

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim
Financial Statements (Unaudited)
For the three-month period ended
31 March 2019
With the
INDEPENDENT AUDITOR'S REVIEW REPORT

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2019

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

To the shareholders of Al-Andalus Property Company

Introduction

We have reviewed the accompanying 31 March 2019 condensed consolidated interim financial statements of Al-Andalus Property Company (the "Company") (Saudi Joint Stock Company) and its subsidiaries (the "Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2019;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2019;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2019;
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

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

To the shareholders of Al-Andalus Property Company (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2019 condensed consolidated interim financial statements of Al-Andalus Property Company (the "Company") and its subsidiaries (the "Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The condensed consolidated interim financial statements of Al-Andalus Property Company (the "Company") and its subsidiaries (the "Group") for the three-month period ended 31 March 2018 were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 21 Sha'ban 1439H corresponding to 7 May 2018.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371

Date: 3 Ramadan 1440H
Corresponding to: 8 May 2019



ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2019

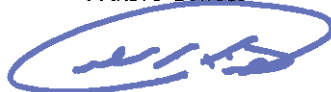
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	31 March 2019 (unaudited)	31 December 2018 (audited)
ASSETS			
Non-current assets			
Investment properties	7	505,354,529	505,866,559
Properties and equipment	6	193,850,682	195,759,311
Right-of-use assets	4	99,873,579	-
Investments in associates	8	495,835,406	493,988,554
Total non-current assets		1,294,914,196	1,195,614,424
Current assets			
Receivable from operating leases		39,634,014	26,097,810
Prepayments and other debit balances		9,760,603	3,977,706
Due from related parties	12	16,918,981	17,124,796
Financial instruments at fair value through profit or loss		16,080,775	58,111,578
Cash and cash equivalents	9	179,919,137	145,111,774
Total current assets		262,313,510	250,423,664
Total assets		1,557,227,706	1,446,038,088
EQUITY AND LIABILITIES			
Equity			
Share capital		700,000,000	700,000,000
Statutory reserve		88,925,263	88,925,263
Retained earnings		346,136,436	347,411,134
Equity attributable to shareholders of the Company		1,135,061,699	1,136,336,397
Non-controlling interests		199,986,025	211,454,555
Total equity		1,335,047,724	1,347,790,952
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits obligations		5,281,505	5,074,706
Lease liability on right-of-use assets	4	138,453,036	-
Accrued operating leases		-	9,724,527
Total non-current liabilities		143,734,541	14,799,233
Current liabilities			
Advances from leasees and deferred revenue		37,456,780	34,663,463
Lease liability on right-of-use assets - current portion	4	873,333	-
Islamic Tawarruq facilities - current portion		-	1,822,767
Due to a related party	12	1,815,033	330,145
Zakat provision		13,449,950	13,305,708
Accruals and other credit balances		24,850,345	33,325,820
Total current liabilities		78,445,441	83,447,903
Total liabilities		222,179,982	98,247,136
Total liabilities and equity		1,557,227,706	1,446,038,088

Fawaz Abdulaziz Bin Huwail
Chief Financial Officer



Hathal Bin Saad Alutaibi
Chief Executive Officer



Dr. Abdulrahman Mohammed Albarrak
Authorized board member



The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

ALANDALUS PROPERTY COMPANY

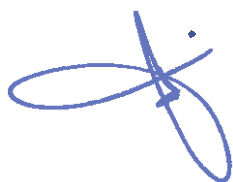
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)****For the period ended 31 March 2019**

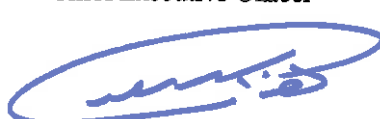
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	For the three-month period ended 31 March	
		2019 (Unaudited)	2018 (Unaudited)
Revenue	13	39,995,807	40,785,014
Cost of revenue	13	(16,417,607)	(15,999,500)
Gross profit		23,578,200	24,785,514
General and administrative expenses		(6,698,517)	(7,955,209)
Marketing expenses		(81,082)	(201,187)
Share of income from associates	8	10,021,852	11,173,494
Other income	13	2,265,703	1,050,652
Operating profit		29,086,156	28,853,264
Interest expense on lease liabilities	4	(1,818,370)	-
Islamic tawarruq finance cost		(3,384)	(1,098,372)
Profit before Zakat		27,264,402	27,754,892
Zakat expense		(144,242)	(420,145)
Profit for the period		27,120,160	27,334,747
Attributable to:			
Equity holders of the Company		20,276,549	20,522,455
Non-controlling interests		6,843,611	6,812,292
		27,120,160	27,334,747
<u>Other comprehensive income</u>			
Actuarial (losses)/gains from re-measurement of employees' end of service benefits obligations		-	-
Comprehensive income		27,120,160	27,334,747
Comprehensive income attributable to:			
Equity holders of the Company		20,276,549	20,522,455
Non-controlling interests		6,843,611	6,812,292
		27,120,160	27,334,747
Earnings per share			
Basic and diluted earnings per share from net income of the Period	10	0.29	0.29

