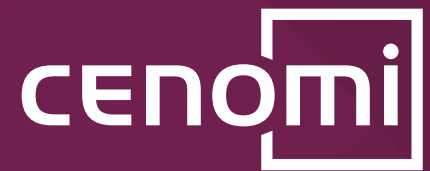


Cenomi Centers



**Annual  
Report  
2022**

# Table of Contents

01

Company Overview2

Financial Highlights	4
Strategic Highlights	5
About Cenomi Centers	6
Vision and Mission	7
Where We Operate	8
Our Portfolio	10

02

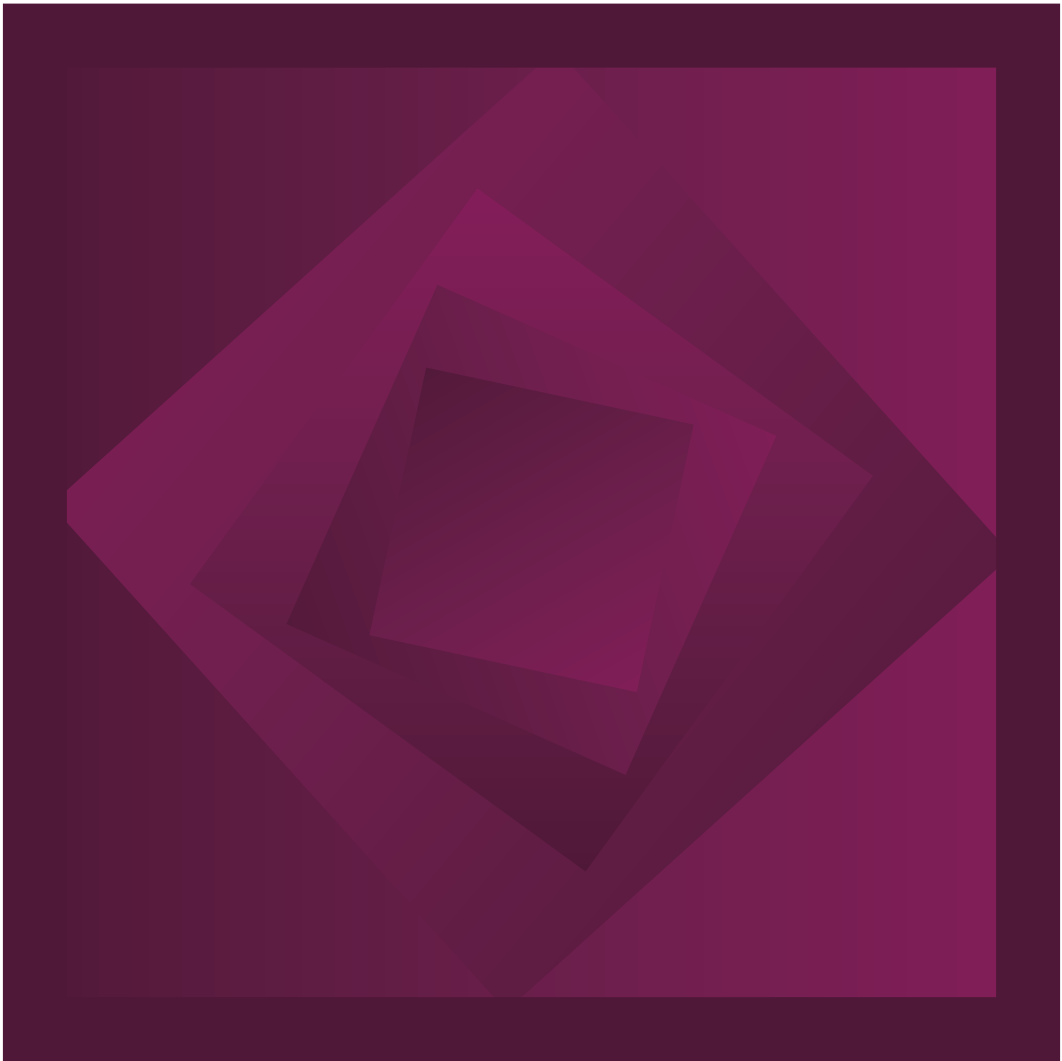
Strategic Review12

Chairman’s Statement	14
CEO’s Message	16
Business Model	18
Strategy	20
CFO’s Review	22
Investment Case	24

03

Business Review26

Operations	28
Leasing	30
Design and Development (D&D)	32



04

Sustainability34

Our Sustainability Approach	36
Caring for Nature	37
Supporting Society	38
Developing People	39

05

Governance40

06

Financial Statements78



# 01

## Company Overview

Reporting on the short 2022 financial year – nine months from 1 April to 31 December 2022

Financial Highlights	4
Strategic Highlights	5
About Cenomi Centers	6
Vision and Mission	7
Where We Operate	8
Our Portfolio	10





# Financial Highlights



Revenues  
SAR billion



Gross profit  
SAR billion



Net profit  
SAR million



EBITDA  
SAR billion



\* Short 2022 financial year - nine month from 1 April to 31 December 2022  
\*\* Figures are for the equivalent nine month period in the 2021 financial year to allow for accurate comparison.

# Strategic Highlights

21

NUMBER OF SHOPPING CENTERS / COMPLEXES

1.3m m<sup>2</sup>

GROSS LEASABLE AREA (GLA)

4,907

NUMBER OF LEASED UNITS

84.2m

NUMBER OF VISITORS

1,500+

NUMBER OF BRANDS

804

NUMBER OF EMPLOYEES

66,6%

SAUDIZATION

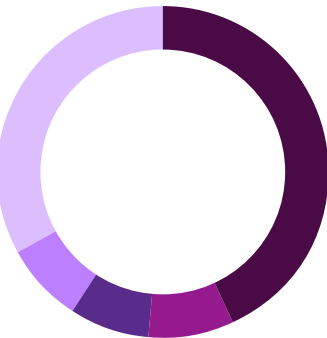


# About Cenomi Centers

Cenomi Centers is the leading owner and operator of lifestyle shopping malls in Saudi Arabia. The company owns 21 commercial centers and complexes that are strategically located in 10 of the largest cities in the Kingdom of Saudi Arabia. These malls have a total Gross Leasable Area (GLA) of 1.3 million sqm and cover over 60% of the Kingdom's population. Cenomi Centers malls are the preferred destination for millions of shoppers every year, offering a range of integrated leisure, shopping, entertainment, and dining options.

Cenomi Centers first began in 2005, as Arabian Centres Company, which was established as a Limited Liability Company with the aim of owning, developing, and operating contemporary lifestyle and shopping centers in Saudi Arabia. In December 2022, the company changed its name to Cenomi Centers. The company is jointly owned by FAS Real Estate Co. LLC (42%) as the major shareholder, along with others as shown below.

### Ownership



Shareholders as per Share Register

- 44.55% FAS Real Estate Company
- 8.61% Fawaz Al Hokair
- 8.00% Salman Al Hokair
- 8.00% Abdulmajid Al Hokair
- 33.84% Remaining Shareholders

### The Cenomi name

The name Cenomi is derived from 'Ceno' which means 'new' in Greek, and 'Mi' referencing 'me'. Cenomi is a brand that puts the customer at its core and is dedicated to delivering a new era of retail and lifestyle experiences to the Kingdom of Saudi Arabia and beyond.

### Cenomi Centers At a Glance

21  
WORLD-CLASS LIFESTYLE  
DESTINATIONS

10  
CITIES

1.3m m<sup>2</sup>  
GLA

4,900+  
STORES

84m  
VISITORS

8  
NEW MALLS IN THE  
PIPELINE

# Vision and Mission

### OUR VISION

To be the dominant and most admired owner, developer and operator of world-class retail and lifestyle destinations in Saudi Arabia.

### OUR MISSION

To provide a fusion of shared discovery, high design, sophisticated environments, retail, dining, entertainment, and social interaction.





# Where We Operate

Cenomi Centers’ portfolio comprises 21 shopping centers, which are categorized as Super-regional, Regional, and Community centers. Each development has a unique position in terms of location, size, design, and retail offering, ensuring a diverse retail unit mix that meets the needs of the market. Out of these 21 centers, 10 are on leased land, 10 on land owned directly by the company, and one operates under a management and operating agreement.

## Largest Retail Platform in Saudi Arabia, with 21 Centers Across Key Metropolitan Areas

Diversified portfolio strategically positioned in large catchment areas.

 Top 5 Cities

 Other Cities

**Jeddah**

- Aziz Mall
- Mall of Arabia
- Haifa Mall
- Salaam Mall
- Yasmin Mall
- Jeddah Park

**Riyadh**

- Sahara Plaza
- Salaam Mall
- Tala Mall
- The View
- Nakheel Mall - RUH
- Hamraa Mall
- U-Walk

**Dhahran**

- Mall of Dhahran

**Dammam**

- Nakheel Mall - DMM

**Makkah Mall**

**Al Ehsa Mall**

**Qassim**

- Nakheel Plaza

**Jubail Mall**

**Madinah**

- Noor Mall

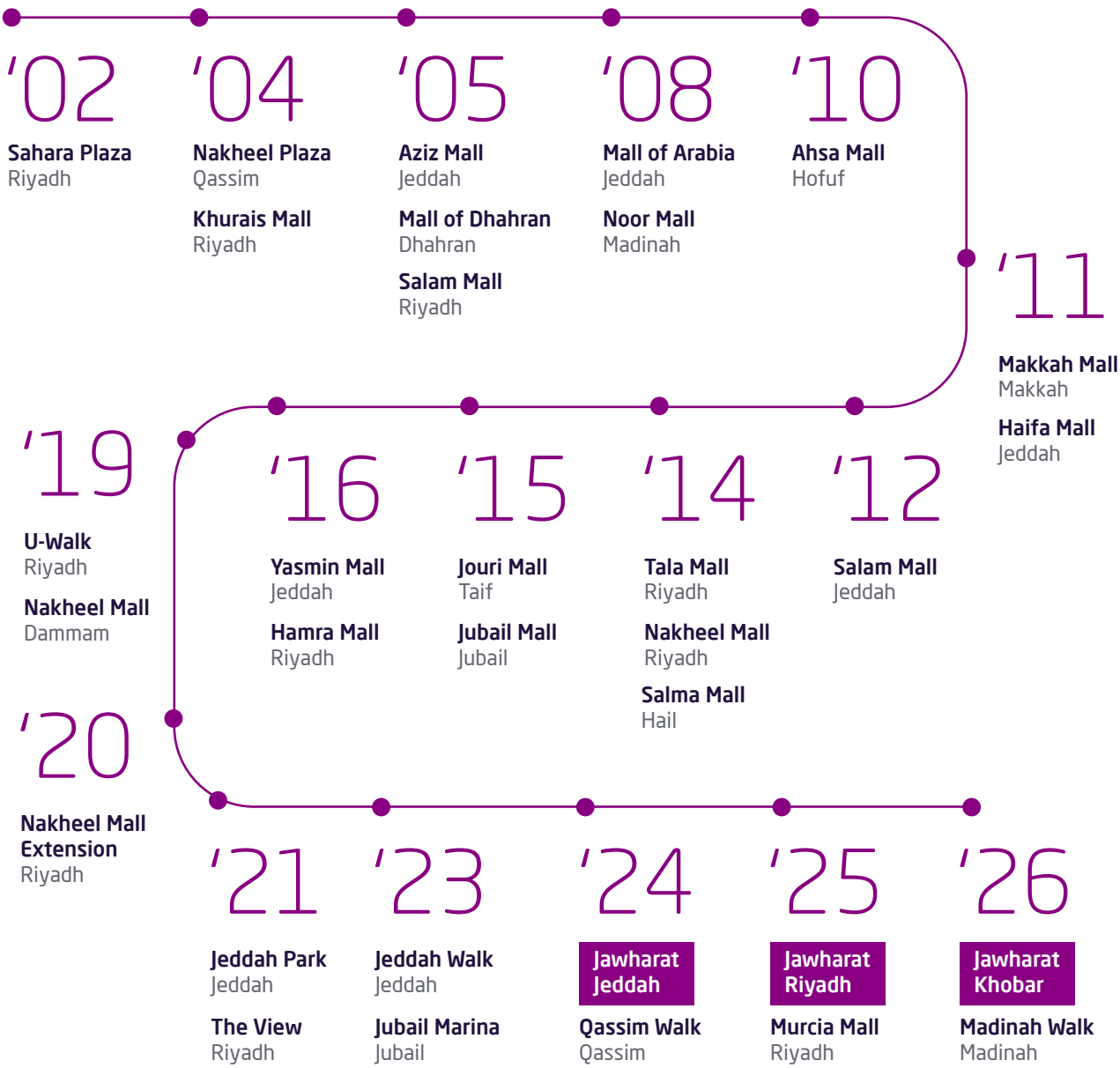
**Jouri Mall**





# Our Portfolio

## Steadily Building Our Portfolio of Retail Assets



EXISTING GLA 1.3 Million Sqm

NEW GLA +0.7 Million Sqm

GLA 2 Million Sqm


The below table details our current 21 centers:

Region	City	Shopping Center	Type	Year Opened	GLA 000 SQM (FY2022)	Occupancy (FY2022)	% Of Rev. (FY2022)	Lease Expiry
Central	Riyadh	Nakheel Mall	Super Regional	2014	77	97.1%	11.9%	2034
		Hamra Mall	Regional	2016	56	96.1%	5.1%	Freehold
		Salaam Mall	Regional	2005	51	96.3%	3.0%	Freehold
		U-Walk	Regional	2019	55	95.4%	4.0%	2046
		The View	Regional	2021	56	89.9%	4.1%	Freehold
		Tala Mall	Community	2014	21	94.7%	1.4%	2029
		Sahara Plaza	Community	2002	15	100.0%	0.1%	Freehold
Western	Buraidah	Nakheel Plaza	Community	2004	40	97.9%	2.1%	2029
	Jeddah	Salam Mall	Super Regional	2012	126	91.7%	6.3%	2032
		Mall of Arabia	Super Regional	2008	112	98.6%	11.1%	Freehold
		Jeddah Park	Super Regional	2021	122	68.3%	0.0%	M&O
		Aziz Mall	Regional	2005	72	90.8%	4.7%	2046
		Yasmin Mall	Regional	2016	61	96.7%	5.7%	2034
		Haifa Mall	Community	2011	34	84.3%	1.6%	2032
	Makkah	Makkah Mall	Regional	2011	37	98.8%	6.0%	Freehold
	Taif	Jouri Mall	Regional	2015	48	98.3%	4.7%	2035
	Madinah	Noor Mall	Regional	2008	68	94.5%	5.5%	Freehold
Eastern	Dhahran	Mall of Dharan	Super Regional	2005	158	97.1%	13.8%	2025
	Dammam	Nakheel Mall	Regional	2019	61	98.2%	6.6%	Freehold
	Hufuf	Ahsa Mall	Regional	2010	46	89.0%	1.7%	Freehold
	Jubail	Jubail Mall	Community	2015	22	79.9%	0.7%	Freehold
Total/Average LFL Occupancy					1,338	94.2%	100.0	-

# 02

## Strategic Review

Net Revenue

SAR 1.7 billion  
11.1% 

Chairman's Statement	14
CEO's Message	16
Business Model	18
Strategy	20
CFO's Review	22
Investment Case	24





# Chairman's Statement

This year has been focused on growth. Across Saudi Arabia, our national drive to deliver Vision 2030 has seen a significant ramp up of activity across the major economic sectors – and this has been reflected in our own fortunes, most notably for Cenomi Centers: retail, tourism and real estate development.

The company has delivered strong results with net SAR 1.69 billion revenue for 2022, a 11.1% year-on-year increase, with EDITDA of SAR 1.08 billion, a 8.2% increase year-on-year. We have also initiated a number of key programs to support profitability, including the non-core land sale program, which, with a book value of SAR 2 billion, has already brought success, with two pieces of land sold for a total value of SAR 875 million in 2022. As the impact of the pandemic eased, we saw record occupancy rates and tenancy renewals, as well as a return to pre-COVID-19 levels of footfall.

Saudi Arabia is one of the world's fastest growing economies. As a grass-roots company, with a portfolio of large-scale assets in 10 major cities across the country, Cenomi Centers is well-placed to participate in our national journey and support and drive real social and economic impact.

Central to our future prospects, our year was punctuated by two significant changes. Firstly, the appointment of our Chief Executive Officer – Alison Rehill-Erguven. Alison brings two decades

of extensive commercial real estate and shopping center experience to the role and I look forward to seeing further positive impacts in 2023 and beyond.

The second purposeful change was the launch of our rebrand. In December, we became Cenomi, a full brand realignment away from the Fawaz Alhokair Group, further cementing our commitment to delivering best-in-class retail and lifestyle experiences through our immersive, next-generation shopping centers.

We are in a strong position to take advantage of the opportunities that will shape our future. Throughout 2022, we were nimble and agile, alert to the evolution of post-pandemic consumer behavior, and we remain confident physical retail will continue to be a dominant force in our business, with a strong focus on elevating in-mall and in-store experiences that deliver more personalized, long-lasting retail moments.

It is our physical stores that will inspire our customers and drive discovery and wonder in the region. We saw this in action in FY2022, showcasing how we are embracing the changing dynamics of the retail sector through our Jawharat flagship projects. Based in Riyadh, Jeddah and Al-Khobar, these new centers offer a fully immersive lifestyle experience with luxury retail, increased dining and entertainment options, and both in and outdoor spaces.

As the largest retailer in Saudi Arabia, and the second largest in the MENA region, these are exactly the sorts of ambitious plans we will prioritize to reaffirm our position in the Kingdom's growth journey.

Thank you to my fellow Board Members for their continued commitment and to our shareholders for their ongoing belief in the Cenomi Centers' journey. Thanks also to our customers, for their loyalty, and to our management team and all Cenomi Centers' employees for their dedication to the business and contribution to its continued success.

## Net Revenue

# SAR 1.69 billion

“

Cenomi Centers is well-placed to participate in our national journey and support and drive real social and economic impact.

**Fawaz Alhokair**  
Chairman



# CEO's Message

This year Cenomi Centers has been able to deliver strong revenues of SAR 1.69bn for the short nine-month 2022 financial year, as well as EBITDA of SAR 1.08bn. We achieved record levels of occupancy at 94.2% and delivered 90% occupancy for new assets within their first year of operation. Cenomi Centers onboarded 109 new brands during 2022 and is now home to more than 4,900 stores. We are also pleased to see footfall figures recover to pre-COVID-19 levels, while consumer spending continued to increase within the Kingdom.

Looking forward, we have a solid pipeline, with an ambitious SAR 5.3 billion CAPEX program to deliver seven new market-leading projects in the coming three years, making us the largest portfolio of any commercial real estate company in Saudi Arabia. We will become the owner, operator and developer of 29 centers and complexes across the Kingdom and see our gross leasable area (GLA) increase by approximately 50%.

Our 2023 strategy is driven across five key pillars:

- Portfolio growth
- Product excellence
- Operational excellence
- Organization enhancement
- Sustainability leadership

In 2022, we also launched our inaugural ESG report, a cornerstone of our strategy for the years ahead that sets out our progress to date and, more importantly, the commitments we have made for the future. As one of Saudi Arabia's largest employers and developers, we understand our intrinsic responsibility to our people, our communities, and the country's sustainable future.

These commitments ensure that we are future-focused, always aligned, and fully accountable for our delivery. We believe that these areas of focus must be underpinned by our values, our ambitions of environmental, social, and governance (ESG) excellence, and our ability to hire, develop, and retain the very best talent in Saudi Arabia. Within this we are committed to encouraging and developing the next generation of female Saudi leaders. This is vital to our company's future growth and a cause I feel strongly about; I have pledged to personally ensure that at least 40% of leadership roles in Cenomi Centers will be filled by women by 2025.

Finally, I feel privileged to have joined the company at such a monumental moment in our organization's history – the Cenomi rebrand. Our rebrand is pivotal. It brings clarity to our value proposition as a customer-first platform, creating spaces that allow our consumers to uncover, discover, share, and enjoy. It is also an impetus for our continued growth and momentum as we build the destinations of the future and a new era for Saudi retail and lifestyle sectors.

EBITDA  
SAR 1.08 billion

“  
As one of Saudi Arabia's largest employers and developers, we understand our intrinsic responsibility to our people, our communities, and the country's sustainable future.

Alison Rehill-Erguven  
CEO: Cenomi Centers





# Business Model

## A world-class mall operator

Cenomi Centers is known as the leading owner, developer, and operator of lifestyle shopping centers in Saudi Arabia. We launched our first location in 2002 at Sahara Plaza in Riyadh, and we have since expanded our portfolio to include 21 distinct properties in 10 cities throughout the Kingdom.

With a presence in each of the three main regions of Saudi Arabia (Western, Central, and Eastern), Cenomi Centers has established itself as the premier provider of organized retail space in the country. Our portfolio features some of the most iconic shopping and leisure locations, such as Mall of Arabia in Jeddah, Mall of Dhahran, and Nakheel Mall in Riyadh. Overall, we operate more than 1.3 million sqm of gross leasable area (GLA) covering over 60% of the Kingdom's population. Our centers welcomed over 84 million visitors in FY2022.

Thanks to our dominant position and competitive advantages, Cenomi Centers has become the go-to partner for local and international retail brands seeking to expand or deepen their presence in the Saudi market. Our centers are home to a wide array of leading brands, including Zara, Sephora, Massimo Dutti, Michael Kors, Hugo Boss, Marks & Spencer, Nike, Lefties, Lego, Starbucks, Gold's Gym, and numerous global F&B offerings. Tenants can take advantage of Cenomi Centers' unique ability to leverage our scale, deliver centers with unique and attractive building designs in central locations, provide access to targeted demographics, and offer superior levels of tenant and visitor service.

We are continually enhancing our offerings by introducing unique lifestyle concepts, optimized dining, entertainment and leisure options, and a steady rollout of cineplexes throughout our portfolio.

