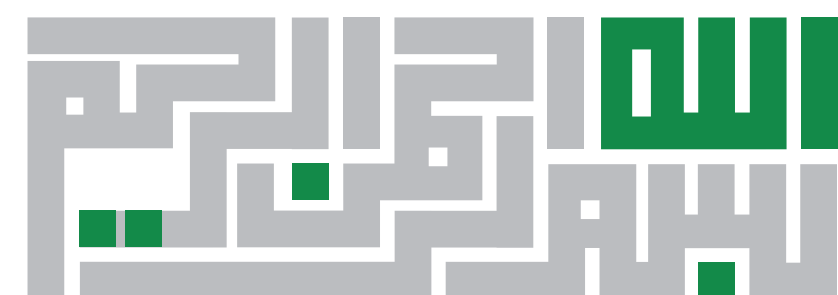


# Annual Report 2018

Steady Rising



الاندلس العقارية  
Alandalus Property



Arabic is the official language of this report, in the event of any difference or conflict, the Arabic language version shall prevail.

## Table of Contents:

<b>08</b>	<b>Chairman's Message</b>	<b>32</b>	<b>The Company's Activities and Investments</b>	<b>70</b>	<b>Financial Results and Business Data</b>	<b>104</b>	<b>Key Shareholders and Change in Equity</b>
<b>09</b>	<b>CEO's Message</b>	Retail Real Estate 32		Income Statement 71		Change in Shareholders' Ownership and Interests 106	
<b>10</b>	<b>Executive Summary</b>	Malls - Community Shopping Centers 32 - 43		Revenue Analysis 73		Change in Board Members and Senior Executives' Ownership and Interests 106	
<b>12</b>	<b>Alandalus Achievements</b>	Hospitality 44		By Company's activities 74		Shareholders' Meetings 107	
<b>16</b>	<b>About Alandalus</b>		<b>46</b>	Geographic Analysis of the Company's Revenue 74		Shareholders Registers Requests in 2018 107	
Establishment of the Company 18			<b>Investing in Subsidiaries and Sister Companies</b>	Statement of Financial Position 75			
The Company's Objectives 20			Subsidiaries Companies 48	Accounting Standards 77			
Business and Investments 21			Sister Companies 48	Islamic Tawarruq Facilities 78			
Company's Vision and Strategy 22				Regular Payments 79			
- Vision - Mission - Values - Strategy 22 - 28				Staff Benefits 79			
<b>29</b>	<b>Board of Directors, Executive Committee and CEO</b>	<b>50</b>	<b>Future Plans</b>	<b>80</b>	<b>The Company's Board of Directors, Committees and Executive Management</b>	<b>108</b>	<b>Governance</b>
<b>Organizational Structure</b>		Establishing a hospital in partnership with Dr. Sulaiman Al-Habib Medical Services Holding Group 51		Board Members 82		Governance 110	
		Asalah District Project (Al-Jawharah Al-Kubra) 52		Executive Committee 88		Risks 114	
		Al-Sawari District project in Jeddah) 54		Nomination and Remuneration Committee 90		General Disclosures in 2018 119	
			<b>56</b>	Audit Committee 92		Results of the Annual Audit of the Internal Control Procedures Effectiveness 120	
			<b>Human capital</b>	Chief Executive Officer (CEO) 93		Profit Distribution Policy 120	
			About Human Resources 58			Acknowledgements 121	
			Saudization and Employment 59	<b>94</b>	<b>Reporting Shareholders' Suggestions and Remarks to the Board of Directors</b>	<b>122</b>	<b>Report of the Financial Auditors and the Consolidated Financial Statements for 2018</b>
						Independent auditor's Report on the Consolidated Financial Statements 123	
			<b>60</b>			Consolidated Statement of Financial Position 124	
			<b>Social Responsibility</b>			Consolidated Statement of Profit or Loss and other Comprehensive Income 126	
						Consolidated Statement of Changes in equity 128	
			<b>62</b>			Consolidated Statement of Cash Flows 130	
			<b>Transactions with Related Parties</b>			Notes to the Consolidated Financial Statements 132	
				<b>96</b>	<b>Board Members Remunerations Disclosures</b>	<b>191</b>	<b>Conclusion</b>
				Remuneration Policy 98		Aspirations and Ambitions 192	
				Other provisions regarding remuneration policy 99			
				Statement of deviation from the remuneration policy 102			