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Authorized board member



The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 31 March 2019

(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Equity Attributable to Shareholders of The Company	Non-Controlling Interests	Total
For the three-month period ended 31 March 2019 (Unaudited)						
Balance as at 1 January 2019 (Audited)	700,000,000	88,925,263	347,411,134	1,136,336,397	211,454,555	1,347,790,952
Impact of change in accounting policy (note 4)	-	-	(21,551,247)	(21,551,247)	(4,354,074)	(25,905,321)
Restated balance as at 1 January 2019	700,000,000	88,925,263	325,859,887	1,114,785,150	207,100,481	1,321,885,631
Net income for the period	-	-	20,276,549	20,276,549	6,843,611	27,120,160
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	-	-	20,276,549	20,276,549	6,843,611	27,120,160
Movement in non-controlling interests	-	-	-	-	16,933	16,933
Dividend from a subsidiary to non-controlling interests	-	-	-	-	(13,975,000)	(13,975,000)
Balance as at 31 March 2019 (Unaudited)	700,000,000	88,925,263	346,136,436	1,135,061,699	199,986,025	1,335,047,724
For the three-month period ended 31 March 2018 (Unaudited)						
Balance as at 1 January 2018 (Audited)	700,000,000	84,125,638	444,214,504	1,228,340,142	192,277,369	1,420,617,511
Net income for the period	-	-	20,522,455	20,522,455	6,812,292	27,334,747
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	-	-	20,522,455	20,522,455	6,812,292	27,334,747
Balance as at 31 March 2018 (Unaudited)	700,000,000	84,125,638	464,736,959	1,248,862,597	199,089,661	1,447,952,258

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ALANDALUS PROPERTY COMPANY

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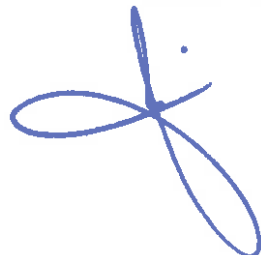
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**For the period ended 31 March 2019**

(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2019	2018
Operating activities:			
Profit before Zakat		27,264,402	27,754,892
Adjustments :			
Depreciation of investment property		2,768,346	2,612,782
Depreciation of properties and equipment		2,115,334	2,321,417
Depreciation of right-of-use assets		991,770	-
Share of income from associates	8	(10,021,852)	(11,173,494)
Employees' end of service benefits obligations		206,799	201,177
Utilized provision of lessees discounts		-	(66,545)
Islamic tawarruq finance cost		3,384	1,098,372
Interest expense on lease liabilities	4	1,818,370	-
Changes in :			
Receivables from operating leases		(13,536,204)	3,450,650
Prepayments and other debit balances		(5,782,897)	(2,468,169)
Related parties balances		2,411,063	(1,208,963)
Accrued operating leases		(871,595)	(3,457,479)
Advances from leasees and deferred revenue		2,793,317	(478,281)
Accruals and other credit balances		(8,475,475)	3,359,075
Dividends received from associates		8,175,000	16,468,238
Net cash flows from operating activities		9,859,762	38,413,672
Investing activities			
Additions to properties and equipment		(206,705)	(255,707)
Additions to investment property	7	(1,092,279)	(7,681,903)
Sale of financial instruments at fair value through profit or loss		42,030,803	-
Net cash flows generated used in investing activities		40,731,819	(7,937,610)
Financing activities			
Payment for Islamic Tawarruq facilities		(1,826,151)	(103,003,758)
Change in non-controlling interests		(13,958,067)	-
Cash flows used in from financing activities		(15,784,218)	(103,003,758)
Net change in cash and cash equivalents during the period		34,807,363	(72,527,696)
Cash and cash equivalents at the beginning of the period		145,111,774	444,213,231
Cash and cash equivalents at end of the period		179,919,137	371,685,535

