

**ALANDALUS PROPERTY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed Consolidated Interim**  
**Financial Statements (Unaudited)**  
**For the three-month period ended**  
**31 March 2020**  
**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 2020**

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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 2020 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 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2020;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2020;
- 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 2020 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.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

**Khalil Ibrahim Al Sedais**  
License No: 371



Date: 21 Ramadan 1441H  
Corresponding to: 14 May 2020

**ALANDALUS PROPERTY COMPANY**

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)****As at 31 March 2020**

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

	<i>Note</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Investment properties	8	753,846,989	756,941,483
Properties and equipment	7	186,381,963	188,383,419
Right-of-use assets	6	93,722,103	95,259,972
Investments in associates	9	469,822,858	464,834,820
<b>Total non-current assets</b>		<b>1,503,773,913</b>	<b>1,505,419,694</b>
<b>Current assets</b>			
Receivable from operating leases		52,685,407	38,639,800
Prepayments and other debit balances		5,043,173	26,698,018
Due from related parties	15	39,270,745	37,945,612
Financial instruments at fair value through profit or loss		11,562,550	42,263,693
Cash and cash equivalents	10	167,641,569	148,233,398
<b>Total current assets</b>		<b>276,203,444</b>	<b>293,780,521</b>
<b>Total assets</b>		<b>1,779,977,357</b>	<b>1,799,200,215</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital		700,000,000	700,000,000
Statutory reserve		95,381,933	95,381,933
Retained earnings		325,935,897	313,698,094
<b>Equity attributable to shareholders of the Company</b>		<b>1,121,317,830</b>	<b>1,109,080,027</b>
Non-controlling interests		189,208,449	199,658,418
<b>Total equity</b>		<b>1,310,526,279</b>	<b>1,308,738,445</b>
<b><u>LIABILITIES</u></b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits obligations		6,146,563	5,772,643
Lease liability on right-of-use assets	6	117,554,979	123,722,963
Islamic Finance Facilities	11	253,049,916	253,049,916
<b>Total non-current liabilities</b>		<b>376,751,458</b>	<b>382,545,522</b>
<b>Current liabilities</b>			
Advances from leases and deferred revenue		37,113,740	38,307,724
Lease liability on right-of-use assets - current portion	6	12,605,000	15,700,000
Due to related parties	15	7,712,620	15,971,727
Zakat provision		7,364,185	11,631,543
Accruals and other credit balances		27,904,075	26,305,254
<b>Total current liabilities</b>		<b>92,699,620</b>	<b>107,916,248</b>
<b>Total liabilities</b>		<b>469,451,078</b>	<b>490,461,770</b>
<b>Total liabilities and equity</b>		<b>1,779,977,357</b>	<b>1,799,200,215</b>

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 21 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 2020**  
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2020 (Unaudited)	2019 (Unaudited)
Revenue	16	41,935,588	39,995,807
Cost of revenue	16	(18,609,243)	(16,417,607)
<b>Gross profit</b>		<b>23,326,345</b>	<b>23,578,200</b>
General and administrative expenses		(8,411,956)	(6,698,517)
Marketing expenses		(880,630)	(81,082)
Share of income from associates	9	8,238,038	10,021,852
Other income	16	336,255	2,265,703
<b>Operating profit</b>		<b>22,608,052</b>	<b>29,086,156</b>
Interest expense on lease liabilities	6	(3,137,017)	(1,818,370)
Islamic tawarruq finance cost		(2,858,621)	(3,384)
<b>Profit before Zakat</b>		<b>16,612,414</b>	<b>27,264,402</b>
Zakat expense		( 831,559)	(144,242)
<b>Profit for the period</b>		<b>15,780,855</b>	<b>27,120,160</b>
<b>Attributable to:</b>			
Equity holders of the Company		12,237,803	20,276,549
Non-controlling interests		3,543,052	6,843,611
		<b>15,780,855</b>	<b>27,120,160</b>
<b>Other comprehensive income</b>			
Re-measurement of employees' end of service benefits obligations		-	-
<b>Comprehensive income</b>		<b>15,780,855</b>	<b>27,120,160</b>
<b>Comprehensive income attributable to:</b>			
Equity holders of the Company		12,237,803	20,276,549
Non-controlling interests		3,543,052	6,843,611
		<b>15,780,855</b>	<b>27,120,160</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share from net income of the period	13	<b>0.17</b>	0.29



