

**ALANDALUS PROPERTY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed Consolidated Interim**  
**Financial Statements (Unaudited)**  
**For the three and six-month periods ended**  
**30 June 2021**  
**Together with the**  
**Independent Auditor's Review Report**

**ALANDALUS PROPERTY COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**  
**For the three and six- month periods ended 30 June 2021**

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## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Headquarter

Commercial Registration No. 10104245494

## كي بي إم جي للاستشارات المهنية

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

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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

To the shareholders of Al-Andalus Property Company  
(A Saudi Joint Stock Company)

## Introduction

We have reviewed the accompanying 30 June 2021 condensed consolidated interim financial statements of Al-Andalus Property Company (the "Company") and its subsidiaries (the "Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2021; and;
- 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 (continued)

To the shareholders of Al-Andalus Property Company  
(A Saudi Joint Stock Company)

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 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.

### KPMG Professional Services




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



Date: 4 Muharram 1443H  
Corresponding to: 12 August 2021

**ALANDALUS PROPERTY COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**As at 30 June 2021**

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


	<i>Note</i>	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Investment properties	7	982,281,685	990,385,904
Property and equipment	6	152,806,637	155,822,329
Right-of-use assets		86,032,759	89,108,496
Investments in associates	8	527,862,185	481,482,965
<b>Total non-current assets</b>		<b>1,748,983,266</b>	<b>1,716,799,694</b>
<b>Current assets</b>			
Receivable against operating leases		64,363,873	50,999,217
Prepayments and other assets		6,461,580	15,192,446
Due from related parties	13	6,950,446	14,846,585
Financial instruments at fair value through profit or loss	10	48,017,819	-
Cash and cash equivalents	9	160,032,931	182,483,190
<b>Total current assets</b>		<b>285,826,649</b>	<b>263,521,438</b>
<b>Total assets</b>		<b>2,034,809,915</b>	<b>1,980,321,132</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital		700,000,000	700,000,000
Statutory reserve		96,841,478	96,841,478
Retained earnings		259,521,665	256,335,553
<b>Equity attributable to shareholders of the Company</b>		<b>1,056,363,143</b>	<b>1,053,177,031</b>
Non-controlling interests		180,424,636	182,939,218
<b>Total equity</b>		<b>1,236,787,779</b>	<b>1,236,116,249</b>
<b><u>LIABILITIES</u></b>			
<b>Non-current liabilities</b>			
Employees' benefits – defined benefit obligation		9,130,648	8,491,143
Lease liability on right-of-use assets		123,861,997	117,729,800
Islamic finance facilities	11	558,216,691	514,994,751
<b>Total non-current liabilities</b>		<b>691,209,336</b>	<b>641,215,694</b>
<b>Current liabilities</b>			
Advances from lessees and deferred revenue		49,336,384	36,047,028
Lease liability on right-of-use assets - current portion		3,255,000	15,700,000
Due to related parties	13	24,097,636	16,396,502
Zakat provision		3,054,793	6,507,510
Accruals and other liabilities		27,068,987	28,338,149
<b>Total current liabilities</b>		<b>106,812,800</b>	<b>102,989,189</b>
<b>Total liabilities</b>		<b>798,022,136</b>	<b>744,204,883</b>
<b>Total equity and liabilities</b>		<b>2,034,809,915</b>	<b>1,980,321,132</b>
			
Fawaz Abdulaziz Bin Huwail <i>Chief Financial Officer</i>	Hathal Bin Saad Alutaibi <i>Chief Executive Officer</i>	Dr. Abdulrahman Mohammed Albarrak <i>Authorized Board Member</i>	