- Non-cash Transactions, Note (14)

Fawaz Abdulaziz Bin Huwail
Chief Financial Officer



Hathal Bin Saad Alutaibi
Chief Executive Officer



Dr. Abdulrahman Mohammed Albarrak
Authorized board member



The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the period ended 31 March 2019

(All amounts are expressed in Saudi Riyal unless otherwise stated)

1 INFORMATION ABOUT THE COMPANY

Alandalus Property Company (the "Company") is a Saudi joint stock company established pursuant to the Ministerial Resolution No. 2509 dated 03/09/1427H corresponding to 26/09/2006 approving the declaration of the establishment of the Company. The Company is registered in Riyadh under the Commercial Registration No. 1010224110 dated 17/09/1427H corresponding to 10/10/2006.

The main activities of the Company include construction, ownership and management of centers, commercial and residential complexes in addition to general contracting of residential, commercial buildings, educational, recreational, health institutions, roads, dams, water and sewage projects, electrical and mechanical works. The activities also include maintenance and operation of real estate properties, buildings and commercial complexes as well as ownership, development and investment of lands and real estate properties for the benefit of the Company and based on its purposes.

The Company share capital is 700,000,000 Saudi Riyals divided into 70,000,000 shares with a nominal value of SR 10.

The Head office of the Company is located in Riyadh - Al Wadi District - Northern Ring Road - Alandalus Property Company Building.

The Company's financial year starts on 1 January and ends on 31 December of each Gregorian year.

Alandalus Property Company is referred to as (the "Company") or referred to collectively with its subsidiaries as (the "Group").

2 BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared for the three-month period ended 31 March 2019 in accordance with requirements of IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements accordance with requirements of IFRS endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA"). However, These condensed interim financial statements include some disclosures to explain some significant events and transactions to understand the changes in the Group's financial position and performance since the last annual financial statements.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss.

The Group has to comply with cost model for investment properties and property, plant and equipment for 3 years starting from date of adopting the IFRS in line with the circular issued by CMA on 16 October 2016.

Presentation currency

These condensed consolidated interim financial statements of the Group are presented in Saudi Riyals (SR).

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(UNAUDITED)****For the period ended 31 March 2019**

(All amounts are expressed in Saudi Riyal unless otherwise stated)

3 BASIS OF CONSOLIDATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries listed below for the period ended 31 March 2019.

Name of subsidiary	Country of incorporation	Ownership percentage	
		31 March 2019	31 December 2018
AlAhli REIT Fund 1	Kingdom of Saudi Arabia	68.73%	68.73%
Manafea Al Andalus Company for Real Estate Development	Kingdom of Saudi Arabia	70 %	70 %

Details of subsidiaries are as follows:

AlAhli REIT Fund 1

AlAhli REIT Fund 1 was formed in accordance with capital market authority dated 29 November 2017 (corresponding to 11 Rabia Alawl 1438H). The principal activities of the Fund is investments in investment properties. These properties are Alandalus mall and stay bridge hotel, which are located in Jeddah.

Manafea Al Andalus Company for Real Estate Development

Manafea Al Andalus Company for Real Estate Development was formed as a limited liability company and registered in the Kingdom of Saudi Arabia under Commercial Registration No 1010700657 dated 19 April 2017 (corresponding to 22 Rajab 1438H). The principal activities of the Company include leasing, managing properties owned by others through leasing, commission from properties management, developments activities and investment properties. The subsidiary started its activities during 2018.

4 CHANGES IN ACCOUNTING POLICIES***IFRS 16 Leases***

The Group has adopted IFRS 16 Leases from 1 January 2019.

The Group has adopted and applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

When applying the modified retrospective approach, a lessee does not restate comparative figures. Instead, a lessee recognises the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

For Leases previously classified as operating leases:

- Lessee recognises, a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lessee measures that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
- Lessee recognises, a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lessee chooses, on a lease-by-lease basis, to measure that right-of-use asset its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the period ended 31 March 2019

(All amounts are expressed in Saudi Riyal unless otherwise stated)

4 CHANGES IN ACCOUNTING POLICIES

IFRS 16 Leases (continued)

The details of accounting policies under IAS 17 Leases is disclosed separately if they are different from those under IFRS 16 and the impact of changes are disclosed below:

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a 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 assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Right-of-use assets

The Group recognises 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 comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the period ended 31 March 2019

(All amounts are expressed in Saudi Riyal unless otherwise stated)