الأندلس العقارية  
Alandalus Property

### Alandalus Property Shareholders

May Peace, mercy and blessings of Allah be upon you

On behalf of Alandalus Property, the Chairman and Board of Directors are pleased to present to our valued shareholders the annual report for the fiscal year ending 31 December 2018. Our annual report comes in accordance with Corporate Governance Regulations requirements, issued by the Capital Market Authority, the Companies Law and the Company's Articles of Association.

The report provides information on the Company's operating activities, financial results, performance, achievements and future plans as of 31 December 2018.

At Alandalus Property, we wholeheartedly believe that our path to leading the industry should be built on solid foundations of sustainable growth and expansion based on persistent steps toward development.

## Chairman's Message

At Alandalus, our vision is to be the most admired and preferred investor and developer of income-generating real estate properties across retail, hospitality and mixed-use developments throughout the Kingdom.

Delivering on our strategy, we invested in multiple areas and explored promising business opportunities to invest capital or fixed assets. Moving forward, we plan on investing in the development of malls and shopping centers with greater focus.

As we always aim to maintaining high standards, we are consistently improving our operational performance by developing, managing and leasing the Company's properties in a manner that uniquely positions them to be successful destinations for their respective target segments. A case in point is Alandalus Mall in Jeddah which achieved a high occupancy rate of 95%.

Alandalus Mall's footfall increased significantly to 13.5 million visitors in 2018, while that of Hayat Mall exceeded 10 million visitors. Telal Center yielded a 100% occupancy rate, while Alsahafah Center and Yarmouk Center recorded 94% and 91%, respectively.

As Alandalus Property looks to the year ahead equipped with expertise, talent, and ambitious vision to enhance shareholder value, our stellar record of accomplishments inspires us to achieve even more.

**Abdulsalam bin Abdulrahman Al-Aqeel**  
Chairman of Board of Directors

This past year has left us with a profound set of experiences that have enabled us to excel in our industry and position the Company well for promising new opportunities on the horizon. We have diversified away from our core business but have also invested to support our existing commercial properties across the Kingdom.

## CEO's Message

Sustaining a high-quality company means developing human capital to its highest potential. We believe our people play a pivotal role in the Company's success. Hence, we are keen to catalyze their development through training and capitalize on their exceptional talents by soliciting their counsel on how we can deliver better outcomes more efficiently for our stakeholders. We have also endeavored to diversify Alandalus Property's operating sectors in order to continue growing and meet the needs and expectations of our customers.

Regulatory compliance is fundamental to our vision, goals, and mission to sustain a transparent well-governed business enterprise. Thus, we have approved the implementation of all provisions outlined in the Corporate Governance Regulations issued by the Capital Market Authority with the exception of a few, that will be explained in this report.

We are proud of what we have achieved in 2018, in terms of both upgrading our existing developments and making strides towards executing our pipeline developments. Examples include the Marwa Center project, the agreement with Empire Cinema to open with 27 showrooms in Alandalus Mall, and the establishment of Al Jawhara Al Kubra for Real Estate Development and Investment, of which Alandalus Property owns 25%, aiming to gain full ownership of Al-Asala land project in Jeddah.

In conclusion, I would like to thank our shareholders for their confidence in the Company. I would also like to recognize the Board of Directors and our employees for their efforts in attaining the aims of Alandalus Property Company, upholding and advancing its status as the industry leading company.