## A synergistic Cenomi ecosystem

As a company within the Cenomi Group, Cenomi Centers benefits from synergies with other organizations that form part of that group. Cenomi Retail, a leading franchise retailer, leases almost 20% of the GLA in Cenomi Centers' 21 shopping centers, and also pre-leases space in new pipeline assets, which helps to attract other tenants and enhance footfall immediately on opening.

We also provide mutually beneficial food and beverage franchises and a partnership with Muvi Cinemas for integrated shopping, entertainment, and dining experiences.

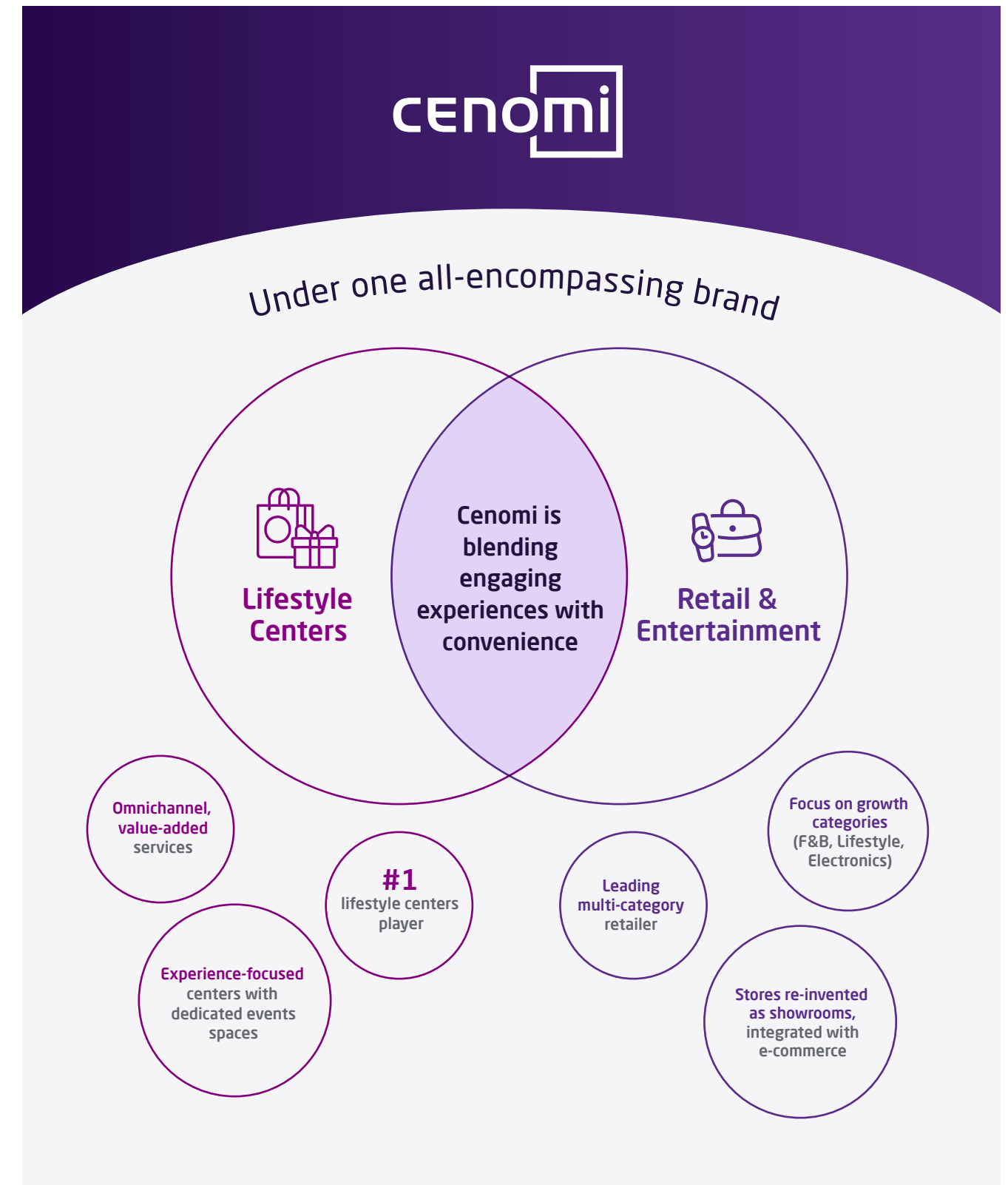
The Cenomi Centers integrated Omnichannel ecosystem blends engaging physical experiences with curated brands and the convenience of online channels delivering competitive advantage.

## Leveraging an agile, asset-light business model

We pioneered an asset-light model of mall management and operation in KSA. At the close of the short 2022 financial year (nine months), 10 of the centers in our portfolio were located on leased lands, 10 were built on freehold lands, and one was managed under operational agreements.

The leasehold structure optimizes costs and mitigates risks, enhancing financial and operational flexibility. The model also enables us to optimize center size, which is why we have managed to achieve an average GLA of 528,000 sqm. In addition to the locations managed under an operational agreement, we signed another agreement in 2023 to operate another property, Jubail Marina, on this basis. Under these agreements, Cenomi Centers leases, manages, operates, and maintains the properties in return for a percentage of annual net revenues.

## Synergistic Omni-channel Ecosystem



# Strategy

Cenomi Centers has established itself as the leading mall operator in KSA and second largest mall operator in MENA. These achievements have been driven by a number of key success factors, including our ability to be a first-mover and innovator in our markets, our proven speed of project development and execution, solid tenant relationships and high occupancy rates, and world-class brands that attract significant customer footfall.

## Positioning ourselves for sustainable growth

While all these factors remain key to our continued success and growth, in recent years, KSA has witnessed significant consumer developments, including the rise of a tech-savvy and young population, increasing disposable income, and a growing middle class. All of which are driving meaningful shifts in the consumer landscape in KSA, not least of which are:

- the growth of a more sophisticated customer base that is increasingly discerning in their purchasing decisions; and
- shifting market demand from pure retail to more differentiated, lifestyle and experience-based formats, with accelerating spend on F&B.

Against this shifting backdrop, we are adapting our strategic focus to meet the evolving needs and preferences of consumers in KSA and globally. Our aim is to remain at the forefront of these consumer developments, leveraging our expertise and resources to create value for our stakeholders and contribute to the growth and prosperity of KSA. In fact, Cenomi Centers has an ambitious goal to become the largest and most admired developer and operator of lifestyle destinations in the MENA region. To achieve this, we have a clear strategic growth path centered around five key priorities, each with clearly defined underlying objectives.



The first strategic priority is **portfolio growth**. To strengthen our leadership in KSA, we plan to steadily expand into new formats and cities. We also aim to become Vision 2030's Consumer 'Partner of Choice' by providing exceptional experiences to our customers. The third objective under this strategic pillar is to optimize our existing portfolio. We will continue to introduce innovative lifestyle and F&B destinations at existing and pipeline centers, targeting a greater focus on entertainment, F&B, gyms, spas, clinics, and other service providers. We have a proven track record in introducing new concepts to the Saudi market and plan to replicate the open-air boulevard concept with pipeline projects in Jeddah and Madinah. We also recognize the opportunities in Saudi Arabia's growing leisure and entertainment industry and we are working to position ourself as the strategic partner of choice for retail tenants expanding their footprints in the Kingdom. We aim to increase footfall and ensure sustainable growth by hosting recreational events, locating pipeline assets near entertainment centers, and rolling out cinemas across our portfolio.

The second strategic priority is **product excellence**. We plan to drive a shift towards higher quality and more differentiated center formats that align with changing consumer trends. Our commitment is to deliver the highest-value customer experience through 100% customer-centric design and services. To this end, we will continue to improve efficiencies and yields from our existing developments through active asset management. This includes optimizing GLA occupancy and efficiency rates and accelerating the sale of unoccupied GLA. We target a long-term GLA occupancy range of 94% to 95% to optimize our cost base and meet high shopping center management standards. We also continue our work to increase non-GLA revenues and negotiate favorable terms with third-party service providers to curb operating cost growth. These efforts are essential to turning around underperforming assets, such as Haifa, Jubail, Al Ahsa, and Salam Malls, by diversifying the brand portfolio and tenant mix.

The third strategic priority is **operational excellence**. We plan to enhance, modernize, and automate our mall operations to achieve higher productivity and provide a consistently outstanding customer experience. By leveraging digitalization and data analytics, we aim to drive up both customer and shareholder value.

The fourth strategic priority is **organizational enhancement**. We plan to drive organizational change to promote and master performance excellence, accountability, and collaboration for maximum impact. We will continue to build our world-class team and capabilities to enable sustainable growth and achieve our superior quality ambition.

The fifth priority is **sustainability leadership**. We are establishing an ambitious sustainability agenda and roadmap to drive significant impact for all our stakeholders and unlock even more shareholder value.

## An established expansion pipelines

The continued expansion of the Cenomi Centers portfolio contributes to our retail presence and provides access to previously untapped demographic areas. We rely on insights gleaned from our database on urban areas in the Kingdom to make expansion decisions and strengthen our position in the Saudi retail market. Since our launch (as Arabian Centers), we have delivered more than one new center per year, leveraging our expertise in shopping center development and our strategic relationship with our construction partner, Lynx.

Our management team is dedicated to achieving maximum efficiency in all aspects of the company's capital expenditure program. To maintain financial flexibility for long-term growth, we prioritize a strong liquidity position and phase our capital expenditures to reflect changing market dynamics. Additionally, we aim to expand our portfolio through innovative management and operational agreements that generate revenue from managing centers under external landlords' control. Such agreements enable us to expand rapidly in an asset-light manner, increasing our financial flexibility as we continue to grow.



# CFO's Review

I am pleased to report that our solid financial performance has continued in the short 2022 financial year, which ran from April 2022 to end-December 2022. This positive performance was driven by the normalization of our business post-COVID-19. We have successfully navigated the challenges of operating shopping centers in a rising interest rate environment, while maintaining a healthy debt maturity profile and a strong and liquid balance sheet.

## Financial performance in brief

In the short financial year under review, we recorded revenues of SAR 1.69 billion, up 11.1% YoY. Despite higher financial charges, we achieved SAR 1.13 billion in operating profit and our gross profit expanded to a record SAR 1.41 billion, up 14.7% YoY. The gross profit margin reached 83.6% due to successful cost optimization measures. Net profit for the period increased by 44.7% YoY to SAR 837.0 million.

Our adoption of the Fair Value Model has further strengthened our financial position, resulting in a significant boost to our total assets and equity. The execution of the non-core asset land bank sale program has also been successful, with two pieces

of land sold during the period and a total amount generated from land sales to date of approximately SAR 875 million. The second sale will be reflected in Cenomi Centers' accounts for the first quarter 2023 (ending 31 March 2023), and it is currently shown on our books as "assets for sale".

We continue to maintain a healthy debt maturity profile, and our balance sheet remains strong and liquid, with unsecured debt representing 61% of our total debt, enabling us to enhance our financing options and optimize our capital structure. Our cost of debt has gone up in the period, in line with SIBOR, but it remains cushioned by the fixed coupon part of the Sukuk.

## Putting COVID-19 behind us

While the negative impacts of COVID-19 were significant, we have successfully navigated our way through the worst of it, and we are now in a strong position to move forward. We are already seeing the positive impact of our efforts, with footfall rebounding strongly to 84 million in FY22, up by 39% year-on-year.

During the height of the pandemic, we provided our tenants with SAR 579 million in discounts to help alleviate the impact of COVID-19 on their businesses. This support helped to ensure that our tenants were able to weather the storm and emerge from the pandemic in a stronger position.

The impact on our cashflow was fully absorbed in FY20, but the impact on our profit and loss statement is scheduled to be recognized over the term of our tenants' lease contracts. However, approximately 87.6% of the SAR 579 million discounts have already been amortized as of the end of the short 2022 financial year.

We thank our shareholders for their continued support and trust in our business.

## Mr. Walead Al Rebdi

Chief Financial Officer: Cenomi Centers

## Financial performance summary for the last financial five years

### Summary Assets & Liabilities for the last five financial years:

KPI	FY19*	FY20*	FY21*	FY22*	SFY22**
Current assets	1,451	2,079	1,538	1,714	2,466
Non-current assets	11,915	15,882	16,117	16,567	23,411
<b>Total Assets</b>	<b>13,366</b>	<b>17,961</b>	<b>17,655</b>	<b>18,281</b>	<b>25,877</b>
Current liabilities	1,468	1,024	1,127	1,510	1,915
Non-current liabilities	6,833	10,953	10,476	10,990	9,893
Total equity	5,065	5,984	6,052	5,781	14,069
<b>Total equity &amp; liabilities</b>	<b>13,366</b>	<b>17,961</b>	<b>17,655</b>	<b>18,281</b>	<b>25,877</b>

### Summary Business Results for the last five financial years:

KPI	FY19*	FY20*	FY21*	FY22*	SFY22**
Revenues	2,176	2,197	1,856	2,037	1,688
Gross Profit	1,394	1,438	1,023	1,153	1,412
Operating Profit	1,177	1,133	817	818	1,130
<b>Net Profit</b>	<b>804</b>	<b>643</b>	<b>487</b>	<b>434</b>	<b>837</b>

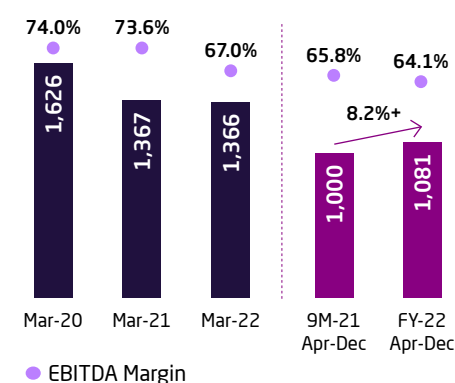
\* Financial Years from April 1st to March 31st - 12 month period (before changing the fiscal year and adopting the Fair Value Model).

\*\* Short Financial Year from April 1st to March 31st - Nine month period.

## Improving fundamentals deliver solid core profitability

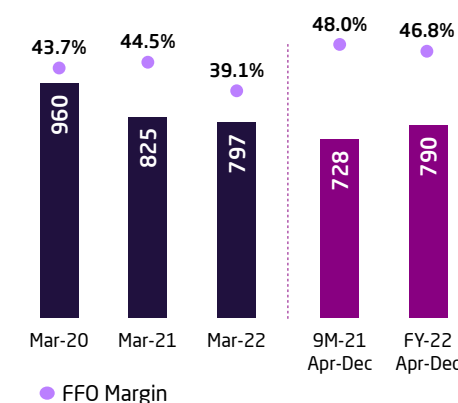
### EBITDA

SAR million



### FFO<sup>1</sup>

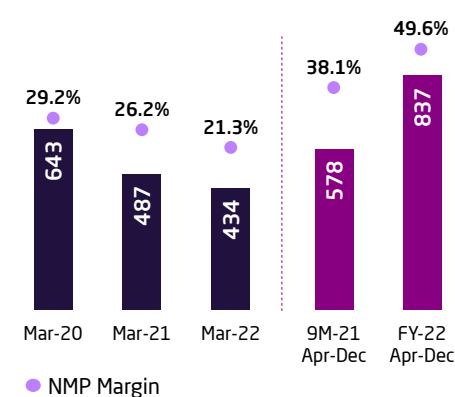
SAR million



1. Fund from operations (FFO) is calculated as the sum of net profit for the year, depreciation of PP&E write-off of investment properties, if applicable.

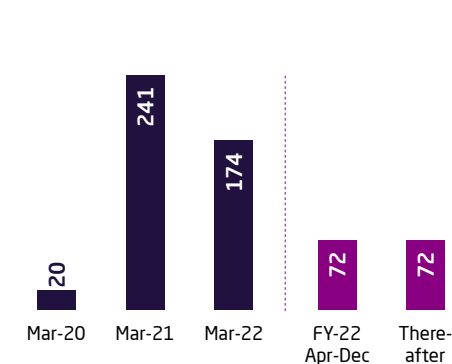
### Net Profit

SAR million



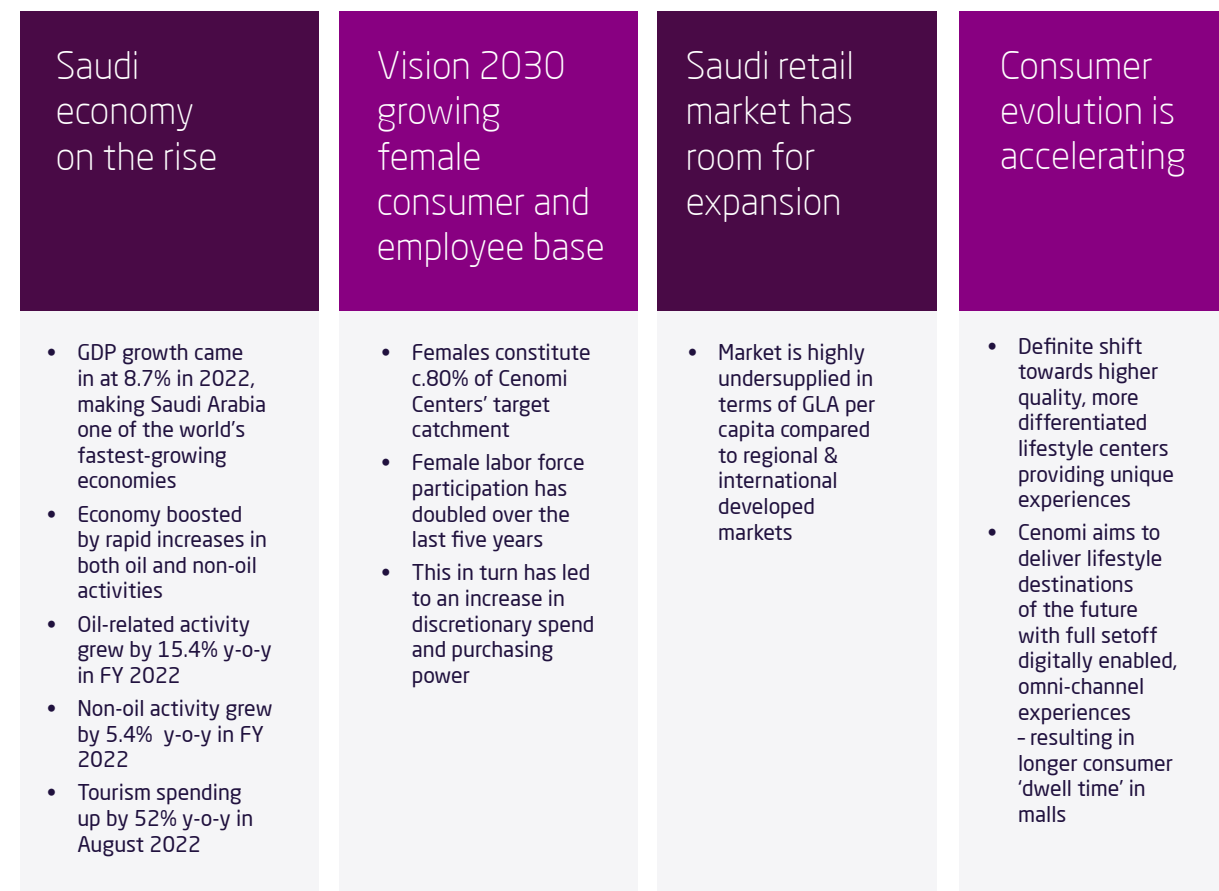
### Discount Amortization

SAR million



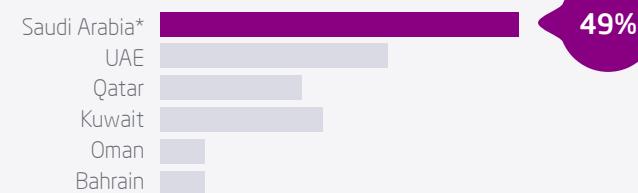
# Investment Case

Against a backdrop of steady economic recovery in KSA, the various strategic priority focus areas of Cenomi Centers offer a compelling investment proposition:



## 2022 Market Share of GCC Retail Sales

Source: JLL, GASTAT, Savills  
\* For only the four major cities i.e. Riyadh, Makkah, Jeddah and DMA

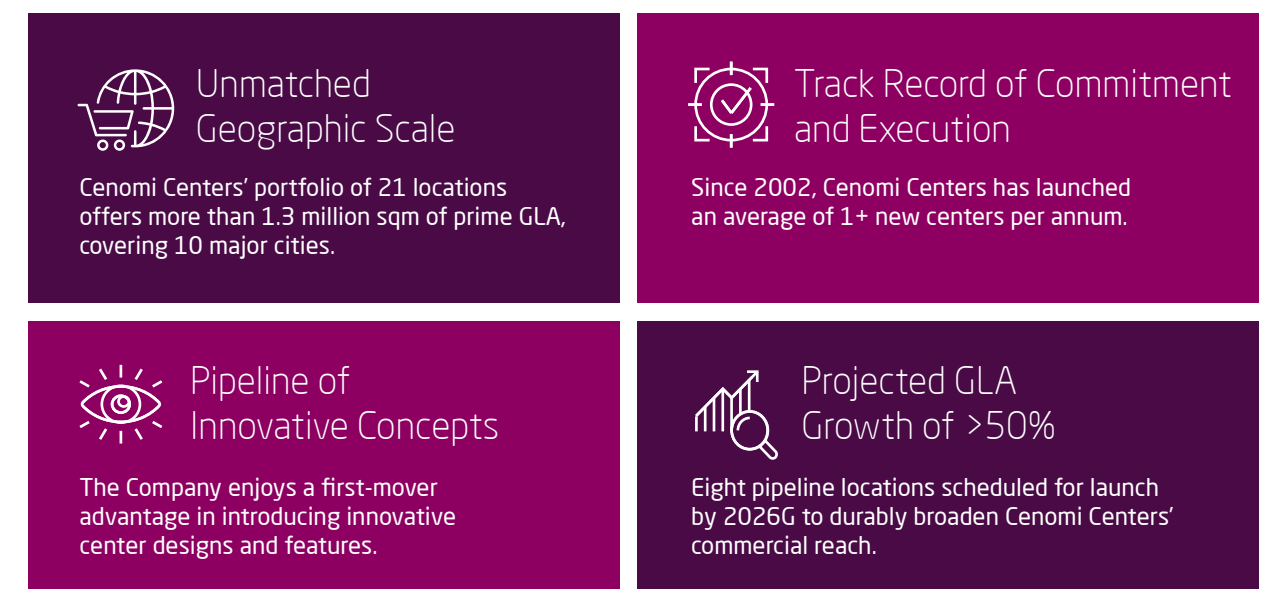


## A proven track record

Since 2002, we have been consistently delivering one to two malls per year, expanding our already robust portfolio. With a proven track record of successful project execution, we are committed to maintaining this momentum.

