehensive income for the period / year attributable to:				
- Shareholders of the Company		834,420,528	782,245,224	601,147,069
- Non-controlling interests		5,085,525	(25,222,590)	(21,901,034)
		839,506,053	757,022,634	579,246,035

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.

 Waleed Al-Rebdi Chief Financial Officer	 Alison Rehill-Erguven Chief Executive Officer	 Fawaz Al-Hokair Chairman
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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 nine-month period ended 31 December 2022

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 2021 – As reported	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
Impact of restatement due to change in accounting policy (note 36)	--	--	--	--	7,420,103,232	7,420,103,232	68,300,273	7,488,403,505
Balance at 1 April 2021 - Restated	4,750,000,000	411,725,703	561,758,636	7,184,631	7,740,533,200	13,471,202,170	69,619,848	13,540,822,018
Total comprehensive income for the year - Restated								
Profit for the year	--	--	--	--	775,431,515	775,431,515	(25,222,590)	750,208,925
Other comprehensive income	--	--	--	6,813,709	--	6,813,709	--	6,813,709
Total comprehensive income for the year	--	--	--	6,813,709	775,431,515	782,245,224	(25,222,590)	757,022,634
Transfers to statutory reserve	--	--	77,543,151	--	(77,543,151)	--	--	--
Transactions with shareholders of the company								
Dividends 19	--	--	--	--	(712,500,000)	(712,500,000)	--	(712,500,000)
Balance at 31 March 2022 – Restated (note 36)	4,750,000,000	411,725,703	639,301,787	13,998,340	7,725,921,564	13,540,947,394	44,397,258	13,585,344,652
Balance at 1 April 2022	4,750,000,000	411,725,703	639,301,787	13,998,340	7,725,921,564	13,540,947,394	44,397,258	13,585,344,652
Total comprehensive income for the period								
Profit for the period	--	--	--	--	831,907,569	831,907,569	5,085,525	836,993,094
Other comprehensive income	--	--	--	2,512,959	--	2,512,959	--	2,512,959
Total comprehensive income for the period	--	--	--	2,512,959	831,907,569	834,420,528	5,085,525	839,506,053
Transfers to statutory reserve	--	--	83,190,757	--	(83,190,757)	--	--	--
Transactions with shareholders of the company								
Dividends 19	--	--	--	--	(356,250,000)	(356,250,000)	--	(356,250,000)
Balance at 31 December 2022	4,750,000,000	411,725,703	722,492,544	16,511,299	8,118,388,376	14,019,117,922	49,482,783	14,068,600,705

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.


Waleed Al-Rebdi
 Chief Financial Officer


Alison Rehill-Erguven
 Chief Executive Officer


Fawaz Al-Hokair
 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 nine-month period ended 31 December 2022

		Nine-month period ended 31 December 2022	Year ended 31 March 2022 <i>Restated – Note 36</i>
	Notes		
Cash flows from operating activities:			
Profit before Zakat		874,095,806	789,978,848
<i>Adjustments for:</i>			
- Depreciation on property and equipment	10	13,468,735	19,716,626
- Depreciation on right-of-use assets	8	5,550,331	17,928,443
- Impairment loss on accounts receivable and accrued revenue rentals	13	83,315,372	56,348,376
- Provision for employee benefits	21A	5,140,951	6,951,195
- Finance cost over loans and borrowings	27E	146,848,717	166,856,736
- Finance cost over lease liabilities	9A	102,262,967	162,339,246
- Advances to suppliers written-off	27D	3,000,000	--
- Share of loss from equity-accounted investee and other	12A	7,159,334	15,044,401
- Loss on disposal of investment property	27D	23,283,650	--
- Fair value gain of other investments	12B	(381,442)	(622,132)
- Gain on disposal of other investments	12B	(180,000)	--
- Lease rental concession	9A	(2,812,500)	--
- Gain from disposal of Assets held for sale		--	(429,474)
- Gain on disposal of subsidiary	34	(10,100)	--
- Impairment on advances to suppliers		--	1,267,387
- Net fair value gain / (loss) on investment properties	8	(60,760,555)	210,816,079
		1,199,981,266	1,446,195,731
Changes in:			
- Accounts receivable		(217,938,448)	(22,273,463)
- Amounts due from related parties, net		(87,981,296)	(31,025,983)
- Prepayments and other current assets		(34,084,330)	(72,382,959)
- Accounts payable and other liabilities		(2,275,759)	25,196,659
- Accrued revenue		71,615,604	127,092,796
- Unearned revenue		(30,120,804)	28,728,610
Cash generated from operating activities		899,196,233	1,501,531,391
Employee benefits paid	21A	(618,803)	(2,536,775)
Zakat paid	24B	(27,069,077)	(22,860,734)
Net cash from operating activities		871,508,353	1,476,133,882
Cash flows from investing activities:			
Development properties	11	(52,830,271)	(23,450,443)
Additions to investment properties, net	8	(508,138,246)	(965,006,226)
Acquisition of equity-accounted investee and other		(7,790,731)	(78,828,227)
Acquisition of property and equipment	10	(4,369,527)	(16,682,109)
Proceeds from disposal of investment property		230,528,350	--
Proceeds from disposal of assets held for sale		--	5,104,121
Proceeds from disposal of other investments		6,000,000	--
Net cash used in investing activities		(336,600,425)	(1,078,862,884)

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine-month period ended 31 December 2022

	Notes	Nine-month period ended 31 December 2022	Year ended 31 March 2022 Restated – Note 36
Cash flows from financing activities			
Proceeds from loans and borrowings	20B	638,308,994	3,456,250,000
Repayments of loans and borrowings	20B	(102,563,584)	(2,656,577,603)
Transaction costs paid	20B	(5,118,750)	(48,857,946)
Proceeds from Sukuk II Payable Deferred Premium	20B	—	40,078,125
Payment of finance costs over loans and borrowings	22	(402,729,521)	(298,551,362)
Repayments of lease liabilities	9A	(252,237,021)	(256,654,383)
Dividends paid	19	(356,250,000)	(712,500,000)
Net cash used in financing activities		(480,589,882)	(476,813,169)
Net decrease in cash and cash equivalents		54,318,046	(79,542,171)
Cash and cash equivalents at beginning of the year		556,127,750	635,669,921
Cash and cash equivalents at end of the period / year	16	610,445,796	556,127,750

Significant non-cash transactions:

- Investment properties transferred from Saudi FAS Hotels to Arabian Centres Company	8A	—	85,039,100
- Capitalized finance cost for project under construction	22	193,388,790	217,567,081
- Capitalized arrangement fees for project under construction	20B	4,055,972	4,428,211
- Capitalized finance cost over lease liabilities for project under construction	9A	25,865,912	37,989,657
- Capitalized employee benefits for projects under construction and property and equipment		13,062,019	--
- Disposal of subsidiaries	34	750,000	--
- Capitalized investment property paid by related party		1,300,000	--
- Investment in joint venture paid by related party		222,991	--
- Transfer of land to development property from investment property	11	—	269,403,007

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.

 Waleed Al-Rebdi Chief Financial Officer	 Alison Rehill-Erguven Chief Executive Officer	 Fawaz Al-Hokair Chairman
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All amounts are presented in Saudi Riyals unless otherwise stated.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the nine-month period ended 31 December 2022

1. Reporting entity

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

The Company was formed on 7 Rabi Thani 1426H (corresponding to 15 May 2005) as Limited Liability Company. On 8 Muhurram 1439H (corresponding to 28 September 2017) the legal status of the Company 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 issued 95 million of its ordinary shares for a cash payment and the legal status of the Company changed from Saudi Closed Joint Stock Company to Saudi Joint Stock Company.