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

Short-term leases and lease of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In a comparative period, assets held under operating leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)****For the period ended 31 March 2019**

(All amounts are expressed in Saudi Riyal unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***IFRS 16 Leases (continued)*****Impact on the consolidated financial statements**

On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	For the period ended 31 March 2019
Impact on the consolidated financial statements	
Right-of-use assets presented in the financial statements	101,411,448
Lease liabilities on right-of-use assets	(140,296,296)
Adjustments for deferred rent liability	12,979,527
Net adjustment	(25,905,321)
IFRS 16 adjustment attributable to:	
Retained earnings of equity holders of the Company	(21,551,247)
Non-controlling interests	(4,354,074)
	(25,905,321)
Right-of-use assets	
Assets recognised during the period	101,411,448
Depreciation charge for the period	(1,537,869)
Balance at end of the period	99,873,579
Depreciation charge for the period ended 31 March 2019 has been allocated as follows:	
Cost of revenue	991,770
Investment property (capitalized)	546,099
<i>Lease liabilities</i>	
	For the period ended 31 March 2019
Maturity analysis – contractual undiscounted cash flows	
Less than one year	13,500,000
One to five years	79,990,500
More than five years	199,428,942
Total undiscounted lease liabilities	292,919,442
Discounted Lease liabilities included in the consolidated statement of position as at 31 March 2019	
Current	873,333
Non-current	138,453,036
	139,326,369
<i>Amounts recognised in the statement of profit or loss</i>	For the period ended 31 March 2019
Depreciation on right-of-use assets	991,770
Interest expense on lease liabilities	1,818,370

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the period ended 31 March 2019

(All amounts are expressed in Saudi Riyal unless otherwise stated)

5 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which are significant to the condensed consolidated interim financial statements:

- Fair value of the investment property
- Impairment loss of receivable from operating leases.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)****For the period ended 31 March 2019**

(All amounts are expressed in Saudi Riyal unless otherwise stated)

6 PROPERTY AND EQUIPMENT

As of 31 March 2019, cost of property and equipment amounted to SR 208.7 million (31 December 2018: SR 208.5 million). Accumulated depreciation amounting to SR 14.9 million (31 December 2018: SR 12.8 million).

7 INVESTMENT PROPERTIES

	31 March 2019 (unaudited)	31 December 2018 (audited)
Cost:		
Balance at beginning of the period / year	616,441,839	646,506,093
Additions	2,976,676	20,770,302
Transferred to associate company	-	(50,834,556)
Disposals	(720,360)	-
Balance at end of the period / year	<u>618,698,155</u>	<u>616,441,839</u>
Accumulated depreciation and impairment:		
Balance at beginning of the period / year	(110,575,280)	(98,195,975)
Depreciation charged for the period / year	(2,768,346)	(11,073,386)
Impairment losses	-	(1,305,919)
Balance at end of the period / year	<u>(113,343,626)</u>	<u>(110,575,280)</u>
Net book value	<u>505,354,529</u>	<u>505,866,559</u>

The management has assessed the fair value of the investment properties as of 31 December 2018 and the investment properties fair value is amounted to SR 1.59 billion. The management believes that the fair value as at 31 March 2019 is not materially different from fair value as at 31 December 2018.

The lands and the buildings classified as investment properties, were assessed by an external valuer to determine their fair value as at 31 December 2018. The external valuation has been made by external valuer that is accredited by the Saudi Authority for Accredited Values (TAQEEM).

The following table shows the valuations techniques used in determining the fair value of investment properties, as well as key unobservable inputs used in valuation models.

Measurement data of fair value according to IFRS 13 as at 31 December 2018 is as follows:

	Fair value measurement at 31 December 2018		
	using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investments properties	-	-	SR 1.59 billion

Valuation techniques used to derivate level 3 of fair value

The valuation mechanism of properties adopted in valuation of investment properties are consistent with the international board for valuation standards as well as guidance of the Saudi Authority for Accredited Valuers (TAQEEM).

