

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim
Financial Statements (Unaudited)
For the three and nine-months period ended
30 September 2019
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 nine-months period ended 30 September 2019

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

To the shareholders of Al-Andalus Property Company

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial statements of Al-Andalus Property Company (the "Company") (Saudi Joint Stock Company) and its subsidiaries (the "Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period and nine-month period ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2019; 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 (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial statements of Al-Andalus Property Company (the "Company") and its subsidiaries (the "Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants



Khalil Ibrahim Al Sedais
License No: 371



Date: 9 Rabi al-awwal 1441H
Corresponding to: 6 November 2019

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**As at 30 September 2019**

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

		30 September 2019	31 December 2018
	<i>Note</i>	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Investment properties	7	758,351,198	505,866,559
Properties and equipment	6	191,068,414	195,759,311
Right-of-use assets	4	96,797,841	-
Investments in associates	8	497,111,636	493,988,554
Total non-current assets		1,543,329,089	1,195,614,424
Current assets			
Receivable from operating leases		51,098,729	26,097,810
Prepayments and other debit balances		22,481,374	3,977,706
Due from related parties	14	5,167,436	17,124,796
Financial instruments at fair value through profit or loss		10,466,098	58,111,578
Cash and cash equivalents	9	146,711,088	145,111,774
Total current assets		235,924,725	250,423,664
Total assets		1,779,253,814	1,446,038,088
EQUITY AND LIABILITIES			
Equity			
Share capital		700,000,000	700,000,000
Statutory reserve		88,925,263	88,925,263
Retained earnings		305,854,964	347,411,134
Equity attributable to shareholders of the Company		1,094,780,227	1,136,336,397
Non-controlling interests		196,982,423	211,454,555
Total equity		1,291,762,650	1,347,790,952
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits obligations		5,642,361	5,074,706
Lease liability on right-of-use assets	4	130,648,026	-
Accrued operating leases		-	9,724,527
Islamic finance facilities	10	254,981,321	-
Total non-current liabilities		391,271,708	14,799,233
Current liabilities			
Advances from leases and deferred revenue		40,535,568	34,663,463
Lease liability on right-of-use assets - current portion	4	8,993,270	-
Islamic finance facilities - current portion		-	1,822,767
Due to a related party	14	12,874,702	330,145
Zakat provision		12,428,900	13,305,708
Accruals and other credit balances		21,387,016	33,325,820
Total current liabilities		96,219,456	83,447,903
Total liabilities		487,491,164	98,247,136
Total liabilities and equity		1,779,253,814	1,446,038,088

Fawaz Abdulaziz Bin Huwail
Chief Financial Officer

Hathal Bin Saad Alutaibi
Chief Executive Officer

Dr. Abdulrahman Mohammed Albarrak
Authorized board member

The accompanying notes 1 through 20 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 and nine-months period ended 30 September 2019**

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

	<i>Note</i>	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Revenue	15	42,717,907	40,507,937	125,026,760	122,571,253
Cost of revenue	15	(18,642,668)	(17,927,659)	(53,759,269)	(51,106,943)
Gross profit		24,075,239	22,580,278	71,267,491	71,464,310
General and administrative expenses		(7,370,032)	(7,833,936)	(22,245,377)	(24,125,385)
Marketing expenses		(92,710)	(139,238)	(1,207,315)	(533,214)
Share of income from associates	8	9,854,264	8,170,713	29,798,082	27,259,005
Impairment of receivable		(1,299,088)	-	(1,299,088)	(1,809,105)
Other income	15	878,910	968,528	4,242,955	2,828,256
Operating profit		26,046,583	23,746,345	80,556,748	75,083,867
Interest expense on lease liabilities	4	(3,156,667)	-	(8,577,802)	-
Finance cost		(1,893,821)	(540,371)	(1,897,205)	(3,619,644)
Profit before Zakat		20,996,095	23,205,974	70,081,741	71,464,223
Zakat expense		(1,742,204)	(4,814,439)	(3,484,410)	(7,593,044)
Profit for the period		19,253,891	18,391,535	66,597,331	63,871,179
Attributable to:					
Equity holders of the Company		14,585,671	12,622,641	49,995,077	45,307,717
Non-controlling interests		4,668,220	5,768,894	16,602,254	18,563,462
		19,253,891	18,391,535	66,597,331	63,871,179
Other comprehensive income					
Actuarial (losses)/gains from re-measurement of employees' end of service benefits obligations		-	-	-	-
Comprehensive income		19,253,891	18,391,535	66,597,331	63,871,179
Comprehensive income attributable to:					
Equity holders of the Company		14,585,671	12,622,641	49,995,077	45,307,717
Non-controlling interests		4,668,220	5,768,894	16,602,254	18,563,462
		19,253,891	18,391,535	66,597,331	63,871,179
Earnings per share					
Basic and diluted earnings per share from net income of the period	12	0.21	0.18	0.71	0.65

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 20 form an integral part of these condensed consolidated interim financial statements.