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

On 29 December 2022, the shareholders approved the change of the fiscal year of the Company to 31 December from 31 March. The change in fiscal year will not have any negative effects on the Company’s financial or operational performance. As a result of the change in fiscal year, the Company has presented the consolidated financial statements for a period shorter than one year (i.e. nine-month period from 1 April 2022 to 31 December 2022). Accordingly, the amounts presented in the consolidated financial statements are not entirely comparable. The Group has included additional comparative information in the consolidated statement of profit or loss for the nine-month period ended 31 December 2021.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the nine-month period ended 31 December 2022

1. Reporting entity (continued)

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

No	Subsidiaries	Country of incorporation	Direct ownership interest held by the Group as at:		Indirect ownership interest held by the Group as at:		Share Capital (SR)	Number of shares issued
			31 December 2022	31 March 2022	31 December 2022	31 March 2022		
1	Riyadh Centres Company Limited (Note 34)	Kingdom of Saudi Arabia	--	95%	--	5%	500,000	500
2	Al Bawarij International for Development & Real Estate Investment Company	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
3	Al Makarem International for Real Estate Development Company	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
4	Oyoun Al Raed Mall Trading	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
5	Oyoun Al Basateen Company for Trading	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
6	Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company	Kingdom of Saudi Arabia	50%	50%	--	--	500,000	500
7	Yarmouk Mall Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
8	Mall of Arabia Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
9	Dhahran Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
10	Al Noor Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	500,000	500
11	Al Yasmeen Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
12	Al Dammam Mall Trading Company Limited (Note 34)	Kingdom of Saudi Arabia	--	95%	--	5%	100,000	100
13	Al Hamra Mall Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
14	Al Erth Al Rasekh Trading Company Limited	Kingdom of Saudi Arabia	95%	95%	5%	5%	100,000	100
15	Derayah Destination Arabia Diversified Fund	Kingdom of Saudi Arabia	100%	100%	--	--	--	--
16	Riyad Real Estate Development Fund – Jawharat AlRiyadh (i)	Kingdom of Saudi Arabia	100%	--	--	--	--	--
17	Riyad Real Estate Development Fund – Jawharat Jeddah (ii)	Kingdom of Saudi Arabia	100%	--	--	--	--	--

- i) During the nine-month period ended 31 December 2022, the Group invested in a newly established private real estate fund named Riyadh Real Estate Development Fund – Jawharat AlRiyadh. The Group signed an agreement with Riyadh Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of **SR 2,796 million**.
- ii) During the nine-month period ended 31 December 2022, the Group invested in a newly established private real estate fund named Riyadh Real Estate Development Fund – Jawharat Jeddah. The Group signed an agreement with Riyadh Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of **SR 1,568 million**.

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 nine-month period ended 31 December 2022

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
- Employee end of service benefits using projected unit credit method
- Investment properties at fair value

4. Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal ("SR"), which is the functional currency of the Company.

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 revenue, 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 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.

Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. For further details of the judgement and assumption made, see note 8.

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

A. Estimates and assumptions (continued)

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.

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)

For the nine-month period ended 31 December 2022

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.

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 nine-month period ended 31 December 2022

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 is 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

During the period ended 31 December 2022, the Group has adopted the fair value model for subsequent measurement of its investment properties under IAS 40 as this reflects more relevant information considering the variability and changes in the underlying value of investment properties, represented by land and buildings. As required under IAS 8, the change in accounting policy has been applied retrospectively. Accordingly, the comparative information presented for 31 March 2022 and 1 April 2021 (earliest period presented) has been restated. Refer to Note 36 for details of changes in comparatives due to the change in the accounting policy. The details of the changes in accounting policies are disclosed below.

Previously, the Group measured investment properties (including investment properties held under lease), subsequent to initial recognition at cost less accumulated depreciation and any impairment in value. Land and projects under construction were not depreciated. Due to change in accounting policy, investment property (including investment properties held under lease) will be measured at fair value with any change therein recognized in profit or loss. In the case of property under construction, where the fair value is not reliably measurable, it is measured at cost less any impairment until either its fair value becomes reliably measurable or construction is substantially completed (whichever is earlier). Refer to note 7D for detailed accounting policy.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

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.

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.

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

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

A. Basis of consolidation (continued)

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.

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.

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.

v. Joint Venture

A Joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to the initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investee, until the date on which joint control ceases.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

B. Foreign currencies

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.

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 consolidated 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. Revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur.

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.

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 nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

C. Revenue recognition (continued)

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

D. Investment properties

Investment properties comprise completed properties and properties under construction or redevelopments that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when they are 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 properties are measured initially at cost, including transaction costs and where applicable borrowing costs. Transaction costs include transfer charges, professional fees for legal services and initial leasing commissions to bring the properties to the condition necessary for it to be capable of operating.

Investment properties that are obtained through a lease are measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After initial recognition, investment properties are carried at fair value. Investment properties that are being redeveloped for continuing use as investment properties or for which the market has become less active continues to be measured at fair value. Investment properties under construction are measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects the fair value of the properties will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

D. Investment properties (continued)

It may sometimes be difficult to determine reliably the fair value of the investment properties under construction. In order to evaluate whether the fair value of investment properties under construction can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project/property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar construction; and
- the status of construction permits.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

The fair value of investment properties reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the properties under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property and the fair value is reassessed.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the consolidated statement of financial position is added back, to arrive at the carrying value of the investment property for accounting purposes. Changes in fair values are recognised in the consolidated statement of profit or loss.

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.

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.

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

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

E. Property and equipment

Property and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes all amounts necessary to bring the asset to the present condition and location to be ready for its intended use by management. 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:

Class of asset	Number of years
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)

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. Development properties

Development properties are properties that are being developed with a view to sell. The Group's development properties arise when the Group purchase properties with an intention to sale or when there is a change in use of investment properties evidenced by the commencement of development with a view to sale. The investment properties are reclassified as development properties at their carrying amount at the date of their reclassification. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less costs to complete development and selling expenses.

The operating cycle of development properties is such that the majority of development properties are held for longer period and will not be realized within twelve months.

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

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

G. Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, cheques under collection 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.

H. 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. 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.

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.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

H. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

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;
- 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; and
- 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:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at Amortized cost	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.
Equity investments At FVOCI	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)

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

H. 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.

I. 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.

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 nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

I. 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.

J. 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 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 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 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 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.

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 nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

J. Derivative financial instruments and hedge accounting (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 consolidated statement of profit or loss.

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

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the changes required by IBOR reform.

The Group has cash flow hedges (please refer to *note 30B*) 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.

K. 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.

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 does not 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.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

L. 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.

M. 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.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

7.Summary of significant accounting policies (continued)

N. 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.

O. 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 are 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.

P. 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.

Q.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 an unfunded 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.

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 nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

Q. Employee benefits and post-employment benefits (Continued)

ii. End-of-services benefits obligation (Continued)

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.

R. Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) 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.

S. Dividends

The Company recognizes a liability to make a 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.

T. 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, which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

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. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Group measures the right-of-use assets that meet the definition of investment property using the fair value model applied to its investment property (see note 7D). Right-of-use assets linked to owner occupied buildings are measured applying the cost model relevant to that specific class of property, plant and equipment as described in note 7E and tested for impairment as described in note 7K.

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

7. Summary of significant accounting policies (continued)

T. Leases (Continued)

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

During the financial year 2021, 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.

U. 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 chief operating decision maker 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 operations are conducted in KSA hence only one geographic segment has been identified.

V. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell unless the assets are investment properties measured at fair value or financial assets in the scope of IFRS 9 in which case they are measured in accordance with those standards.

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

For the nine-month period ended 31 December 2022

8. Investment properties

			31 March 2022
	Notes	31 December 2022	Restated – Note 36
Investment properties	8A	22,345,814,321	23,366,553,661
Advance payment for projects under construction	8B	729,927,057	605,275,588
		23,075,741,378	23,971,829,249

A. Investment properties

			31 March 2022
	Notes	31 December 2022	Restated – Note 36
Balance at the beginning of the period / year		23,366,553,661	22,576,218,022
Additions during the period / year		620,277,916	1,202,184,944
Disposal during the period	(i)	(253,812,000)	--
Disposal on sale of subsidiary	34	(557,480,304)	--
Impact of reassessment of lease	9	(479,055,119)	--
Transferred to development properties	11	--	(269,403,007)
Transferred from related party	(ii)	--	85,039,100
Depreciation on right-of-use asset	(vii)	(5,550,331)	(16,669,319)
Net fair value gain / (loss) on investment properties		60,760,555	(210,816,079)
Balance at the end of the period / year	(vii)	22,751,694,378	23,366,553,661

Presented in consolidated statement of financial position as:

Investment properties		22,345,814,321	23,366,553,661
Asset held for sale	(v)	405,880,057	--
		22,751,694,378	23,366,553,661