## A market leader

Cenomi Centers is the leading provider of organized retail space in Saudi Arabia, and the second largest mall operator in MENA.



## Transforming for growth

In 2022, Cenomi Centers embarked on an exciting journey of transformation for growth. We understand the need to adapt to a rapidly changing environment and position ourselves as future-ready. We aim to go beyond being a mere shopping mall business and become a leading provider of lifestyle destinations and experiences.

To achieve this objective, we have already taken several strategic steps, including opening more flagship destinations, creating more immersive lifestyle experiences, and aligning increasingly with KSA's Vision 2030. We are also working closely with the government to ensure that we are contributing to the growth and development of the Kingdom.

Moreover, we are upgrading our technology to match our physical offerings, with a focus on improving our F&B offerings, providing next-generation entertainment and lifestyle experiences, and mapping the customer journey to be truly omni-channel. These initiatives are designed to enhance our customers' experience and keep us ahead of the competition.

We firmly believe that by transforming our business, we will be well-positioned for growth in the changing market landscape. Our focus on creating lifestyle destinations and experiences will enable us to remain relevant to our customers, while our alignment with Vision 2030 and partnerships with the government will ensure that we contribute to the growth and development of our country. We are excited about the future and look forward to continuing this journey towards excellence.



# 03

## Business Review

84.2 million  
Number of visitors

4,907  
Number of leased units

1.3m m<sup>2</sup>  
Gross leasable area (GLA)

Operations	28
Leasing	30
Design and Development (D&D)	32





# Operations

Our dedicated Operations Department manages the day-to-day operations of every shopping center in the Cenomi Centers’ portfolio. Our main operational objective is to ensure the seamless functioning through effective coordination of all teams and parties, and immediately addressing and rectifying any issues that may arise. The operations function also oversees the implementation of marketing action plans, organizing events and activities within the shopping centers, managing specialty leasing and handling tenant onboarding and offboarding, as well as rental collections. The safety of all visitors and tenants is a top priority, and we ensure compliance with all health and

safety regulations. Customer service is also a key priority and we strive to exceed the expectations of all our shopping center visitors. By fostering positive relationships with tenants and external stakeholders, such as local authorities, Cenomi Centers helps to promote and develop each shopping center in our portfolio.

The short 2022 financial year brought pleasing evidence that the effects of COVID-19 are now firmly behind us and our commitment to operational excellence is producing the desired result. Footfall across our portfolio rebounded strongly to 84 million, up by 39% year-on-year.

## Ongoing Post-Pandemic Recovery in Footfall

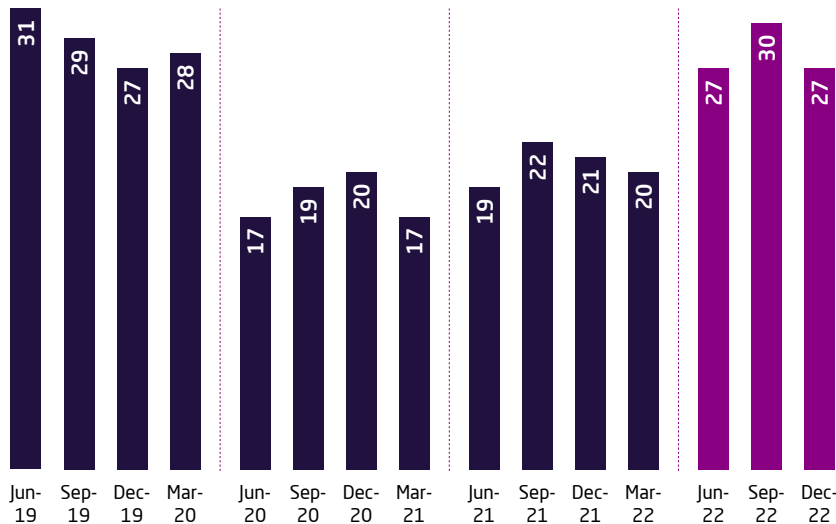
### YTD Footfall Progression

April - December  
SAR million



### Quarterly Footfall Progression

SAR million



\* Q1-FY21 footfall is annualized to normalize for the impact of COVID-19- related center closure during this period. This is additionally reflected in figures for FY2021



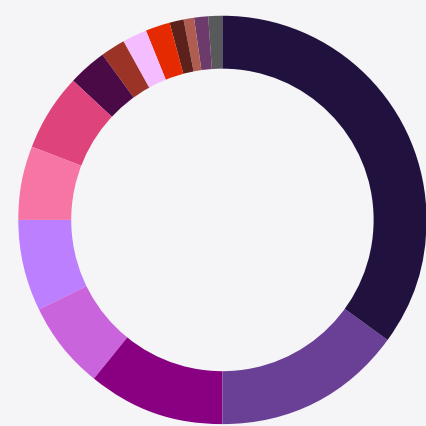


# Leasing

To maintain high occupancy rates and lease quality standards to support our operations, we are committed to attracting new tenants through effective marketing and promotion strategies. We also conduct regular property inspections and ensure responsiveness to tenant queries and requests. We continuously evaluate global best practices to identify optimal arrangements with third-party service providers and ensure budgetary compliance.

In the short 2022 financial year, we leveraged changing consumer behaviors and shifted our GLA mix to focus more on entertainment, F&B, and other experiences over retail. As a result, our GLA occupancy across our portfolio has grown substantially, reaching record highs and surpassing pre-COVID-19 levels. GLA occupancy in the short 2022 financial year achieved management’s long-term target range of 94-95%, providing strong support for sustainable revenue growth going forward.

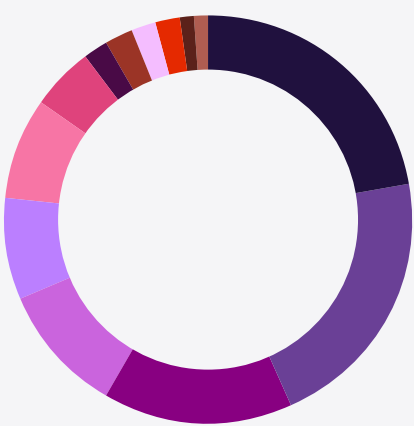
Overall GLA Activities



GLA Weighted Activities

- 35% Fashion & Accessories
- 15% Leisure & Entertainment
- 11% F&B
- 7% Department Store
- 7% Hypermarket
- 6% Perfumes & Cosmetics
- 6% Home Furnishings
- 3% Services
- 2% Footwear
- 2% Watches & Jewelry
- 2% Toys & Hobbies
- 1% Electronics
- 1% Optometrists & Sunglasses
- 1% Pharmacy & Health
- 1% Others

New Brand GLA



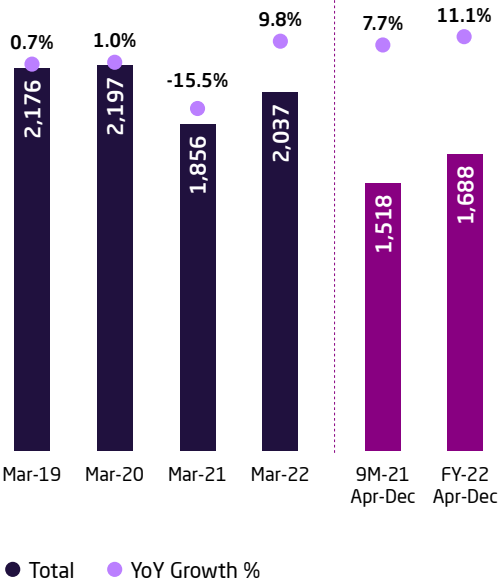
GLA Weighted Activities

- 22% F&B
- 21% Fashion & Apparel
- 15% Auto seller
- 10% Entertainment
- 8% Homeware
- 8% Office
- 5% General Retail
- 2% Other non-retail uses
- 2% Kids Lifestyle
- 2% Jewelry & Accessories
- 2% Medical
- 1% Department Store
- 1% Electronics

## Higher Occupancy and Improving Pricing Supporting Revenue Growth

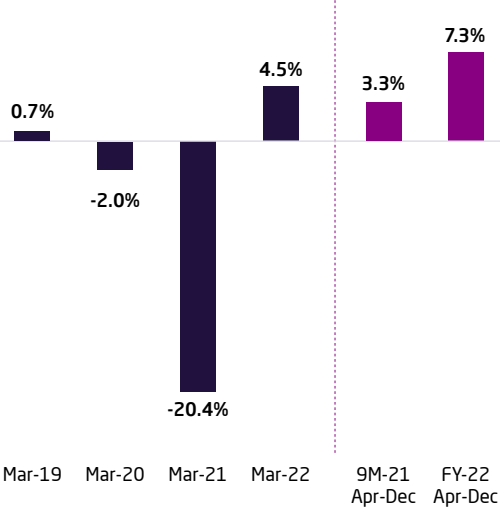
### Revenue

SAR million<sup>1</sup>



### Like-for-Like Net Rental Revenue Growth

(%)



Our lease renewals remained strong, exceeding 90% of the contracts that expired in 2022, while the 10% of “good churn” allowed us to continue to migrate our category mix in the right direction. In the short 2022 financial year, there were 1,689 renewals compared to 689 renewals during the same period in the previous financial year.

Importantly, 68% of these renewals were in Class A malls, which also make up 68% of the leases up for renewal in 2023 and underpins the potential for strong forward pricing momentum in the coming year.

# Design and Development (D&D)

Our Design and Development Department partners with leading global architecture and construction firms and leverages our extensive in-house capabilities to quickly move from design to development in the creation of innovative shopping centers. By harnessing this proven expertise in mall development, we deliver unique and appealing lifestyle center concepts that lead to increased footfall and delighted guests.

We continue to enjoy a strong pipeline of projects and anticipate the launch and operation of a number of new assets by 2026, with a total capital expenditure of approximately SAR 5 billion, including expenses already incurred. Notably, City Walk Jeddah is 80% complete and projected to open in H2 2023, while City Walk Qassim is 50% complete and expected to launch in H1 2024. Jawharat Jeddah is advancing smoothly towards its projected launch in 2024.

### Pipeline Projects:

Center	Location	Ownership	GLA (000 sqm)	Outlets	Budget (SAR m)	Expected Launch
City Walk Jeddah	Jeddah	Leasehold	70	180	455	2023
Jubail Marina Mall	Jubail	M&O*	30	70	-	
City Walk Qassim	Qassim	Freehold	70	135	537	2024
Jawharat Jeddah	Jeddah	Freehold	108	190	1,100	
Jawharat Riyadh	Riyadh	Freehold	184	370	1,500	2025
Murcia Mall	Riyadh	Leasehold	45	150	216	
Jawharat Khobar	Khobar	Leasehold	134	380	1,300	2026
U-Walk Madinah	Madinah	Leasehold	50	95	230	

\* Management & Operating Agreement.





# 04

## Sustainability

This sustainability section provides a brief overview of our sustainability journey. For detailed information, please see the 2022 Cenomi Centers ESG Report.

Cenomi Centers is committed to sustainability. We recognize the impact of real estate construction and mall operations on the environment and are integrating sustainability principles into our portfolio and using innovative technology and materials to reduce our environmental impact and save costs. Our goal is to meet customers' needs while minimizing our social and environmental impact.

Our Sustainability Approach	36
Caring for Nature	37
Supporting Society	38
Developing People	39





# Our Sustainability Approach

Our Design and Development Department partners with leading global architecture and construction firms and leverages our extensive in-house capabilities to quickly move from design to development in the creation of innovative shopping centers. By harnessing this proven expertise in mall development, we deliver unique and appealing lifestyle center concepts that lead to increased footfall and delighted guests.

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# Caring for Nature

The real estate industry is a major contributor to environmental degradation, with high energy consumption and greenhouse gas emissions. We recognize the need for decarbonization and responsible resource use, and we are developing an environmental management system to measure and track KPIs and targets. Meanwhile, we will continue current practices and monitor energy and resource consumption. The new system will formalize activities and improve efficiency, leading to a reduced environmental impact.

## Energy

We are committed to reducing the environmental impact of our properties by implementing energy management strategies, including taking appropriate efficiency measures during the investment and design stages of new properties. We have also taken various initiatives to measure, manage, and control our energy consumption.

## Water

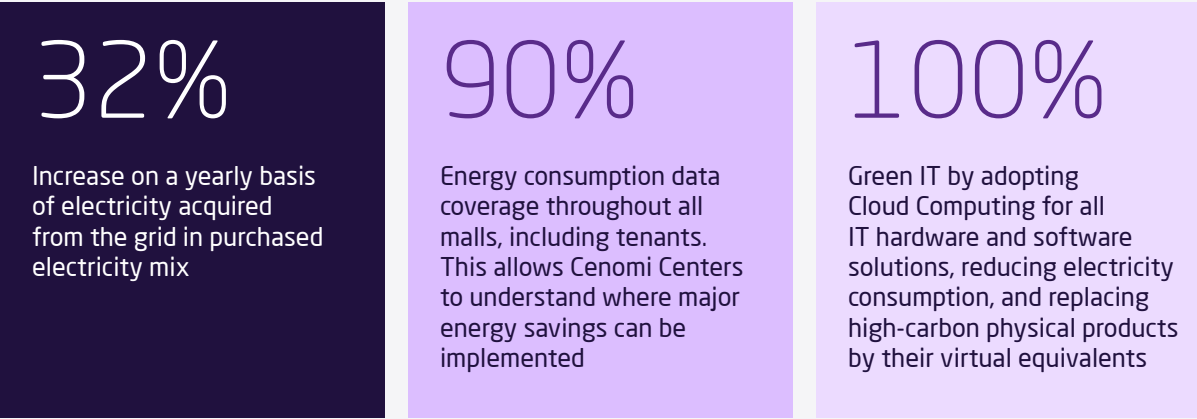
We are taking steps towards more sustainable water usage by implementing water-saving measures. These include recycling water through programs like using AC drain water for irrigation in 12 malls, with plans to expand the program to other facilities. Additionally, we harvest rainwater and we are installing wastewater treatment plants.

## Waste

We are proud of our achievement of recycling 100% of the carton packages used in our activities, which make up almost 90% of the waste produced by our centers. We collect and process non-hazardous waste daily and it is then disposed of responsibly. The only hazardous waste we produce is fluorescent light tubes, which are collected and managed alongside the general waste from the malls.

## Responsible procurement

We prioritize partnerships with sustainable and government-certified suppliers, especially local Saudi-owned companies. Increasing local content in our supply chain reduces costs and supports rural economies. In the short 2022 financial year, we purchased SAR 425 million of goods and services from 293 suppliers, with 95.5% sourced from local suppliers, accounting for 96.1% of our total procurement spend.





# Supporting Society

We prioritize community engagement and support local development through our CSR strategy. We partner with charities and government entities to provide discounted or free marketing and media opportunities.

We carefully evaluate applications to maximize positive outcomes and donated SAR 10.1 million in the short 2022 financial year to support initiatives such as SANAD Children Cancer Support Association and Children Disability Association.



# Developing People

As we succeed in expanding our business, we are also steadily increasing our workforce by recruiting new talent. In the short 2022 financial year, we hired 193 employees, prioritizing diversity by having 35% female hires and emphasizing youth with 58% of new recruits being below the age of 30. We currently employ 523 Saudi nationals, making up 76.5% of our total workforce. Aligned with Vision 2030's goal of developing Saudi nationals, we actively recruit and train Saudi youth and partner with universities to offer internships and conduct on-campus recruitment.

## Developing skills

We prioritize employee development and training to build a wider range of talent, particularly among women. In the short 2022 financial year, we provided 10 hours of training per employee and offered inclusion training to 20 customer service staff. Our Almrakiz Aacademy is an online platform for assigned learning paths, with 196 active users and 70 employees achieving professional certifications in various fields.

## Growing gender diversity

We have steadily increased our female staff numbers from 23.2% in FY2020 to 26.9% in the short 2022 financial year. We also offer tailored training opportunities for our female employees to aid them in their professional growth and enable their vision for their career growth paths.

## Employee satisfaction

We have robust payment systems in place and commit to a payroll processing time of one day. We also offer a full range of benefits that promote wellbeing and work-life balance. As a result, our levels of employee satisfaction remain high, at 92% in FY2022, with an overall engagement level of 80%. All of these factors have contributed to Cenomi Centers receiving "Great Place to Work" certification.



# 05

## Governance





1. Corporate Governance

Overview

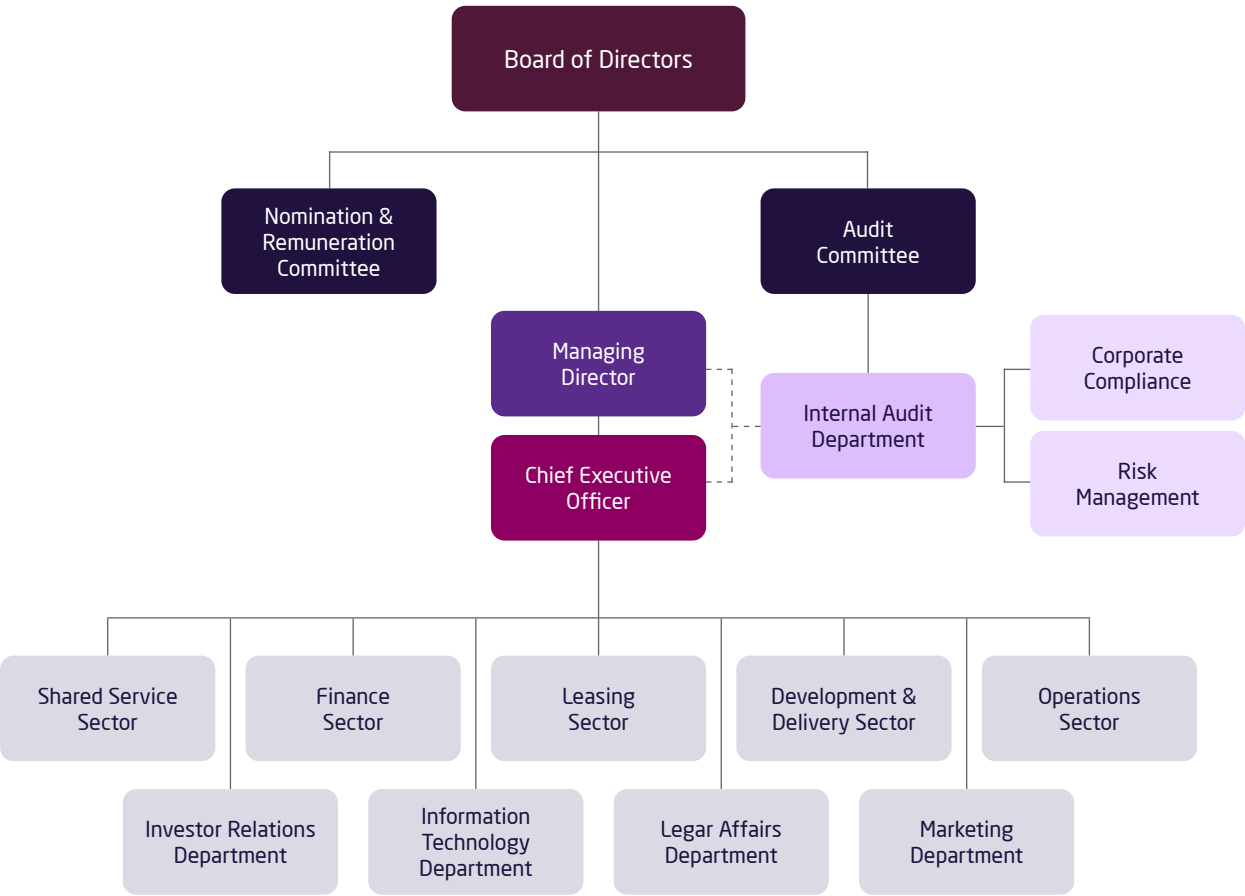
The key sources of corporate governance for the Company are the corporate governance regulations issued by the Capital Market Authority (CMA), certain provisions of the Companies' Law and corporate governance best practices in the Kingdom.

The framework under the corporate governance regulations regulates the various relationships between the Board, executive directors, shareholders and other stakeholders, by establishing rules and procedures to facilitate

decision-making processes with the objective of protecting the rights of shareholders and other stakeholders, and promoting the values of credibility, fairness and transparency in the Company's conduct.

These regulations, which entail the implementation of a clear and transparent disclosure process ensure that the Board acts in the best interests of the shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations. The Company considers ongoing compliance with these regulations to be an important factor in its continued success.

Company's Organizational Structure



Key Corporate Governance Requirements

The key corporate governance requirements that the Company complies and will comply with are set out in the CMA Corporate Governance Regulations. These cover the following broad areas:

- General shareholder rights (Articles 4 to 9);
- Rights relating to General Assembly Meetings (Articles 10 to 15);
- The Board of Directors: formation, responsibilities, competencies, procedures and training (Articles 16 to 39);
- Conflicts of interest (Articles 42 to 46);
- Company committees (Articles 47 to 69); and
- Internal controls, external auditors, company reports and policies, and various other matters (Articles 70 to 95).

Corporate Governance Manual and Internal Policies

The Board of Directors approved the Corporate Governance Manual of the Company on 29/12/1438H (corresponding to 20 September 2017).