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8 INVESTMENTS IN ASSOCIATES

The details of investments in associated are as follow :

	Country of incorporation	Ownership percentage		31 March	31 December
		31 March 2018	31 December 2018	2019 (unaudited)	2018 (audited)
Al-Aswaq Al-Mutatawerah Company	Saudi Arabia	50%	50%	99,436,168	97,622,867
Hamat Property Company	Saudi Arabia	33.4%	33.4%	42,052,747	41,995,288
Hayat Real Estate Company	Saudi Arabia	25%	25%	186,406,218	186,423,778
Soroh Centres Company	Saudi Arabia	25%	25%	49,326,802	49,333,150
West Jeddah Hospital Company	Saudi Arabia	50%	50%	67,656,665	67,656,665
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company	Saudi Arabia	25%	25%	50,956,806	50,956,806
				<u>495,835,406</u>	<u>493,988,554</u>

The following is the movement of investment in associates:

	31 March 2019 (unaudited)	31 December 2018 (audited)
Opening Balance	493,988,554	457,272,802
Share of income	10,021,852	33,260,429
Dividends received	(8,175,000)	(42,212,337)
Impairment Loss	-	(6,014,253)
Investment addition during the year	-	51,681,913
Balance at end of period / year	<u>495,835,406</u>	<u>493,988,554</u>

The Company share of income from associate:

	For the three - month period Ended	
	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Al-Aswaq Al-Mutatawerah Company	3,313,301	3,617,719
Hamat Property Company	57,458	1,034,340
Hayat Real Estate Company	6,657,440	6,527,702
Sorroh Centres Company	(6,347)	(6,267)
	<u>10,021,852</u>	<u>11,173,494</u>

The associate financial information as of 31 March 2019, is derived from management reports of the investee.

West Jeddah Hospital Company and Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company did not commence operation yet.

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9 CASH AND CASH EQUIVALENTS

	31 March 2019 (unaudited)	31 December 2018 (audited)
Cash at banks	<u>79,919,137</u>	<u>75,102,584</u>
Murabha with original maturity is less than 3 months	<u>100,000,000</u>	<u>70,009,190</u>
	<u>179,919,137</u>	<u>145,111,774</u>

10 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income relating to shareholders of the Company by the weighted average number of ordinary shares during the period. Diluted earnings per share is calculated by dividing income for the period by the weighted average number of ordinary shares during the period with an assuming transferring all impaired shares to ordinary shares.

	For the three - month period ended	
	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Net income for the period	<u>20,276,549</u>	<u>20,522,455</u>
Weighted average number of outstanding ordinary shares (share)	<u>70,000,000</u>	<u>70,000,000</u>
Basic and diluted earnings per share (SR)	<u>0.29</u>	<u>0.29</u>

The diluted earnings per share are equal to the basic earnings per share for the period ended 31 March 2019 and 31 March 2018 as there are no instruments with a reduced earnings per share effect.

11 CAPITAL COMMITMENTS

The Group has capital commitments relating to construction contracts of investment properties amounted of SR 2 million as of 31 March 2019 (31 December 2018: SR 3 million).

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12 TRANSACTIONS WITH RELATED PARTIES

In its ordinary course of business, the Group transacts with entities owned by certain shareholders and associates and other related parties.

Management approves terms and conditions of transactions with such parties. These transactions are as follows:

<u>Name of related party</u>	<u>Relationship</u>	<u>Nature of Transaction</u>	<u>31 March 2019 (Unaudited)</u>	<u>31 March 2018 (Unaudited)</u>
Al Aswaq Al Mutatawerah Company	Associate	Expenses	<u>-</u>	<u>35,749</u>
Hayat Real Estate Company	Associate	Expenses	<u>2,731,575</u>	<u>3,157,611</u>
Mohmmad Al-Rajhi Investment Company	Shareholder in a subsidiary	Expenses	<u>16,929</u>	<u>4,620,704</u>
Imtieaz Al-Arabia Company	Related to board of director member	Rent revenue	<u>1,613,300</u>	<u>1,733,200</u>
Global Health care company	Related to board of director member	Rent revenue	<u>2,185,566</u>	<u>2,185,566</u>
Al-Ahli Capital	Fund Manager of AlAhli REIT Fund 1	Operating Services	<u>2,604,403</u>	<u>5,360,515</u>
Hamat Property Company	Associate	Rental Services	<u>789,081</u>	<u>808,000</u>
Hamat Property Company	Associate	Operating Services	<u>504,838</u>	<u>871,000</u>
Hamat Property Company	Associate	Expenses	<u>1,084,274</u>	<u>578,637</u>

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12 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Balances resulting from the related party transactions during the period as at 31 March are as follows:

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Due from related parties		
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company	4,875,000	4,875,000
IHG Group – Staybridge Hotel	614,867	961,365
Hayat Real Estate Company	1,149,322	1,176,555
Mohammad Al-Rajhi Investment Company	7,669,139	7,652,210
Al-Ahli Capital	<u>2,610,653</u>	<u>2,459,666</u>
Due to related parties	<u>16,918,981</u>	<u>17,124,796</u>
Hamat Property Company	<u>1,815,033</u>	<u>330,145</u>