- i. During the nine-month period ended 31 December 2022, the Group disposed off the Olaya land for a total consideration of **SR 230 million** resulting in a loss on disposal of **SR 23.3 million** which has been recorded under other expenses in the consolidated statement of profit or loss.
- ii. During the year ended 31 March 2022, Saudi FAS Holding Company transferred lands and buildings worth **SR 85 million** to settle the outstanding receivables from FAS Holding Company for Hotels.
- iii. On 15 May 2022, there was partial fire outbreak at the Mall of Dahrhan in the Eastern Province of Saudi Arabia. The mall was closed for a short period and reopened its doors on 7 June 2022, with an exception to some damaged area that is currently under restoration. The impact of the fire outbreak has been factored in by the valuers in the fair value of the mall as at 31 December 2022.
- iv. All leasehold interests meet the definition of an investment property and, accordingly, the Group has accounted for the right-of-use assets as part of investment property as allowed by IFRS 16. The lands are restricted to be used for commercial purposes in relation to the Group's businesses and the right to renew the lease is based on mutual agreements between the parties. If the respective leases are not renewed the land and buildings will be transferred to the lessors at the end of the lease term.
- v. During the nine-month period ended 31 December 2022, the Group entered into an agreement to sell a portion of the land to a potential buyer and is in the process of completing the pre-conditions to execute the sale. Accordingly, the carrying value of the portion of land has been classified as asset held for sale under current assets. The sale transaction was completed subsequent to the period end and legal ownership was transferred.
- vi. Projects under construction pertains to expenditure relating to malls which are in the course of construction as at the end of the reporting period and these are expected to be completed within 2 to 5 years. During the period ended 31 December 2022, the Group capitalized finance costs amounting to SR 223.8 million (31 March 2022: SR 259.9 million).

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 nine-month period ended 31 December 2022

8. Investment properties (continued)

A. Investment properties(continued)

vii. The carrying amount at reporting date includes the fair value / cost for the following:

	31 December 2022	31 March 2022
	SR	SR
Shopping malls at owned lands	11,001,779,497	10,977,716,382
Shopping malls at leasehold lands	6,496,382,519	6,997,128,596
Owned lands held as investment properties	290,359,220	544,271,220
Projects under construction – Fair value	4,963,173,142	4,284,402,548
Project under construction – Carried at cost (a)	--	563,034,915
	22,751,694,378	23,366,553,661

a) This relates to one project under construction on leased land where the construction work stopped during prior years due to differences in lease land area. The exact timing of resumption of work was uncertain. Management therefore concluded that the fair value of this property could not be reliably determined and this property was measured at cost. During the period, the property was disposed on sale of subsidiary (Note 34). Depreciation of SR 5.6 million (31 March 2022: SR 16.7 million) has been charged on right-of-use asset to consolidated statement of profit or loss.

viii. Fair value of investment properties

a) *Fair value hierarchy*

The fair value measurement for investment property of **SR 22,752 million** (31 March 2022: SR 23,367 million) has been categorized as a level 3 fair value based on the significant unobservable inputs adopted by the valuer in the valuation technique used which are future retail rental payment terms; discount rates; capitalization rate (yields); forecasted occupancy; and cost to complete projects.

The fair value of investment properties as at the reporting dates for all properties, whether owned or leased, is determined by independent external valuers with appropriate qualifications and experience in the valuation of properties. Due to the change in accounting policy for the subsequent measurement of the investment properties, the effective dates of the valuations are 1 April 2021, 31 March 2022 and 31 December 2022 and are prepared in accordance with Royal Institution of Chartered Surveyors (“RICS”) Global Standards 2020 which comply with the international valuation standards and the RICS Professional Standards.

Fair value is assessed based on the highest and best use assumption. As at 31 December 2022 and 31 March 2022, three properties were valued at highest and best use which is different to the Group’s current use primarily due to initial stages of property development.

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

31 December 2022				
Property	Fair value SR million	Valuation technique	Significant unobservable input	Range
Shopping Malls	17,498	Discounted cash flows	Occupancy (%)	66% - 100%
			Future rent growth (%)	2% - 5%
			Discount rate (%)	10% - 21%
Projects under construction	4,964	Discounted cash flows – Residual method	Occupancy (%)	90% - 95%
			Future rent growth (%)	2%
			Discount rate (%)	12% - 16%
Owned land	290	Comparable transaction	Average price (SR /sqm)	210 - 8,834

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

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 nine-month period ended 31 December 2022

8. Investment properties (continued)

A. Investment properties (continued)

viii. Fair value of investment properties (continued)

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

31 March 2022

Property	Fair value SR million	Valuation technique	Significant unobservable input	Range
Shopping Malls	17,975	Discounted cash flows	Occupancy (%) Future rent growth (%) Discount rate (%)	73% - 99% 2% - 5% 8% - 18%
Projects under construction	4,285	Discounted cash flows – Residual method	Occupancy (%) Future rent growth (%) Discount rate (%)	90% - 95% 2% 14% - 16%
Owned land	544	Comparable transaction	Average price (SR /sqm)	210 - 14,313

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

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

	31 December 2022	31 March 2022
Fair value of land and buildings as per fair valuer	20,456,023,688	20,017,761,408
Less: Adjustment for accrued operating lease income	(273,589,240)	(359,809,740)
Add: carrying amount of lease liabilities	2,569,259,930	3,145,565,249
Net adjusted fair value	22,751,694,378	22,803,516,917
Add: Properties under construction (carried at cost)	--	563,036,744
Total carrying amount of investment properties	22,751,694,378	23,366,553,661

ix. Amounts recognized in the consolidated statement of profit or loss for investment property that generated income

	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
Revenue from investment property	1,687,534,280	2,037,485,632	1,518,317,628
Direct operating expenses on properties that generated rental income	270,447,197	342,775,845	273,830,081

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

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

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 nine-month period ended 31 December 2022

8. Investment properties (continued)

B. Advance payments for projects under construction

It represents advance payments to the contractors for the construction of shopping malls, which are under various stages of completion.

Name of party	Business status	Relationship	Construction work services received		Balances	
			31 December 2022	31 March 2022	31 December 2022	31 March 2022
Lynx Contracting Company	Limited Liability	Affiliate	275,070,858	711,920,602	720,068,772	595,352,020
Others	--	--	--	--	9,858,285	9,923,568
					729,927,057	605,275,588

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

9. Lease liabilities

A. Lease liabilities

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

	Notes	31 December 2022	31 March 2022
Balance at beginning of the period / year		3,804,207,572	3,860,533,052
Additions during the period /year		--	--
Lease payments during the period /year		(252,237,021)	(256,654,383)
Rent concessions during the period /year		(2,812,500)	--
Remeasurement of lease liabilities	9C	(479,055,119)	--
Disposal on sale of subsidiary	34	(558,955,429)	--
Interest expense during the period /year		102,262,967	162,339,246
Interest capitalized for projects under construction		25,865,912	37,989,657
Balance at end of the period / year		2,639,276,382	3,804,207,572

	31 December 2022	31 March 2022
Non-current portion of lease liabilities	2,383,687,028	3,397,752,809
Current portion of lease liabilities	255,589,354	406,454,763
Balance at end of the period / year	2,639,276,382	3,804,207,572

B. Group Commitments to lease contracts

	31 December 2022	31 March 2022
Within one year	370,264,495	601,281,362
After one year but not more than five years	932,753,602	1,338,522,449
More than five years	3,045,417,085	4,139,897,349
	4,348,435,182	6,079,701,160

C. Lease remeasurements

During the nine-month period ended 31 December 2022, the Group decided to exercise the termination rights available under a land operating lease which allows the Group to cancel an operating lease with a prior notice of one year. As a result of the reassessment of the lease term of the land, lease liability and right-of-use asset (included under investment properties) have reduced.

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 nine-month period ended 31 December 2022

10. Property and equipment

Reconciliation of carrying amount

	Tools and equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Capital work in progress	Total
Cost:						
Balance at 1 April 2021	145,304,212	91,040,504	3,633,902	25,224,623	14,573,032	279,776,273
Additions during the year	1,099,063	5,101,070		5,479,540	5,002,436	16,682,109
Transfers	--	--	--	19,575,468	(19,575,468)	--
Balance at 31 March 2022	146,403,275	96,141,574	3,633,902	50,279,631	--	296,458,382
Additions during the period	180,765	645,209		2,940,652	602,901	4,369,527
Transfers	(2,386,227)	2,502,593		(116,366)	--	--
Disposal	--	--	(613,040)	--	--	(613,040)
Balance at 31 December 2022	144,197,813	99,289,376	3,020,862	53,103,917	602,901	300,214,869
Accumulated depreciation						
Balance at 1 April 2021	105,758,886	71,503,716	3,633,902	23,333,573	--	204,230,077
Charge for the year	9,121,977	7,696,242	--	2,898,407	--	19,716,626
Balance at 31 March 2022	114,880,863	79,199,958	3,633,902	26,231,980	--	223,946,703
Charge for the period	5,247,327	5,176,622	--	3,044,786	--	13,468,735
Transfers	--	(5,304)	--	5,304	--	--
Disposal	--	--	(613,040)	--	--	(613,040)
Balance at 31 December 2022	120,128,190	84,371,276	3,020,862	29,282,070	--	236,802,398
Carrying amounts:						
At 31 March 2022	31,522,412	16,941,616	--	24,047,651	--	72,511,679
At 31 December 2022	24,069,623	14,918,100	--	23,821,847	602,901	63,412,471

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 nine-month period ended 31 December 2022

11. Development properties

	Notes	31 December 2022	31 March 2022
Cost			
Balance at the beginning of the period / year		292,853,450	--
Transferred from investment properties	8A, i	--	269,403,007
Additions during the period / year		52,830,271	23,450,443
Balance at the end of the period / year		345,683,721	292,853,450

- i. This represents the carrying value of a piece of land transferred from investment properties due to a change in the intended use of the land to development and sale in the normal course of business. The Group does not expect to complete and sell the development property in the next twelve months.