The Company's Corporate Governance Manual was made to comply mainly with the CMA and Companies' Law requirements and includes the following internal policies and charters:

- Board of Directors policies and procedures;
- Board of Directors conflict of interest policy;
- Board of Directors committee principles and policies;
- Monitoring, assessment, internal and external audit and internal control policies;
- General Assembly policies;
- Dividend distribution policy;
- Shareholder communication policies;
- Disclosure and transparency policies;
- Audit Committee charter;
- Nomination and Remuneration Committee charter; and
- Corporate social responsibility policy.

Corporate Governance Compliance

The Company applies all the provisions contained in the Rules of Corporate Governance issued by the CMA, except what is highlighted in the next section below. As at 19 June 2022, the Company's Board of Directors consisted of nine (9) members, majority of which are non-executive and the Board has four (4) independent directors, which is more than one third of the Board of Directors (Article 16). In addition, the shareholders adopted the cumulative voting method in relation to the appointment of directors at the General Assembly meeting held on 16/11/1443H (corresponding to 16 June 2022). This method of voting gives each shareholder voting rights equivalent to the number of shares he or she holds. Each shareholder has the right to use all of his or her voting rights for one nominee, or to divide their voting rights between his or her selected nominees without any duplication of votes. This method increases the chances of minority shareholders appointing their representatives to the Board by exercising their cumulative voting rights in favor of a single candidate.

In addition, in compliance with the Corporate Governance Regulations:

- The Ordinary General Assembly of the Company formed the Audit Committee, consisting of three non-executive members (all of them are independent), on 16/11/1443H (corresponding to 16 June 2022).
- The Board of Directors formed the Nomination and Remuneration Committee on 23/11/1443H (corresponding to 22 June 2022).
- The Company prepared the Audit Committee charter and the Nomination and Remuneration Committee charter, which were approved by the Board and ratified by the Ordinary General Assembly.

- In accordance with Article 91 of the CMA Corporate Governance Regulations, the board established governance rules for the Company in accordance with the provisions of these Regulations in the form of a Governance Manual (referred to in a separate section under “Corporate Governance Manual and Internal Policies”).
- In addition, management has established a number of management committees to oversee certain functions within the Company and assist the Board in ensuring effective supervision and operation of the Company’s different departments. The management committees are not formal committees of the Board and include the following: (i) Executive Management Committee; (ii) Development Committee; (iii) Asset Management Committee; (iv) IT & Technology Committee; (v) Tendering Committee; (vi) Leasing Committee; and (vii) Anti-Fraud & Anti-Corruption Committee.
- Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing interests (Articles 71, 72 and 73 of the Companies’ Law and Articles 42 and 44 of the Corporate Governance Regulations). The Company will comply with the requirements of these provisions when it seeks the approval of the General Assembly for Related Party Transactions.
- Pursuant to the Corporate Governance Regulations, each Board Member is prohibited from voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the company’s account, if he/she has a direct or indirect interest in those transactions or contracts (Article 42(b)(1)). The Companies’ Law sets out similar requirements to the effect that a director, without prior consent from the ordinary General Assembly, may not have any direct or indirect interest in transactions or contracts made for the account of the Company.

The director also has an obligation to inform the Board of Directors of any personal interest he may have in such transactions or contracts and may not participate in voting on resolutions to be adopted in this respect by the Board of Directors or shareholder assemblies. The Chairman of the Board of Directors must inform the General Assembly of any transactions and contracts in which any director has a direct or indirect personal interest and accompany that with a special report from the Company’s external auditor (Article 71).

- In accordance with its Related Party Transactions Policy, the Company has interpreted the requirements of the Companies’ Law broadly, such that approval of the General Assembly is required whenever any entity in which a Director has a direct or indirect form of ownership enters into a transaction with the Company. Likewise, the Company has interpreted the scope of the voting restrictions in both the Companies’ Law and the Corporate Governance Regulations broadly, such that not only is the relevant Board Member restricted from voting on the resolution to approve the relevant transaction, but that any shareholder which is controlled by that director would also be restricted from voting at the relevant General Assembly. The Corporate Governance Regulations also provide that if a member of the Board wishes to engage in a business that may compete with the company or any of its activities, he or she must notify the Board of the competing businesses and abstain from voting on the related decision in the Board meeting and general assemblies. The Chairman of the Board must inform the ordinary General Assembly of the competing businesses that the member of the Board proposes to be engaged in, and the authorization of the Company’s General Assembly must be obtained for the member to engage in the competing business (Article 44). The Companies’ Law sets out similar requirements (Article 72).

What provisions have/have not been implemented of the Corporate Governance Regulations, with justifications

The Company applies all the provisions contained in the Rules of Corporate Governance issued by the CMA which have been amended dated 18 January 2023, except the provisions below:

Type	Article	Clause	Justification
Guiding (becoming mandatory on 18 January 2023)	Article 30 Paragraph b)	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.	The Board met two times during the past financial year FY2022 but will contemplate increasing its meeting frequency in the future.
Guiding	Article 37	<b>Training:</b> The Company shall pay adequate attention to the training and preparation of the Board Members and the Executive Management and shall develop the necessary programs.	The Company provides training programs for the executive management and plans to provide training to board members in the future noting that current board members possess the necessary capabilities and expertise.
Guiding	Article 67	<b>Composition of the Risk Management Committee:</b> The Company’s Board shall, by resolution therefrom, form a committee to be named the “Risk Management Committee”. The Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	The Board of Directors did not see the need to establish a Risk Management Committee. It should be noted that the Audit Committee is overseeing the Risk Management function in accordance with its charter.
Guiding	Article 84	<b>Social Responsibility:</b> The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	The Company has participated in many activities during the year under the supervision of the executive management. We have already initiated the planning and implementation of establishing a sustainability committee to lead and govern our ESG strategy and direction within the Company, as well as a sustainability policy that caters to the requirements of the DJSI and ESG rating agencies and index providers.
Guiding	Article 85	<b>Social Initiatives:</b> The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company.	Refer to our justification on article 84 above.
Guiding	Article 92	<b>Governance Committee:</b> If the Board forms a Corporate Governance committee, it shall assign to it the competencies stipulated in Article (91) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	The Board itself is overseeing the Company’s Governance activities.



2. Board of Directors

a. Composition of the Board of Directors

Under the bylaws, the Board of Directors shall be comprised of nine directors appointed by the General Assembly by means of cumulative voting. The Companies’ Law, corporate governance regulations, the Company’s bylaws and corporate governance manual determine the duties and responsibilities of the Board of Directors. The term of the first appointed Board of Directors is for a period of five years starting from the date of its formation on 19 June 2017 and ends on 18 June 2022.

Subsequently, the term of the Board of Directors will be of three years. The Ordinary General Assembly “OGM” held on 16 June 2022 has elected the Board of Directors members “the new BoD” for its new term of three years starting from 19 June 2022 and ends on 18 June 2025.

The former Board of Directors, who’s term ended on 18 June 2022, comprised of the following members:

No.	Name	Position Title	Membership Type	Date of Appointment by General Assembly	Membership Expiry Date
1	Mr. Fawaz Abdulaziz Al Hokair	Chairman of the Board	Non-Executive	19 Jun 2017	18 Jun 2022
2	Eng. Salman Abdulaziz Al Hokair	Vice-Chairman	Non-Executive	19 Jun 2017	
3	Mr. Mohamad Rafic Mourad	Managing Director	Executive	16 Jun 2022	
4	Dr. Abdulrahman Abdulaziz Al Tuwaijri	Director	Independent	19 Jun 2017	
5	Eng. Mohamed Abdullah Al Khorayef	Director	Independent	19 Jun 2017	
6	Eng. Kamel Badih Al Qalam	Director	Non-Executive	19 Jun 2017	
7	Dr. Bernard Higgins	Director	Independent	06 Dec 2017	
8	Eng. Omar Abdulaziz Al Mohammady	Director	Non-Executive	30 Sep 2019	
9	Mr. Ahmed Demerdash Badrawi	Director	Non-Executive	30 Sep 2020	

The Current Board of Directors, who’s term started on 19 June 2022 being appointed by the AGM on 16 June 2022, comprise of the following members:

No.	Name	Position Title	Membership Type	Membership Expiry Date
1	Mr. Fawaz Abdulaziz Al Hokair	Chairman of the Board	Non-Executive	18 Jun 2025
2	Eng. Salman Abdulaziz Al Hokair	Vice-Chairman	Non-Executive	
3	Mr. Mohamad Rafic Mourad	Managing Director	Executive	
4	Dr. Abdulrahman Abdulaziz Al Tuwaijri	Director	Independent	
5	Eng. Kamel Badih Al Qalam	Director	Non-Executive	
6	Dr. Khalid Abdullah Abdulaziz AlSweilem	Director	Independent	
7	Mr. Abdulmajid Abdullah Albasri	Director	Independent	
8	Mr. Turki Saud AlDayel	Director	Independent	
9	Mr. Johan Henri Brand	Director	Independent	

The current Secretary of the Board of Directors is Mr. Turki Saleh Al-Zahrani.

b. Board of Directors Biographies

1) Mr. Fawaz Abdulaziz Al Hokair (Chairman of the Board of Directors “Non-Executive”):

Current Executive Positions:	General Manager of Fawaz Abdulaziz Alhokair & Partners Holding Co., and the General Manager of many other Saudi and non-Saudi companies and establishments (Balad Al Riyadh Est.; Fawaz Abdulaziz Alhokair & Partners Real Estate; Al Farida Real Estate Co.; Fawaz Abdulaziz Alhokair & Co. Enterprises Co.; FAS Construction Co.; Al Farida Information Technology & Communications Co.; Al Bawarij International for Development & Real Estate Investment Co.; Fawaz Abdulaziz Alhokair and Sons Holding Co.; Al Farida Al Oula Real Estate Est.). He is also the Chairman of FAS Saudi Holding Co., in addition to his membership of many other Saudi and non-Saudi companies.
Previous Executive Positions:	Chairman of the Board of Fawaz Abdulaziz Alhokair and Partners Co.; General Manager of Advanced Retail International Co.; General Manager at International Fashion Concepts Co.; also he was the General Manager of many other Saudi companies that he either owns or established such as Al-Waheedah Equipment Co.; Wahba Trading Co.; Eqar Al Arab Global Co.; Eqar Al Watan Co.; Retail Group Egypt; Al-Waheedah Equipment General Trading Co.
Academic Qualifications:	<ul style="list-style-type: none"><li>• Bachelor’s degree in Economics and Accounting from Loughborough University, United Kingdom, in 1989.</li><li>• Honorary Doctorate in Economics and Accounting from Loughborough University, United Kingdom, in 2008.</li></ul>
Experience:	Over 30 years of business experience in investment management, fashion and real estate development. He also sits on several other boards and committees.

2) Eng. Salman Abdulaziz Al Hokair (Vice-Chairman of the Board of Directors “Non-Executive”):

Current Executive Positions:	General Manger of Salman Abdulaziz Alhokair & Sons Holding Co.; General Manager of Salman Alhokair Engineering Consulting Firm; General Manager of Kids Space Co.; General Manager of FAS Spain Est.; General Manager of Tadarees Najd for Trading Est. He also sits on several boards of other Saudi and non-Saudi companies such as Food and Entertainment Co.; Fawaz Abdulaziz Alhokair & Partners Holding Co.; Al Farida Real Estate Co.; FAS Construction Co.; Fawaz Abdulaziz Alhokair & Partners for Real Estate Projects Co.; Al Farida IT & Comms. Co.; FAS Holding for Hotels Co.; Al Bawarij International for Development & Real Estate Investment Co.; FAS Real Estate Co.; Billy Games Co.; Coffee Centres Trading Co.; Fantastic Bakery Co.
Previous Executive Positions:	Chairman of the Board of Fawaz Abdulaziz Al Hokair and Partners Co.; General Manager of Al-Jeel Clothing Trading Co. He also sat on several boards of other Saudi and non-Saudi companies like Al-Waheedah Equipment Co.; Wahba Trading Co.; Retail Group Egypt; Advanced Retail International Co.; Al-Waheedah Equipment General Trading Co.
Academic Qualifications:	Bachelor’s degree in Architecture from King Saud University, KSA, in 1990.
Experience:	Over 28 years of business experience in investment management, fashion and real estate development. He also sits on several boards of almost 60 companies and sole proprietorships.

**3) Mr. Mohamad Rafic Mourad (Managing Director “Executive”):**

<b>Current Executive Positions:</b>	MD & CEO of Cenomi Group & Interim CEO Cenomi Retail (previously Fawaz Abdulaziz Alhokair Co.)
<b>Previous Executive Positions:</b>	Mr. Mourad has held various senior leadership roles at major tech companies, including nearly 10 years at Google, part of which he was Google's Managing Director for the Middle East and North Africa, before moving to take on a global role in their headquarters in Silicon Valley. More recently, Mr. Mourad served as a Vice President at Instacart, the leading on-demand e-commerce player in North America. Prior to that, Mr. Mourad was in management consulting at Booz & Company (Now Strategy&), focusing on M&A and Corporate Development. Mr. Mourad has an intimate knowledge of the Saudi Arabian market both through spending more than 10 years in the country and through serving the market during his various regional and global roles.
<b>Academic Qualifications:</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science with Honors at Lebanese American University, Lebanon, 1994.</li> <li>• MBA at INSEAD, France, 2001.</li> </ul>
<b>Experience:</b>	Mr. Mourad brings 28 years of global management experience in technology, retail, consumer goods and e-commerce.

**4) Dr. Abdulrahman Abdulaziz Al Tuwaijri (Member of the Board of Directors “Independent”):**

<b>Current Executive Positions:</b>	Owner of Dr. Abdulrahman Al Tuwaijri Economic Consulting Firm.
<b>Previous Executive Positions:</b>	Chairman of the Board of Middle East Financial Investment Co.; Chairman of the Board of the Saudi Capital Market Authority (CMA); Member of the Board of Saudi Aramco Co.; General Secretary of the Supreme Economic Council; Managing Director and the representative of the Kingdom of Saudi Arabia in the International Monetary Fund (IMF); Economic Consultant at the Gulf Cooperation Council (GCC); Assistant Professor in the Department of Economics at King Saud University.
<b>Academic Qualifications:</b>	<ul style="list-style-type: none"> <li>• Bachelor's degree in Economics from King Saud University, KSA, in 1978.</li> <li>• Doctorate in Economics from Iowa State University, United States of America, in 1985.</li> </ul>
<b>Experience:</b>	Over 42 years of experience in business and economic consultancy. He also sits on several boards of Saudi companies.

**5) Eng. Kamel Badih Al Qalam (Member of the Board of Directors, and member of the Nomination and Remuneration Committee “Non-Executive”):**

<b>Current Executive Positions:</b>	CEO at Lynx Contracting Company.
<b>Previous Executive Positions:</b>	Group CEO & MD of Fawaz Alhokair Group.
<b>Academic Qualifications:</b>	<ul style="list-style-type: none"> <li>• Bachelor's degree in Architecture from the University of North Carolina, United States of America, in 1988.</li> <li>• Master's degree in Architecture from the University of North Carolina, United States of America, in 1990.</li> </ul>
<b>Experience:</b>	Over 32 years of experience in the field of architectural engineering, real estate development and business development. He also sits on several boards of Saudi and non-Saudi companies.

**6) Dr. Khalid Abdullah Alsweilem (Member of the Board of Directors “Independent”):**

<b>Current Executive Positions:</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors, Ashmore Saudi Arabia.</li> <li>• Expert, Stanford Universities and Massachusetts Institute of Technology (MIT).</li> </ul>
<b>Previous Executive Positions:</b>	The former Chief Counselor and Head of Investment, the Saudi Arabian Monetary Agency (SAMA).
<b>Academic Qualifications:</b>	<ul style="list-style-type: none"> <li>• Postdoctoral Fellowship of Economics and Financial Management - Harvard University.</li> <li>• PhD in Economics - University of Colorado Boulder.</li> <li>• Master of Economics - Boston University.</li> <li>• Bachelor Industrial Engineering - the University of Arizona.</li> </ul>
<b>Experience:</b>	More than 31 years of experience in Economics and investment banking.

**7) Mr. Abdulmajid Abdullah Mohammed Albasri (Member of the Board of Directors “Non-Executive”):**

<b>Current Executive Positions:</b>	Group CFO, Cenomi Group (Previously Fawaz Alhokair Group).
<b>Previous Executive Positions:</b>	<ul style="list-style-type: none"> <li>• Group Treasurer - Fawaz Alhokair Group.</li> <li>• Group Treasurer - Almarai.</li> <li>• Portfolio Manager - SAMBA Capital.</li> <li>• Madison Investment Fund.</li> <li>• Audit and security analysis.</li> </ul>
<b>Academic Qualifications:</b>	<ul style="list-style-type: none"> <li>• Master of Applied Financial Mathematics - University of Connecticut.</li> <li>• Master of Economics - University of Connecticut.</li> <li>• Bachelor of Business Administration - James Madison University.</li> <li>• CFA Finance - CFA Institute.</li> <li>• PRM Finance - PRMIA Institute.</li> </ul>
<b>Experience:</b>	More than 17 years of experience in auditing and financial analysis and portfolio management and financial management.

**8) Mr. Turki Saud AlDayel (Member of the Board of Directors “Independent”):**

<b>Current Executive Positions:</b>	Managing Director of Nintey one Company.
<b>Previous Executive Positions:</b>	<ul style="list-style-type: none"> <li>• Head of Private Equity, Raidah Investment Company.</li> <li>• Vice President, Saudi Fransi Capital</li> <li>• Associate, Abraaj Capital (Private Equity)</li> <li>• Associate, Riyadh Capital (Investment Bank)</li> <li>• Analyst, Jp Morgan (Investment Bank)</li> </ul>
<b>Academic Qualifications:</b>	<ul style="list-style-type: none"> <li>• Bachelor of Finance - King Fahd University of Petroleum and Minerals.</li> <li>• Master of Business Administration (MBA) - University of Minnesota.</li> </ul>
<b>Experience:</b>	More than 16 years of experience in the field of investment banking.

**9) Mr. Johan Henri Brand (Member of the Board of Directors “Independent”):**

<b>Current Executive Positions:</b>	Managing Director of Johan Brand Leadership Advisory DWC-LLC
<b>Previous Executive Positions:</b>	<ul style="list-style-type: none"> <li>• Egon Zehnder, Sr. Partner and Consultant, Executive Search (Amsterdam/ Dubai)</li> <li>• Pepsi Cola International, Head of Marketing/Director of PCI Management Institute</li> <li>• P&amp;G Benelux, Brand Management</li> </ul>
<b>Academic Qualifications:</b>	<ul style="list-style-type: none"> <li>• Master of Corporate Law -Erasmus University Rotterdam (NL)</li> <li>• Master of Private Law-Erasmus University Rotterdam (NL)</li> <li>• MSc Business Economics -Erasmus University Rotterdam (NL)</li> </ul>
<b>Experience:</b>	More than 36 years of experience in the fields of marketing management, executive search, and leadership advisory at CEO and Board-level



## c. Board of Directors Current and Previous Memberships in Other Companies:

## 1) Mr. Fawaz Abdulaziz Al Hokair

Current memberships	Inside/outside Kingdom	Legal entity	Previous memberships	Inside/outside Kingdom	Legal Entity
FAS Saudi Holding Co.	Inside	Unlisted	Akar Al Watan Co.	Inside	LLC
Egyptian Centers for Real Estate Development.	Outside	Unlisted	Akar Al Arab Int'l Co.	Inside	LLC
Saudi Medical Co.	Inside	Unlisted	Al Faridah Information Technology and Communication	Inside	LLC
Marakez for Real Estate Investment, Egypt.	Outside	Unlisted	Wahbah Trading Co.	Inside	LLC
Arabian Falcon Limited, UK.	Outside	LLC	FAS for Construction Co.	Inside	LLC
Focus Hospitality, UAE.	Outside	LLC	Al Azizia Panda United Co.	Inside	Unlisted
FAS Holding, Italy.	Outside	Unlisted			
FAS Real Estate Development, UK	Outside	LLC			
Fawaz Abdulaziz Alhokair & Sons Holding Co.	Inside	LLC			
Najmat Al Taqa Co.	Inside	LLC			
Fawaz Alhokair & Co Real Estate ("FARE")	Inside	LLC			
Al-Farida First Real Estate	Inside	LLC			
Advanced International Retail	Inside	LLC			
Al-Bawarij Int'l for Development and Real Estate Investment	Inside	LLC			
Saudi FAS Holding Co.	Inside	Unlisted			
Marakez for Real Estate Investment Co.	Outside	Unlisted			