The accompanying notes 1 through 19 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 three-month and six-month periods ended 30 June 2021**  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue	14	52,364,377	31,453,659	102,906,055	73,389,248
Cost of revenue	14	(16,848,127)	(13,226,702)	(33,776,082)	(31,835,945)
<b>Gross profit</b>		<b>35,516,250</b>	<b>18,226,957</b>	<b>69,129,973</b>	<b>41,553,303</b>
General and administrative expenses		(10,764,575)	(7,064,729)	(20,884,809)	(15,476,687)
Marketing expenses		(928,500)	(172,705)	(1,001,555)	(1,053,335)
Share of income from associates	8	7,915,907	5,621,339	16,430,126	13,859,377
Other income		177,254	125,975	1,033,336	462,230
Impairment loss on property and equipment and investment property		-	(20,000,000)	-	(20,000,000)
<b>Operating profit / (loss)</b>		<b>31,916,336</b>	<b>(3,263,163)</b>	<b>64,707,071</b>	<b>19,344,888</b>
Interest expense on lease liabilities		(3,066,098)	(3,137,017)	(6,132,196)	(6,274,033)
Finance costs		(3,511,609)	(2,426,402)	(7,099,800)	(5,285,023)
<b>Profit / (loss) before Zakat</b>		<b>25,338,629</b>	<b>(8,826,582)</b>	<b>51,475,075</b>	<b>7,785,832</b>
Zakat expense		(465,040)	(1,384,858)	(1,828,545)	(2,216,417)
<b>Profit / (loss) for the period</b>		<b>24,873,589</b>	<b>(10,211,440)</b>	<b>49,646,530</b>	<b>5,569,415</b>
<b>Attributable to:</b>					
Shareholders of the Company		19,227,284	(6,479,042)	38,186,112	5,758,761
Non-controlling interests		5,646,305	(3,732,398)	11,460,418	(189,346)
		<b>24,873,589</b>	<b>(10,211,440)</b>	<b>49,646,530</b>	<b>5,569,415</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to statement of profit or loss:</b>					
Re-measurement of employees' benefits – defined benefit obligation		-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>		<b>24,873,589</b>	<b>(10,211,440)</b>	<b>49,646,530</b>	<b>5,569,415</b>
<b>Total comprehensive income / (loss) for the period attributable to:</b>					
Shareholders of the Company		19,227,284	(6,479,042)	38,186,112	5,758,761
Non-controlling interests		5,646,305	(3,732,398)	11,460,418	(189,346)
		<b>24,873,589</b>	<b>(10,211,440)</b>	<b>49,646,530</b>	<b>5,569,415</b>
<b>Earnings / (Loss) per share</b>					
Basic and diluted (loss) /earnings per share	12	0.27	(0.09)	0.55	0.08

  
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Chief Financial Officer

  
Hathal Bin Saad Alutaibi  
Chief Executive Officer

  
Dr. Abdulrahman Mohammed Albarrak  
Authorized Board Member

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**ALANDALUS PROPERTY COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

**For the six-month period ended 30 June 2021**

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

	Share capital	Statutory reserve	Retained earnings	Equity Attributable to the shareholders of the Company	Non-controlling interests	Total
<b>Balance as at 1 January 2021 - Audited</b>	700,000,000	96,841,478	256,335,553	1,053,177,031	182,939,218	1,236,116,249
Profit for the period - Unaudited	-	-	38,186,112	38,186,112	11,460,418	49,646,530
Other comprehensive income - Unaudited	-	-	-	-	-	-
<b>Total comprehensive income for the period - Unaudited</b>	-	-	38,186,112	38,186,112	11,460,418	49,646,530
Dividends declared during the period	-	-	(35,000,000)	(35,000,000)	(13,975,000)	(48,975,000)
<b>Balance as at 30 June 2021 - Unaudited</b>	700,000,000	96,841,478	259,521,665	1,056,363,143	180,424,636	1,236,787,779
<b>Balance as at 1 January 2020 - Audited</b>	700,000,000	95,381,933	313,698,094	1,109,080,027	199,658,418	1,308,738,445
Profit / (loss) for the period - Unaudited	-	-	5,758,761	5,758,761	(189,346)	5,569,415
Other comprehensive income - Unaudited	-	-	-	-	-	-
<b>Total comprehensive income / (loss) for the period - Unaudited</b>	-	-	5,758,761	5,758,761	(189,346)	5,569,415
Dividends declared during the period	-	-	(70,000,000)	(70,000,000)	(13,993,021)	(83,993,021)
<b>Balance as at 30 June 2020 - Unaudited</b>	700,000,000	95,381,933	249,456,855	1,044,838,788	185,476,051	1,230,314,839