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-months period ended 30 September 2019
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Equity Attributable to Shareholders of The Company	Non- Controlling Interests	Total
For the nine-month period ended 30 September 2019 (Unaudited)						
Balance as at 1 January 2019 (Audited)	700,000,000	88,925,263	347,411,134	1,136,336,397	211,454,555	1,347,790,952
Impact of change in accounting policy (note 4)	-	-	(21,551,247)	(21,551,247)	(4,354,074)	(25,905,321)
Restated balance as at 1 January 2019	700,000,000	88,925,263	325,859,887	1,114,785,150	207,100,481	1,321,885,631
Net income for the period	-	-	49,995,077	49,995,077	16,602,254	66,597,331
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	-	-	49,995,077	49,995,077	16,602,254	66,597,331
Dividends paid	-	-	(70,000,000)	(70,000,000)	(27,950,000)	(97,950,000)
Change in non-controlling interests	-	-	-	-	1,229,688	1,229,688
Balance as at 30 September 2019 (Unaudited)	700,000,000	88,925,263	305,854,964	1,094,780,227	196,982,423	1,291,762,650
For the nine-month period ended 30 September 2018 (Unaudited)						
Balance as at 1 January 2018 (audited)	700,000,000	84,125,638	444,214,504	1,228,340,142	192,277,369	1,420,617,511
Dividends	-	-	(140,000,000)	(140,000,000)	-	(140,000,000)
Net income for the period	-	-	45,307,717	45,307,717	18,563,462	63,871,179
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	-	-	45,307,717	45,307,717	18,563,462	63,871,179
Change in non-controlling interest	-	-	-	-	(3,731,551)	(3,731,551)
Balance as at 30 September 2018 (Unaudited)	700,000,000	84,125,638	349,522,221	1,133,647,859	207,109,280	1,340,757,139

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Authorized board member

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ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**For the nine-months period ended 30 September 2019**

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

	Note	For the nine-month period ended 30 September	
		2019 (Unaudited)	2018 (Unaudited)
<u>Operating activities:</u>			
Profit before Zakat		70,081,741	71,464,223
<u>Adjustments:</u>			
Depreciation of investment property		10,189,545	7,838,349
Depreciation of properties and equipment		5,599,297	5,445,834
Depreciation of right-of-use assets	4	4,613,607	-
Impairment loss from receivables		1,299,088	1,809,105
Share of income from associates	8	(29,798,082)	(27,259,005)
Employees' end of service benefits obligations		620,397	673,270
Utilized provision of lessees discounts		-	(66,545)
Islamic facilities finance cost		1,897,205	3,619,644
waiver of interest from the bank due to early payment		-	7,118,741
Interest expense on lease liabilities	4	8,577,802	-
<u>Changes in:</u>			
Receivables from operating leases		(26,300,007)	(17,420,773)
Prepayments and other debit balances		(18,503,668)	(7,839,298)
Related parties balances		26,501,917	(2,022,950)
Accrued operating leases		(5,977,802)	1,387,566
Advances from leasees and deferred revenue		5,872,105	15,710,375
Accruals and other credit balances		(13,832,625)	(5,273,884)
Dividends received from associates		24,675,000	32,189,812
Employees' end of service benefits obligations paid		(52,742)	(105,443)
Zakat Paid		(4,361,218)	(4,936,506)
Net cash flows from operating activities		61,101,560	82,332,515
<u>Investing activities</u>			
Payment to purchase properties and equipment		(908,400)	(480,163)
Addition to investment property	7	(262,674,184)	(14,175,207)
Financial instruments - fair value through profit or loss, net		47,645,480	(13,953,752)
Addition to investment in associate		-	(5,722,358)
Net cash flows generated used in investing activities		(215,937,104)	(34,331,480)
<u>Financing activities</u>			
Proceeds from Islamic facilities		254,981,321	-
Payment for Islamic facilities		(1,826,151)	(130,978,445)
Dividends paid		(70,000,000)	(140,000,000)
Change in non-controlling interests		(26,720,312)	(3,731,551)
Cash flows used in from financing activities		156,434,858	(274,709,996)
Net change in cash and cash equivalents during the period		1,599,314	(226,708,961)
Cash and cash equivalents at the beginning of the period		145,111,774	444,213,231
Cash and cash equivalents at end of the period		146,711,088	217,504,270

- Non-cash Transactions Note (16)

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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 20 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 nine-months period ended 30 September 2019

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

1 INFORMATION ABOUT THE COMPANY

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

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

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

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

The Group financial year starts on 1 January and ends on 31 December of each Gregorian year.