## 2) Mr. Salman Abdulaziz Al Hokair

Current memberships	Inside/outside Kingdom	Legal entity	Previous memberships	Inside/outside Kingdom	Legal Entity
FAS Saudi Holding Company	Inside	Unlisted	FAS First Investment and Development of Real Estate	Inside	LLC
Focus Hospitality Company	Outside	LLC	FAS Hotel 1- main CR	Inside	LLC
Egyptian Centers Real Estate Development Company	Outside	Unlisted	FAS Hotel 4	Inside	LLC
Marakez Real Estate Investment Company	Outside	Unlisted	FAS Hotel 5	Inside	LLC
Arabian Falcon Company, UK	Outside	LLC	Manzli Limited Liability company	Inside	LLC
FAS Renewable Energy Company	Outside	LLC	Ice cream express	Inside	LLC
FAS Holding Company, Italy	Outside	Unlisted	Cake Palace Company	Inside	LLC
FAS Real Estate Development Company, UK	Outside	LLC	Milk Taste Company	Inside	LLC
G&A International Consulting, UK	Outside	LLC	First Pie Company	Inside	LLC
FAS Energy Company, UK	Outside	LLC	Fashion Retail Company	Inside	LLC
Alarab Trading	Inside	LLC	FAS Retail and Commercial Investment Co. Ltd.	Inside	LLC
FAS Company, Spain	Outside		Food and Entertainment Company	Inside	LLC
Skill of Innovation Games Company	Inside	LLC	Salman Al Hokair Engineering Consultancy Company (ECHO)	Inside	LLC
Al-Farida Two Real Estate	Inside	LLC	Dammam Center Company	Inside	LLC
Malaz Mall Trading Company	Inside	LLC	Generations Clothing Company	Inside	LLC
Al Yasmeen Mall Trading Company	Inside	LLC	Fawaz Al Hokair & Partners Trading Company	Inside	LLC
Al Hamra Mall Trading Company	Inside	LLC	Oyoun Al Basateen Trading Company	Inside	LLC
FAS 100 Real Estate Company	Inside	LCC	FAS Hotels Company (3)	Inside	LLC
Housing Company	Inside	LLC	Etqan Facility Management Company	Inside	LLC
Saudi Arabian Dalica Company	Inside	LLC	Innovation Renewable Energy Investment Company	Inside	LLC
Oyoun Al Raed Company	Inside	LLC	Fine Tastes	Inside	LLC
Erth Rasek Company	Inside	LLC	FAS Real Estate	Inside	LLC
Salman Abdul Aziz Al Hokair & Sons Holding Company	Inside	LLC	Kids Space Company	Inside	LLC
Saaf International Company	Inside	LLC	Arab Mall Company	Inside	LLC
FAS Real Estate Company	Inside	LLC	Luxurious Taste	Inside	LLC
Fawaz Abdul Aziz Al Hokair & Partners Projects Co. Ltd.	Inside	LLC	Coffee Centers Company	Inside	LLC
Al Farida Real Estate Company	Inside	LLC	Riyadh Hotels Company	Inside	LLC
Fawaz Al Hokair & Partners Holding Company	Inside	LLC	Sala Entertainment Company	Inside	LLC
Arkan Salam Real Estate Company	Inside	LLC	FAS Energy Company	Inside	LLC
FAS Construction Company	Inside	LLC			
Arkan Al Salam Company	Inside	LLC			
Al Noor Mall Trading Company	Inside	LLC			
Yarmouk Mall Trading Company	Inside	LLC			
Al Dhahran Mall Trading Company	Inside	LLC			
Aziz Mall Trading Company	Inside	LLC			
FAS First Company for Investment and Real Estate Development	Inside	LLC			
High Tastes Company	Inside	LLC			

**3) Mr. Mohamad Mourad**

Current memberships	Inside/ outside Kingdom	Legal entity	Previous memberships	Inside/ outside Kingdom	Legal Entity
Fawaz Abdulaziz AlHokair and Co.(Cenomi Retail)	Inside	Listed		None	
Vogacloset	Outside	Unlisted			

**4) Abdulrahman Abdulaziz Al Tuwaijri**

Current memberships	Inside/ outside Kingdom	Legal entity	Previous memberships	Inside/ outside Kingdom	Legal Entity
Al Hanaf United Trading Co.	Inside	LLC	Saudi Aramco	Inside	Listed
			MEFIC	Inside	Unlisted
			United Mining Investment Co.	Inside	LLC

**5) Eng. Kamel Badih Al Qalam**

Current memberships	Inside/ outside Kingdom	Legal entity	Previous memberships	Inside/ outside Kingdom	Legal Entity
Egyptian Centers for Real Estate Development Co., Egypt.	Outside	LLC			
Echo Architecture Co., UK.	Outside	LLC		None	
Marakez for Real Estate Investment Co., Egypt.	Outside	Unlisted			

**6) Dr. Khalid Abdullah Alsweilem**

Current memberships	Inside/ outside Kingdom	Legal entity	Previous memberships	Inside/ outside Kingdom	Legal Entity
Ashmore Saudi Investments	Inside	Listed			
Gulf International Bank GIB	Inside	Listed		None	
Fajr Investment Company	Inside	Listed			

**7) Mr. Abdulmajid Abdullah Albasri**

Current memberships	Inside/ outside Kingdom	Legal entity	Previous memberships	Inside/ outside Kingdom	Legal Entity
Cenomi Retail Co.(Fawaz Abdulaziz Al Hokair Company)	Inside	Listed		None	
Support Group	Inside	Unlisted			

**8) Mr. Turki Saud AlDayel**

Current memberships	Inside/ outside Kingdom	Legal entity	Previous memberships	Inside/ outside Kingdom	Legal Entity
Saudi Bio	Inside	Unlisted	Riva	Inside	Unlisted
Jubail United	Inside	Unlisted			

**9) Mr. Johan Henri Brand**

Current memberships	Inside/ outside Kingdom	Legal entity	Previous memberships	Inside/ outside Kingdom	Legal Entity
Nesma United Industries	Inside	Unlisted		None	

**d. Board of Directors Meetings****Meetings Procedures**

The Board of Directors shall meet twice a year at least, upon an invitation from the Chairman. A Board meeting shall be quorate only if attended by a majority of the members.

Board meetings may be held by telephone or any other electronic method allowing all of the attending members to hear all other attendees, unless otherwise notified. Board resolutions shall be made by a majority of the presented or represented Board Members at the meeting. If votes were equal, the opinion adopted by the Chairman of the Board shall be accepted.

The Board may adopt resolutions by circulation to all Board Members, unless one Board Member submits a written request that a meeting be convened for deliberations. Such resolutions shall be adopted by a majority of Board Members, with the resolutions laid before the Board at its first subsequent meeting.

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the Directors present and the Secretary. Such minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

**Board Meetings Held During the Year**

The Board held two meetings during the short financial year 2022 (ended 31-Dec-2022) as follows:

No.	Name	18-Sep-2022	12-Dec-2022	Total
1	Mr. Fawaz Al Hokair	Present	Present	2
2	Eng. Salman Al Hokair	Present	Present	2
3	Mr. Mohamad Mourad	Present	Present	2
4	Dr. Abdulrahman Al Tuwaijri	Present	Present	2
5	Eng. Kamel Al Qalam	Present	Present	2
6	Dr. Khalid Abdulaziz Alsweilem	Present	Present	2
7	Mr. Abdulmajid Albasri	Present	Present	2
8	Mr. Turki AlDayel	Present	Present	2
9	Mr. Johan Brand	Absent	Present	1



Directors’ Attendance at Shareholders General Assembly Meetings

Three Shareholders General Assembly meetings were held during the short financial year ending 31 December 2022. Below is the attendance log of the Board of Directors at those meetings:

Assembly type:		Ordinary	Ordinary	Extraordinary
No.	Member Name	16-Jun-2022	28-Sep-2022	28-Dec-2022
Attendance of previous BoD whose term ended on 18-Jun-2022:				
1	Mr. Fawaz Al Hokair	Absent		
2	Eng. Abdulaziz Al Hokair	Present		
3	Dr. Abdulrahman Al Tuwaijri	Absent		
4	Eng. Mohamed Al Khorayef	Present		
5	Eng. Kamel Al Qalam	Present		NA
6	Dr. Bernard Higgins	Present		
7	Eng. Omar Al Mohammady	Present		
8	Dr. Omar Al Farisi	Present		
9	Mr. Ahmed Badrawi	Absent		
Attendance of current BoD whose term started on 19-Jun-2022:				
1	Mr. Fawaz Al Hokair		Absent	Absent
2	Eng. Salman Al Hokair		Present	Present
3	Dr. Abdulrahman Al Tuwaijri		Absent	Absent
4	Eng. Kamel Al Qalam		Present	Present
5	Mr. Mohamad Mourad	NA	Present	Present
6	Dr. Khalid Alsweilem		Absent	Present
7	Mr. Abdulmajid Albasri		Present	Present
8	Mr. Turki AlDayel		Present	Present
9	Mr. Johan Brand		Present	Absent

Major Decisions Taken by the Board During the short fiscal year (ended on 31-Dec-2022):

No.	Decision Date	Board Decision
1	16/6/2022	Approval of the appointment of Mrs. Alison Rehill-Erguven, as Chief Executive Officer of Cenomi Centers effective from August 01, 2022.
2	22/6/2022	Approval of the formation of new board, naming the chairman, vice-chairman, managing director, and formation of the Nomination & Remuneration Committee.
3	28/6/2022	Approval of the annual audited financial statements and the independent auditor’s report for the fiscal year of the company ending on March 31, 2022.
4	28/6/2022	Approval of the change in accounting policy of the company to use the fair value or the re-evaluation to measure the real-estate and the investment properties in accordance with the International Accounting Standard (IAS 40 Investment Property), and the circular of the Capital Market Authority.
5	1/7/2022	Approval of distribution of cash dividends to the Company’s shareholders in the amount of 356.25 million Saudi riyals, at the rate of 0.75 halalas per share, so that the number of outstanding shares is 475 million shares, for the first half of the financial year ending on 31 March 2022 AD, with the eligibility date being on Tuesday, 05/05/2022AD, and the distribution date should be on Tuesday 26/07/2022AD.
6	16/8/2022	Approving the interim financial statement for the first quarter of the current fiscal year 2022/2023 for the three months period ended on 3rd of June 2022.
7	9/11/2022	Approving the interim financial statement for the period ended on September 30, 2022.
8	24/11/2022	Approval of changing the end date of the company’s fiscal year and December 31 will be the new company’s fiscal year end instead of March 31. Authorizing the Board Member, Mr. Abdulmajid Abdullah Al Basri, to represent the Board of Directors and to sign all documents necessary to amend the company’s fiscal year.
9	30/11/2022	Inviting the shareholders to the Extraordinary General Assembly to vote on changing the end date of the company’s fiscal year, so that December 31 will be the new date for the end of the company’s fiscal year instead of March 31.
10	2/12/2022	Approving the change of the company’s brand identity (Trading name...etc) to (Cenomi Centers) and authorizing the company’s management to take the necessary procedures to inform the Capital Market Authority, the Ministry of Commerce, and the relevant authorities
11	28/12/2022	Inviting the shareholders to convene the Extraordinary General Assembly of the company as soon as possible, to vote on the incorporation of Arabian Centers Company (the Company) for a sukuk program compatible with the provisions of Islamic Sharia, with a total amount of 4,500,000,000 Saudi riyals within a period of up to two years from the date of incorporation

**e. Interests of Board Members and their Relatives in Shares or Debt Instruments of the Company**

No.	Board Member	Number of Shares Beginning of Year	% Ownership Beginning of Year	Number of Shares End of Year	% Ownership End of Year	% Change During the Year
1	Mr. Fawaz Abdulaziz Al Hokair	40,900,000	8.61%	40,900,000	8.61%	-
2	Eng. Salman Abdulaziz Al Hokair	38,000,000	8.00%	38,000,000	8.00%	-
3	Dr. Abdulrahman Abdulaziz Al Tuwaijri	-	-	-	-	-
4	Eng. Kamel Al Qalam	-	-	1,824,009	0.38%	NA
5	Mr. Mohamad Mourad	-	-	-	-	-
6	Dr. Khalid Alsweilem	Not appointed yet	-	-	-	-
7	Mr. Abdulmajid Albasri		-	-	-	-
8	Mr. Turki AlDayel		-	-	-	-
9	Mr. Johan Brand	-	-	-	-	-

Declarations:

- 1) There is no interest of the Board Members' relatives in the shares of the Company.
- 2) There is no interest of the Board Members and their relatives in the debt instruments of the Company.

**f. Procedures to Inform BoD with Shareholders' Suggestions**

The Board of Directors shall make available to all its members, especially non-executives, legal documents, financial reports, follow-up reports, future expansion studies, Board of Directors' reports as well as internal rules, procedures, policies and regulations that enable them to carry out their duties adequately, additionally including knowledge of shareholders' proposals and their observations about the Company and its performance.

The Company has established an Investor Relations Department that meets all investors' requests and responds to their inquiries. The department then briefs the Chairman of any recommendations suggested by the shareholders and submits their comments and suggestions to the Board of Directors of the Company. Several means are available and accessible to shareholders, including telephone and email correspondence.

**3. Board Committees**

The Board of Directors has established the committees to improve the management of the Company. Each committee is required to adopt a charter which sets out its role, powers, responsibilities, and meetings procedures for the purpose of discharging its duties.

The following is a summary of the structure, responsibilities, and current members of each committee:

**a. Audit Committee**

The implementation of an effective internal control system is one of the responsibilities assigned to the Board of Directors. The main task of the Audit Committee is to verify the adequacy and effective implementation of the internal control system, and to make any recommendations to the Board of Directors that would improve and develop the system to achieve the Company's objectives. The Committee is also responsible for risk management and compliance activities, as well as the annual risk report and risk reduction plans, before presenting the same to the Board of Directors. The scope of the Committee's work shall include all actions that enable it to fulfill its functions, including:

- Oversee the Internal Audit Department.
- Oversee the Risk Management and Compliance functions.
- Review the internal control, financial and risk management systems of the company.
- Review the internal audit reports and follow up on the implementation of corrective measures for the recommendations contained therein.
- Recommend to the Board of Directors to appoint the Director of the internal audit department and propose his remuneration.
- Review and evaluate internal audit procedures and make recommendations for the improvement thereof.
- Make a recommendation to the Board of Directors to appoint, dismiss, determine the fees and ensure the independence of external auditors.
- Review the audit plan with the external auditors and make any observations thereon.
- Review the auditor's report and his observations on the financial statements and follow up on the actions taken in that respect.
- Review the Company's interim and annual financial statements before submitting them to the Board of Directors.
- Review accounting policies and submit recommendations to the Board of Directors.

**Audit Committee Members Profile**

The Audit Committee consists of three (3) members appointed by the Board of Directors for a period of three (3) years. All of the members are independent.

The following members of the Audit Committee were appointed during the Ordinary General Assembly meeting held on 16/11/1443H (corresponding to 16 June 2022) effective from 19 June 2022 for three years ending 18 June 2025. The Audit Committee has appointed its Chairman and Secretary during the meeting held on 22 June 2022.



Audit Committee Members

No.	Name	Title
1	Mr. Fahad Ibrahim Al Khorayef	Chairman (Independent)
2	Mr. Turki Saud Al-Dayel	Member (Independent)
3	Mr. Wissam Moukahal	Member (Independent)

The following is a brief overview of the members of the Audit Committee:

Name	Education	Work Experience	Current Positions	Previous Positions
Mr. Fahad Ibrahim Al Khorayef	Bachelor's degree in Finance from King Saud University, KSA	Financial and Business Advisory Services	<ul style="list-style-type: none"><li>Member of the Board of Saudi Finance Company</li><li>CEO of Tourism Development Fund</li><li>CEO of Al Khorayef Financial &amp; Business Advisory</li><li>Member of the Board of Erteqa Financial Company</li><li>Member of the Audit &amp; Risk Committee of the Al Khorayef Group</li><li>Chairman of the Board of Wathiq Company</li></ul>	<ul style="list-style-type: none"><li>Chief Risk Officer at Maceen Capital</li><li>Chief Risk Officer at Saudi Finance Company</li><li>Export Finance Manager at Al Khorayef Group</li><li>Manager at Samba Financial Group</li></ul>
Mr. Wissam Moukahal	Bachelor's degree in Finance from Lebanese American University	Financial, Accounting and Banking sectors	<ul style="list-style-type: none"><li>Member of the Board of Halo Investing</li><li>Member of the Board of Peninsula Real Estate</li></ul>	<ul style="list-style-type: none"><li>Gulf Capital</li><li>Anghami</li><li>Salama Takaful</li><li>CEO of Bank of Sharjah</li><li>CEO of Macquarie Group</li><li>Deloitte UAE</li><li>Arthur Andersen</li></ul>
Mr. Turki Saud Al-Dayel	Please refer to Mr. Turki Saudi Al-Dayel's biography in the "Board of Directors Biographies" section above.			

Audit Committee Meetings

During the year, the Committee held eight meetings. The attendance of the committee members for these meetings was as follows:

Meeting Date	Mr. Fahad Al Khorayef	Mr. Turki Al-Dayel	Mr. Wissam Moukahal
22 Jun 2022	Present	Present	Present
28 Jun 2022	Present	Present	Present
16 Aug 2022	Present	Present	Present
13 Sep 2022	Present	Present	Absent
05 Oct 2022	Present	Present	Present
08 Nov 2022	Present	Present	Present
06 Dec 2022	Present	Present	Present

The main tasks accomplished during these meetings were as follows:

1. Reviewing the company's annual and quarterly financial statements and make recommendations to the Board of Directors for approval.
2. Following-up with management on the status of the preparation of financial statements in accordance with accounting and financial reporting standards.
3. Meeting with both the external and internal auditors of the company, and ensuring that the management has provided them with all the necessary data and information to perform their work.
4. Improving the corporate governance framework and internal control system.
5. Following-up with the Board of Directors and Executive Management to ensure the implementation of key issues such as:
  - Appointment of external auditors.
  - Key internal audit recommendations.
  - Company Risk Management System.
6. Encouraging management to promote compliance with policies, procedures, internal controls, risk management and governance.
7. Reviewing external auditor's reports and management letter.
8. Reviewing and approving the internal audit annual plan.
9. Monitoring and evaluating the performance of the internal audit function.
10. Reviewing internal audit reports and following up the implementation of major internal audit recommendations and risk management system.
11. Evaluation of tenders (including bid requests) for the selection of external auditors to review financial statements for fiscal year 2022 (from April 1, 2022 to March 31, 2023) in addition to the first quarter of fiscal year 2023, and the Board recommended the selection and approval of their remuneration.

Note: The Extraordinary General Assembly of Arabian Centers Company "Cenomi Centers" in its meeting held on 28 December 2022, approved the amendment of Article 45 of the Company's articles of association related to the fiscal year. Article 45 - after the amendment - will state that: "The Company's fiscal year begins on the first day of January and ends on the last day of December of each Gregorian year."

In addition, the Audit Committee confirms that there is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, and the Board accepted the recommendations of the Committee on the appointment of the external auditors of the company.

b. Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to identify qualified candidates who are eligible for Board Membership. The Committee is also responsible for assisting the Board in establishing a proper governance system and drafting the necessary policies and procedures. The Committee's scope of work includes all duties designed to enable it to fulfill its functions, including:

- Identifying qualified candidates and nominating them to the Board of Directors.
- Conducting an annual review of Board Membership requirements, which shall include the candidates' capabilities, experience, and availability to fulfill their Board responsibilities.
- Reviewing the structure of the Board and proposing required changes to benefit the Company's interests.
- Determining the strengths and weaknesses of the Board and proposing required changes to benefit the Company's interests.
- Nominating candidates for the positions of Chief Executive Officer and Managing Director, as well as nominating committee members for approval by the Board of Directors or the General Assembly.
- Reviewing the approval policies and procedures for Board Membership prior to their adoption, through the General Assembly.
- Monitoring the independence of independent Board members and monitoring any conflicts of interest on an annual basis.
- Reviewing the preparatory materials and training courses destined to new Board Members.

- Establishing clear policies regarding the remuneration of managers and senior executives.
- Reviewing and proposing plans for the assumption of key executive functions.
- Reviewing and approving the Company’s overall structure of rewards and privileges, which includes employment grades, structure of wages and privileges, as well as rewards and incentives associated with performance.
- Approving changes to the remuneration of the Chief Executive Officer and recommending changes to the remuneration of the Managing Director, as well as the directors and members of the various board committees.
- Approving extraordinary remuneration (signing or performance bonuses) for the Chief Executive Officer and senior executives.

The Nomination and Remuneration Committee consists of three members appointed by the Company’s Board of Directors for a period of three years. During the year, the Committee held three meetings to which all members attended.

The Board shall take the necessary measures to enable the Committee to carry out its functions, including informing the Committee, without any restrictions, of all data, information, reports, records, correspondences, or other matters which the Committee deems necessary.

The following members were appointed to the Nomination and Remuneration Committee by the Board resolution by circulation on Wednesday corresponding to June 22, 2022

Nomination and Remuneration Committee Members

No.	Name	Title
1	Mr. Johan Henri Brand	Chairman (Independent)
2	Eng. Kamel Badih Al Qalam	Member
3	Mr. Abdulmajid Abdullah Albasri	Member

For a brief overview of the members of the Nomination and Remuneration Committee, please refer to the “Board of Directors Biographies” section above.