**Hathal Saad Munir Al Otaibi**  
Chief Executive Officer

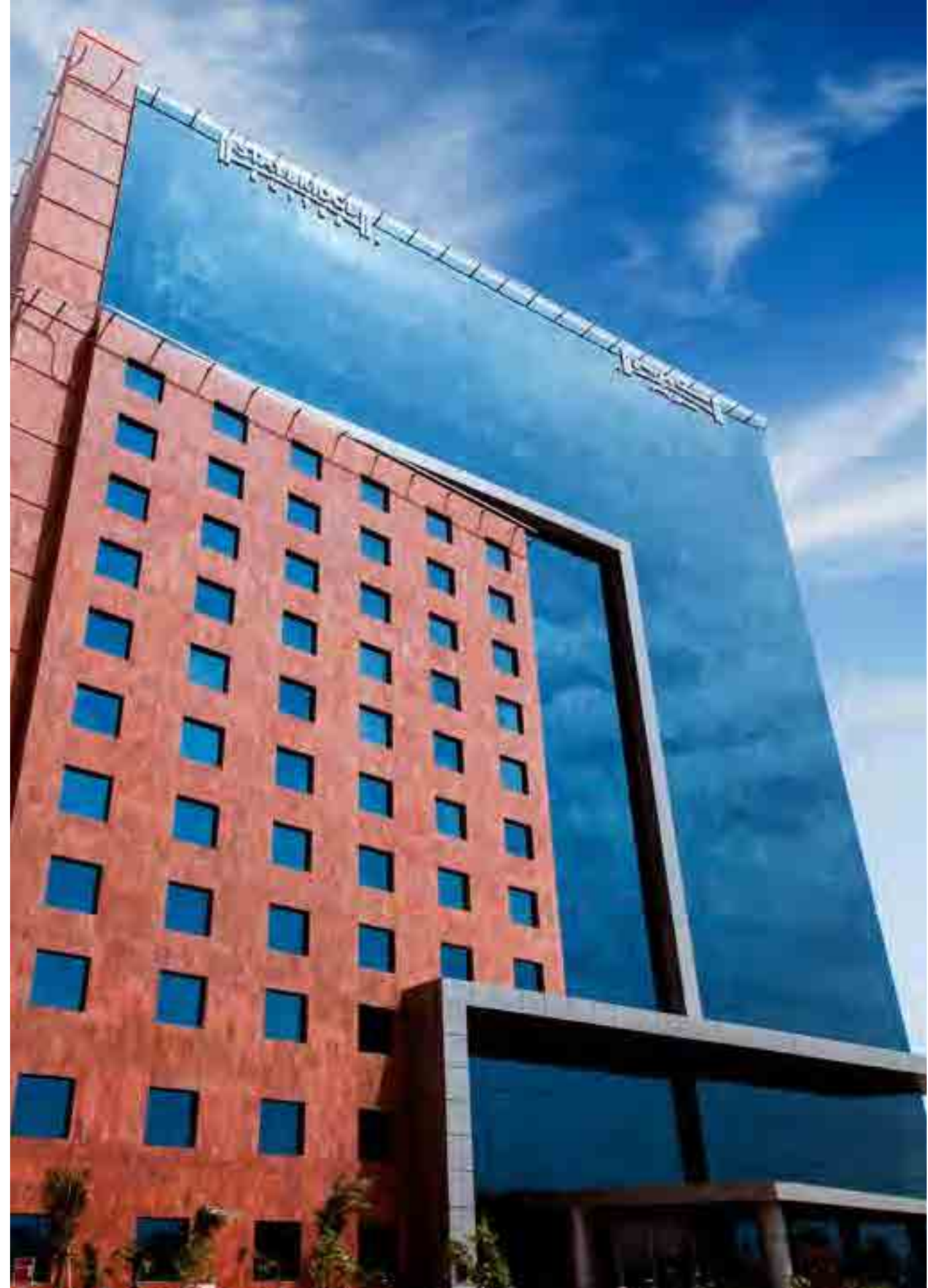
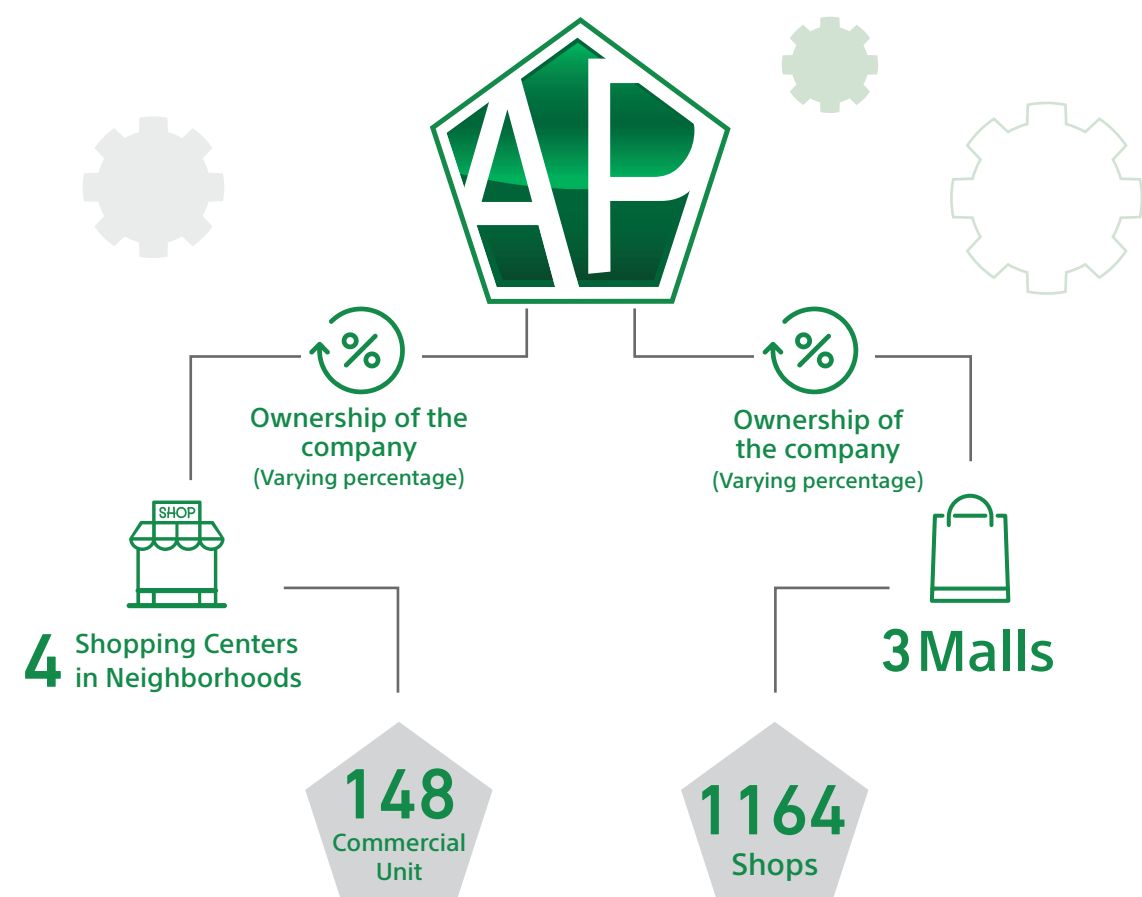