  
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**ALANDALUS PROPERTY COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**For the six-month period ended 30 June 2021**  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<b>For the six-month period ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b><u>Operating activities</u></b>		
Profit before Zakat	51,475,075	7,785,832
<b>Adjustments for non-cash items:</b>		
Depreciation:		
- Investment properties	10,996,346	8,323,054
- Property and equipment	3,089,118	4,275,789
- Right-of-use assets	3,075,738	3,075,738
Impairment loss on non-current assets	-	20,000,000
Share in the income of associates	(16,430,126)	(13,859,377)
Employees' benefits – defined benefit obligation	639,505	747,840
Gain on investment at fair value through profit or loss	(17,819)	-
Finance costs	13,231,996	11,559,056
<b>Changes in:</b>		
Receivables against operating leases	(13,364,660)	(18,558,525)
Prepayments and other assets	8,730,868	7,768,683
Related parties' balances, net	15,597,273	8,667,646
Advances from lessees and deferred revenue	13,289,356	(6,473,570)
Accrued and other liabilities	(4,480,635)	5,414,056
Dividends received from associates	13,750,000	9,500,000
	<b>99,582,035</b>	<b>48,226,222</b>
Employees' benefits – defined benefit obligation paid	-	(7,062)
Zakat paid	(5,281,262)	(5,098,916)
<b>Net cash generated from operating activities</b>	<b>94,300,773</b>	<b>43,120,244</b>
<b><u>Investing activities</u></b>		
Additions to property and equipment	(73,425)	(479,831)
Additions to investment properties	(2,892,127)	(254,946,396)
Investment in financial instruments at fair value through profit or loss	(48,000,000)	35,169,172
Additions to investment in associate	(43,699,094)	(6,250,000)
<b>Net cash used in investing activities</b>	<b>(94,664,646)</b>	<b>(226,507,055)</b>
<b><u>Financing activities</u></b>		
Proceeds from Islamic finance facilities	42,677,500	248,579,492
Payment for Islamic finance facilities	(3,343,886)	(5,285,023)
Payment of lease liability on right-of-use assets	(12,445,000)	(12,400,000)
Dividends paid	(48,975,000)	(83,993,021)
<b>Net cash (used in) / generated from financing activities</b>	<b>(22,086,386)</b>	<b>146,901,448</b>
Net change in cash and cash equivalents during the period	(22,450,259)	(36,485,363)
Cash and cash equivalents at the beginning of the period	182,483,190	148,233,398
<b>Cash and cash equivalents at end of the period</b>	<b>160,032,931</b>	<b>111,748,035</b>

  
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Hathal Bin Saad Alutaibi  
Chief Executive Officer

  
Dr. Abdulrahman Mohammed Albarrak  
Authorized board member

The accompanying notes 1 through 19 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 six-month period ended 30 June 2021**  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

**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’s share capital is SR 700,000,000 divided into 70,000,000 shares with a nominal value of SR 10 each.

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

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

Al-Andalus Property Company is referred to as (the “Company”) or collectively with its subsidiaries disclosed in Note 3 as (the “Group”).

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed consolidated interim financial statements (the “Interim Financial Statements”) for the six-month period ended 30 June 2021 have been prepared in accordance with the 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 Chartered and Professional 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 2020.

These interim financial statements do not include all the information and disclosures required in the annual financial statements in accordance with requirements of IFRS endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). However, these interim financial statements include certain 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.

**2.2 Basis of measurement**

The interim financial statements have been prepared on a historical cost basis, except for defined benefit obligation - employees’ benefits which are measured at present value using the projected unit credit method.

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 properties and equipment, investment properties, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

**ALANDALUS PROPERTY COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**For the six-month period ended 30 June 2021**  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

**2 BASIS OF PREPARATION(CONTINUED)**

**2.2 Basis of measurement (continued)**

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 options and has made the following decisions:

- Obligating listed companies to continue to use the cost model to measure Properties (IAS 16) and Investment Properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022; and
- 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.

**2.3 Impact of coronavirus (Covid-19) outbreak**

During 2020, the Group's operations were affected by the 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 business disruptions COVID-19 outbreak have caused to its operations and financial performance. Hence, the Group's revenue has improved during the current period. 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 continuously monitoring the situation and its impact on the Group's operation, cash flows and financial position and has concluded that no adjustments are required to the amounts reported in these interim financial statements (30 June 2020: SR 20 million). Moreover, the 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.

**2.4 Presentational and functional currency**

The presentational and functional currency of the Group is 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 as of and for the period ended 30 June 2021:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>	
		<u>2021</u>	<u>2020</u>
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%

**ALANDALUS PROPERTY COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**For the six-month period ended 30 June 2021**  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

**3 BASIS OF CONSOLIDATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

Details of subsidiaries are as follows:

**1. AlAhli REIT Fund 1**

Al Ahli 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 are to make investments in investment properties. Currently, the Fund has made investments in the below properties:

<u>Name of property</u>	<u>Location</u>
Al-Andalus Mall	Jeddah
Al-Andalus Mall Hotel	Jeddah
Salama Tower	Jeddah
QBIC Plaza	Riyadh

**2. 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 Manafea includes; leasing, managing properties owned or leasing (residential and nonresidential), commission from properties management, developments activities and investment properties.