Nomination and Remuneration Committee Meetings

During the year, the Committee held four meetings. The attendance of the previous and current committee members for these meetings was as follows:

Meeting Date	Eng. Mohamed Al Khorayef	Mr. Nadim Shabsogh	Eng. Kamel Al Qalam	Mr. Johan Brand	Mr. Abdulmajid Albasri
14- May-2022	Present	Present	Present	Not yet appointed	
17- May-2022	Present	Present	Present		
7- Sept-2022	Present	Present	Present	Present	Present

4. Board of Directors and Committees’ Members Remuneration

a-1) Previous Board Members Remuneration during the Short Fiscal Year until the end of its terms on 18-Jun-2022 (In Saudi Riyal):

	Fixed Benefits							Variable Benefits									
	Certain amount	Attendance allowance for board Sessions	Total of Attendance allowance for board sessions	In-kind Benefits	Technical, administrative and consulting	Reward of the Chairman, Managing Director or Secretary, if a member	Grand total	percentage of profits	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	Granted shares	Grand total	severance pay		Grand total	expenses allowance
First: Independent Directors																	
Dr. Abdulrahman Al Tuwaijri	64,932	-	-	-	-	-	64,932	-	-	-	-	-	-	-	64,932	-	
Eng. Mohammed Al Khorayef	64,932	-	30,000	-	-	-	94,932	-	-	-	-	-	-	-	94,932	-	
Dr. Bernard Higgins	64,932	-	-	-	-	-	64,932	-	-	-	-	-	-	-	64,932	-	
Second: Non-Executive Directors																	
Mr. Fawaz Al Hokair	64,932	-	-	-	-	-	64,932	-	-	-	-	-	-	-	64,932	-	
Eng. Salman Al Hokair	64,932	-	-	-	-	-	64,932	-	-	-	-	-	-	-	64,932	-	
Eng. Kamel Al Qalam	64,932	-	30,000	-	-	-	94,932	-	-	-	-	-	-	-	94,932	-	
Eng. Omar Al Mohammady	64,932	-	-	-	-	-	64,932	-	-	-	-	-	-	-	64,932	-	
Mr. Ahmed Badrawi	64,932	-	-	-	-	-	64,932	-	-	-	-	-	-	-	64,932	-	
Third: Executive Directors																	
Mr. Mohamad Mourad	64,932	-	-	-	-	-	64,932	-	-	-	-	-	-	-	64,932	-	



**a-1) Current Board Members Remuneration from its appointment at 19-Jun-2022 until the end of the Short Fiscal Year on 22-Dec-2022 (In Saudi Riyal):**

	Certain amount	Fixed Benefits					Variable Benefits								Grand total expenses allowance
		Attendance allowance for board Sessions	Total of Attendance allowance for board sessions	In-kind Benefits	Technical, administrative and consulting	Reward of the Chairman, Managing Director or Secretary, if a member	Grand total	percentage of profits	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	Granted shares	Grand total severance pay		
First: Independent Directors															
Dr. Abdulrahman Al Tuwaijri	161,096	50,000	-	-	-	-	211,096	-	-	-	-	-	-	-	211,096
Dr. Khalid Alsweilem	161,096	50,000	-	-	-	-	211,096	-	-	-	-	-	-	-	211,096
Mr. Turki AlDayel	161,096	50,000	105,000	-	-	-	316,096	-	-	-	-	-	-	-	316,096
Mr. Johan Brand	161,096	25,000	15,000	-	-	-	201,096	-	-	-	-	-	-	-	201,096
Second: Non-Executive Directors															
Mr. Fawaz Al Hokair	161,096	50,000	-	-	-	-	211,096	-	-	-	-	-	-	-	211,096
Eng. Salman Al Hokair	161,096	50,000	-	-	-	-	211,096	-	-	-	-	-	-	-	211,096
Eng. Kamel Al Qalam	161,096	50,000	15,000	-	-	-	226,096	-	-	-	-	-	-	-	226,096
Mr. Abdulmajid Albasri	161,096	50,000	15,000	-	-	-	226,096	-	-	-	-	-	-	-	226,096
Third: Executive Directors															
Mr. Mohamad Mourad	161,096	50,000	-	-	-	-	211,096	-	-	-	-	-	-	-	211,096

**b. Board Committees Remuneration during the Short Financial Year ended on 31 December 2022 (Saudi Riyal):**

Name	Fixed Remuneration (Except for the Allowance for Attending Board Meetings)	Allowance for Attending Committee Meetings	Total
<b>Previous Audit Committee (Ended on 18-Jun-2022)</b>			
Dr. Bernard Higgins (Chairman)	-	120,000	120,000
Mr. Nadim Shabsogh (Member)	130,000	120,000	250,000
Mr. Fahad Al Khorayef (Member)	130,000	120,000	250,000
<b>Total</b>	<b>260,000</b>	<b>360,000</b>	<b>620,000</b>
<b>Current Audit Committee (Started on 19-Jun-2022)</b>			
Mr. Fahad Al Khorayef	69,808	105,000	174,808
Mr. Turki Al-Dayel	69,808	105,000	174,808
Mr. Wissam Moukahal	69,808	90,000	159,808
<b>Total</b>	<b>265,698</b>	<b>300,000</b>	<b>565,698</b>
<b>Previous Nomination &amp; Remuneration Committee (Ended on 18-Jun-2022)</b>			
Eng. Mohammed Al Khorayef (Chairman)	-	30,000	30,000
Mr. Nadim Shabsogh (Member)	21,644	30,000	51,644
Eng. Kamel Alqalam (Member)	-	30,000	30,000
<b>Total</b>	<b>21,644</b>	<b>90,000</b>	<b>111,644</b>
<b>Current Nomination and Remuneration Committee (Started on 19-Jun-2022)</b>			
Mr. Johan Brand	53,699	15,000	68,699
Eng. Kamel Al Qalam	53,699	15,000	68,699
Mr. Abdulmajid Albasri	53,699	15,000	68,699
<b>Total</b>	<b>182,741</b>	<b>135,000</b>	<b>317,741</b>

## 5. Senior Executives

### a. Senior Executive Team

Cenomi Centers enjoys a highly qualified management team with decades of experience in the commercial real estate and retail industries.

#### Mrs. Alison Rehill - Erguven - Chief Executive Officer

- **Previous experience:** Prior to joining Cenomi Centers, Alison held the role of CEO for Pradera Retail Asia, a joint venture that was formed with Macquarie Bank's MIRA division, based in Shanghai, China, for five years. This JV was subsequently acquired in 2021 by Brookfield Asset Management, one of the world's largest alternative asset managers, where Alison led the transition of PRA into Brookfield and acted as Senior Advisor and Acting Head of Commercial Real Estate for Brookfield Properties in China where she was responsible for all retail assets including shopping malls, offices, and mixed-use developments. Before China, Alison spent several years in Turkey and Europe as Managing Director and Board Director for Pradera.
- **Qualifications:** Alison holds a master's degree in Organizational Leadership with honors from Colorado State University and a bachelor's degree in Marketing and International Trade with honors from the F. I. T., State University of New York.
- **Experience:** Alison has more than two decades of extensive shopping mall and retail real estate experience having been based in and managed some of the world's most prominent emerging markets across Asia, Europe, and Latin America. In addition, she has more than 10 years of experience working in the US market with global industry-leading companies, like General Growth Properties and Simon Property Group.

#### Mr. Walead Al Rebdi - Chief Financial Officer

- **Previous experience:** Prior to Cenomi Centers, Mr. Walead held the position of Chief Financial Officer at Gasco - a Saudi listed company, and prior to that he was Chief Financial Officer at Amnco. He also held several financial managerial positions at a number of organizations, including Daikin Air Conditioning, DISH Network, and the Saudi Central Bank (previously Saudi Arabian Monetary Agency "SAMA").
- **Qualifications:** MBA in 2006 and a master's degree in finance in 2007 from University of Colorado.
- **Experience:** Over 18 years of experience in the field of financial management.

#### Mr. Ghassan Abu Mutier - Chief Development & Delivery Officer

- **Previous experience:** From 2002 to 2015, Mr. Abu Mutier held the position of Supply Chain Group Manager at Fawaz Alhokair Real Estate Company. He had previously held positions at General Electric and at the Saudi Bin Laden Group.
- **Qualifications:** Bachelor's degree in Geology and Environmental Sciences, Yarmouk University, Jordan, 1997.
- **Experience:** Over 23 years of experience in Project Management and Architectural design fields.

#### Mr. Turki Saleh Al Zahrani - Chief Support Services Officer

- **Previous experience:** Mr. Al Zahrani joined the Company in 2009 as its Director of Human Resources. He has held several human resources positions in the past including Director of Human Resources at Geant Saudi Limited, a limited liability company established in the KSA and operating in the trade sector, and Head of Human Resources and Administration at Al Othaim Holding Company, a closed joint stock company established in the KSA and operating in the commercial, real estate and industrial sector.
- **Qualifications:** Bachelor's degree in Business Administration, King Abdulaziz University, Saudi Arabia.
- **Experience:** Over 15 years of experience in Human Resources and Administrative Management fields.

#### Mr. Khalid Al Janahi - Chief Leasing Officer

- **Previous experience:** Mr. Al Janahi held several positions in Real Estate Development and Financial advisory fields. Prior to joining Cenomi Centers, he was Leasing Director at SHUROOQ (Investment and Development Authority of Sharjah), and prior to that he was employed by MERAAS Dubai as Manager of Retail Leasing. Additionally, Mr. Al Janahi worked as a consultant in the Financial Advisory arm of Ernst & Young Bahrain.
- **Qualifications:** Master's in Business Administration from University of Incarnate Word in 2011 and Bachelor's in Business Finance from University of Texas in 2010.
- **Experience:** Over eight years of experience in Retail Leasing, Real Estate Development and Financial Advisory.

#### Mr. Naji Fayad - Chief Internal Audit Officer

- **Previous experience:** Prior to joining ACC, Mr. Fayad spent a decade at Arabia Insurance Company, a Lebanon-based joint-stock company where he served in many positions including Director of Internal Audit, Chief Financial Officer and acting Chief Risk Officer. Mr. Fayad was also Audit Director at Deloitte and Touche, Canada.
- **Qualifications:** Master's degree in Business Administration from the American University of Beirut; Postgraduate degree in Public Accounting from McGill University, Canada; he's also a Chartered Accountant (CA), a Certified Internal Auditor, a Certified Information Systems Auditor and a Certified Risk Management Auditor.
- **Experience:** Over 20 years of experience in Internal Audit, Internal control and compliance management.

#### Mr. Faris Al Gahtani - Head of Investor Relations

- **Previous experience:** Prior to joining Cenomi Centers, Mr. Al Gahtani held the position of Investor Relations Manager in Dur Hospitality Company. Prior to that, Mr. Faris held the position of Investor Relations Team Leader at Zain Saudi Arabia. He also held a couple of positions at KPMG Saudi Arabia over five years, where the last position was Senior Financial Analyst.
- **Qualifications:** Bachelor's in Finance from King Fahad University of Petroleum & Minerals, Dhahran, Saudi Arabia, in 2006.
- **Experience:** Over 14 years of experience in the fields of Investor Relations, Financial Advisory, Public Relations, Corporate Governance.



**b. Senior Executives Remuneration\***

The below table details the total remuneration paid to the top five senior executives (including the CEO and CFO), of which are not board members, during the short financial year ended 31 December 2022 (In Saudi Riyals):

Fixed	Salaries	10,401,600
	Allowances	640,000
	In-kind Benefits	-
	<b>Total</b>	<b>11,041,600</b>
Variable	Periodic remuneration	-
	Profits	-
	Short-term incentive plans	-
	Long-term incentive plans	-
	Granted Shares (Value)	-
	<b>Total</b>	<b>-</b>
	End of Service Benefits	2,865,452
	Other Benefits	-
	<b>Grand Total</b>	<b>13,907,052</b>

\* The Company is committed to disclose total remuneration of the Senior Executive Management in accordance with the requirements of Article 93 (4-b) of the Corporate Governance Rules. To protect the interests of the Company, its shareholders, and its employees, and to avoid any damage that may result from the disclosure in details as per job titles and positions, hence description of remuneration is not presented pursuant to Appendix (1) Remuneration Schedule of Corporate Governance Rules related to Senior Executives.

**c. Description of Any Interest of the Senior Executives and their Relatives in Shares or Debt Instruments of the Company:**

No.	Name	Shares at Beginning of Year	Shares at End of Year	Change	% Change
1	Mrs. Alison Rehill-Erguven (CEO)	NA*	-	-	-
2	Mr. Waleed Al-Rebdi (Chief Financial Officer)	-	-	-	-
3	Mr. Ghassan Abu Mutair (Chief Development & Delivery Officer)	-	-	-	-
4	Mr. Turki Al Zahrani (Chief Support Services Officer)	-	-	-	-
5	Mr. Khalid Al Janahi (Chief Leasing Officer)	-	-	-	-
6	Mr. Naji Fayad (Director of Internal Audit)	-	-	-	-
7	Mr. Faris Al Gahtani (Head of Investor Relation)	-	-	-	-

\* Mrs. Rehill-Erguven was appointed on August 21, 2022.

Declarations:

- 1) There is no interest of the senior executives' relatives in the shares of the Company.
- 2) There is no interest of the senior executives and their relatives in the debt instruments of the Company.

**6. Waived Remuneration and Compliance**

**a.** The company did not receive any notification that any of the Company directors, senior executives or shareholders have waived any remuneration/dividends.

**b.** The remuneration is paid to the members of the Board of Directors, the members of the board committees and senior executives, that is shown in the related tables in this report, in accordance with the "Remuneration Policy for Board of Directors, Committees and Executive Management" approved by the Shareholders General Assembly on 30 September 2020 and based on the recommendation of the Nomination and Remuneration Committee. Knowing that there was no deviation in the remuneration payment from the policy.

**7. Annual Review of Internal Controls Effectiveness**

The internal control system has an important role to play in the success of any organization. The Company is committed to ensuring an effective internal control system to achieve regulatory objectives, asset protection, accurate internal and external reporting, risk reduction and adherence to regulatory requirements.

The Internal Audit Department carries out its functions according to the audit regulations adopted by the Company's Board of Directors. The Internal Audit Department provides independent objective services to assist the Board of Directors, the Audit Committee, and the Executive Management in discharging their responsibilities. The Internal Audit Department is not subject to any influence by the Executive Management and has full powers and unrestricted access to all documents and personnel required for the performance of its work. In carrying out its work, the Internal Audit Department adopted a systematic approach to evaluate and improve internal control effectiveness to achieve the Company's objectives and protect its assets.

The scope of work of the Internal Audit Department included examining the adequacy and effectiveness of the internal control system of the Company to verify whether the Company's internal systems, in particular the financial and administrative regulations and policies and the Corporate Governance frameworks approved by the Board of Directors, General Assembly and legislative and regulatory controls, ensure the achievement of the objectives of the Company.

The scope of internal audit management included:

- Audit and periodic examination of the Company's departments, giving priority to internal activities and jobs depending on the degree of risk.
- Informing officials in the various departments whose work has been examined of the observations revealed during the examination process as well as recommendations raised to management to address these observations.
- Evaluation of the procedures provided by executives in different departments to address the observations and implement the recommendations contained in the audit reports.

The Audit Committee studied and followed up with the implementation of the approved audit plan with the Internal Audit Department as well as following up with the implementation of the recommendations contained in the internal audit reports. The Company has taken positive steps to strengthen its internal control system, maintain the Company's assets and provide reasonable assurance about the integrity of financial reports prepared from accounting records. The Internal Audit Department of the company examines the internal control system on an ongoing basis to ensure its efficiency and effectiveness and carry out financial and operational reviews to evaluate the company's business.

The internal control system of the Company includes those policies and procedures which:

- Relate to maintaining records in such a way as to ensure the availability of detailed and accurate information and reflect substantially the fact of transactions and disposals in the assets of the company.
- Provide reasonable assurance that the registration of transactions allows the preparation of financial statements in accordance with the accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.
- Provide reasonable assurance as to the timely prevention or disclosure of unauthorized purchase, use or disposition of the Company's assets that could have a material impact on the financial statements.

The Audit Committee oversees the Internal Audit work, which periodically reviews the adequacy and effectiveness of the internal control system, to provide a continuous assessment of the internal control system and its effectiveness. The Committee also reviews the External Auditor's reports and management letter, when applicable, which might include any lack of internal control noted by the External Auditor as part of its internal controls' assessment. This comes within the objectives of the Board of Directors to obtain reasonable assurance about the soundness of the design and effectiveness of the performance of the Company's internal control system.

Based on the above, the Audit Committee believes that the internal control system within the Company is appropriately designed and effectively serves organizational objectives, operational efficiency, financial reporting reliability and regulatory compliance. No material deficiency or material weakness was found, although some improvements are needed and were communicated to the management, which is actively working on enhancing the controls based on audit recommendations.

It is worth noting that all Audit Committee recommendations are consistent with the decisions of the Board of Directors.

## 8. Subsidiaries and Affiliates

Name of Subsidiary*	Capital (SAR)	Nature of Business	Ownership %	
			Direct	Indirect
Riyadh Centres Company Limited (i)	500,000	Real Estate	--	--
Al Bawarij International for Development & Real Estate Investment Company	500,000	Real Estate	95%	5%
Al Makarem International for Real Estate Development Company	500,000	Real Estate	95%	5%
Oyoun Al Raed Mall Trading	100,000	Real Estate	95%	5%
Oyoun Al Basateen Company for Trading	100,000	Real Estate	95%	5%
Al-Qasseem Company for Entertainment and Commercial Projects Owned by Abdulmohsin Al Hokair and Company	500,000	Real Estate	50%	-
Yarmouk Mall Company Limited	500,000	Real Estate	95%	5%
Mall of Arabia Company Limited	500,000	Real Estate	95%	5%
Dhahran Mall Trading Company Limited	500,000	Real Estate	95%	5%
Al Noor Mall Trading Company Limited	500,000	Real Estate	95%	5%
Al Yasmeen Mall Trading Company	100,000	Real Estate	95%	5%
Al Dammam Mall Trading Company (i)	100,000	Real Estate	--	--
Al Hamra Mall Trading Company	100,000	Real Estate	95%	5%
Al Erth Al Rasekh Trading Company	100,000	Real Estate	95%	5%
Derayah Destination Arabia Diversified Fund	-	Real Estate	100%	-
Riyad Real Estate Development Fund - Jawharat AlRiyadh (ii)	-	Real Estate	100%	-
Riyad Real Estate Development Fund - Jawharat Jeddah (iii)	-	Real Estate	100%	-

\*All subsidiaries are limited liability companies incorporated in KSA.

- (i) During the nine-month period ended 31 December 2022, the Group sold its 100% equity interest in two subsidiaries to Saudi FAS Holding Company and accordingly these have been deconsolidated from the date of disposal, 14 August 2022. There were no operations of these subsidiaries. The subsidiaries were disposed of 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 statement of profit or loss.
- (ii) During the nine-month period ended 31 December 2022, the Group invested in a newly established private real estate fund named Riyad Real Estate Development Fund - Jawharat AlRiyadh. The Group signed an agreement with Riyad Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of SR 2,796 million.
- (iii) During the nine-month period ended 31 December 2022, the Group invested in a newly established private real estate fund named Riyad Real Estate Development Fund - Jawharat Jeddah. The Group signed an agreement with Riyad Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of SR 1,568 million.



## 9. Shares and Debt Instruments issued by Subsidiaries

On 20 November 2019, Arabian Centres Sukuk Limited (a special purpose company owned by Cenomi Centers 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 owned by Cenomi Centers established for the purpose of issuing Sukuk) completed the issuance of a 5.5 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.

Those issuances came in line with Cenomi Centers' financial strategy of transitioning from a fully secured capital structure towards unsecured financing.

## 10. Interests and Contractual Rights for BOD Members, Executives and Relatives in Shares and Debt Instruments

There are no interests, contractual securities or rights issues with the Board Members, senior executives and their spouses and minor children on shares or debt instruments of the company or its affiliates (other than those mentioned in sections "Board of Directors" and "Senior Executives" in this report).

## 11. Related Parties Transactions

### Related Party Transactions Policy

The Company relies upon a number of important relationships with various related parties such as tenants and suppliers of construction and other services, which are material to conducting business. In view of the significance of these relationships and to reflect the conflict-of-interest provisions contained in the Corporate Governance Regulations and the Companies' Law, the Company adopted a Related Party Transactions Policy on 06/01/1440H (corresponding to 16/09/2018) to ensure that these relationships are conducted on an arm's length basis and on normal commercial terms. The Board believes that this policy will not only assist the Company in fully complying with its legal obligations with respect to related party transactions, but will promote best practices standards of corporate governance and transparency in the way that it conducts its business.

The Related Party Transactions Policy requires that management conduct a review of its list of related party relationships on a periodic basis, and that all related party transactions be subject to a process of internal review involving management, the Company's internal audit function, the Audit Committee, and the Board (with only "non-interested directors" being entitled to vote, being directors who do not have an interest in the relevant transaction). This happens before being recommended for approval by a majority of the non-interested shareholders at a General Assembly of the Company. Non-interested shareholders are those through which no director has an interest in the relevant transaction. Pursuant to the Companies' Law and the Corporate Governance Regulations, shareholders through which a director has an interest in the relevant related party transaction are not permitted to vote on the resolution for the approval of such transaction.

The Related Party Transactions Policy contemplates that the Company will enter into "framework agreements" to govern relationships with certain related parties which are material to conducting Company business. The framework agreements are intended to set forth a broad framework for the related parties' relationship, to ensure that transactions entered into between the Company and the Related Party are conducted on an arm's length basis. Framework agreements will not be entered into with related parties, where the related party transactions involved are more likely to be less material, low value and/or conducted on an ad hoc basis. Nevertheless, all related party transactions, whether conducted pursuant to a framework agreement or not, will be subject to the review and approval procedures described above.

Related Party transactions are regulated by relevant Saudi laws and regulations regarding the entering into of such transactions.

### Summary of Transactions with Related Parties

A summary of the related parties with whom the Company conducts business together with a description of the relationship, and a confirmation of whether a framework agreement will be entered into, is set out below:

Entity	Nature of Transactions with the Company	Aggregate Value of Dealings as of 31 December 2022	Nature of Related Party Relationship
Fawaz Abdulaziz Al Hokair Company and its subsidiaries (i)	Fawaz Abdulaziz Al Hokair Company is one of the Group's Key Account Tenants and leases stores in various of the Company's malls.	279,668,063	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Saudi FAS Holding Company	Renting of office space and other business support activities.	3,805,042	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are direct controlling shareholders.
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries (ii)	Abdul Mohsin Al Hokair Group for Tourism and Development leases space for indoor and outdoor family entertainment centers 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.	16,356,992	Owned by a relative of the controlling shareholders.
Lynx Contracting Company (formerly known as Fawaz Abdulaziz Al Hokair & Partners Real Estate Company) (iii)	Currently, the Company exclusively relies on FARE for the construction of its shopping malls.	275,070,858	Fawaz Abdulaziz Alhokair and Salman Abdulaziz Alhokair, as directors of the Company, are indirect controlling shareholders.
Tadaris Al Najd Security Company (iv)	TNS provides security services to all of the Company's shopping malls.	46,439,156	Salman Abdulaziz Alhokair, as a director of the Company, is the direct sole shareholder.
Majd Al Amal Co. Limited and its associates (v)	Leases spaces in several of the Company's shopping malls. The term of the leases range from 3 to 7 years.	20,830,188	Owned by relatives of the controlling shareholders.
Salman & Sons Holding Co and its associates (vi)	Leases spaces in several of the Company's shopping malls mainly for entertainment purposes.	34,135,645	Owned by relatives of the controlling shareholders.
Ezdihar Holding Co and its subsidiaries (vii)	Leases spaces in several of the Company's shopping malls mainly for trading purposes.	37,129,171	Owned by relatives of the controlling shareholders.
Others (viii)		3,172,060	

- (i) Fawaz Abdulaziz Al Hokair Company is one of the Group's Key Account Tenants and leases stores in various of the Company's malls. The Company is party to a framework agreement with Fawaz Abdulaziz Al Hokair Company which aims to ensure that all tenancy leases between the parties for all of the Company's malls are conducted on a basis which are approved by the management / Board of Directors.