# Executive Summary

This report aims to inform Alandalus Property's shareholders about the Company's activities, financial results, performance, and achievements during the fiscal year 2018 and to outline its plans for the future. The report covers an overview of the Company's history, its core and ancillary activities, in addition to its pillars, including its vision, mission, values, and organizational structure.

Alandalus Company's main activity is commercial real estate Investment and Development. While its investments include construction of malls, leasing, operation, maintenance, land acquisition and development. The Company currently owns three malls and four community shopping centers with varying ownership percentages.

Malls consist of 1146 shops, while community shopping centers include 148 retail outlets.



## Alandalus Achievements



2006

- Establishing the Company with a capital of two hundred and thirty-eight million and nine hundred thousand (238,900,000) Saudi Riyals.
- Commencement of all construction work in Alandalus Mall in Jeddah.



2007

- Increasing the Company's capital from two hundred and thirty-eight million nine hundred (238,900,000) Saudi Riyal to three hundred and forty-three million (343,000,000) Saudi Riyal.
- Opening Alandalus Mall in Jeddah.
- Commencement of construction works at Darren Mall in Dammam city.
- Signing a memorandum of understanding with Jeddah City Municipality to develop a landmark project, Alandalus Square.



2008

- Acquisition of 50% of Hyatt Mall in Riyadh.
- Purchase a share of land in Al-Ahsa, located east of King Abdulaziz Medical City, of an area of 185,083 square meters (15.06%), at a price of SAR 30 million. The total land area is 1,228,969 square meters.



2009

- Opening Darren Mall in Dammam
- Obtaining Alandalus Square construction permit from Jeddah Municipality



2010

- Selling 25% of the Company's ownership in Hyatt Mall



2011

- Selling the Company's share in Al-Ahsa land at a price of SAR 51.3 million, generating a capital gain of 71%



2016

- Listing and trading of the Company's stocks in the Saudi Stock Exchange «Tadawul» in early 2016.
- Completing the expansion of Alandalus Mall and renting out more than 90% thereof.
- Completing more than 99% of Staybridge Hotel project in Jeddah Adjacent to Alandalus Mall.



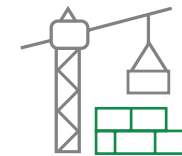
2015

- Opening community shopping centers (Sahafa Center, Telal Center, and Yarmouk Center).
- Increasing the Company's capital from three hundred and forty-three million (343,000,000) Saudi Riyal to seven hundred million (700,000,000) Saudi Riyal.
- Initiating and completing more than 90% of Alandalus Mall expansion plan.
- Completing more than 90% of the Staybridge Hotel in Jeddah Alandalus Mall.
- Initial public offering (IPO) of 30% of the Company's shares.



2014

- Establishment of community shopping centers, namely Sahafa Center, Telal Center, and Yarmouk Center.
- Closing phase one of the Staybridge Suites project
- Establishing Sorouh Almarakez Company, in which the Company's ownership share is 25%, the purpose of which is to own Al-Surai district project in Jeddah, in which the Company has a stake of 25%.



2013

- Commencement of the community shopping centers construction i.e. Sahafa Center, Telal Center, and Yarmouk Center.
- Acquisition of 25% of a land in Jeddah (Al-Sawari District) on which Panorama Jeddah Mall will be developed.
- Signing an agreement with Holiday Inn Middle East Ltd to manage and operate Staybridge Suites in Jeddah Alandalus Mall under the trade name «Staybridge» and with 100% ownership by IHG Group for 15 years.



2012

- Commencement of Staybridge Suites Hotel construction
- Acquisition of 33.4% of Hamat Real Estate Company

## Alandalus Achievements



### 2017

- Opening and operation of Staybridge Suites Alandalus Mall
- Opening Hayat Mall food court after redesign and renovation
- Hayat Mall winning the Excellence Award from MECSC (Middle East Council of Shopping Centres)
- Commencement of renovation of Alandalus Mall food court and completing 90% thereof
- Commencement of Al Marwa Center project in Jeddah with completion percentage of 63%
- Completing Darren Mall expansion plans
- Acquisition by the Company of 25% of Asala Real Estate in Jeddah
- Offering 30% of Alahli REIT fund (1) units (IPO), which owns Alandalus Mall and Staybridge Hotel. IPO was fully subscribed.
- Listing and trading Alahli REIT fund (1) units, of which the Company owns 68.73% of its total units, in the Saudi Stock Exchange (Tadawul)
- Establishing Manafa Alandalus Company, 70% owned by the Company, the purpose of which is to own Al-Marwa project Center in Jeddah



### 2018

- Opening Marwa Center
- Concluding an agreement with Empire Cinema to open cinemas at Alandalus Mall, as the largest cinema hall in Jeddah with 27 showrooms.
- Opening Alandalus Mall food court after renovation.
- Alandalus Mall awarded Recon Award from Middle East Shopping Centers Council for renovation and improvement of Alandalus Mall food court.
- Entering into an agreement with Saudi Telecom Company to enable Alandalus Company to analyze screen data to provide a unique shopping experience for Alandalus Mall and Hayat Mall customers.
- Establishing Al-Jawhara Al-Kubra Company for Development and Real Estate Investment, 25% owned by the Company, which is will own Al-Asala District land in Jeddah.
- Commencement of hospital excavation work



# | About Alandalus

Establishment of the Company

The Company's Objectives

Business and Investments

Company's Vision and Strategy

## About Alandalus

### Establishment of the Company



The company was founded with a capital of  
**238,900,000**  
SR Million

2006

Alandalus Property is a Saudi joint stock Company by virtue of Commercial Registration No. 1010224110 dated 17/09/1427 H (10/10/2006 G) and the Ministerial Decision No. 2509 dated 03/09/1427 H (26/09/2006).

