

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
For the three-month period ended
31 March 2021
Together 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 2021**

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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 (Saudi Joint stock Company)

Introduction

We have reviewed the accompanying 31 March 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 31 March 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021;
- 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 (Saudi Joint stock Company)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial statements of Al-Andalus Property Company and its subsidiaries 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: 24 Ramadan 1442H
Corresponding to: 6 May 2021



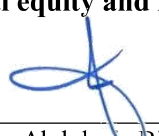
ALANDALUS PROPERTY COMPANY


(A Saudi Joint Stock Company)


**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(UNAUDITED)****As at 31 March 2021**

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

		31 March 2021 (unaudited)	31 December 2020 (audited)
	<i>Note</i>		
<u>ASSETS</u>			
Non-current assets			
Investment properties	7	986,108,813	990,385,904
Properties and equipment	6	154,317,177	155,822,329
Right-of-use assets		87,570,628	89,108,496
Investments in associates	8	480,247,183	481,482,965
		1,708,243,801	1,716,799,694
Current assets			
Receivable against operating leases		87,380,967	50,999,217
Prepayments and other assets		13,627,474	15,192,446
Due from related parties	12	1,385,863	14,846,585
Cash and cash equivalents	9	244,172,073	182,483,190
		346,566,377	263,521,438
Total assets		2,054,810,178	1,980,321,132
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital		700,000,000	700,000,000
Statutory reserve		96,841,478	96,841,478
Retained earnings		275,294,380	256,335,553
Equity attributable to shareholders of the Company		1,072,135,858	1,053,177,031
Non-controlling interests		174,778,331	182,939,218
Total equity		1,246,914,189	1,236,116,249
<u>LIABILITIES</u>			
Non-current liabilities			
Employees' benefits - defined benefit obligation		8,810,844	8,491,143
Lease liability on right-of-use assets		124,050,898	117,729,800
Islamic Finance Facilities	10	557,958,595	514,994,751
		690,820,337	641,215,694
Current liabilities			
Advances from lessees and deferred revenue		59,744,670	36,047,028
Lease liability on right-of-use assets - current portion		7,910,691	15,700,000
Due to related parties	12	17,614,423	16,396,502
Zakat provision		7,870,740	6,507,510
Accrued and other liabilities		23,935,128	28,338,149
		117,075,652	102,989,189
Total liabilities		807,895,989	744,204,883
Total equity and liabilities		2,054,810,178	1,980,321,132


 Fawaz Abdulaziz Bin Huwail
 Chief Financial Officer


 Hatha 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 three-months period ended 31 March 2021**

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

		For the three-month period ended 31 March	
		2021	2020
		(Unaudited)	(Unaudited)
Revenue	<i>Note 13</i>	50,541,678	41,935,588
Cost of revenue	<i>13</i>	(16,927,955)	(18,609,243)
Gross profit		33,613,723	23,326,345
General and administrative expenses		(10,120,234)	(8,411,956)
Marketing expenses		(73,055)	(880,630)
Share of income from associates	<i>8</i>	8,514,218	8,238,038
Other income	<i>13</i>	856,083	336,255
Operating profit		32,790,735	22,608,052
Interest expenses on lease liabilities		(3,066,098)	(3,137,017)
Finance cost		(3,588,191)	(2,858,621)
Profit before Zakat		26,136,446	16,612,414
Zakat expense		(1,363,506)	(831,559)
Profit for the period		24,772,940	15,780,855
Attributable to:			
Shareholders of the Company		18,958,827	12,237,803
Non-controlling interests		5,814,113	3,543,052
		24,772,940	15,780,855
Other comprehensive income			
Items that will not be subsequently reclassified to statement of profit or loss:			
Re-measurement of employees' end of service benefits obligations		-	-
Total comprehensive income		24,772,940	15,780,855
Total comprehensive income attributable to:			
Shareholders of the company		18,958,827	12,237,803
Non-controlling interests		5,814,113	3,543,052
		24,772,940	15,780,855
Earnings per share			
Basic and diluted earnings per share	<i>11</i>	0.27	0.17


Fawaz Abdulaziz Bin Huwail
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 three-months period ended 31 March 2021

(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 equity
For the three-month period ended 31 March 2021 (Unaudited)						
Balance as at 1 January 2021 (Audited)	700,000,000	96,841,478	256,335,553	1,053,177,031	182,939,218	1,236,116,249
Profit for the period	-	-	18,958,827	18,958,827	5,814,113	24,772,940
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	18,958,827	18,958,827	5,814,113	24,772,940
Dividend to non-controlling interests	-	-	-	-	(13,975,000)	(13,975,000)
Balance as at 31 March 2021 (Unaudited)	700,000,000	96,841,478	275,294,380	1,072,135,858	174,778,331	1,246,914,189
For the three-month period ended 31 March 2020 (Unaudited)						
Balance as at 1 January 2020 (Audited)	700,000,000	95,381,933	313,698,094	1,109,080,027	199,658,418	1,308,738,445
Profit for the period	-	-	12,237,803	12,237,803	3,543,052	15,780,855
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	12,237,803	12,237,803	3,543,052	15,780,855
Dividend to non-controlling interests	-	-	-	-	(13,993,021)	(13,993,021)
Balance as at 31 March 2020 (Unaudited)	700,000,000	95,381,933	325,935,897	1,121,317,830	189,208,449	1,310,526,279