Fawaz Abdulaziz Bin Huwail  
Chief Financial Officer



HATHAL BIN SAAD ALUTAIBI  
Chief Executive Officer



Dr. Abdulrahman Mohammed Albarrak  
Authorized board member

**ALANDALUS PROPERTY COMPANY**

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)****For the period ended 31 March 2020**

(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
<b>For the three-month period ended 31 March 2020 (Unaudited)</b>						
<b>Balance as at 1 January 2020 (Audited)</b>	<b>700,000,000</b>	<b>95,381,933</b>	<b>313,698,094</b>	<b>1,109,080,027</b>	<b>199,658,418</b>	<b>1,308,738,445</b>
Net income for the period	-	-	12,237,803	12,237,803	3,543,052	15,780,855
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	-	-	12,237,803	12,237,803	3,543,052	15,780,855
Dividend from a subsidiary to non-controlling interests	-	-	-	-	(13,993,021)	(13,993,021)
<b>Balance as at 31 March 2020 (Unaudited)</b>	<b>700,000,000</b>	<b>95,381,933</b>	<b>325,935,897</b>	<b>1,121,317,830</b>	<b>189,208,449</b>	<b>1,310,526,279</b>
<b>For the three-month period ended 31 March 2019 (Unaudited)</b>						
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	-	-	(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

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The accompanying notes 1 through 21 form an integral part of these condensed consolidated interim financial statements.

**ALANDALUS PROPERTY COMPANY**

(A Saudi Joint Stock Company)

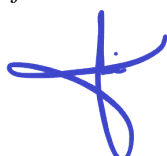
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)****For the period ended 31 March 2020**

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

	Note	For the three-month period ended 31 March	
		2020	2019
<b><u>Operating activities:</u></b>			
Profit before Zakat		16,612,414	27,264,402
<b><u>Adjustments:</u></b>			
Depreciation of investment property		4,518,011	2,768,346
Depreciation of properties and equipment		2,124,666	2,115,334
Depreciation of right-of-use assets		1,537,869	991,770
Share of income from associates	9	(8,238,038)	(10,021,852)
Employees' end of service benefits obligations		373,919	206,799
Islamic tawarruq finance cost		2,858,621	3,384
Interest expense on lease liabilities	6	3,137,017	1,818,370
<b><u>Changes in:</u></b>			
Receivables from operating leases		(15,045,607)	(13,536,204)
Prepayments and other debit balances		21,654,845	(5,782,897)
Related parties balances		(9,584,240)	2,411,063
Accrued Lease liability		(12,400,001)	(871,595)
Advances from leasees and deferred revenue		(1,193,984)	2,793,317
Accruals and other credit balances		2,305,501	(8,475,475)
Dividends received from associates		9,500,000	8,175,000
Zakat paid		(5,098,917)	-
<b>Net cash flows from operating activities</b>		<b>13,062,076</b>	<b>9,859,762</b>
<b><u>Investing activities</u></b>			
Additions to properties and equipment		(123,210)	(206,705)
Additions to investment property	8	(1,423,517)	(1,092,279)
Sale of financial instruments at fair value through profit or loss		30,701,143	42,030,803
Additions to investments in associates		(6,250,000)	-
<b>Net cash flows from investing activities</b>		<b>22,904,416</b>	<b>40,731,819</b>
<b><u>Financing activities</u></b>			
Payment for Islamic facilities		(2,565,300)	(1,826,151)
Change in non-controlling interests		-	16,933
Dividends paid		(13,993,021)	(13,975,000)
<b>Cash flows used in financing activities</b>		<b>(16,558,321)</b>	<b>(15,784,218)</b>
Net change in cash and cash equivalents during the period		19,408,171	34,807,363
Cash and cash equivalents at the beginning of the period		148,233,398	145,111,774
<b>Cash and cash equivalents at end of the period</b>		<b>167,641,569</b>	<b>179,919,137</b>

- Non-cash Transactions, Note (17)

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Chief Financial Officer



Hathal Bin Saad Alutaibi  
Chief Executive Officer



Dr. Abdulrahman Mohammed Albarrak  
Authorized board member



The accompanying notes 1 through 21 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 2020**

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

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### **1 INFORMATION ABOUT THE COMPANY**

Al-Andalus 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.

### **2 BASIS OF PREPARATION**

#### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared for the three-month period ended 31 March 2020 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 2019.

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.

## ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the period ended 31 March 2020

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

## 2 BASIS OF PREPARATION(CONTINUED)

As required by the Capital Market Authority (“CMA”) through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the property and equipment, investment property, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

On 31 December 2019, CMA has examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation option and made the following decisions:

- Obligating listed companies to continue to use the cost model to measure property (IAS 16) and investment property (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022.
- Allowing listed companies, the policy choice to use the fair value model for investment property subsequent to initial measurement or the policy choice to use the revaluation model for property (IAS 16) subsequent to initial recognition in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

### Presentation currency

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

## 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 2020	31 December 2019
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 and Salama Tower 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.

# ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the period ended 31 March 2020

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

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### 4 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

#### Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

#### Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

#### Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

# **ALANDALUS PROPERTY COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(UNAUDITED)**

**For the period ended 31 March 2020**

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

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### **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 leases.
- Employee benefits – defined benefit obligation.
- Useful lives of property, equipment and investment properties.
- Leases - Estimating the incremental borrowing rate.
- Impairment of non-financial assets “Value in use calculation”.

**ALANDALUS PROPERTY COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****(UNAUDITED)****For the period ended 31 March 2020**

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

**6 Right-of-use assets and lease liability on right-of-use assets**

	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Assets recognised during the period/year	<b>95,259,972</b>	101,411,448
Depreciation charge for the period/year	<b>(1,537,869)</b>	(6,151,476)
Balance at end of the period/year	<b>93,722,103</b>	95,259,972
	<b>For the period ended 31 March 2020 (unaudited)</b>	For the period ended 31 March 2019 (unaudited)
<b>Depreciation charge is charged as follows:</b>		
Cost of revenue for the period	<b>(1,537,869)</b>	(991,770)
Capitalized on investment property for the period	<b>-</b>	(546,099)
<i>Lease liabilities</i>		
	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	<b>12,605,000</b>	6,395,000
One to five years	<b>82,198,250</b>	80,758,250
More than five years	<b>175,471,192</b>	189,356,192
<b>Total undiscounted lease liabilities</b>	<b>270,274,442</b>	276,509,442
	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Discounted Lease liabilities included in the consolidated statement of financial position</b>		
Current for the period/year	<b>12,605,000</b>	15,700,000
Non-current for the period /year	<b>117,554,979</b>	123,722,963
	<b>130,159,979</b>	139,422,963
	<b>For the period ended 31 March 2020 (unaudited)</b>	For the period ended 31 March 2019 (unaudited)
<i>Amounts recognised in the statement of profit or loss</i>		
Depreciation on right-of-use assets for the period	<b>1,537,869</b>	991,770
Interest expense on lease liabilities for the period	<b>3,137,017</b>	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 2020**

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

**7 PROPERTY AND EQUIPMENT**

As of 31 March 2020, cost of property and equipment amounted to SR 209.7 million (31 December 2019: SR 209.6 million). Accumulated depreciation amounted to SR 23.3 million (31 December 2019: SR 21.2 million).

**8 INVESTMENT PROPERTIES**

	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Cost:</b>		
Balance at beginning of the period / year	<b>881,781,189</b>	616,441,839
Additions	<b>1,423,517</b>	266,392,271
Transferred to property and Equipment	-	(410,170)
Disposals	-	(642,751)
Balance at end of the period / year	<b>883,204,706</b>	881,781,189
<b>Accumulated depreciation and impairment:</b>		
Balance at beginning of the period / year	<b>(124,839,706)</b>	(110,575,280)
Depreciation charged for the period / year	<b>(4,518,011)</b>	(14,264,426)
Balance at end of the period / year	<b>(129,357,717)</b>	(124,839,706)
Net book value	<b>753,846,989</b>	756,941,483

During year 2019, the Group has pledged, Al-Andalus mall against Islamic financing facility of SR 650 million that is obtained from National Commercial bank. The carrying value of Al-Andalus mall is SR 394,655,637 as at the reporting date (Note 11).

The management has assessed the fair value of the investment properties as of 31 December 2019 and the investment properties fair value is amounted to SR 1.6 billion. The management believes that the fair value as at 31 March 2020 is not materially different from fair value as at 31 December 2019.

The lands and the buildings classified as investment properties, were assessed by an external valuer to determine their fair value as at 31 December 2019. The external valuation has been made by external valuer that is accredited by the Saudi Authority for Accredited Values (TAQEEM).