<u>Nature and name of property</u>	<u>Location</u>
ALMarwa Plaza	Jeddah

**4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

A number of standards, amendments and interpretations have been issued. The table below lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2021 and that are available for early adoption in annual periods beginning on 1 January 2021, however the Group has not early adopted any of these.

New currently effective requirements:

<u>Effective date</u>	<u>New standards or amendments</u>
1 June 2020	COVID-19-Related Rent Concessions– Amendment to IFRS 16
1 January 2021	Interest Rate Benchmark Reform Phase 2– Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

**ALANDALUS PROPERTY COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**For the six-month period ended 30 June 2021**  
(All amounts are expressed in Saudi Riyals unless otherwise stated)

**4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)**

Forthcoming requirements:

<u>Effective date</u>	<u>New standards or amendments</u>
1 January 2022	Onerous Contracts: Cost of Fulfilling a Contract – Amendments to IAS 37
	Annual Improvements to IFRS Standards 2018 – 2020–Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41
	Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
	Reference to the Conceptual Framework– Amendments to IFRS 3
1 January 2023	Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1
	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
Available for optional adoption/ Effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

**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 properties
- Impairment loss on receivable against operating leases
- Impairment of and useful lives of property and equipment and investment properties

**6 PROPERTY AND EQUIPMENT**

As of 30 June 2021, the cost of property and equipment amounted to SR 210.4 million (31 December 2020: SR 210.3 million) and the accumulated depreciation amounted to SR 57.6 million (31 December 2020: SR 54.5 million).

Included in the cost of properties is a Hotel owned by Al-Ahli Reit Fund 1 (the subsidiary) that has been pledged against Islamic financing facility obtained from Saudi National bank.

**ALANDALUS PROPERTY COMPANY**  
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
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**7 INVESTMENT PROPERTIES**

	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
<b><u>Cost:</u></b>		
Balance at beginning of the period / year	<b>1,140,476,842</b>	881,781,189
Additions	<b>2,892,127</b>	258,695,653
Balance at end of the period / year	<b>1,143,368,969</b>	1,140,476,842
<b><u>Accumulated depreciation and impairment:</u></b>		
Balance at beginning of the period / year	<b>(150,090,938)</b>	(124,839,706)
Depreciation charged during the period / year	<b>(10,996,346)</b>	(18,422,290)
Impairment losses	<b>-</b>	(6,828,942)
Balance at end of the period / year	<b>(161,087,284)</b>	(150,090,938)
<b>Net book value</b>	<b>982,281,685</b>	990,385,904

The Group has pledged Al-Andalus Mall against Islamic financing facility obtained from Saudi National Bank.

The lands and the buildings classified as investment properties, were assessed by external valuers to determine their fair value as at 31 December 2020. The fair values of the investment properties amounted to SR 1.8 billion as on that date. There have been no significant changes in the key assumptions used in determining the fair values of the investment properties. The valuation approaches used were comprised of discounted cash flows and replacement cost method. However, in accordance with Article 8 of the Real Estate Investment Traded Funds Instructions issued by CMA, the market values of investment properties related to Al Ahli Reit Fund 1 (the subsidiary) were determined on 30 June 2021 that amount to SR 1.8 billion.

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**8 INVESTMENTS IN ASSOCIATES**

The details of investments in associates are as follow:

	Country of incorporation	Ownership percentage		30 June	31 December
		2021	2020	2021 (unaudited)	2020 (audited)
Al-Aswaq Al-Mutatawerah Company	Saudi Arabia	50%	50%	106,492,464	104,877,215
Hayat Real Estate Company	Saudi Arabia	25%	25%	194,057,487	192,486,625
Serouh AL-Marakez Company *	Saudi Arabia	25%	25%	49,214,638	49,251,513
West Jeddah Hospital Company *	Saudi Arabia	50%	50%	66,394,422	66,676,150
Al-Jawhra Al-Kubra Company *	Saudi Arabia	25%	25%	68,004,080	68,191,462
Massat Property Company **	Saudi Arabia	25%	-	43,699,094	-
				<b>527,862,185</b>	<b>481,482,965</b>

\* These associated companies have not commenced commercial operations yet.