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

2 BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared for the nine-month period ended 30 September 2019 in accordance with requirements of IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018.

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

Basis of measurement

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

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

Presentation currency

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

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)****For the nine-months period ended 30 September 2019**

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

3 BASIS OF CONSOLIDATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries listed below for the period ended 30 September 2019.

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

Details of subsidiaries are as follows:

AlAhli REIT Fund 1

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

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

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

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

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

For leases previously classified as operating leases:

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

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the nine-months period ended 30 September 2019

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

4 CHANGES IN ACCOUNTING POLICIES - (continued)***IFRS 16 Leases (continued)***

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

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

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

Right-of-use assets

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

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

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the nine-months period ended 30 September 2019

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

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES - (continued)

IFRS 16 Leases (continued)

Lease liability

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

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

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

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

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

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

Short-term leases and lease of low-value assets

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

Under IAS 17

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

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**(UNAUDITED)****For the nine-months period ended 30 September 2019**

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

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

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

	For the period ended 30 September 2019
Right-of-use assets presented in the consolidated statements of financial position	101,411,448
Lease liabilities on right-of-use assets	(140,296,296)
Adjustments for deferred rent liability	12,979,527
IFRS 16 Net adjustment	(25,905,321)
IFRS 16 Net adjustment attributable to:	
Retained earnings of equity holders of the Company	(21,551,247)
Non-controlling interests	(4,354,074)
	(25,905,321)
Right-of-use assets	
Assets recognised during the period	101,411,448
Depreciation charge for the period	(4,613,607)
Balance at end of the period	96,797,841
Depreciation charge for the period ended 30 September 2019 has been allocated as follows:	
Cost of revenue	4,249,541
Investment property (capitalized)	364,066
Lease liabilities	
Maturity analysis – contractual undiscounted cash flows	
Less than one year	3,255,000
One to five years	80,495,500
More than five years	195,828,942
Total undiscounted lease liabilities	279,579,442
Discounted Lease liabilities included in the consolidated statement of financial position as at 30 September 2019	
Non-current	130,648,026
Current	8,993,270
	139,641,296
	For the period ended 30 September 2019
Amounts recognised in the statement of profit or loss	
Depreciation on right-of-use assets	4,249,541
Interest expense on lease liabilities	8,577,802

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the nine-months period ended 30 September 2019

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

5 Significant accounting judgments, estimates and assumptions

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

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

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

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

ALANDALUS PROPERTY COMPANY

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6 PROPERTY AND EQUIPMENT

As of 30 September 2019, cost of property and equipment amounted to SR 209.4 million (31 December 2018: SR 208.5 million). Accumulated depreciation amounting to SR 18.4 million (31 December 2018: SR 12.8 million).

7 INVESTMENT PROPERTIES

	30 September 2019 (unaudited)	31 December 2018 (audited)
<u>Cost:</u>		
Balance at beginning of the period / year	616,441,839	646,506,093
Additions *	262,674,184	20,770,302
Transferred to associate company	-	(50,834,556)
Balance at end of the period / year	<u>879,116,023</u>	<u>616,441,839</u>
<u>Accumulated depreciation and impairment:</u>		
Balance at beginning of the period / year	(110,575,280)	(98,195,975)
Depreciation charged for the period / year	(10,189,545)	(11,073,386)
Impairment losses	-	(1,305,919)
Balance at end of the period / year	<u>(120,764,825)</u>	<u>(110,575,280)</u>
Net book value	<u>758,351,198</u>	<u>505,866,559</u>

* The Group has acquired Salama Tower on 4 August 2019 for cash consideration of SR 255 million.

* Investment properties include properties with net book value as of 30 September 2019 of SR 579 M which is pledged for the Islamic facilities (note 10).

- The management has assessed the fair value of the investment properties as of 31 December 2018 and the investment properties fair value amounted to SR 1,594 Million. The management believes that the fair value as at 30 September 2019 is not materially different from fair value as at 31 December 2018.