The Company was incorporated as a Saudi closed joint stock company with a capital of SR238,900,000, divided into 23,890,000 ordinary shares with a nominal value of SR10 each.



The decision to increase the company's capital to  
**343,000,000**  
SR Million

2007

At the Extra-ordinary General Assembly of Shareholders which was held on 15 /10/ 1428 H (corresponding to 27/10/2007 G), the shareholders decided to increase the Company's capital from two hundred and thirty-eight million and nine hundred thousand (238,900,000) Saudi Riyals to three hundred and forty-three million (343,000,000) Saudi Riyals, divided into SR 34,300,000 ordinary shares. The increase of SR one hundred four million and one hundred thousand (104,100,000) Saudi Riyals was covered by issuing new shares, the value of was paid in cash by the shareholders.



The decision to increase the company's capital to  
**700,000,000**  
SR Million

2015

At the non-ordinary General Assembly of Shareholders which was held on 19/05/1436 H (10/03/2015 G), the Shareholders decided to further increase the Company's capital from three hundred forty million (343,000,000) Saudi Riyals to seven hundred million (700,000,000) Saudi Riyals, divided into seventy million (70,000,000) ordinary shares.

The increase in the capital of three hundred and fifty seven million (357,000,000) Saudi Riyals was covered from the retained earnings account in December 2015.



Current number of shares  
**70,000,000**  
million ordinary shares

2018

After obtaining the approval of Capital Markets Authority, the Company offered 30% of its shares for public. The total number of offered shares was twenty one million (21,000,000) ordinary shares with a fully paid up nominal value of SR ten (10) per share.

The Company's current capital is seven hundred million (700,000,000) Saudi Riyals, divided into seventy (70) million ordinary shares with a nominal value of SR ten (10) per share.

## The Company's Objectives

The key objectives of the Company as per its Article of Associations are as follows:

1. Establishing, owning and managing malls and residential compounds.
2. General contracting, construction of residential, commercial, educational, recreational and health developments, roads, dams, water and sanitation projects, and electrical and mechanical works.
3. Maintenance and operation of residential and commercial buildings.
4. Owning, developing and investing in land and real estate properties for the benefit of the Company subject to its objectives.
5. Establishing, owning, maintaining and operating medical centers, hotels and tourism facilities.

## Business and Investments

Alandalus Property is primarily engaged in investment in income-generating real estate projects in the retail, hospitality and mixed-use sectors that fulfill the Company's vision.

The Company is currently expanding its investments in several sectors, such as healthcare. In addition, the Company has variable ownership stakes in several reputable companies. The development of shopping malls is one of the most important lines of business in which the Company is currently expanding and investing in. The Company has a number of fully owned commercial centers as well as partially owned centers of which it owns varying stakes.



## Company's Vision and Strategy

# Vision

To be the most admired and preferred investor and developer of income-generating real estate properties across retail, hospitality and mixed-use developments throughout the Kingdom.



# Mission

To enhance AlAndalus's position in Saudi Arabia by focusing on the development of income-generating commercial retail projects, in addition to complementary projects such as high-quality hospitality and mixed-use, and investing in promising opportunities with strategic partners who share similar objectives.



# Values

## Ambition

Alandalus seeks to expand its investments in order to meet the aspirations of its shareholders and enhance the positive image that the Company has established in the minds of its customers through its current projects and future plans.

## Passion

Alandalus' accomplishments inspire us to achieve more, equipped with expertise, experience and high-quality delivery.

## Determination

Alandalus continues delivering with determination to achieve its objectives, enhance and maintain its leading position in accordance with the highest quality standards.