12. Investment in equity accounted investee and others

	Note	31 December 2022	31 March 2022
Investment in a Joint venture	12A	63,714,723	63,783,826
Investment in a real estate fund at FVTPL	12B	1,159,414	6,597,972
		64,874,137	70,381,798

A. Investment in a Joint venture

Name of an entity	31 December 2022	31 March 2022
FAS Lab Holding Company	63,714,723	63,783,826

This represents a 50% equity investment in the share capital of FAS Lab Holding Company, a limited liability company incorporated in the Kingdom of Saudi Arabia, which is engaged primarily in leading the digital initiatives of the Group including but not limited to providing the malls' visitors and shoppers with a specialized and advanced loyalty program, simplified and innovative consumer financing solutions and an e-commerce platform.

- i. Reconciliation of carrying amount

	Opening balance	Additions	Share in losses	Other comprehensive loss	Ending balance
31 December 2022	63,783,826	8,013,722	(7,159,334)	(923,491)	63,714,723
31 March 2022	--	78,828,227	(15,044,401)	--	63,783,826

- ii. Summarized financial statements

	31 December 2022	31 March 2022
Assets	294,510,053	267,709,353
Liabilities	(136,527,133)	(133,385,334)
Net Assets	157,982,920	134,324,019
Net assets attributable to owners of investee (excluding NCI)	123,268,440	123,804,013
Share of net assets (50%)	61,634,220	61,902,006
Adjustments – Due to additional contribution	2,080,503	1,881,820
Carrying amount of investee	63,714,723	63,783,826
Revenue	389,720,819	133,145,330
Loss from continuing operations	(12,685,030)	(38,339,655)
Total comprehensive loss	(11,140,002)	(37,851,576)
Loss for the period / year attributable to shareholders of the Company	(14,318,667)	(30,088,802)
Share of loss for the period / year	(7,159,334)	(15,044,401)

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 nine-month period ended 31 December 2022

12. Investment in equity accounted investee and Others (Continued)

B. Investment in a real estate fund at FVTPL

Name of the real estate fund	31 December 2022	31 March 2022
Al Jawhara Real Estate Fund (i)	1,159,414	6,597,972

- (i) This represents equity investment in Al Jawhara Real Estate Fund (formerly known as Digital City Fund) purchased for SR 6.8 million. During the period, the Group sold units in the fund and realized a gain on disposal of investment of **SR 180,000** in the consolidated statement of profit or loss. As at 31 December 2022, the net asset value (NAV) of the investment amounted to **SR 1.2 million** (31 March 2022: SR 6.6 million). An unrealized gain amounting to **SR 0.38 million** has been recognized in the consolidated statement of profit or loss (31 March 2022: loss of SR 0.62 million).

Reconciliation of carrying amount

	Investments at FVTPL
Balance at 1 April 2021	5,975,840
Revaluation adjustments	
Unrealized loss to consolidated statement of profit or loss	622,132
Balance at 31 March 2022	6,597,972
Balance at 1 April 2022	6,597,972
Revaluation adjustments	
Unrealized gain to consolidated statement of profit or loss	381,442
Movement	
Disposals	(5,820,000)
Balance at 31 December 2022	1,159,414

13. Accounts receivable

Accounts receivables comprise 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 December 2022	31 March 2022
Gross accounts receivable		559,615,062	419,644,140
Less: Impairment loss on accounts receivable	(i)	(171,400,842)	(180,657,894)
		388,214,220	238,986,246

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

For the nine-month period ended 31 December 2022

13. Accounts receivable (continued)

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

	31 December 2022	31 March 2022
Balance at 1 April	180,657,894	184,048,213
Impairment charge for the period / year	68,710,474	31,158,023
Write-off	(77,967,526)	(34,548,342)
	171,400,842	180,657,894
Amounts directly charged to consolidated statement of profit and loss (a) - Impairment of accrued revenue	14,604,898	25,190,353

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

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

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 December 2022	31 March 2022
End of service benefits	3,398,489	2,524,989
Salaries and short-term benefits	10,673,287	14,681,500
Other remuneration and benefits	--	26,102,213
Total key management compensation	14,071,776	43,308,702

B. Related party transactions and balances

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

	31 December 2022	31 March 2022
Amount due from related parties	417,815,065	325,270,527
Amount due to related parties	(6,339,458)	--
	411,475,607	325,270,527

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

14. Related party transactions and balances (continued)

B. Related party transactions and balances (continued)

II - During the period / 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	Note	Business status	Transactions				Balance as at
			Rental income and other fees / services	Services received	Others	Total	
31 December 2022							
Transactions with ultimate shareholder							
Saudi FAS Holding Company	(i)	Closed Joint Stock Company	2,030,205	--	539,818	2,570,023	--
Transactions with fellow subsidiaries (subsidiaries of shareholder)							
Fawaz Abdulaziz Al Hokair Company and its subsidiaries	(iii)	Joint Stock Company	283,835,925	--	--	283,835,925	158,196,905
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	(iv)	Joint Stock Company	16,356,992	--	--	16,356,992	16,177,998
Salman & Sons Holding Co and its associates	(v)	Limited Liability Company	34,135,645	--	--	34,135,645	90,313,341
Majd Al Amal Co. Limited and its associates	(vi)	Limited Liability Company	20,830,188	--	--	20,830,188	47,670,205
Tadaris Alnajd Security Company	(vii)	Limited Liability Company	--	(46,450,654)	--	(46,450,654)	3,637,973
Ezdihar Holding Co and its subsidiaries	(viii)	Limited Liability Company	37,129,171	--	--	37,129,171	88,138,532
Others, net	(ix)	Limited Liability Companies	4,472,060	(3,571,084)	(1,300,000)	(399,024)	7,340,653
			398,790,186	(50,021,738)	(760,182)	348,008,266	411,475,607
31 March 2022							
Transactions with ultimate shareholder							
Saudi FAS Holding Company	(i)	Closed Joint Stock Company	1,980,812	--	36,229,922	38,210,734	47,146,009
Transactions with fellow subsidiaries (subsidiaries of shareholder)							
FAS Holding Company for Hotels and its subsidiaries	(ii)	Limited Liability Company	--	--	218,982,570	218,982,570	--
Fawaz Abdulaziz Al Hokair Company and its subsidiaries	(iii)	Joint Stock Company	375,391,063	--	--	375,391,063	129,377,038
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	(iv)	Joint Stock Company	27,758,647	--	--	27,758,647	3,026,229
Salman & Sons Holding Co and its associates	(v)	Limited Liability Company	52,646,187	--	--	52,646,187	38,847,672
Majd Al Amal Co. Limited and its associates	(vi)	Limited Liability Company	22,887,263	--	--	22,887,263	33,248,863
Tadaris Alnajd Security Company	(vii)	Limited Liability Company	--	51,093,917	--	51,093,917	20,840,813
Ezdihar Holding Co and its subsidiaries	(viii)	Limited Liability Company	44,856,125	--	--	44,856,125	43,892,560
Others, net	(ix)	Limited Liability Companies	5,196,892	--	--	5,196,892	8,891,343
			530,716,989	51,093,917	255,212,492	837,023,398	325,270,527

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 nine-month period ended 31 December 2022

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 (FAS Hotels) is a subsidiary of the Company's ultimate parent Saudi FAS Holding Company. During the year ended 31 March 2022, as per mutual agreement between Saudi FAS Holding Company (Ultimate Parent Company), FAS holding Company for Hotels and Arabian Centres Company, FAS Hotels settled the amount by transferring lands of SR 85 million to the Group (Refer note 8) and cash of SR 133 million.
- iii. Fawaz Abdulaziz Al Hokair Company, a subsidiary of the Company's ultimate parent Saudi FAS Holding 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 the 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 the Mall of Arabia (Jeddah) for 'Kidzania', a children's interactive play centre. The term of the lease is ten years, with 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 Yasmeeen 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 Group's shopping malls. The entity is owned by the controlling shareholder (Salman Abdulaziz Alhokair) and his close family members. The Company entered into a civil security services agreement with TNS for the provision of 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 .