\*\* During the period, the Group acquired 25% stake in the share capital of Massat Property Company. It has been recently established on 27 January 2021 for the purpose of Real Estate Investment. The remaining ownership of Massat is owned by Burooj International Company, a related party of the Group.

The following is the movement of investment in associates:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Balance at beginning of the period/year	481,482,965	464,834,820
Share in the income of associates for the period/year	16,430,126	26,148,145
Dividends received during the period/year	(13,750,000)	(15,750,000)
Additions in investments during the period/year	43,699,094	6,250,000
Balance at end of the period/year	<b>527,862,185</b>	<b>481,482,965</b>

The Group's share in the income of associates for the period is as follows:

	For the Six-months period ended	
	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)
Al-Aswaq Al-Mutatawerah Company	5,615,250	4,536,215
Hayat Real Estate Company	11,320,861	9,326,116
Sorroh Centres Company	(36,875)	(6,348)
West Jeddah Hospital Company	(281,728)	73,515
Al-Jawhra Al-Kubra Company	(187,382)	(70,121)
	<b>16,430,126</b>	<b>13,859,377</b>

The associates' financial information as of and for the period ended 30 June 2021, is derived from management reports of the associates.

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**9 CASH AND CASH EQUIVALENT**

	<b>30 Jun 2021</b>	31 December 2020
	<b>(unaudited)</b>	<b>(audited)</b>
Cash at banks	<u><b>160,032,931</b></u>	<u><b>182,483,190</b></u>

**10 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS**

Investment at fair value through profit or loss comprises of the following:

	<u>30 June 2021</u>		<u>31 December 2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
<i>Investment in mutual fund managed by the Fund Manager</i>				
Al Ahli Saudi Riyal Trade Fund	<u><b>48,000,000</b></u>	<u><b>48,017,819</b></u>	<u>-</u>	<u>-</u>

**11 ISLAMIC FINANCE FACILITIES**

The Group has obtained an Islamic Financing Facility (the Facility) from Saudi National Bank (SNB), which is secured by certain requirements of the financial covenants.

The Group transferred the title deed of Al-Andalus Mall and Hotel, in favor of Real Estate Development Company for Management and Ownership, a fully owned subsidiary of the SNB as a pledge against the Facility.

During the current period, the Group has utilized SR 42 million as the third tranche from the Facility. The tenor of the Facility is 15 years and carries 5 years grace period during which only profit payments are required to be made while the principal amount is payable over 10 years on a quarterly basis.

**12 EARNINGS PER SHARE**

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	<b>For the Six-months period ended</b>	
	<b>30 June 2021</b>	30 June 2020
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period (SR)	<u><b>38,186,112</b></u>	<u><b>5,758,761</b></u>
Weighted average number of outstanding ordinary shares	<u><b>70,000,000</b></u>	<u><b>70,000,000</b></u>
Basic and diluted earnings per share (SR)	<u><b>0.55</b></u>	<u><b>0.08</b></u>

The diluted earnings per share is equal to the basic earnings per share for the period ended 30 June 2021 and 30 June 2020 as there were no instruments with a reduced earnings per share effect.

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**13 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Group comprise of Shareholders having control or significant influence, key management personnel and affiliates where shareholders have control or significant influence. The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the ordinary course of business. The transactions and the balances between the Company and its subsidiaries and those between the subsidiaries have been eliminated in preparing these condensed consolidated interim financial statements.

The details of transactions with other related parties are mentioned below:

<u>Name of related party</u>	<u>Relationship</u>	<u>Nature of Transaction</u>	<u>30 June 2021 (Unaudited)</u>	<u>30 June 2020 (Unaudited)</u>
Hayat Real Estate Company	Associate	Expenses	<u>6,843,122</u>	<u>9,582,428</u>
ALJawhara Real Estate Company	Associate	Funds transferred to associate	<u>6,250,000</u>	<u>-</u>
Mohmmad Alrajhi Company	Other related party	Payment made on behalf	<u>1,655,205</u>	<u>-</u>
Intieaz Al-Arabia Company	Related to the board member	Rent revenue	<u>1,574,500</u>	<u>1,301,500</u>
Global Health care Company	Related to the board member	Rent revenue	<u>515,000</u>	<u>2,126,766</u>
Pharmacies Beauty Fourth Company	Related to the board member	Rent revenue	<u>385,000</u>	<u>-</u>
Key management and others	Other related party	Salaries and other benefits	<u>3,017,641</u>	<u>1,258,197</u>
Al-Ahli Capital	Fund Manager of the Subsidiary	Operating Services	<u>4,637,067</u>	<u>4,738,688</u>