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ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**For the three-months period ended 31 March 2021**

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

	For the three-month period ended 31 March	
	<u>2021</u>	<u>2020</u>
<u>Operating activities:</u>		
Profit before Zakat	26,136,446	16,612,414
<u>Adjustments:</u>		
<u>Depreciation:</u>		
- Investment properties	5,587,857	4,518,011
- Properties and equipment	1,549,168	2,124,666
- Right-of-use assets	1,537,870	1,537,869
Share of income from associates	(8,514,218)	(8,238,038)
Employees' benefits - defined benefit obligation	319,701	373,919
Finance cost	6,654,289	5,995,638
	33,271,113	22,924,479
<u>Changes in:</u>		
Receivables against operating leases	(36,381,753)	(15,045,607)
Prepayments and other assets	1,564,974	21,654,845
Related parties' balances, net	14,678,643	(9,584,240)
Advances from lessees and deferred revenue	23,697,642	(1,193,984)
Accrued and other liabilities	(3,927,754)	2,305,501
Dividends received from associates	9,750,000	9,500,000
	42,652,865	30,560,994
Zakat paid	-	(5,098,917)
Net cash flows generated from operating activities	42,652,865	25,462,077
<u>Investing activities</u>		
Additions to properties and equipment	(44,016)	(123,210)
Additions to investment properties	(1,310,766)	(1,423,517)
Proceeds from sale of financial instruments at fair value through profit or loss	-	30,701,143
Additions to investments in associates	-	(6,250,000)
Net cash flows (used in)/generated from investing activities	(1,354,782)	22,904,416
<u>Financing activities</u>		
Payment for Islamic Finance Facilities	(3,377,923)	(2,565,300)
Proceeds from Islamic Finance Facilities	42,278,032	-
Lease liability on right-of-use assets	(4,534,309)	(12,400,001)
Dividends paid	(13,975,000)	(13,993,021)
Net cash flows generated from / (used in) financing activities	20,390,800	(28,958,322)
Net change in cash and cash equivalents during the period	61,688,883	19,408,171
Cash and cash equivalents at the beginning of the period	182,483,190	148,233,398
Cash and cash equivalents at end of the period	244,172,073	167,641,569


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Authorized board member

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ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2021

(All amounts are expressed in Saudi Riyal 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 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 – 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 three-months period ended 31 March 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**For the three-months period ended 31 March 2021**

(All amounts are expressed in Saudi Riyal 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:

- Obligor 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

The Group's operations have been 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 business disruptions COVID-19 outbreak have caused to 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 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. 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 Functional and presentation currency

The functional and presentational 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 31 March 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

For the three-months period ended 31 March 2021

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

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

The details of subsidiaries are as follows:

1. Al Ahli 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 which are located in Jeddah/ Riyadh:

<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

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but these do not have an impact on the condensed consolidated interim financial statements of the Group.

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
- Impairment /Useful lives of property, equipment and investment properties.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the three-months period ended 31 March 2021**

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

6 PROPERTY AND EQUIPMENT

As of 31 March 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 56 million (31 December 2020: SR 54.5 million).

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

7 INVESTMENT PROPERTIES

	31 March 2021 (unaudited)	31 December 2020 (audited)
<u>Cost:</u>		
Balance at beginning of the period / year	1,140,476,842	881,781,189
Additions	1,310,766	258,695,653
Balance at end of the period / year	1,141,787,608	1,140,476,842
<u>Accumulated depreciation and impairment:</u>		
Balance at beginning of the period / year	(150,090,938)	(124,839,706)
Depreciation charged for the period / year	(5,587,857)	(18,422,290)
Impairment losses	-	(6,828,942)
Balance at end of the period / year	(155,678,795)	(150,090,938)
Net book value	986,108,813	990,385,904

The Group has pledged Al-Andalus Mall against Islamic financing facility obtained from National Commercial 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. The key assumptions used in determining the fair values of the investment properties was discount rate of 9% and the valuation approaches used were comprised of discounted cash flows and replacement cost method.

The management believes that the fair values of investment properties as at 31 March 2021 do not materially differ from the fair values determined as at 31 December 2020.

8 INVESTMENTS IN ASSOCIATES

The detail of investments in associated companies is as follow:

	<u>Country of incorporation</u>	<u>Ownership percentage</u>		31 March 2021 (unaudited)	31 December 2020 (audited)
		31 March 2021	31 December 2020		
Al-Aswaq Al-Mutatawerah Company	Saudi Arabia	50%	50%	108,272,510	104,877,215
Hayat Real Estate Company	Saudi Arabia	25%	25%	188,348,492	192,486,625
Soroh Centres 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%	68,017,121	68,191,462
				480,247,183	481,482,965

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the three-months period ended 31 March 2021**

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

8 INVESTMENTS IN ASSOCIATES

The following is the movement in the investments in associates:

	31 March 2021 (unaudited)	31 December 2020 (audited)
Opening balance	481,482,965	464,834,820
Share in the income of associates for the period/year	8,514,218	26,148,145
Dividends received during the period/year	(9,750,000)	(15,750,000)
Additions in investments during the period/year	-	6,250,000
Balance at end of period/year	<u>480,247,183</u>	<u>481,482,965</u>

* These associated companies have not commenced commercial operations yet.