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 nine-month period ended 31 December 2022

14. Related party transactions and balances (continued)

B. Related party transactions and balances (continued)

- viii. Ezdihar Holding Co and its subsidiaries is a mix of entities which leases spaces in several of the Group'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:
- Next Generation Company Limited currently leases cinemas and space planned for cinemas in the Company's shopping malls. The term of the lease range is approximately 10 years.
 - Ezdihar Sports Co. leases space for 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. These entities are owned by close family members of the Controlling Shareholder (Fawaz Abdulaziz Alhokair) and their close family members.

15. Prepayments and other assets

	31 December 2022	31 March 2022
Receivable from Jeddah Park landlord	103,012,258	90,735,843
Advances to suppliers	65,347,072	57,632,815
Prepaid expenses	23,866,183	26,741,864
Employees' receivables	4,171,460	3,370,748
Profit rate swaps used for hedging	7,043,961	5,081,126
Others	27,761,966	14,593,340
	231,202,900	198,155,736
Less: Non-current advances	(24,818,172)	(17,500,000)
	206,384,728	180,655,736

16. Cash and cash equivalents

	31 December 2022	31 March 2022
Bank balances – current accounts	378,077,716	423,520,640
Cheques under collection	231,323,093	131,434,993
Cash in hand	1,044,987	1,172,117
	610,445,796	556,127,750

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 31 December 2022	475,000,000	4,750,000,000	411,725,703
Balance at 31 March 2022	475,000,000	4,750,000,000	411,725,703

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 nine-month period ended 31 December 2022

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 a statutory reserve. In accordance with the 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

Refer Note 7S for accounting policy.

31 December 2022

- i. On 2 July 2022, the Board of Directors resolved to distribute an interim dividend for the second half of the year ended 31 March 2022 amounting to **SR 0.75** per share aggregating to **SR 356,250,000** as per resolution dated 3 Dhul al-Hijjah 1443H (corresponding to 2 July 2022). The dividend was paid on 26 July 2022.

31 March 2022

- i. During the year ended 31 March 2022, the Board of Directors resolved to distribute an interim dividend for the second half of the year ended 31 March 2021 amounting to **SR 0.75** per share, aggregating to **SR 356,250,000** as per resolution dated 15th Ramadan 1442H (corresponding to 27 April 2021). The Company paid the dividends during the year.
- ii. During the year ended 31 March 2022, the Board of Directors have resolved to distribute an interim dividend for the year ended 31 March 2022 amounting to **SR 0.75** per share aggregating to **SR 356,250,000** as per resolution dated 20th Jumada Al-Thani 1443H (corresponding to 23 January 2022). The Company paid the dividends during the year.

20. Loans and borrowings

	Note	31 December 2022	31 March 2022
Islamic facility with banks (i)		3,206,842,927	2,669,952,315
Sukuk (ii)		5,130,147,302	5,121,221,267
	20 B	8,336,990,229	7,791,173,582
Loans and Borrowings - Current liabilities		903,315,625	277,570,313
Loans and Borrowings - Non current liabilities		7,433,674,604	7,513,603,269
		8,336,990,229	7,791,173,582

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

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

20. Loans and borrowings(continued)

A. Terms and repayment

i. Facility 1

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

The long-term loan is repayable in unequal semi-annual instalments and are subject to commission rates based on SIBOR/LIBOR plus an agreed commission rate. In order to reduce its exposure to commission rate risks the Group has entered into an Islamic profit rate swap for portion of its long-term loan. For details refer *note 30B*.

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

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

Facility 2

During the period ended 31 December 2022, the subsidiary of the Group has entered into a long term Islamic facility arrangement amounting to SR 1,000 million with local bank. 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. The facilities are secured by Land.

During the nine-month period ended 31 December 2022, the Group has drawn **SR 63 million** from the Facility.

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

ii. Sukuk

On 20 November 2019, Arabian Centres Sukuk Limited (a special purpose company established for the purpose of issuing Sukuk) completed the issuance of an International USD denominated Shari'ah compliant Sukuk "Sukuk Certificates" amounting to USD 500 million (equivalent SR 1,875 million), at a par value of USD 0.2 million each, annual yield of 5.375% payable semi-annually and a maturity of five years. Sukuk Certificates may be subject to early redemption at the option of the Company as per certain specified conditions mentioned in the Sukuk Certificate.

On 7 April 2021, Arabian Centres Sukuk II Limited (a special purpose company established for the purpose of issuing Sukuk) completed the issuance of a Five and half year International USD denominated Shari'ah compliant Sukuk "Sukuk II Certificates" amounting to USD 650 million (equivalent SR 2,437.5 million), at a par value of USD 0.2 million each, annual yield of 5.625% payable semi-annually. On 28 July 2021, the Company issued additional Sukuk II certificates amounting to USD 225 million (equivalent SR 843.75 million), at a premium of 4.75%. Sukuk Certificates may be subject to early redemption at the option of the Company as per specified conditions mentioned in the Sukuk Certificate.

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

For the nine-month period ended 31 December 2022

20. Loans and borrowings (continued)

B. Reconciliation of carrying amount

	Islamic facility with banks	Sukuk	Total
Balance at 1 April 2021	5,204,993,272	1,874,950,000	7,079,943,272
Proceeds received during the year	175,000,000	3,281,250,000	3,456,250,000
Repayments made during the year	(2,656,577,603)	--	(2,656,577,603)
Un-amortized transaction costs (i)	2,723,415,669	5,156,200,000	7,879,615,669
Deferred Sukuk premium (ii)	(53,463,354)	(67,890,041)	(121,353,395)
Deferred Sukuk premium (iii)	--	32,911,308	32,911,308
Balance at 31 March 2022	2,669,952,315	5,121,221,267	7,791,173,582
Balance at 1 April 2022	2,723,415,669	5,156,200,000	7,879,615,669
Proceeds received during the period	638,308,994	--	638,308,994
Repayments made during the period	(102,563,584)	--	(102,563,584)
Un-amortized transaction costs (i)	3,259,161,079	5,156,200,000	8,415,361,079
Deferred Sukuk premium (ii)	(52,318,152)	(53,478,788)	(105,796,940)
Deferred Sukuk premium (iii)	--	27,426,090	27,426,090
Balance at 31 December 2022	3,206,842,927	5,130,147,302	8,336,990,229

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

	Islamic facility with banks	Sukuk	Total
31 March 2022			
Within one year	277,570,313	--	277,570,313
Between two to five years	585,190,625	1,874,950,000	2,460,140,625
More than five years	1,860,654,731	3,281,250,000	5,141,904,731
	2,723,415,669	5,156,200,000	7,879,615,669
31 December 2022			
Within one year	903,315,625	--	903,315,625
Between two to five years	1,312,147,537	5,156,200,000	6,468,347,537
More than five years	1,043,697,917	--	1,043,697,917
	3,259,161,079	5,156,200,000	8,415,361,079

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 nine-month period ended 31 December 2022

20. Loans and borrowings (continued)

Reconciliation of carrying amount (Continued)

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

	Notes	Islamic facility with banks	Sukuk	Total
Balance at 1 April 2021		61,815,290	37,467,730	99,283,020
Arrangement fees paid		--	48,857,946	48,857,946
Amortization for the year	27E	(6,931,111)	(15,428,249)	(22,359,360)
Capitalized arrangement fees		(1,420,825)	(3,007,386)	(4,428,211)
Balance at 31 March 2022		53,463,354	67,890,041	121,353,395
Balance at 1 April 2022		53,463,354	67,890,041	121,353,395
Arrangement fees paid		5,118,750	--	5,118,750
Amortization for the period	27E	(4,650,111)	(11,969,122)	(16,619,233)
Capitalized arrangement fees		(1,613,841)	(2,442,131)	(4,055,972)
Balance at 31 December 2022		52,318,152	53,478,788	105,796,940

iii. Deferred Sukuk premium

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

	Sukuk	Total
Balance at 1 April 2021	--	--
Addition during the year	40,078,125	40,078,125
Amortization for the year	(7,166,817)	(7,166,817)
Balance at 31 March 2022	32,911,308	32,911,308
Balance at 1 April 2022	32,911,308	32,911,308
Amortization for the period	(5,485,218)	(5,485,218)
Balance at 31 December 2022	27,426,090	27,426,090