The Group uses the valuation reports from the independent valuer engaged by the management to evaluate the fair value of property at the reporting date, the details of independent valuers as follows:

- ValuStrat
- Knight Frank
- Insight

Measurement data of fair value according to IFRS 13 as at 31 December 2019 is as follows:

	<u>Fair value measurement at 31 December 2018</u>		
	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 1.6 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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**9 INVESTMENTS IN ASSOCIATES**

The details of investments in associated are as follow:

	Country of incorporation	Ownership percentage		31 March	31 December
		31 March 2020	31 December 2019	2020 (unaudited)	2019 (audited)
Al-Aswaq Al-Mutatawerah Company	Saudi Arabia	50%	50%	100,256,852	98,943,551
Hayat Real Estate Company	Saudi Arabia	25%	25%	184,406,973	186,975,889
Soroh Centres Company	Saudi Arabia	25%	25%	49,284,667	49,291,014
West Jeddah Hospital Company *	Saudi Arabia	50%	50%	67,600,640	67,600,640
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company*	Saudi Arabia	25%	25%	68,273,726	62,023,726
				<b>469,822,858</b>	<b>464,834,820</b>

The following is the movement of investment in associates:

	31 March 2020 (unaudited)	31 December 2019 (audited)
Opening Balance	464,834,820	493,988,554
Share of income	8,238,038	37,020,342
Dividends received	(9,500,000)	(33,675,000)
Additions in investment during the period / year	6,250,000	11,125,000
Sales of investment in associate	-	(43,624,076)
Balance at end of period / year	<b>469,822,858</b>	<b>464,834,820</b>

The Company share of income from associate:

	For the three - month period Ended	
	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Al-Aswaq Al-Mutatawerah Company	3,325,548	3,313,301
Hamat Property Company	-	57,458
Hayat Real Estate Company	4,931,084	6,657,440
Sorroh Centres Company	(18,594)	(6,347)
	<b>8,238,038</b>	<b>10,021,852</b>

The associate financial information as of 31 March 2020, 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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**10 CASH AND CASH EQUIVALENTS**

	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Cash at banks	<b>117,641,569</b>	48,233,398
Murabha deposits *	<b>50,000,000</b>	100,000,000
	<b>167,641,569</b>	148,233,398

\* Murabha deposits are short-term highly liquid deposits held with reputable banking institutions and its original maturities of less than three months.

**11 Islamic Facilities Facilities**

During 2019, the Group obtained an Islamic financing facility of SAR 650 million from National Commercial Bank (NCB), which is secured by certain requirements of the financial covenants.

The Group transferred the title deed of properties, Al-Andalus Mall and Staybridge Suites, in favor of Real Estate Development Company for Management and Ownership, a fully owned subsidiary of the NCB as a pledge against the Islamic financing facility.

The Group utilized SR 255 million as the first tranche from the Islamic financing facility on 1 August 2019. The tenor of the Islamic financing facility is 15 years. The Islamic financing facility provides 5 years grace period during which only profit payments are to be made. Following the grace period, the principal amount shall be repaid over 10 years on a quarterly basis.

**12 ZAKAT**

The Group filed all due zakat declarations up to and including the year ended 31 December 2018 and obtained zakat certificate up to year 2019. The Company finalized zakat assessment with the General Authority of Zakat and Income Tax ("GAZT") up to and including year ended 31 December 2017.

**13 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.

	<b>For the three - month period ended</b>	
	<b>31 March 2020 (Unaudited)</b>	31 March 2019 (Unaudited)
Net income for the period	<b>12,237,803</b>	20,276,549
Weighted average number of outstanding ordinary shares (share)	<b>70,000,000</b>	70,000,000
Basic and diluted earnings per share (SR)	<b>0.17</b>	0.29

The diluted earnings per share are equal to the basic earnings per share for the period ended 31 March 2020 and 31 March 2019 as there are no instruments with a reduced earnings per share effect.

**14 CAPITAL COMMITMENTS**

The Group has no any capital commitments relating to construction contracts of investment properties as of 31 March 2020 (31 December 2019: SR 250 million).