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

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

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

	Fair value measurement at 31 December 2018		
	using quoted prices from active markets for		
	identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investments properties	-	-	SR 1,594 Million

Valuation techniques used to derivate level 3 of fair value

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

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8 INVESTMENTS IN ASSOCIATES

The details of investments in associated are as follow:

	Country of incorporation	Ownership percentage		30 September 2019	31 December 2018
		30 September 2019	31 December 2018	(unaudited)	(audited)
Al-Aswaq Al-Mutatawerah Company	Saudi Arabia	50%	50%	98,969,870	97,622,867
Hamat Property Company	Saudi Arabia	33.4%	33.4%	43,624,076	41,995,288
Hayat Real Estate ompany	Saudi Arabia	25%	25%	186,605,035	186,423,778
Soroh Centres Company	Saudi Arabia	25%	25%	49,299,184	49,333,150
West Jeddah Hospital Company	Saudi Arabia	50%	50%	67,656,665	67,656,665
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company	Saudi Arabia	25%	25%	50,956,806	50,956,806
				497,111,636	493,988,554

The following is the movement of investment in associates:

	30 September 2019 (unaudited)	31 December 2018 (audited)
Opening Balance	493,988,554	457,272,802
Share of income	29,798,082	33,260,429
Dividends received	(26,675,000)	(42,212,337)
Share of movement in additional contributions	-	(6,014,253)
Investment addition during the year	-	51,681,913
Balance at end of period / year	497,111,636	493,988,554

The Company share of income from associate: -

	For the three-month period ended		For the nine-month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Al Aswaq Al Mutatawerah Company	2,898,348	1,503,391	8,847,003	7,741,299
Hamat Property Company	698,699	774,632	1,628,787	524,003
Hayat Real Estate Company	6,276,240	5,908,564	19,356,257	19,026,785
Sorroh Centres Company	(19,023)	(15,874)	(33,965)	(33,082)
	9,854,264	8,170,713	29,798,082	27,259,005

The associate financial information as of 30 September 2019, is derived from management reports of the investee.

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

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9 CASH AND CASH EQUIVALENTS

	30 September 2019 (unaudited)	31 December 2018 (audited)
Cash at banks	96,711,088	75,102,584
Murabha with original maturity is less than 3 months	50,000,000	70,009,190
	146,711,088	145,111,774

10 Islamic Finance Facilities

At 7 November 2018 the Group has secured a commercial facilities contract with National Commercial Bank ("NCB") to obtain Islamic facilities amounting to SAR 650 million.

The Group transferred the title deed of properties in relation to the Alandalus mall and Stay Bridge hotel located in Al Faiha District of Jeddah, Saudi Arabia in favor of the Real Estate Development Company for Management and Ownership, a fully-owned subsidiary of the NCB bank to be secured against the Islamic facilities.

The Group had drawn down SAR 255 million the first tranche from the loan at 1 August 2019. The term of the Islamic facilities is 15 years to be paid on quarterly basis starting from 1 August 2024 till 31 July 2034.

11 ZAKAT

The Company filed all due zakat declarations up to and including the year ended 31 December 2018 and obtained zakat certificate up to year 2018. The Company finalized zakat assessment with the General Authority of Zakat and Income Tax ("GAZT") up to and including year ended 31 December 2014.

12 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.

	For the three-month period ended		For the nine-months period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Net income for the period	14,585,671	12,622,641	49,995,077	45,307,717
Weighted average number of outstanding ordinary shares (share)	70,000,000	70,000,000	70,000,000	70,000,000
Basic and diluted earnings per share	0.21	0.18	0.71	0.65

The diluted earnings per share are equal to the basic earnings per share for the period ended 30 September 2019 and 30 September 2018 as there are no instruments with a reduced earnings per share effect.

13 CAPITAL COMMITMENTS

The Group has capital commitments relating to construction contracts of investment properties amounted of SR 2 million as of 30 September 2019 (31 December 2018: SR 3 million).