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 nine-month period ended 31 December 2022

21. Employee benefits (Continued)

A. Movement in employee benefits liability

	31 December 2022	31 March 2022
Balance at the beginning of the period / year	25,437,575	21,673,040
Total amount recognized in the consolidated statement of profit or loss		
Past service cost	--	101,099
Current service cost	4,503,448	6,185,415
Interest cost	637,503	664,681
	5,140,951	6,951,195
Amount recognized in the consolidated statement of comprehensive income		
Actuarial (gain) / loss arising from		
– financial assumptions	(3,809,397)	(683,811)
– other assumptions and experience adjustments	2,335,782	33,926
	(1,473,615)	(649,885)
Benefits paid	(618,803)	(2,536,775)
Balance at end of the period / year	28,486,108	25,437,575

B. Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	31 December 2022	31 March 2022
Economic assumptions		
Gross discount rate	4.85%	3.45%
Withdrawal rate	20%	10%
Salary growth rate	3%	3%
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 December 2022		31 March 2022	
	Increase	Decrease	Increase	Decrease
Salary inflation (1% movement)	31,148,794	26,139,175	28,038,392	23,164,657
Discount rate (1% movement)	26,198,626	31,125,583	23,194,195	28,053,339
Withdrawal rate (20% movement)	28,020,442	28,841,718	24,542,751	26,345,043

22. Accounts payable and other liabilities

	Notes	31 December 2022	31 March 2022
Accounts payable			
Accounts payable	(i)	118,951,524	135,545,542
		118,951,524	135,545,542
Other liabilities			
Accrued finance cost	(iii)	77,823,293	152,188,605
Tenants' security deposits	(ii)	111,101,639	93,374,649
Accrued expenses		111,823,669	76,003,556
Employees' salaries and benefits		23,485,973	35,073,462
Government duties & taxes		16,077,581	23,575,023
		340,312,155	380,215,295
Accounts payable and other liabilities		459,263,679	515,760,837

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 nine-month period ended 31 December 2022

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 47.5 million (31 March 2022: SR 53.58 million) are disclosed as other non-current liabilities.
- iii. Movement in accrued finance cost is as follows:

		31 December 2022	31 March 2022
Balance at beginning of the period / year		152,188,605	87,356,027
Commission expense	27E	134,975,419	145,816,859
Reimbursement of commission on Sukuk II		--	14,633,787
Payment of finance costs		(402,729,521)	(313,185,149)
Capitalized finance costs		193,388,790	217,567,081
Balance at end of the period / year		77,823,293	152,188,605

23. Contract balances

- i. Unearned revenue represents 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:

	31 December 2022	31 March 2022
Unamortized portion of lease incentives		
- discounts	58,455,703	131,886,263
- rent free period and straight-lining	215,133,536	227,923,477
	273,589,239	359,809,740
Presented in statement of financial position as follows:		
Accrued revenue – non-current portion	182,392,826	239,873,160
Accrued revenue – current portion	91,196,413	119,936,580
	273,589,239	359,809,740

24. Zakat

A. Amounts recognized in consolidated statement of profit or loss

Computation of zakat charge is as follows:

	Nine-month 31 December 2022	Year ended 31 March 2022
Shareholders' equity and other payables	26,775,867,635	17,494,036,375
Adjusted net income	848,143,946	523,501,872
Deductions	(26,430,913,901)	(16,337,852,731)
Zakat base	1,193,097,680	1,679,685,516
Zakat at 2.5% (higher of adjusted net income or Zakat base)	37,102,712	41,992,138

Arabian Centres Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

24. Zakat

B. Reconciliation of carrying amount

	Note	31 December 2022	31 March 2022
Balance at beginning of the period / year		41,187,722	24,278,533
Current period / year zakat charge	24A	37,102,712	41,992,138
Prior years reversal		--	(2,222,215)
		37,102,712	39,769,923
Payments		(27,069,077)	(22,860,734)
Balance at end of the period / year		51,221,357	41,187,722

C. Status of assessment

Status of zakat assessments is as follows:

- The Group has submitted the zakat return up to the year ended 31 March 2022 and obtained the provisional zakat certificate. The zakat certificate is valid until 31 July 2023.
- 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 the 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.

25. Revenue

	Note	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
Rental income	(i)	1,551,320,415	1,881,682,954	1,404,376,320
Service and management charges income		93,827,737	96,922,520	66,673,452
Commission income on provisions for utilities for heavy users, net		3,444,861	4,278,194	3,532,472
Turnover rent		38,941,267	54,601,964	43,735,384
		1,687,534,280	2,037,485,632	1,518,317,628

- 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:

	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
Within one year	1,684,089,141	1,711,178,874	1,725,539,367
After one year but not more than five years	1,922,109,097	1,914,060,983	1,001,183,616
More than five years	332,696,064	410,990,333	1,448,314,584
	3,938,894,302	4,036,230,190	4,175,037,567

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 nine-month period ended 31 December 2022

26. Direct costs

	Nine-month 31 December 2022	Year ended 31 March 2022 <i>Restated – Note 36</i>	Nine-month 31 December 2021 <i>Restated – Note 36</i>
Utilities expense	95,728,245	121,704,409	96,432,558
Security expense	45,941,136	50,501,782	51,295,002
Cleaning expense	53,740,463	70,477,757	51,574,864
Repairs and maintenance	43,102,756	55,536,300	43,228,823
Employees' salaries and other benefits	28,042,893	35,817,540	26,738,417
Depreciation of right-of-use asset (note 8)	5,550,331	16,669,319	12,501,987
Others	3,891,704	8,738,057	4,560,417
	275,997,528	359,445,164	286,332,068

27. Income and expenses

A. Other operating income

	Notes	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
Compensation received from landlord		2,812,500	3,750,000	2,812,500
Change in fair value of other investments	12	381,442	622,132	529,584
Gain on disposal of investment in real estate fund		180,000	--	--
Waiver of amount payable to disposed subsidiaries	34	--	18,129,016	--
Commission income on bank deposits		--	2,042,165	1,939,483
Gain on lease termination		--	999,000	999,000
Gain on assets held for sale		--	429,474	429,474
Foreign exchange gain		--	722,619	697,676
Other income		198,907	730,929	--
		3,572,849	27,425,335	7,407,717

B. Advertisement and promotion expenses

	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
Sponsorship	7,069,907	10,068,901	6,991,069
Advertisement	7,965,781	5,126,665	3,126,269
Promotions	13,509,105	10,245,083	5,684,188
	28,544,793	25,440,649	15,801,526

C. General and administrative expenses

	Note	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
Employees' salaries and other benefits		104,299,329	156,263,775	105,725,319
Depreciation on property and equipment	10	13,468,735	19,716,626	13,163,939
Professional fees		40,922,839	22,897,256	15,318,428
Communication and internet expense		9,977,170	12,953,273	9,706,000
Insurance expense		9,677,641	10,964,722	8,471,084
Government expenses		5,585,978	10,231,037	8,017,535
Depreciation of right-of-use assets		--	1,259,124	1,259,124
Board expenses		3,313,258	5,539,343	4,209,380
Maintenance		1,102,479	964,599	1,762,142
Others		18,721,090	7,526,905	6,155,673
		207,068,519	248,316,660	173,788,624

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 nine-month period ended 31 December 2022

27. Income and expenses(Continued)

D. Other operating expenses

		Nine-month 31 December 2022	Year ended 31 March 2022 <i>Restated – Note 36</i>	Nine-month 31 December 2021 <i>Restated – Note 36</i>
	<i>Note</i>			
Loss on disposal of investment property	8	23,283,650	--	--
Impairment loss on advances to suppliers		3,000,000	--	--
Loss on transfer of subsidiaries	34	--	18,194,017	--
Real estate tax on purchase of investment property		--	12,645,300	--
Others		290,998	(514,509)	1,259,124
		26,574,648	30,324,808	1,259,124

E. Finance costs over loans and borrowings

		Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
	<i>Notes</i>			
Commission expense, net	22	134,975,419	145,816,859	107,957,838
Amortization of upfront fees	20B(ii)	16,619,233	22,359,360	16,779,992
Deferred Sukuk premium	20B(iii)	(5,485,218)	(7,166,817)	(5,365,104)
Bank charges		739,283	5,847,334	6,692,565
		146,848,717	166,856,736	126,065,291

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.

		Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
	<i>Note</i>			
Profit attributable to ordinary shareholders		831,907,569	775,431,515	600,252,961
Weighted average number of ordinary shares	17	475,000,000	475,000,000	475,000,000
Basic and diluted earnings per share		1.75	1.63	1.26

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.

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

For the nine-month period ended 31 December 2022

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 December 2022	31 March 2022
Other investments	12	1,159,414	6,597,972
Other financial receivables		104,486,404	94,106,591
Amounts due from related parties	14B	417,815,065	325,270,527
Accounts receivable	13	388,214,220	238,986,246
Cash and cash equivalents	16	610,445,796	556,127,750
Profit rate swaps used for hedging	30B	7,043,961	5,081,126
		1,529,164,860	1,226,170,212

Financial Liabilities

Loans and borrowings	20	8,336,990,229	7,791,173,582
Lease liabilities	9	2,639,276,382	3,804,207,572
Accounts payable	22	118,951,524	135,545,542
Tenants' security deposits	22	158,673,106	146,958,481
Amount due to related parties	14B	6,339,458	--
Other liabilities		204,162,320	263,265,623
		11,464,393,019	12,141,150,800

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

	Carrying amount	31 December 2022			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments (a)					
Al Jawhara Real Estate Fund	1,159,414	--	--	1,159,414	1,159,414
Derivatives designated as hedging instruments (b)	7,043,961	--	7,043,961	--	7,043,961
	Carrying amount	31 March 2022			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL – equity instruments (a)					
Al Jawhara Real Estate Fund	6,597,972	--	--	6,597,972	6,597,972
Derivatives designated as hedging instruments (b)	5,081,126	--	5,081,126	--	5,081,126

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

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 nine-month period ended 31 December 2022

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

B. Derivatives designated as hedging instruments

As at 31 December 2022, the Group held Islamic Profit/commission Rate Swaps (“IRS”) of a notional value of USD 80 million (equivalent to SR 300 million) in order to reduce its exposure to commission rate risks against long term financing. The table below shows the fair values of derivatives financial instruments, recorded as positive fair value. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

Description of the hedged items	Hedging instrument	Fair Value	31 December 2022	31 Mar 2022
Commission payments on floating rate loan	IRS	Positive	7,043,961	5,081,126

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

Fair values of cash flow hedge represent the mark to market values of the Islamic Profit rate swaps as at 31 December 2022. The cash flow hedge reserve included under other reserves represents the effective portion of cash flow hedge.

C. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk (including commission rate risk, real estate risk, 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.

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 nine-month period ended 31 December 2022

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

C. Financial risk management(continued)

i. Credit risk (continued)

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.

Accounts Receivable (continued)

The following table provides information about the exposure to credit risk and ECLs for accounts receivable from customers as at 31 December 2022 and 31 March 2022:

	31 December 2022		
	Gross carrying amount	Weighted-average loss	Loss allowance (%)
0-90 days	110,173,161	13,707,754	12.0%
91-180 days	99,288,349	16,421,056	16.5%
181-270 days	86,585,249	15,381,037	17.8%
271-360 days	44,653,878	11,210,581	25.1%
361-450 days	44,176,668	13,460,611	30.5%
451-540 days	36,635,522	13,984,109	38.2%
541-630 days	33,821,347	14,963,099	44.2%
631-720 days	29,279,546	15,327,850	52.4%
More than 720 days	75,001,342	56,944,745	75.9%
	559,615,062	171,400,842	

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

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 nine-month period ended 31 December 2022

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

C. Financial risk management (continued)

i. Credit risk (continued)

Due from related parties

An impairment analysis is performed at each reporting date on an individual basis for the major related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (please refer to note 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 operate. The Group evaluates the risk with respect to due from related parties as low, as majority of the related parties are owned by the same shareholders.

Financial instruments and cash deposit

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

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

For the nine-month period ended 31 December 2022

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
31 December 2022							
Accounts payable	118,951,524	118,951,524	--	--	--	--	118,951,524
Tenants' security deposits	158,673,106	93,131,320	17,970,317	29,753,414	17,383,624	434,429	158,673,104
Other liabilities	204,162,320	204,162,320	--	--	--	--	204,162,320
Due to related parties	6,339,458	6,339,458	--	--	--	--	6,339,458
Lease liabilities	2,639,276,382	195,135,113	175,129,382	254,286,890	678,466,712	3,045,417,085	4,348,435,182
Loans and borrowings	8,336,990,229	1,076,009,249	321,974,381	2,516,369,539	5,154,645,105	1,255,230,891	10,324,229,165
	11,464,393,019	1,693,728,984	515,074,080	2,800,409,843	5,850,495,441	4,301,082,405	15,160,790,753
31 March 2022							
Accounts payable	135,545,542	135,545,542	--	--	--	--	135,545,542
Tenants' security deposits	146,958,481	66,561,240	26,813,409	30,839,499	22,438,502	305,831	146,958,481
Other liabilities	263,265,623	263,265,623	--	--	--	--	263,265,623
Lease liabilities	3,804,207,572	433,492,347	167,789,014	355,693,657	982,828,792	4,139,897,350	6,079,701,160
Loans and borrowings	7,791,173,582	225,187,421	415,872,179	513,832,523	6,736,832,663	1,686,251,429	9,577,976,215
	12,141,150,800	1,124,052,173	610,474,602	900,365,679	7,742,099,957	5,826,454,610	16,203,447,021

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine-month period ended 31 December 2022

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 December 2022 and 31 March 2022. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

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

Gain/(loss) through the consolidated statement of profit or loss	31 December 2022	31 March 2022
Floating rate debt:		
SIBOR/LIBOR +100bps	(24,443,708)	(27,234,157)
SIBOR/LIBOR -100bps	24,443,708	27,234,157

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.

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

For the nine-month period ended 31 December 2022

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:

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

31. Commitments and contingencies

	<i>Note</i>	31 December 2022	31 March 2022
Commitments			
Commitments for projects under construction	(i)	3,265,050,000	3,513,755,880
Outstanding bank guarantees		13,000,000	91,076,025

- 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 2022, 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.

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

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Definition of accounting estimate (Amendments to IAS 8)
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS practice statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction -(Amendments to IAS 12)

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

33. Impact of covid-19

The COVID-19 pandemic, which commenced at the beginning of 2020 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 undertook stimulus measures and launched initiatives to support the economy to reduce the adverse effects of this pandemic. On May 21, 2020, the 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 they benefited also from the rent relief program starting the date of government closure until the earlier of (i) date of closure was lifted or (ii) 30 June 2020. Further, all escalations on the contracts was paused for two years, 2020 and 2021.

Accordingly, as at 31 March 2021 management approved a total discount of **SR 579 million** which is amortized over the remaining period of leases with tenants. The impact of rent relief for the nine-month period ended 31 December 2022 is **SR 71.8 million** (nine-month period ended 31 December 2021: SR 136.6 million).

Arabian Centres Company (a Saudi joint stock company)

Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

33. Impact of covid-19 (continued)

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. Disposal of subsidiaries

- a) During the nine-month period ended 31 December 2022, the Group sold its 100% equity interest in two subsidiaries (note 1) to Saudi FAS Holding Company and accordingly these have been deconsolidated from the date of disposal, 14 August 2022. There were no operations in these subsidiaries.

	As at date of disposal
Investment properties – Project under construction and Right-of-use asset (note 8)	557,480,304
Due from related party	2,293,125
Accruals	(78,100)
Lease liability (note 9)	(558,955,429)
Net assets	739,900

The subsidiaries were disposed off for a net consideration of **SR 750,000**. Gain on disposal of subsidiary of **SR 10,100** has been recorded under other income in the consolidated statement of profit or loss

- b) During the year ended 31 March 2022, the Group transferred certain subsidiaries to one of its shareholders. The transfer was made without any consideration and accordingly the net book value of the disposed subsidiaries of SR 18,194,017 has been recognised as loss on transfer (Note 27D). Further, the amount due to these subsidiaries of SR 18,129,016 has been waived off the by the shareholder of the transferred subsidiaries. Consequently, the gain on waiver of liabilities has been recognized in the consolidated statement of profit and loss (Note 27A).