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**15 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:

<b>Name of related party</b>	<b>Relationship</b>	<b>Nature of Transaction</b>	<b>31 March 2020 (Unaudited)</b>	<b>31 March 2019 (Unaudited)</b>
Hayat Real Estate Company	Associate	Expenses	<b>2,040,404</b>	<b>2,731,575</b>
Mohmmad Al-Rajhi Investment Company	Shareholder in a subsidiary	Expenses	<b>-</b>	<b>16,929</b>
Intieaz Al-Arabia Company	Related to board of director member	Rent revenue	<b>1,634,700</b>	<b>1,613,300</b>
Global Health care company	Related to board of director member	Rent revenue	<b>2,126,766</b>	<b>2,185,566</b>
Al-Ahli Capital	Fund Manager of AlAhli REIT Fund 1	Operating Services	<b>4,002,342</b>	<b>2,604,403</b>
Hamat Property Company	Associate	Rental Services	<b>-</b>	<b>789,081</b>
Hamat Property Company	Associate	Operating Services	<b>-</b>	<b>504,838</b>
Hamat Property Company	Associate	Expenses	<b>-</b>	<b>1,084,274</b>

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**15 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
<b>Due from related parties</b>		
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company	<b>5,000</b>	5,000
IHG Group – Staybridge Hotel	<b>312,806</b>	197,906
Hayat Real Estate Company	<b>1,616,369</b>	406,136
Asalah Holding Company	<b>37,336,570</b>	37,336,570
	<b>39,270,745</b>	37,945,612
<b>Due to related parties</b>		
	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
Hamat Property Company	<b>697,700</b>	6,463,666
Mohammad ALRajhi Company	<b>40,821</b>	40,821
NCB Capital	<b>6,974,099</b>	9,467,240
	<b>7,712,620</b>	15,971,727

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:

	<b>Charged to consolidated statement of profit or loss</b>		<b>Balances in consolidated statement of financial position</b>	
	<b>31 March 2020 (Unaudited)</b>	31 Mar 2019 (Audited)	<b>31 March 2020 (Unaudited)</b>	31 December 2018 (Audited)
Salaries and wages and end of service benefit	<b>954,100</b>	1,754,852	<b>2,210,728</b>	1,726,583

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**16 SEGMENT REPORTING**

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

Retail and operation Sector: This includes leasing rental units of investment properties such as malls and Operation Service.

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

Office Sector: This includes rent for commercial units from investment properties (Salama Tower).

**For the three months period ended 31 March 2020****(Unaudited)**

	<b>Retail and operation Sector</b>	<b>Hospitality Sector</b>	<b>Office Sector</b>	<b>Other</b>	<b>Total</b>
Revenue*	<b>33,563,323</b>	<b>2,356,396</b>	<b>6,015,869</b>	-	<b>41,935,588</b>
Cost of revenue	<b>(11,778,956)</b>	<b>(5,330,897)</b>	<b>(1,499,390)</b>	-	<b>(18,609,243)</b>
Share in income from associates	-	-	-	<b>8,238,038</b>	<b>8,238,038</b>
Expenses	<b>(4,265,466)</b>	-	<b>(2,858,621)</b>	<b>(8,164,137)</b>	<b>(15,288,224)</b>
Other income*	-	-	-	<b>336,255</b>	<b>336,255</b>
Net income before Zakat	<b>17,518,901</b>	<b>(2,974,501)</b>	<b>1,657,858</b>	<b>410,156</b>	<b>16,612,414</b>
Total assets	<b>731,164,537</b>	<b>160,734,974</b>	<b>264,089,130</b>	<b>623,988,716</b>	<b>1,779,977,357</b>
Total Liabilities	<b>195,177,794</b>	-	<b>253,049,916</b>	<b>21,223,368</b>	<b>469,451,078</b>

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

	<b>Retail Sector</b>	<b>Hospitality Sector</b>	<b>Other</b>	<b>Total</b>
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

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

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**17 NON-CASH TRANSACTIONS**

	<b>31 March 2020 (unaudited)</b>	31 March 2019 (unaudited)
Right-of-use Assets and its related Lease liability arising on application of IFRS 16	-	<b>99,873,579</b>

**18 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 facilities 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.

	<b>Fair Value</b>		
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
<b><u>31 March 2020</u></b>			
Financial instruments at fair value through profit or loss	-	<b>11,562,550</b>	-
<b><u>31 December 2019</u></b>			
Financial instruments at fair value through profit or loss	-	42,263,693	-

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

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**19 Dividends**

On 31 March 2020, the board of directors resolved dividends distribution by SR 70M, and this dividends subject to approved by the Ordinary General Assembly Meeting in the next meeting.

**20 IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK**

The Group's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance. As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. The management of the Group is currently monitoring the situation and its impact on the Group's operation, cash flows and financial position. Management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

**21 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements have been approved for issuance on 21 Ramadan 1441H (corresponding to 14 May 2020).