- (ii) Abdul Mohsin Al Hokair Group for Tourism and Development leases space for indoor and outdoor family entertainment centers in the Group's shopping malls where no framework agreement is signed with the Company. These leases range from five to 10 years in length. Abdul Mohsin Al Hokair and Tourism and Development is owned by a relative of the Controlling Shareholders.
- (iii) With the consent of the shareholders of the Company, the Company has signed framework agreement for the construction of all projects are awarded to other related party Lynx Contracting Company (formerly known as Fawaz Abdulaziz Al Hokair & Partners Real Estate Company).
- (iv) Tadaris Alnajd Security Company (TNS) currently provides security services to all of the Company's shopping malls. The Company entered into a civil security services agreement with TNS providing that TNS provides civil security services in the malls, which includes the provision of security guards and other security personnel and security vehicles. The agreement is automatically renewable by mutual consent. The Company is party to a framework agreement with TNS to ensure all contracts and services were concluded on a purely commercial basis.
- (v) 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 three to seven years. The Company is owned by close family members of the Controlling Shareholders. Entities includes Majd Al Amal Co. Limited (framework agreement in place), Wealth Company Limited, Almuzn Foods and Sarya Al Majd Co. where no framework agreements are signed between these companies and the Company.
- (vi) Salman & Sons Holding Co and its associates is a mix of entities which leases spaces in several of the Group's shopping malls mainly for entertainment purposes. These entities are owned by controlling shareholder (Salman Abdulaziz Alhokair) and their close family members. These are as follows:
- Sala Entertainment Company leases space for an indoor soft play entertainment venue in the Company's shopping malls. The leases are for a term of 10 years. No framework agreement is signed with the Company.
  - Kids Space Company leases space in Mall of Arabia (Jeddah) for 'Kidzania', a children's interactive play center. The term of the lease is 10 years, with automatic renewal unless one party gives notice. The lease contains turnover rent provisions and rent escalation mechanics. The Company is party to a framework agreement with Kids Space Company to ensure all lease contracts were concluded on a purely commercial basis.
  - 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 one to three years. No framework agreements are signed between these companies and the Company.
  - Skills Innovative Games leases space for entertainment venues in Yasmeen Mall Jeddah. The term of the lease is approximately 10 years. The Company is party to a framework agreement with Skills Innovative Games to ensure all lease contracts were concluded on a purely commercial basis.
- (vii) Ezdihar Holding Co and its subsidiaries is a mix of entities which leases spaces in several of the Company's shopping malls mainly for trading purposes. These entities are owned by close family members of the Controlling Shareholder (Fawaz Abdulaziz Alhokair) and their close family members. These are as follows:
- Next Generation Company Limited currently leases cinemas and space planned for cinemas in the Company's shopping malls. The Company is party to a framework agreement with Next Generation Company Limited to ensure all lease contracts were concluded on a purely commercial basis.
  - Ezdihar Sports Co. leases space for a fitness center in U-Walk. The term of the lease range is approximately 10 years. The Company is party to a framework agreement with Ezdihar Sports Co. to ensure all lease contracts were concluded on a purely commercial basis.
- (viii) Others mainly include transactions with Etqan Facilities Management, FAS Technologist Trading Company, Coffee Centres Company Limited, Nail Place Trading Est and Food and Entertainment Company Limited where framework agreements are in place with these companies. Others also include Echo Design Consultant and Fahad Abdulaziz Al Hokair Trading EST where no framework agreements are in place.

The following transactions took place with the Board of Directors members (as disclosed in notes to the financial statements for the year ended on 31 December 2022):

Description	SAR
Board of Directors expenses	3,313,258

Summary of Account Balances with Related Parties:

Entity	Balances as of 31 December 2022
Saudi FAS Holding Company	--
Fawaz Abdulaziz Al Hokair Company and its subsidiaries	153,377,166
Abdul Mohsin Al Hokair Group for Tourism and Development and its subsidiaries	16,177,998
Lynx Contracting Company (formerly known as Fawaz Abdulaziz Al Hokair & Partners Real Estate Company)	720,068,772
Tadaris Al Najd Security Company	(1,163,114)
Majd Al Amal Co. Limited and its associates	47,670,205
Salman & Sons Holding Co and its associates	90,313,341
Ezdihar Holding Co and its subsidiaries	96,457,649
Others, net	3,822,623

## 12. Conflict of Interest

Neither the Company's bylaws nor any of the Company's internal regulations and policies grant any director the power to vote on any contract or proposal in which he has a direct or indirect interest, in accordance with Article 71 of the Companies' Law which states that a Member of the Board of Directors should not have any interest, whether directly or indirectly, in the transactions or contracts made for the account of the company, except with an authorization from the Ordinary General Assembly.

Pursuant to Article 71 of the Companies' Law, a member must inform the Board of Directors of any interest he may have in the transactions or contracts made for the account of the Company. The Chairman of the Board of Directors shall inform the Ordinary General Assembly, when it convenes, of the transactions and contracts in which any member has an interest. Such communication shall be accompanied by a special report from the auditor. Such declaration must be recorded in the minutes of the Board meeting, and the interested member shall not participate in voting on the resolution to be adopted in this respect.

Based on the foregoing, the directors undertake to comply with the following:

- Complying with the provisions of Articles 71, 72, 73, 74 and 75 of the Companies' Law and Articles 42 and 44 of the Corporate Governance Regulations.
- Refraining from voting on General Assembly resolutions pertaining to contracts entered into with the Company where the director has a direct or indirect interest in such contract.
- Avoiding participating in any business that competes with that of the Company, unless such member has authorization from the Ordinary General Assembly.
- All related party transactions will be made on an arm's length basis in accordance with the terms of the Related Party Transactions Policy.

As of the date hereof, none of the members of the Board of Directors, senior executives or current shareholders are party to any agreement, arrangement or understanding under which they are subject to any non-compete or similar obligation with respect to the business of the Company.



### 13. Borrowings

In November 2019, the Group entered into a long-term Islamic facility arrangement amounting to SR 5,250 million (equivalent to USD 1,400 million), with local and international banks. This facility is divided into Murabaha facility up to SR 500 million (maturing in 12 years), Ijara facilities up to SR 4,000 million (maturing in 8 and 12 years) and Revolving Murabaha up to SR 750 million (maturing in 3 years). These facilities are fully utilized as of reporting date.

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 a 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.

On 20 November 2019, Arabian Centres Sukuk Limited (a special purpose company owned by Cenomi Centers 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 owned by Cenomi Centers established for the purpose of issuing Sukuk) completed the issuance of a 5.5 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.

The below table details the borrowing details of the Company during FY2022:

Borrowing type	Balance at 01-Apr-2022	Period	Net drawdown / (repayments) during year	Balance at 31-Dec-2022	Maturity date
Long-term Islamic facility	2,723,415,669	3 to 12 years	535,745,410	3,259,161,079	2025-2034
Sukuk I	1,874,950,000	5 years	-	1,874,950,000	2024
Sukuk II	3,281,250,000	5.5 years	-	3,281,250,000	2026
<b>Total</b>	<b>7,879,615,669</b>		<b>535,745,410</b>	<b>8,415,361,079</b>	

\* The above long-term Islamic facility has been lent by a number of local and international banks, led by Saudi National Bank (SNB).

### 14. Outstanding Statutory Payments

Government Party	Actual Payments for the Fiscal Year ended on 31 December		Accruals for the Fiscal Year ended session 31 December	
	2022	2021	2022	2021
Zakat and Value Added Tax (VAT)	149,977,382	120,705,111	60,230,976	27,789,923
GOSI	6,907,762	5,998,157		
Passports and visas	1,221,727	1,151,595	-	-
Baldiya	1,519,725	925,810	-	-
Chamber of Commerce	88,981	197,967	-	-
<b>Total</b>	<b>159,715,577</b>	<b>128,978,640</b>	<b>60,230,976</b>	<b>27,789,923</b>

### 15. Zakat, Taxes and Fees

#### Status of Zakat Assessments

The Company 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 Cenomi Centers, to Zakat, Tax and Customs Authority as per Zakat, Tax and Customs Authority letter. The ultimate parent Company has received final assessment order for zakat until the year 31 March 2016.

The Ultimate parent company has allocated SR 38.66 million as Group's share of Zakat liability for the years 2017 to 2019. The group has Zakat provision of SR 77.3 million for the years 2017 to 2019. Accordingly, the Group has recorded the reversal of excess provisions in the consolidated statement of profit or loss for year ended 31 March 2021. Any additional settlements with Zakat, Tax and Customs Authority until the years 2019 will be borne by ultimate parent company.

#### Movements in Zakat Provision During the Year

The movement in the provision for zakat is as follows:

Item	31 December 2022 (Saudi Riyal)	31 December 2021 (Saudi Riyal)
Balance at beginning of the year	41,187,722	24,278,533
Provision for the year	37,102,712	8,366,222
	<b>78,290,434</b>	<b>32,644,755</b>
Transferred to Ultimate Parent Company	--	--
Paid during the year	(27,069,077)	(14,350,700)
<b>Balance at end of the year</b>	<b>51,221,357</b>	<b>18,294,055</b>

### 16. Dividends

#### A) Dividends Distribution Policy

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10% of the net profit shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue said deductions when the statutory reserve amounts to 30% of the Company's share capital.
- The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve, to be allocated towards one or more specific purposes.
- The Ordinary General Assembly may resolve to set aside other reserves, to the extent that doing so serves the interest of the Company or ensures the distribution of as stable a dividend as possible to shareholders. Said assembly may also deduct amounts from the net profits for the establishment of social institutions for the Company's employees, or to help existing institutions.
- Out of the balance of the net profits, shareholders shall be paid an initial payment amounting to 5% of the Company's paid-up capital.
- Without prejudice to the provisions of Article 21 hereof and Article 76 of the Companies' Law, no more than 5% of the remainder shall be allocated to remunerate the directors, provided that the remuneration is commensurate with the respective number of sessions attended by each member.
- The remainder shall then be distributed to shareholders as an additional share of profits or deferred to the following years as approved by the General Assembly.
- The Board of Directors may resolve to distribute periodic dividends deducted from the annual profits specified in paragraph (4) of this article in accordance with the rules governing said distribution as issued by the competent authorities.

**B) Dividends Distribution for the periods of the short financial year 2022 (From 01-Apr-2022 to 31-Dec-2022):**

Distribution Period	Distribution Date	Amount Per Share (SAR)	Total Distribution Amount (SAR Mn)	Period Net Income (SAR Mn)	% Of Distribution to Net Income
<b>First Half</b>	12-Feb-2023	0.75	356.25	374.1	95.2%
<b>Remaining period</b>	Until the issuance of this report, Dividend distribution has not been decided for the remaining period of the short financial year 2022.				

## 17. Investments and Reserves Made for the Benefit of Employees

There are no investments or reserves created for the benefit of employees other than those determined according to the labor system in the Kingdom.

## 18. Fines and Penalties

No penalties have been imposed on the Company by the Capital Market Authority during the short fiscal year 2022 (financial period from 01-Apr-2022 to 31-Dec-2022).

## 19. Shareholders Register Applications

The below table summarizes the number and dates of Shareholders Register applications requested by the Company and the reasons for that during the short fiscal year ended on 31 December 2022:

No.	Date	Reason
1	04-Apr-2022	Company's procedures
2	10-May-2022	Company's procedures
3	16-Jun-2022	Shareholders General Assembly
4	13-Jul-2022	Dividend Distribution related to 2nd half of FY2021
5	02-Aug-2022	Company's procedures
6	28-Sep-2022	Shareholders General Assembly
7	28-Dec-2022	Shareholders General Assembly

## 20. Major Shareholders List

Below is the major shareholders list of the Company, and movements during the short fiscal year 2022, and a description of any interest in a class of voting shares held by persons (other than the Company's directors, senior executives and their relatives) who have notified the Company of their holdings, together with any change to such interests during the last fiscal year:

No.	Name	Shares at Beginning of Year (Millions)	% Of Capital	Shares at the Year End	% Of Capital	Change (Millions)	% Change
1	FAS Real Estate Co.	197.4	41.6%	197.4	41.6%	0.0	0.0%
2	Mr. Fawaz Al-Hokair	40.9	8.6%	40.9	8.6%	0.0	0.0%
3	Eng. Salman Al-Hokair	38.0	8.0%	38.0	8.0%	0.0	0.0%
4	Dr. Abdulmajid Al-Hokair	38.0	8.0%	38.0	8.0%	0.0	0.0%
5	Al Farida Al-Thaniah Co.	19.0	4.0%	19.0	4.0%	0.0	0.0%
6	Al Farida Al-Thalitha Co.	19.0	4.0%	18.7	3.9%	-0.3	-1.7%
7	Al Farida Al-Oula Co.	5.3	1.1%	4.8	1.0%	-0.5	-9.4%
8	SAAF Al-Alamiya Co.	3.9	0.8%	1.7	0.4%	-2.2	-56.4%
<b>Total</b>		<b>361.5</b>	<b>76.1%</b>	<b>358.5</b>	<b>75.5%</b>	<b>-3</b>	<b>-0.8%</b>

Declaration: Regarding the declaration of movements in major shareholders' ownership in accordance with listing rules, the Company confirms that it has not received any written notification during the short fiscal year ended on 31 December 2022 from any of its major shareholders indicating any changes or movement in their ownership percentages. The disclosed information is based on the Saudi Stock Exchange (Tadawul) records on 31 December 2022.

## 21. Board of Directors Declarations

- No third party has carried out an assessment of the performance of the Board of Directors and performance of its committees. However, the Board of Directors conducted a self-evaluation of the board and committees' performance, and results were compiled, analyzed, shared, and discussed at the board level with areas of improvement prioritized for immediate action.
- There is no conflict between the recommendations of the Audit Committee and the Board resolutions regarding appointing or dismissing the Company's External Auditor, or determining its remuneration, assessing its performance and independence or appointing the Internal Auditor.
- There are no interests in any class of voting shares for anyone (except to the Board members and senior executives and their relatives) who have notified the Company with these interests, and any changes in these rights during the last fiscal year.
- No convertible debt instruments, contractual securities, subscription right notes or similar rights were issued/ granted by the Company during the financial year.
- No conversion or subscription rights under any convertible debt instruments, contractual securities, subscription right notes or similar rights were issued or granted by the Company.
- There was no redemption, purchase or cancellation by the Company of any redeemable debt instruments.
- No shareholder of the Company has waived any rights to dividends.
- No investments or reserves were made or set up for the benefit of the employees of the Company.
- The auditor's report does not contain any reservation about the approved annual financial statements.
- The Board of Directors did not recommend replacing the external auditor before the end of their term.
- There are no treasury shares retained by the Company.
- There is no inconsistency with the standards approved by the Saudi Organization for Certified Public Accountants.
- The Board of Directors declares the following:
  - Proper books of accounts have been maintained.
  - The system of internal control is sound in design and has been effectively implemented.
  - There are no significant doubts concerning the Company's ability to continue as a going concern.



# 06

## Financial Statements







KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

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.



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"><li>– Assessed the Group accounting policies by considering the requirements of the relevant accounting standards;</li><li>– Assessed the design and implementation, and tested the operating effectiveness of both manual and automated controls over:<ul style="list-style-type: none"><li>○ The accuracy and validity of the input of key terms of the contract,</li><li>○ Tenant's acknowledgement to the amendments of lease contracts including modified and terminated leases; and</li><li>○ Recognition of revenue accurately over the term of the lease contracts.</li></ul></li><li>– Evaluated key contractual arrangements including rental discounts by considering relevant documentation and agreements with customers;</li><li>– 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;</li><li>– Obtained on a sample basis, accounts receivable balance confirmations from the Group's tenants and investigated any discrepancies;</li><li>– Tested manual journal entries posted to the revenue accounts to identify any unusual items;</li><li>– Performed cut off procedures to assess that revenue was recognised in the correct period; and</li><li>– Evaluated the disclosures included in the consolidated financial statements.</li></ul>





## 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"> <li>– 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;</li> <li>– 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;</li> <li>– 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;</li> <li>– 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;</li> <li>– 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.</li> <li>– 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</li> <li>– Evaluated the adequacy of the financial statement disclosures, including disclosure of key assumptions, judgements and sensitivities.</li> </ul>



## Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

### Other Information

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

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

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

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

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

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

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

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

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

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

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

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



## Independent Auditor's Report

To the Shareholders of Arabian Centres Company (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Arabian Centres Company ("the Company") and its subsidiaries ("the Group")**.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### KPMG Professional Services

Hani Hamzah A. Bedairi  
License No: 460



Al Riyadh, 18 Ramadan 1444H  
Corresponding to: 9 April 2023

### 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
<b>Assets</b>				
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
<b>Non-current assets</b>		<b>23,411,238,984</b>	<b>24,372,095,886</b>	<b>23,605,363,798</b>
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
		<b>2,059,739,943</b>	<b>1,713,830,289</b>	<b>1,533,143,359</b>
Asset held for sale	8A	405,880,057	—	4,674,647
<b>Current assets</b>		<b>2,465,620,000</b>	<b>1,713,830,289</b>	<b>1,537,818,006</b>
<b>Total assets</b>		<b>25,876,858,984</b>	<b>26,085,926,175</b>	<b>25,143,181,804</b>
<b>Equity</b>				
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
<b>Equity attributable to the shareholders of the Company</b>		<b>14,019,117,922</b>	<b>13,540,947,394</b>	<b>13,471,202,170</b>
<b>Non-controlling interest</b>		<b>49,482,783</b>	<b>44,397,258</b>	<b>69,619,848</b>
<b>Total equity</b>		<b>14,068,600,705</b>	<b>13,585,344,652</b>	<b>13,540,822,018</b>
<b>Liabilities</b>				
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
<b>Non-current liabilities</b>		<b>9,893,419,207</b>	<b>10,990,377,485</b>	<b>10,475,818,005</b>
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
<b>Current liabilities</b>		<b>1,914,839,072</b>	<b>1,510,204,038</b>	<b>1,126,541,781</b>
<b>Total liabilities</b>		<b>11,808,258,279</b>	<b>12,500,581,523</b>	<b>11,602,359,786</b>
<b>Total equity and liabilities</b>		<b>25,876,858,984</b>	<b>26,085,926,175</b>	<b>25,143,181,804</b>

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)
<b>Gross profit</b>		<b>1,411,536,752</b>	<b>1,678,040,468</b>	<b>1,231,985,560</b>
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)
<b>Operating profit</b>		<b>1,130,366,824</b>	<b>1,134,219,231</b>	<b>838,631,324</b>
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)
<b>Net finance costs</b>		<b>(249,111,684)</b>	<b>(329,195,982)</b>	<b>(247,913,175)</b>
Share from loss of equity-accounted investee	12	(7,159,334)	(15,044,401)	(4,000,000)
<b>Profit before zakat</b>		<b>874,095,806</b>	<b>789,978,848</b>	<b>586,718,149</b>
Zakat charge	24	(37,102,712)	(39,769,923)	(8,366,222)
<b>Profit for the period / year</b>		<b>836,993,094</b>	<b>750,208,925</b>	<b>578,351,927</b>
<b>Profit for the period / year is attributable to:</b>				
- 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)
		<b>836,993,094</b>	<b>750,208,925</b>	<b>578,351,927</b>
<b>Earnings per share</b>				
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
<b>Profit for the period / year</b>		<b>836,993,094</b>	<b>750,208,925</b>	<b>578,351,927</b>
<b>Other comprehensive income/ (loss)</b>				
Items that are or may be reclassified subsequently to consolidated statement of profit or loss:				
- 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)	--	--
Items that will not be reclassified to consolidated statement of profit or loss:				
- Re-measurement of defined benefit liability	21A	1,473,615	649,885	(1,154,774)
<b>Total comprehensive income for the period / year</b>		<b>839,506,053</b>	<b>757,022,634</b>	<b>579,246,035</b>
<b>Total comprehensive income for the period / year attributable to:</b>				
- 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)
		<b>839,506,053</b>	<b>757,022,634</b>	<b>579,246,035</b>

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 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
Impact of restatement due to change in accounting policy (note 36)	--	--	--	--	7,420,103,232	7,420,103,232	68,300,273
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
<b>Total comprehensive income for the year - Restated</b>							
Profit for the year	--	--	--	--	775,431,515	775,431,515	(25,222,590)
Other comprehensive income	--	--	--	6,813,709	--	6,813,709	--
Total comprehensive income for the year	--	--	--	6,813,709	775,431,515	782,245,224	(25,222,590)
Transfers to statutory reserve	--	--	77,543,151	--	(77,543,151)	--	--
Dividends	--	--	--	--	(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
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
<b>Total comprehensive income for the period</b>							
Profit for the period	--	--	--	--	831,907,569	831,907,569	5,085,525
Other comprehensive income	--	--	--	2,512,959	--	2,512,959	--
Total comprehensive income for the period	--	--	--	2,512,959	831,907,569	834,420,528	5,085,525
Transfers to statutory reserve	--	--	83,190,757	--	(83,190,757)	--	--
Dividends	--	--	--	--	(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

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

  
Waleed Al-Rebdi  
Chief Financial Officer

  
Alison Rehili-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

Notes	Nine-month period ended 31 December 2022	Year ended 31 March 2022 Restated – Note 36
<b>Cash flows from operating activities:</b>		
Profit before Zakat	874,095,806	789,978,848
Adjustments for:		
- 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
<b>Changes in:</b>		
- 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
<b>Cash generated from operating activities</b>	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)
<b>Net cash from operating activities</b>	871,508,353	1,476,133,882
<b>Cash flows from investing activities:</b>		
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	--
<b>Net cash used in investing activities</b>	(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
<b>Cash flows from financing activities</b>			
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)
<b>Net cash used in financing activities</b>		<b>(480,589,882)</b>	<b>(476,813,169)</b>
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
<b>Cash and cash equivalents at end of the period / year</b>	16	<b>610,445,796</b>	<b>556,127,750</b>
<b>Significant non-cash transactions:</b>			
- 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.