Transactions with related parties include compensations of board members and key management personnel of the Group, as terms and conditions of these transactions have been approved by the Company. Significant transactions with related parties during the year are as follows:

	Charged to consolidated statement of profit or loss		Balances in consolidated statement of financial position	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Salaries and wages and end of service benefit	<u>1,754,852</u>	2,624,282	<u>1,453,643</u>	<u>1,138,742</u>

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13 SEGMENT REPORTING

The Group's activities include a number of sectors as follows:

Retail Sector: This includes leasing rental units of investment properties such as malls.

Hospitality Sector: This includes hospitality service providing entities (Staybridge Suites Hotel Al Andalus Mall).

For the three months period ended 31 March 2019 (Unaudited)

	Retail Sector	Hospitality Sector	Other	Total
Revenue*	34,740,244	5,255,563	-	39,995,807
Cost of revenue	(10,515,951)	(5,901,656)	-	(16,417,607)
Share in income from associates	-	-	10,021,852	10,021,852
Expenses	-	-	(8,601,353)	(8,601,353)
Other income*	-	-	2,265,703	2,265,703
Net income before Zakat	24,224,293	(646,093)	3,686,202	27,264,402
Total assets	609,582,388	167,694,702	779,950,616	1,557,227,706
Total Liabilities	217,638,816	-	4,541,166	222,179,982

For the three months period ended 31 March 2018 (Unaudited)

	Retail Sector	Hospitality Sector	Other	Total
Revenue*	35,291,800	5,493,214	-	40,785,014
Cost of revenue	(10,189,689)	(5,809,811)	-	(15,999,500)
Share in income from associates	-	-	11,173,494	11,173,494
Expenses	-	-	(9,254,768)	(9,254,768)
Other income*	-	-	1,050,652	1,050,652
Net income before Zakat	25,102,111	(316,597)	2,969,378	27,754,892
Total assets	445,566,407	175,841,644	976,973,915	1,598,381,966
Total Liabilities	139,041,923	1,611,496	9,776,289	150,429,708

* All revenue of the Group are from external clients, and there is no revenue resulting from transactions among the sectors.

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14 NON-CASH TRANSACTIONS

	31 March 2019 (unaudited)	31 March 2018 (unaudited)
Investment properties transferred to acquire investment in associate share	-	50,834,556
Right-of-use Assets and its related Lease liability arising on application of IFRS 16	99,873,579	-

15 DETERMINATION OF FAIR VALUE, CLASSIFICATION AND RISK MANAGEMENT

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 and at prevailing market conditions regardless if the price is directly identified or estimated using other valuation technique.

All assets and liabilities whether measured at fair value or their fair values are disclosed in the financial statements in accordance with the hierarchical levels of fair value measurements as stated below are classified into the lowest level of measuring input which is considered significant for measuring the fair value as a whole.

Level 1: Declared (unadjusted) and quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs that are directly or indirectly observable or tracked for an asset or a liability other than declared prices mentioned in level 1.

Level 3: Inputs that are unobservable or not tracked for an asset or a liability.

The Group is exposed to risks as a result of using financial instruments. The following explains the Group's objectives, policies and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.

There were no significant changes that may expose the Group to financial instrument risks through its objectives, policies and operations to manage these risks and methods used that are different from what have been used in prior periods unless otherwise indicated.

Fair values of financial instruments

- The Group's management considers the fair value for lessees' receivables, current portion of Islamic Tawarruq facilities, balances of related parties, rents due from lease, accruals and other payable approximate to their carrying value because of the short terms of financial instruments.

- There were no transfers between level 1, 2 or 3 during the reporting period.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Fair Value		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>31 March 2019</u>			
Financial instruments at fair value through profit or loss	-	16,080,775	-
<u>31 December 2018</u>			
Financial instruments at fair value through profit or loss	-	58,111,578	-

The valuation techniques used to determine the fair value of investment properties are classified as Level 3 fair value.

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16 SUBSEQUENT EVENT

On 28 April 2019, according to the Ordinary General Assembly Meeting, the board of directors resolved dividends distribution of SR 70,000,000 (dividends per share SR 1).

17 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved for issuance on 3 Ramadan 1440H (corresponding to 8 May 2019).