## Confidence

The consistent progress of Alandalus has enabled it to take on larger projects and more strategic opportunities, distinguishing the Company within the industry.

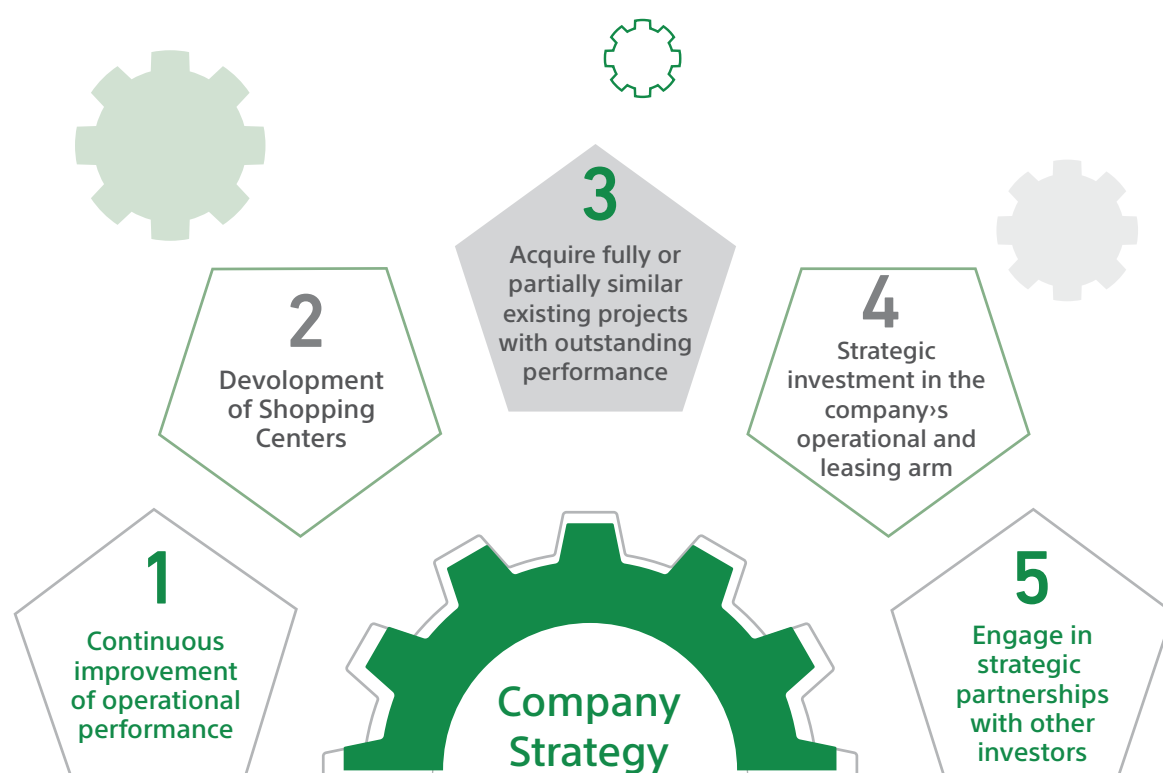
## Participation

Alandalus believes that collaboration and team spirit are of vital importance to progress and project delivery.