The details of balances with related parties are mentioned below:

	<u>30 June 2021 (Unaudited)</u>	<u>31 December 2020 (Audited)</u>
<b>Due from related parties</b>		
Hayat Real Estate Company	<u>700,446</u>	<u>1,668,972</u>
Al Jawhara Company	<u>6,250,000</u>	<u>-</u>
Asalah Holding Company	<u>-</u>	<u>13,177,613</u>
	<u>6,950,446</u>	<u>14,846,585</u>
<b>Due to related parties</b>		
Mohmmad AL-Rajhi Company	<u>1,696,026</u>	<u>40,821</u>
Al-Ahli Capital	<u>22,401,610</u>	<u>16,355,681</u>
	<u>24,097,636</u>	<u>16,396,502</u>



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**14 SEGMENT REPORTING**

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

- Retail and operation sector: This include leasing rental units of investment properties such as Malls and Operational Services.
- Hospitality Sector: This includes hospitality services (Al-Andalus Mall Hotel).
- Office Sector: This includes leasing rentals from commercial units of investment properties (Salama Tower & QBIC plaza).

	Retail and operation Sector	Hospitality Sector	Office Sector	Other	Total
<b>For the six months period ended 30 June 2021 (Unaudited)</b>					
Revenue	75,676,354	4,507,468	22,722,233	-	102,906,055
Cost of revenue	(21,198,452)	(7,716,368)	(4,861,262)	-	(33,776,082)
Share in the income of associates	-	-	-	16,430,126	16,430,126
Expenses	(9,581,752)	-	(7,099,800)	(18,436,808)	(35,118,360)
Other income	-	-	-	1,033,336	1,033,336
Profit before Zakat	44,896,150	(3,208,900)	10,761,171	(973,346)	51,475,075
<b>As of 30 June 2021 (Unaudited)</b>					
Total assets	730,886,545	127,104,010	497,217,046	679,602,314	2,034,809,915
Total liabilities	203,522,368	-	558,216,691	36,283,077	798,022,136

**For the six months period ended 30 June 2020 (Unaudited)**

Revenue	54,730,518	6,590,891	12,067,839	-	73,389,248
Cost of revenue	(19,151,246)	(9,661,766)	(3,022,933)	-	(31,835,945)
Share in the income of associates	-	-	-	13,859,377	13,859,377
Expenses	(7,274,033)	-	(5,285,023)	(15,530,022)	(28,089,078)
Impairment losses	(3,000,000)	(17,000,000)	-	-	(20,000,000)
Other income	-	-	-	462,230	462,230
Profit before Zakat	25,305,239	(20,070,875)	3,759,883	(1,208,415)	7,785,832
<b>As of 31 December 2020 - Audited</b>					
Total assets	728,683,890	131,285,122	501,643,450	618,708,670	1,980,321,132
Total liabilities	205,991,604	-	514,994,751	23,218,528	744,204,883

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**15 DETERMINATION OF FAIR VALUES, 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 that the fair values of its financial instruments approximate to their carrying values because of the nature of the financial instruments.
- There were no transfers between level 1, 2 or 3 during the reporting period.

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

**16 INCREASE IN SHARE CAPITAL**

On 29 April 2021, the Board of Directors of the Company recommended to increase the Company's share capital from SR 700 million to SR 933 million by issuance of bonus shares amounting to SAR 233 million out of retained earnings and statutory reserve. The proposed increase in the capital is subject to approval of the shareholders in their extraordinary general assembly to be held on 25 August 2021.

**17 DIVIDENDS**

The Shareholders, in their Ordinary General Assembly Meeting dated 01 Jun 2021, approved the distribution of SR 35,000,000 as dividend (per share of SR 0.50), that was paid on 7 June 2021.

**18 SUBSEQUENT EVENTS**

There have been no significant subsequent events since the period-end date that might require disclosure or adjustment in these condensed consolidated interim financial statements.

**19 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements have been approved for issuance by the Board of Directors on 4 Muharram 1443H (corresponding to 12 August 2021).