 <b>Walied Al-Rebdi</b> Chief Financial Officer	 <b>Alison Rehill-Erguven</b> Chief Executive Officer	 <b>Fawaz Al-Hokair</b> Chairman
--	--	--

All amounts are presented in Saudi Riyals unless otherwise stated.

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

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.

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 (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 Riyad Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of **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 Riyad Capital Company to manage the fund. The units were subscribed by transfer of a parcel of land, construction work in progress and advances to contractor to the fund with a carrying value of **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.



**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)**

**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.

**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:

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

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

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

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

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.



## 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.

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)**

**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.



## 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**

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

**A. Investment properties**

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

**Presented in consolidated statement of financial position as:**

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

- 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.
- 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.
- On 15 May 2022, there was partial fire outbreak at the Mall of Dahrán in the Eastern Province of Saudi Arabia. The mall was closed for a short period and reopened its doors on 7 June 2022, with an exception to some damaged area that is currently under restoration. The impact of the fire outbreak has been factored in by the valuers in the fair value of the mall as at 31 December 2022.
- 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.
- 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.
- 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 SR	31 March 2022 SR
Shopping malls at owned lands	<b>11,001,779,497</b>	10,977,716,382
Shopping malls at leasehold lands	<b>6,496,382,519</b>	6,997,128,596
Owned lands held as investment properties	<b>290,359,220</b>	544,271,220
Projects under construction – Fair value	<b>4,963,173,142</b>	4,284,402,548
Project under construction – Carried at cost (a)	--	563,034,915
	<b>22,751,694,378</b>	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	<b>17,498</b>	Discounted cash flows	Occupancy (%)	66% - 100%
			Future rent growth (%)	2% - 5%
			Discount rate (%)	10% - 21%
Projects under construction	<b>4,964</b>	Discounted cash flows – Residual method	Occupancy (%)	90% - 95%
			Future rent growth (%)	2%
			Discount rate (%)	12% - 16%
Owned land	<b>290</b>	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	<b>17,975</b>	Discounted cash flows	Occupancy (%)	73% - 99%
			Future rent growth (%)	2% - 5%
			Discount rate (%)	8% - 18%
Projects under construction	<b>4,285</b>	Discounted cash flows – Residual method	Occupancy (%)	90% - 95%
			Future rent growth (%)	2%
			Discount rate (%)	14% - 16%
Owned land	<b>544</b>	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:

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

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

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

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

Discounted flows	cash	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	
			<b>31 December 2022</b>	31 March 2022	<b>31 December 2022</b>	31 March 2022
Lynx Contracting Company	Limited Liability	Affiliate	<b>275,070,858</b>	711,920,602	<b>720,068,772</b>	595,352,020
Others	--	--	--	--	<b>9,858,285</b>	9,923,568
					<b>729,927,057</b>	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:

	<b>Notes</b>	<b>31 December 2022</b>	31 March 2022
Balance at beginning of the period / year		<b>3,804,207,572</b>	3,860,533,052
Additions during the period /year		--	--
Lease payments during the period /year		<b>(252,237,021)</b>	(256,654,383)
Rent concessions during the period /year		<b>(2,812,500)</b>	--
Remeasurement of lease liabilities	9C	<b>(479,055,119)</b>	--
Disposal on sale of subsidiary	34	<b>(558,955,429)</b>	--
Interest expense during the period /year		<b>102,262,967</b>	162,339,246
Interest capitalized for projects under construction		<b>25,865,912</b>	37,989,657
<b>Balance at end of the period / year</b>		<b>2,639,276,382</b>	3,804,207,572
		<b>31 December 2022</b>	31 March 2022
Non-current portion of lease liabilities		<b>2,383,687,028</b>	3,397,752,809
Current portion of lease liabilities		<b>255,589,354</b>	406,454,763
<b>Balance at end of the period / year</b>		<b>2,639,276,382</b>	3,804,207,572

**B. Group Commitments to lease contracts**

	<b>31 December 2022</b>	31 March 2022
Within one year	<b>370,264,495</b>	601,281,362
After one year but not more than five years	<b>932,753,602</b>	1,338,522,449
More than five years	<b>3,045,417,085</b>	4,139,897,349
	<b>4,348,435,182</b>	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
<b>Cost:</b>						
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)	--
<b>Balance at 31 March 2022</b>	<b>146,403,275</b>	<b>96,141,574</b>	<b>3,633,902</b>	<b>50,279,631</b>	<b>--</b>	<b>296,458,382</b>
Additions during the period	<b>180,765</b>	<b>645,209</b>		<b>2,940,652</b>	<b>602,901</b>	<b>4,369,527</b>
Transfers	<b>(2,386,227)</b>	<b>2,502,593</b>		<b>(116,366)</b>	<b>--</b>	<b>--</b>
Disposal	--	--	<b>(613,040)</b>	--	--	<b>(613,040)</b>
<b>Balance at 31 December 2022</b>	<b>144,197,813</b>	<b>99,289,376</b>	<b>3,020,862</b>	<b>53,103,917</b>	<b>602,901</b>	<b>300,214,869</b>
<b>Accumulated depreciation</b>						
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
<b>Balance at 31 March 2022</b>	<b>114,880,863</b>	<b>79,199,958</b>	<b>3,633,902</b>	<b>26,231,980</b>	<b>--</b>	<b>223,946,703</b>
Charge for the period	<b>5,247,327</b>	<b>5,176,622</b>	--	<b>3,044,786</b>	<b>--</b>	<b>13,468,735</b>
Transfers	--	<b>(5,304)</b>	--	<b>5,304</b>	--	--
Disposal	--	--	<b>(613,040)</b>	--	--	<b>(613,040)</b>
<b>Balance at 31 December 2022</b>	<b>120,128,190</b>	<b>84,371,276</b>	<b>3,020,862</b>	<b>29,282,070</b>	<b>--</b>	<b>236,802,398</b>
<b>Carrying amounts:</b>						
At 31 March 2022	<b>31,522,412</b>	<b>16,941,616</b>	--	<b>24,047,651</b>	<b>--</b>	<b>72,511,679</b>
At 31 December 2022	<b>24,069,623</b>	<b>14,918,100</b>	--	<b>23,821,847</b>	<b>602,901</b>	<b>63,412,471</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine-month period ended 31 December 2022

11. Development properties

	Notes	31 December 2022	31 March 2022
<b>Cost</b>			
Balance at the beginning of the period / year		<b>292,853,450</b>	--
Transferred from investment properties	8A, i	--	269,403,007
Additions during the period / year		<b>52,830,271</b>	23,450,443
Balance at the end of the period / year		<b>345,683,721</b>	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	<b>63,714,723</b>	63,783,826
Investment in a real estate fund at FVTPL	12B	<b>1,159,414</b>	6,597,972
		<b>64,874,137</b>	70,381,798

A. Investment in a Joint venture

Name of an entity	31 December 2022	31 March 2022
FAS Lab Holding Company	<b>63,714,723</b>	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
<b>31 December 2022</b>	<b>63,783,826</b>	<b>8,013,722</b>	<b>(7,159,334)</b>	<b>(923,491)</b>	<b>63,714,723</b>
31 March 2022	--	78,828,227	(15,044,401)	--	63,783,826

- ii. Summarized financial statements

	31 December 2022	31 March 2022
Assets	<b>294,510,053</b>	267,709,353
Liabilities	<b>(136,527,133)</b>	(133,385,334)
<b>Net Assets</b>	<b>157,982,920</b>	134,324,019
<b>Net assets attributable to owners of investee (excluding NCI)</b>	<b>123,268,440</b>	123,804,013
Share of net assets (50%)	<b>61,634,220</b>	61,902,006
<b>Adjustments – Due to additional contribution</b>	<b>2,080,503</b>	1,881,820
<b>Carrying amount of investee</b>	<b>63,714,723</b>	63,783,826
Revenue	<b>389,720,819</b>	133,145,330
Loss from continuing operations	<b>(12,685,030)</b>	(38,339,655)
Total comprehensive loss	<b>(11,140,002)</b>	(37,851,576)
Loss for the period / year attributable to shareholders of the Company	<b>(14,318,667)</b>	(30,088,802)
Share of loss for the period / year	<b>(7,159,334)</b>	(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)	<b>1,159,414</b>	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	<b>5,975,840</b>
<b>Revaluation adjustments</b>	
Unrealized loss to consolidated statement of profit or loss	<b>622,132</b>
<b>Balance at 31 March 2022</b>	<b>6,597,972</b>
Balance at 1 April 2022	<b>6,597,972</b>
<b>Revaluation adjustments</b>	
Unrealized gain to consolidated statement of profit or loss	<b>381,442</b>
<b>Movement</b>	
Disposals	<b>(5,820,000)</b>
<b>Balance at 31 December 2022</b>	<b>1,159,414</b>

**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		<b>559,615,062</b>	419,644,140
Less: Impairment loss on accounts receivable	(i)	<b>(171,400,842)</b>	(180,657,894)
		<b>388,214,220</b>	238,986,246

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

**13. Accounts receivable (continued)**

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

	31 December 2022	31 March 2022
Balance at 1 April	<b>180,657,894</b>	184,048,213
Impairment charge for the period / year	<b>68,710,474</b>	31,158,023
Write-off	<b>(77,967,526)</b>	(34,548,342)
	<b>171,400,842</b>	180,657,894
<b>Amounts directly charged to consolidated statement of profit and loss (a) - Impairment of accrued revenue</b>	<b>14,604,898</b>	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	<b>3,398,489</b>	2,524,989
Salaries and short-term benefits	<b>10,673,287</b>	14,681,500
Other remuneration and benefits	--	26,102,213
<b>Total key management compensation</b>	<b>14,071,776</b>	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	<b>417,815,065</b>	325,270,527
Amount due to related parties	<b>(6,339,458)</b>	--
	<b>411,475,607</b>	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)

*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	
<b>31 December 2022</b>							
<b>Transactions with ultimate shareholder</b>							
Saudi FAS Holding Company	(i)	Closed Joint Stock Company	2,030,205	-	539,818	2,570,023	--
<b>Transactions with fellow subsidiaries (subsidiaries of shareholder)</b>							
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
<b>31 March 2022</b>							
<b>Transactions with ultimate shareholder</b>							
Saudi FAS Holding Company	(i)	Closed Joint Stock Company	1,980,812	-	36,229,922	38,210,734	47,146,009
<b>Transactions with fellow subsidiaries (subsidiaries of shareholder)</b>							
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

- 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.
- 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.
- 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.
- 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.
- 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 Yasmeen Mall Jeddah. The term of the lease is approximately 10 years.
- 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.
- 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	30B 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

	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
<b>Loans and Borrowings - Current liabilities</b>	<b>903,315,625</b>	<b>277,570,313</b>
<b>Loans and Borrowings - Non current liabilities</b>	<b>7,433,674,604</b>	<b>7,513,603,269</b>
	<b>8,336,990,229</b>	<b>7,791,173,582</b>

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the 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.

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)

#### 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)
	(i) 2,723,415,669	5,156,200,000	7,879,615,669
Un-amortized transaction costs	(ii) (53,463,354)	(67,890,041)	(121,353,395)
Deferred Sukuk premium	(iii) --	32,911,308	32,911,308
<b>Balance at 31 March 2022</b>	<b>2,669,952,315</b>	<b>5,121,221,267</b>	<b>7,791,173,582</b>
Balance at 1 April 2022	<b>2,723,415,669</b>	<b>5,156,200,000</b>	<b>7,879,615,669</b>
Proceeds received during the period	<b>638,308,994</b>	<b>--</b>	<b>638,308,994</b>
Repayments made during the period	<b>(102,563,584)</b>	<b>--</b>	<b>(102,563,584)</b>
	(i) <b>3,259,161,079</b>	<b>5,156,200,000</b>	<b>8,415,361,079</b>
Un-amortized transaction costs	(ii) <b>(52,318,152)</b>	<b>(53,478,788)</b>	<b>(105,796,940)</b>
Deferred Sukuk premium	(iii) <b>--</b>	<b>27,426,090</b>	<b>27,426,090</b>
<b>Balance at 31 December 2022</b>	<b>3,206,842,927</b>	<b>5,130,147,302</b>	<b>8,336,990,229</b>

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

	Islamic facility with banks	Sukuk	Total
<b>31 March 2022</b>			
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
	<b>2,723,415,669</b>	<b>5,156,200,000</b>	<b>7,879,615,669</b>
<b>31 December 2022</b>			
Within one year	<b>903,315,625</b>	<b>--</b>	<b>903,315,625</b>
Between two to five years	<b>1,312,147,537</b>	<b>5,156,200,000</b>	<b>6,468,347,537</b>
More than five years	<b>1,043,697,917</b>	<b>--</b>	<b>1,043,697,917</b>
	<b>3,259,161,079</b>	<b>5,156,200,000</b>	<b>8,415,361,079</b>

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the 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)
<b>Balance at 31 March 2022</b>		<b>53,463,354</b>	<b>67,890,041</b>	<b>121,353,395</b>
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)
<b>Balance at 31 December 2022</b>		<b>52,318,152</b>	<b>53,478,788</b>	<b>105,796,940</b>

iii. Deferred Sukuk premium

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

	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)
<b>Balance at 31 March 2022</b>	<b>32,911,308</b>	<b>32,911,308</b>
Balance at 1 April 2022	32,911,308	32,911,308
Amortization for the period	(5,485,218)	(5,485,218)
<b>Balance at 31 December 2022</b>	<b>27,426,090</b>	<b>27,426,090</b>

### 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.

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

### 21. Employee benefits (Continued)

#### A. Movement in employee benefits liability

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

#### B. Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	31 December 2022	31 March 2022
<b>Economic assumptions</b>		
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
<b>Accounts payable</b>			
Accounts payable	(i)	118,951,524	135,545,542
		<b>118,951,524</b>	<b>135,545,542</b>
<b>Other liabilities</b>			
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
		<b>340,312,155</b>	<b>380,215,295</b>
<b>Accounts payable and other liabilities</b>		<b>459,263,679</b>	<b>515,760,837</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

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

For the nine-month period ended 31 December 2022

## 22. Accounts payable and other liabilities (Continued)

- 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.
- 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.
- Movement in accrued finance cost is as follows:

	Note	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
<b>Balance at end of the period / year</b>		<b>77,823,293</b>	<b>152,188,605</b>

## 23. Contract balances

- 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.
- 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
	<b>273,589,239</b>	<b>359,809,740</b>
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
	<b>273,589,239</b>	<b>359,809,740</b>

## 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
<b>Zakat at 2.5% (higher of adjusted net income or Zakat base)</b>	<b>37,102,712</b>	<b>41,992,138</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

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

For the 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)
		<b>37,102,712</b>	<b>39,769,923</b>
Payments		(27,069,077)	(22,860,734)
<b>Balance at end of the period / year</b>		<b>51,221,357</b>	<b>41,187,722</b>

### 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
		<b>1,687,534,280</b>	<b>2,037,485,632</b>	<b>1,518,317,628</b>

- 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
	<b>3,938,894,302</b>	<b>4,036,230,190</b>	<b>4,175,037,567</b>

All amounts are presented in Saudi Riyals unless otherwise stated.



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

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

For the 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
	<b>275,997,528</b>	<b>359,445,164</b>	<b>286,332,068</b>

#### 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	--
		<b>3,572,849</b>	<b>27,425,335</b>	<b>7,407,717</b>

##### 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
	<b>28,544,793</b>	<b>25,440,649</b>	<b>15,801,526</b>

##### 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
		<b>207,068,519</b>	<b>248,316,660</b>	<b>173,788,624</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

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

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

For the nine-month period ended 31 December 2022

#### 27. Income and expenses(Continued)

##### D. Other operating expenses

	Note	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>
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
		<b>26,574,648</b>	<b>30,324,808</b>	<b>1,259,124</b>

##### E. Finance costs over loans and borrowings

	Notes	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
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
		<b>146,848,717</b>	<b>166,856,736</b>	<b>126,065,291</b>

#### 28.Earnings per share

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

	Note	Nine-month 31 December 2022	Year ended 31 March 2022	Nine-month 31 December 2021
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
<b>Basic and diluted earnings per share</b>		<b>1.75</b>	<b>1.63</b>	<b>1.26</b>

#### 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.

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**

**A. Accounting classification and fair values**

Financial instruments have been categorized as follows:

<b>Financial Assets</b>	<b>Notes</b>	<b>31 December 2022</b>	<b>31 March 2022</b>
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
		<b>1,529,164,860</b>	<b>1,226,170,212</b>
<b>Financial Liabilities</b>			
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
		<b>11,464,393,019</b>	<b>12,141,150,800</b>

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

	31 December 2022				
	Carrying amount	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
	31 March 2022				
	Carrying amount	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

- a) The valuation is derived based on net asset value of the fund which is based on market multiples derived from comparable companies to the investee and adjusted for non-marketability of the investee.
- b) The fair value of commission rate swaps 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.

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)

##### ii. Liquidity risk

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

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

Contractual maturities of financial liabilities:	Carrying amount	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>31 December 2022</b>							
Accounts payable	118,951,524	118,951,524	--	--	--	--	118,951,524
Tenants' security deposits	158,673,106	93,131,320	17,970,317	29,753,414	17,383,624	434,429	158,673,104
Other liabilities	204,162,320	204,162,320	--	--	--	--	204,162,320
Due to related parties	6,339,458	6,339,458	--	--	--	--	6,339,458
Lease liabilities	2,639,276,382	195,135,113	175,129,382	254,286,890	678,466,712	3,045,417,085	4,348,435,182
Loans and borrowings	8,336,990,229	1,076,009,249	321,974,381	2,516,369,539	5,154,645,105	1,255,230,891	10,324,229,165
	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
<b>31 March 2022</b>							
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
<b>Floating rate debt:</b>		
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.

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)

##### iv. Capital management risk

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

The Group's objectives when managing capital are:

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

### 31. Commitments and contingencies

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

- 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).

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

### 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

- 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)	<b>557,480,304</b>
Due from related party	<b>2,293,125</b>
Accruals	<b>(78,100)</b>
Lease liability (note 9)	<b>(558,955,429)</b>
<b>Net assets</b>	<b>739,900</b>

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

- 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
<b>31 December 2022</b>				
<b>Assets</b>				
Investment properties	<b>206,622,266</b>	<b>1,413,734,581</b>	<b>2,454,020,995</b>	--
Cash and cash equivalents	--	<b>7,536,666</b>	--	<b>40,488,162</b>
Other assets	<b>24,211,347</b>	<b>272,652</b>	<b>200,000</b>	--
	<b>230,833,613</b>	<b>1,421,543,899</b>	<b>2,454,220,995</b>	<b>40,488,162</b>
<b>Liabilities</b>				
Loans and borrowings	--	<b>58,828,677</b>	--	--
Lease liabilities	<b>77,301,026</b>	--	--	--
Other liabilities	<b>52,908,921</b>	<b>8,059,529</b>	<b>12,997,219</b>	<b>4,823,075</b>
	<b>130,209,947</b>	<b>66,888,206</b>	<b>12,997,219</b>	<b>4,823,075</b>
<b>Net assets</b>	<b>100,623,666</b>	<b>1,354,655,693</b>	<b>2,441,223,776</b>	<b>35,665,087</b>

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
<b>31 March 2022</b>				
<b>Assets</b>				
Investment properties	213,607,106	--	--	253,812,000
Other assets	17,627,408	--	--	--
	231,234,514	--	--	253,812,000
<b>Liabilities</b>				
Loans and borrowings	--	--	--	--
Lease liabilities	89,155,122	--	--	--
Other liabilities	53,284,876	--	--	--
	142,439,998	--	--	--
Net assets	88,794,516	--	--	253,812,000
<b>Nine-month period ended 31 December 2022</b>				
<b>Statement of profit or loss</b>				
Revenue	<b>32,188,958</b>	--	--	--
Gross profit / (loss)	<b>25,373,815</b>	--	--	--
Profit / (loss) for the period	<b>10,171,051</b>	<b>96,425,777</b>	<b>178,573,923</b>	<b>(36,146,910)</b>
<b>Year ended 31 March 2022</b>				
<b>Statement of profit or loss</b>				
Revenue	36,636,238	--	--	--
Gross profit	24,858,719	--	--	--
Loss for the period	(50,445,180)	--	--	--
<b>Nine-month period ended 31 December 2021</b>				
<b>Statement of profit or loss</b>				
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**

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

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

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

\* 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.

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 (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	<b>(12,501,987)</b>
Depreciation of investment properties	(251,593,311)	251,593,311	--
Other operating expense	--	(1,259,124)	<b>(1,259,124)</b>
Net fair value loss on investment properties	--	(136,690,420)	<b>(136,690,420)</b>
<b>Profit for the period</b>	327,245,605	251,106,322	<b>578,351,927</b>
<b>Total comprehensive income for the period</b>	328,139,713	251,106,322	<b>579,246,035</b>
<b>Earnings per share – Basic and diluted</b>	0.69	0.57	<b>1.26</b>

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	<b>(16,669,319)</b>
Depreciation of investment properties	(343,048,949)	343,048,949	--
Other operating expenses	(32,106,705)	1,781,897	<b>(30,324,808)</b>
Net fair value loss on investment properties	--	(210,816,079)	<b>(210,816,079)</b>
<b>Profit for the year</b>	433,848,843	316,360,082	<b>750,208,925</b>
<b>Total comprehensive income for the year</b>	440,662,552	316,360,082	<b>757,022,634</b>
<b>Earnings per share – Basic and diluted</b>	0.91	0.72	<b>1.63</b>

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	<b>(5,550,331)</b>
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)	<b>3,572,849</b>
Other operating expenses	(1,438,792)	(25,135,856)	<b>(26,574,648)</b>
Net fair value gain on investment properties	--	60,760,555	<b>60,760,555</b>
<b>Profit for the period</b>	483,826,600	353,166,494	<b>836,993,094</b>
<b>Total comprehensive income for the period</b>	486,339,559	353,166,494	<b>839,506,053</b>
<b>Earnings per share – Basic and diluted</b>	1.02	0.73	<b>1.75</b>

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

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

**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).

All amounts are presented in Saudi Riyals unless otherwise stated.





Cenomi Centers