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14 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:

Name of related party	Relationship	Nature of Transaction	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Mohmmad Al-Rajhi Investment Company	Shareholder in a subsidiary	Expenses	<u>7,652,210</u>	<u>1,155,000</u>
Imtieaz Al-Arabia Company	Related to board of director member	Rent revenue	<u>1,613,300</u>	<u>1,755,000</u>
Global Health care company	Related to board of director member	Rent revenue	<u>2,126,766</u>	<u>2,185,566</u>
Al-Ahli Capital	Fund Manager of AlAhli REIT Fund 1	Operating Services	<u>10,308,135</u>	<u>6,941,688</u>
Investment in associated	Associate companies	Rental, operating Services and expenses	<u>22,260,834</u>	<u>16,423,238</u>

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14 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Balances resulting from the related party transactions during the period as at 30 September 2019 are as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Due from related parties		
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company.	4,880,000	4,875,000
IHG Group – Staybridge Hotel	-	961,365
Hayat Real Estate Company	270,507	1,176,555
Mohammad Al-Rajhi Investment Company	16,929	7,652,210
Al-Ahli Capital	-	2,459,666
	5,167,436	17,124,796
Due to related parties		
Hamat Property Company	3,895,057	330,145
Al-Ahli Capital	8,979,645	-
	12,874,702	330,145

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 management of the Group. Significant transactions with compensations of board members during the year are as follows:

	Charged to consolidated statement of profit or loss		Balances in consolidated statement of financial position	
	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Salaries and wages and end of - service benefit	3,121,611	1,865,223	1,090,232	1,138,742

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15 SEGMENT REPORTING

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

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

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

Offices Sector: This includes rent for commercial units from investment properties.

For the nine months period ended 30 September 2019 (Unaudited)

	Retail Sector	Hospitality Sector	Offices Sector	Other	Total
Revenue*	106,758,612	13,890,676	4,377,472	-	125,026,760
Cost of revenue	(36,191,539)	(16,420,215)	(1,147,515)	-	(53,759,269)
Share in income from associates	-	-	-	29,798,082	29,798,082
Expenses	(8,577,802)	-	(1,893,821)	(23,456,076)	(33,927,699)
Impairment loss of receivable from operating leases	(1,299,088)	-	-	-	(1,299,088)
Other income*	-	-	-	4,242,955	4,242,955
Net income before Zakat	60,690,183	(2,529,539)	1,336,136	10,584,961	70,081,741
Total assets	648,417,971	162,868,795	257,133,956	710,833,092	1,779,253,814
Total Liabilities	216,891,780	-	256,893,822	13,705,562	487,491,164

For the nine months period ended 30 September 2018 (Unaudited)

	Retail Sector	Hospitality Sector	Offices Sector	Other	Total
Revenue*	104,011,655	17,809,843	749,755	-	122,571,253
Cost of revenue	(34,121,037)	(16,985,906)	-	-	(51,106,943)
Share in income from associates	-	-	-	27,259,005	27,259,005
Expenses	-	-	-	(28,278,243)	(28,278,243)
Impairment loss of receivable from operating leases	-	-	-	(1,809,105)	(1,809,105)
Other income*	-	-	-	2,828,256	2,828,256
Net income before Zakat	69,890,618	823,937	749,755	(87)	71,464,223
Total assets	418,898,117	169,762,746	14,787,784	885,999,719	1,489,448,366
Total Liabilities	78,875,817	-	210,937	69,604,473	148,691,227

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

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16 NON-CASH TRANSACTIONS

	30 September 2019 (unaudited)	30 September 2018 (unaudited)
Investment Properties Transferred to acquire Investment in Associate Share	-	50,834,556
Dividends from associates adjusted with related party.	2,000,000	2,000,000
Right-of-use Assets and its related Lease liability arising on application of IFRS 16	96,797,841	-

17 DETERMINATION OF FAIR VALUE, CLASSIFICATION AND RISK MANAGEMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and at prevailing market conditions regardless if the price is directly identified or estimated using other valuation technique.

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

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

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

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

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

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

Fair values of financial instruments

- The Group's management considers the fair value for lessees' receivables, current portion of Islamic Tawarruq facilities, balances of related parties, rents due from lease, accruals and other payable approximate to their carrying value because of the short terms of financial instruments.
- There were no transfers between level 1, 2 or 3 during the reporting period.

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

	Fair Value		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>30 September</u>			
Financial instruments at fair value through profit or loss	-	10,466,098	-
<u>31 December 2018</u>			
Financial instruments at fair value through profit or loss	-	58,111,578	-

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

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18 Dividends

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

19 SUBSEQUENT EVENT

On 22 October 2019, the group has announced that entered into a purchase agreement to acquire an office complex in Riyadh for SR 250 million. The ownership transfer procedures are expected to be completed before the end of the year 2019. The deal will be financed through the bank facilities available.

20 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved for issuance on 9 Rabi al-awwal 1441H (corresponding to 6 November 2019).