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

	For the three-months period ended 31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Al-Aswaq Al-Mutatawerah Company	3,395,295	3,325,548
Hayat Real Estate Company	5,611,867	4,931,084
Sorroh Centres Company	(36,875)	(18,594)
West Jeddah Hospital Company	(281,729)	-
Al-Jawhra Al-Kubra Company	(174,340)	-
	<u>8,514,218</u>	<u>8,238,038</u>

The associates' financial information as of and for the period ended 31 March 2021, is derived from management reports of the associates.

9 CASH AND CASH EQUIVALENTS

	31 March 2021 (unaudited)	31 December 2020 (audited)
Cash at banks	<u>244,172,073</u>	<u>182,483,190</u>

10 ISLAMIC FINANCE FACILITIES

The Group obtained an Islamic financing facility 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 Hotel, 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.

During the period the group has utilized SR 42 million as the third tranche from the Islamic Financing Facilities on 20 March 2021. 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 while the principal amount is required to be repaid over 10 years on a quarterly basis.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the three-months period ended 31 March 2021**

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

11 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.

	For the three-months period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Profit for the period (SR)	18,958,827	12,237,803
Weighted average number of outstanding ordinary shares (Number of shares)	70,000,000	70,000,000
Basic and diluted earnings per share (SR)	0.27	0.17

The diluted earnings per share is equal to the basic earnings per share for the period ended 31 March 2021 and 31 March 2020 as there are no instruments with a reduced earnings per share effect.

12 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>31 March 2021 (Unaudited)</u>	<u>31 March 2020 (Unaudited)</u>
Hayat Real Estate Company	Associate	Expenses	1,780,284	2,040,404
Imtieaz Al-Arabia Company	Related to board of director member	Rent revenue	1,574,500	1,634,700
Global Health care company	Related to board of director member	Rent revenue	515,000	2,126,766
Pharmacies Beauty Fourth Company	Related to board of director member	Rent revenue	385,000	-
Key management and others	Other related party	Salaries and other benefits	1,508,821	954,100
Al-Ahli Capital	Fund Manager Al Ahli REIT1	Operating Services	4,761,537	4,002,342

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the three-months period ended 31 March 2021**

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

12 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The details of balances with related parties are mentioned below:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Due from related parties		
Hayat Real Estate Company	1,385,863	1,668,972
Asalah Holding Company	-	13,177,613
	<u>1,385,863</u>	<u>14,846,585</u>
Due to related parties		
Mohmmad AL-Rajhi Company	40,821	40,821
Al-Ahli Capital	17,573,602	16,355,681
	<u>17,614,423</u>	<u>16,396,502</u>

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13 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).

For the three months period ended 31 March 2021 (Unaudited)	Retail and operation sector	Hospitality sector	Office sector	Other	Total
Revenue	37,328,477	1,914,255	11,298,946	-	50,541,678
Cost of revenue	(10,795,358)	(3,678,132)	(2,454,465)	-	(16,927,955)
Share in the income of associates	-	-	-	8,514,218	8,514,218
Expenses	(4,066,098)	-	(3,588,191)	(9,193,289)	(16,847,578)
Other income	-	-	-	856,083	856,083
Profit before Zakat	22,467,021	(1,763,877)	5,256,290	177,012	26,136,446

As of 31 March 2021 - Unaudited

Total assets	732,307,892	129,891,418	499,430,249	693,180,619	2,054,810,178
Total liabilities	215,641,387	-	511,616,828	80,637,774	807,895,989

For the three months period ended 31 March 2020 (Unaudited)	Retail Sector	Hospitality Sector	Office Sector	Other	Total
Revenue	33,563,323	2,356,396	6,015,869	-	41,935,588
Cost of revenue	(11,778,956)	(5,330,897)	(1,499,390)	-	(18,609,243)
Share in income from associates	-	-	-	8,238,038	8,238,038
Expenses	(4,265,466)	-	(2,858,621)	(8,164,137)	(15,288,224)
Other income	-	-	-	336,255	336,255
Net income before Zakat	17,518,901	(2,974,501)	1,657,858	410,156	16,612,414

As of 31 December 2020 - Audited

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

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

15 DIVIDENDS

On 3 March 2021, the Board of Directors have resolved the dividends distribution of SR 35 million subject to approval of shareholders' approval in the Ordinary General Assembly Meeting.

16 SUBSEQUENT EVENTS

Subsequent to 31 March 2021, the Board of Directors of the Company has recommended to increase the Company's share capital from SR 700 million to SR 933 million through capitalizing SAR 233 million of retained earnings and statutory reserve.

17 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved for issuance by the Board of Directors on 24 Ramadan 1442H (corresponding to 6 May 2021).