35. Summarized financial information of material subsidiaries

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

	Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company	Riyadh Real Estate Development Funds Jawharat Jeddah	Riyadh Real Estate Development Funds Jawharat Riyadh	Derayah Destination Arabia Diversified Fund
31 December 2022				
Assets				
Investment properties	206,622,266	1,413,734,581	2,454,020,995	--
Cash and cash equivalents	--	7,536,666	--	40,488,162
Other assets	24,211,347	272,652	200,000	--
	230,833,613	1,421,543,899	2,454,220,995	40,488,162
Liabilities				
Loans and borrowings	--	58,828,677	--	--
Lease liabilities	77,301,026	--	--	--
Other liabilities	52,908,921	8,059,529	12,997,219	4,823,075
	130,209,947	66,888,206	12,997,219	4,823,075
Net assets	100,623,666	1,354,655,693	2,441,223,776	35,665,087

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 nine-month period ended 31 December 2022

35. Summarized financial information of material subsidiaries (continued)

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

	Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin AlHokair and Company	Riyadh Real Estate Development Funds Jawharat Jeddah	Riyadh Real Estate Development Funds Jawharat Riyadh	Derayah Destination Arabia Diversified Fund
31 March 2022				
Assets				
Investment properties	213,607,106	--	--	253,812,000
Other assets	17,627,408	--	--	--
	231,234,514	--	--	253,812,000
Liabilities				
Loans and borrowings	--	--	--	--
Lease liabilities	89,155,122	--	--	--
Other liabilities	53,284,876	--	--	--
	142,439,998	--	--	--
Net assets	88,794,516	--	--	253,812,000
Nine-month period ended 31 December 2022				
Statement of profit or loss				
Revenue	32,188,958	--	--	--
Gross profit / (loss)	25,373,815	--	--	--
Profit / (loss) for the period	10,171,051	96,425,777	178,573,923	(36,146,910)
Year ended 31 March 2022				
Statement of profit or loss				
Revenue	36,636,238	--	--	--
Gross profit	24,858,719	--	--	--
Loss for the period	(50,445,180)	--	--	--
Nine-month period ended 31 December 2021				
Statement of profit or loss				
Revenue	27,873,119	--	--	--
Gross profit	18,394,311	--	--	--
Loss for the period	(43,802,069)	--	--	--

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 nine-month period ended 31 December 2022

36. Effect of change in accounting policy

On 29 June 2022, the Board of Directors of the Company approved the change in accounting policy for the subsequent measurement of the Group's investment properties from the cost model to the fair value model. The impact of the change in accounting policy has been reflected by restating each of the affected financial statement line items for prior periods. The following table summarizes the impacts on the Group's consolidated financial statements for the current period and prior periods presented (including the earliest presented period):

i) Consolidated statement of financial position

1 April 2021	Impact of change in accounting policy			
	As previously reported	Adjustment	Reclassifications*	As restated
Investment properties	11,967,476,773	7,488,403,505	3,702,807,103	23,158,687,381
Right-of-use	3,121,596,866	--	(3,120,337,744)	1,259,122
Advances to contractors	582,469,359	--	(582,469,359)	--
Total assets	17,654,778,299	7,488,403,505	--	25,143,181,804
Total liabilities	11,602,359,786	--	--	11,602,359,786
Retained earnings	320,429,968	7,420,103,232	--	7,740,533,200
Non-controlling interest	1,319,575	68,300,273	--	69,619,848
Total equity	6,052,418,513	7,488,403,505	--	13,540,822,018

31 March 2022	Impact of change in accounting policy			
	As previously reported	Adjustment	Reclassifications*	As restated
Investment properties	12,671,172,262	7,804,763,587	3,495,893,400	23,971,829,249
Right-of-use	2,900,541,380	--	(2,900,541,380)	--
Advances to contractors	595,352,020	--	(595,352,020)	--
Total assets	18,281,162,588	7,804,763,587	--	26,085,926,175
Total liabilities	12,500,581,523	--	--	12,500,581,523
Retained earnings	1,084,412	7,724,837,152	--	7,725,921,564
Non-controlling interest	(1,669,853)	46,067,111	--	44,397,258
Statutory reserve	605,442,463	33,859,324	--	639,301,787
Total equity	5,780,581,065	7,804,763,587	--	13,585,344,652

31 December 2022	Impact of change in accounting policy			
	As per old accounting policy	Adjustment	Reclassifications*	As per new accounting policy
Investment properties	12,649,105,749	8,146,305,225	2,280,330,404	23,075,741,378
Asset held for sale	--	--	405,880,057	405,880,057
Right-of-use	1,966,141,689	--	(1,966,141,689)	--
Advances to contractors	720,068,772	--	(720,068,772)	--
Total assets	17,730,553,759	8,146,305,225	--	25,876,858,984
Total liabilities	11,808,258,279	--	--	11,808,258,279
Retained earnings	86,944,106	8,031,444,270	--	8,118,388,376
Non-controlling interest	3,037,953	46,444,830	--	49,482,783
Statutory reserve	654,076,419	68,416,125	--	722,492,544
Total equity	5,922,295,480	8,146,305,225	--	14,068,600,705

* Reclassifications represent reclassification of advances to contractor for projects and right-of-use assets to investment properties for better and consistent presentation in the consolidated financial statements.

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

For the nine-month period ended 31 December 2022

36. Effect of change in accounting policy (continued)

ii) Consolidated statement of profit or loss and consolidated statement of comprehensive income

For the nine-month period ended 31 December 2021	Impact of change in accounting policy		
	As previously reported	Adjustment	As restated
Depreciation of right-of-use assets	(149,964,542)	137,462,555	(12,501,987)
Depreciation of investment properties	(251,593,311)	251,593,311	--
Other operating expense	--	(1,259,124)	(1,259,124)
Net fair value loss on investment properties	--	(136,690,420)	(136,690,420)
Profit for the period	327,245,605	251,106,322	578,351,927
Total comprehensive income for the period	328,139,713	251,106,322	579,246,035
Earnings per share – Basic and diluted	0.69	0.57	1.26

For the year ended 31 March 2022	Impact of change in accounting policy		
	As previously reported	Adjustment	As restated
Depreciation of right-of-use assets	(199,014,634)	182,345,315	(16,669,319)
Depreciation of investment properties	(343,048,949)	343,048,949	--
Other operating expenses	(32,106,705)	1,781,897	(30,324,808)
Net fair value loss on investment properties	--	(210,816,079)	(210,816,079)
Profit for the year	433,848,843	316,360,082	750,208,925
Total comprehensive income for the year	440,662,552	316,360,082	757,022,634
Earnings per share – Basic and diluted	0.91	0.72	1.63

For the nine-month period ended 31 December 2022	Impact of change in accounting policy		
	As per old accounting policy	Adjustment	As per new accounting policy
Depreciation of right-of-use assets	(127,086,649)	121,536,318	(5,550,331)
Depreciation of investment properties	(261,831,806)	261,831,806	--
Impairment of investment properties	(25,038,548)	25,038,548	--
Other operating income	94,437,726	(90,864,877)	3,572,849
Other operating expenses	(1,438,792)	(25,135,856)	(26,574,648)
Net fair value gain on investment properties	--	60,760,555	60,760,555
Profit for the period	483,826,600	353,166,494	836,993,094
Total comprehensive income for the period	486,339,559	353,166,494	839,506,053
Earnings per share – Basic and diluted	1.02	0.73	1.75

There is no impact on the total operating, investing or financing cash flows for the nine-month period ended 31 December 2022.

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Notes to the consolidated financial statements (continued)

For the nine-month period ended 31 December 2022

37. Subsequent events

- On 1 January 2023, the Board of Directors resolved to distribute dividends for the first half of period ended 31 December 2022 amounting to **SR 0.75** per share aggregating to **SR 356,250,000**. The dividends were paid on 12 February 2023.
- On 24 January 2023, the shareholders approved the establishment by the Company of a Shari'a compliant Sukuk Program up to **SR 4,500,000,000** for a period of two years from the establishment date, which may be issued from time to time domestically in a single or multiple issuances, in accordance with its long term policy to move the Company to more flexible, unsecured public markets financing.
- On 2 April 2023, the Board of Directors resolved to distribute dividends for the second half of the period ended 31 December 2022 amounting to **SR 1** per share aggregating to **SR 475,000,000**. The dividends will be paid on 25 April 2023.
- The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their General Assembly meeting for their ratification.

38. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors for issuance on 8 Ramadan 1444H (corresponding to 30 March 2023).