## About Alandalus

### Company Strategy

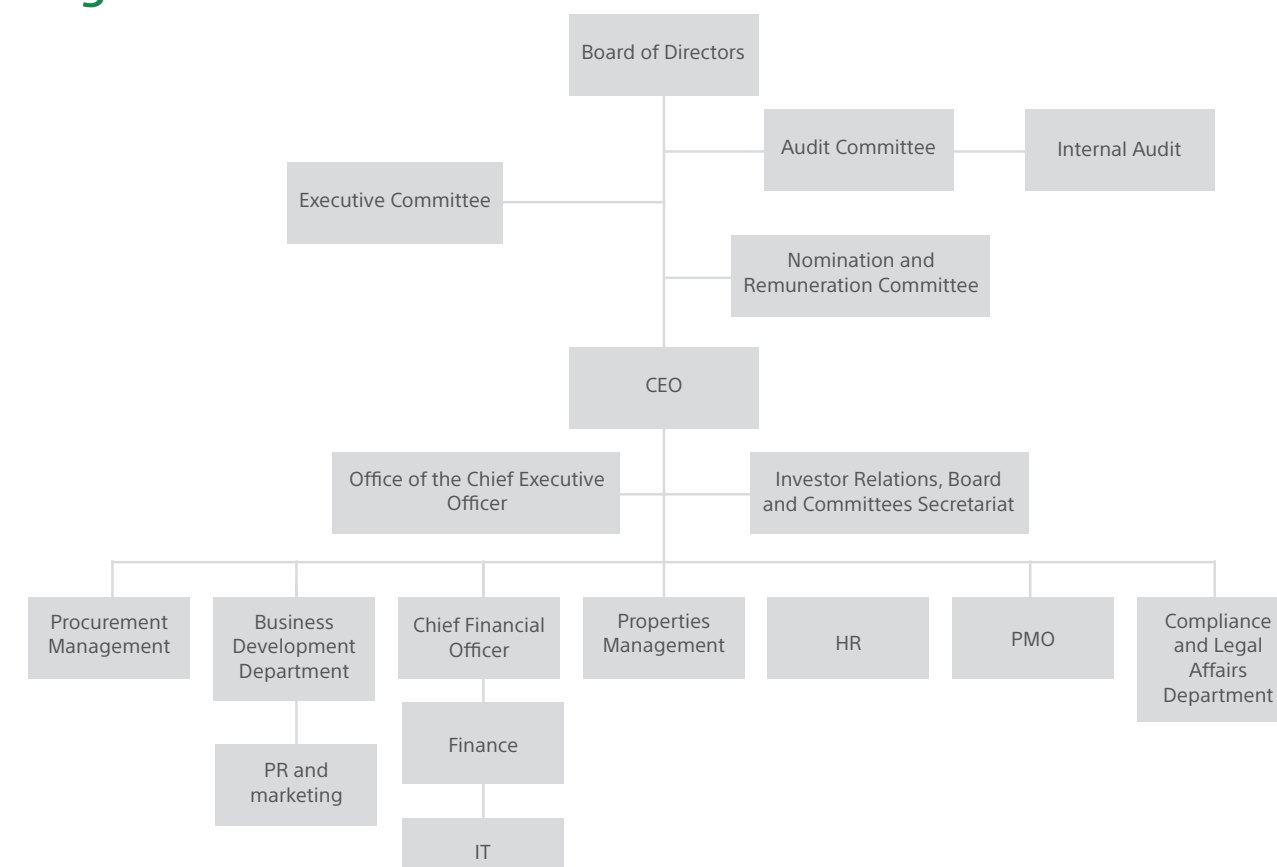
1. Continuously improve operational performance, development, management and leasing of the Company's malls; to achieve the highest occupancy levels, and to ensure the optimal mix of tenants;
2. Develop new malls, hospitality projects, and other mixed-use projects;
3. Acquire (fully or partially) projects with outstanding performance;
4. Strategically invest in the Company's operational and leasing arm, Hamat Real Estate, to expand the Company's portfolio of projects, business networks to meet the growing demands of customer (tenants);
5. Enter strategic partnerships with other investors to undertake new projects where value can be maximized.



### Board of Directors, Executive Committee and CEO

Board of Directors	Executive Committee	CEO
Mr. Abdulsalam Al-Aqeel (Chairman)	Eng. Saleh Al-Habeeb (Chairman)	Mr. Hathal Al Otaibi, assigned on 15/09/2017 as Acting CEO and then as CEO on 25/02/2018
Eng. Saleh Al-Habeeb (Deputy Chairman)	Mr. Abdulsalam Al-Aqeel (Member)	
Mr. Ahmad Al-Mousa (Member)	Mr. Ahmad Al-Mousa (Member)	
Mr. Mohammed Al-Zakri (Member)	Mr. Mohammed Al-Zakri (Member)	
Mr. Hathal Al Otaibi (Member)		
Mr. Faisal Al-Rashed (Member) resigned on 05/06/2018		
Mr. Nasser Al-Shareef (Member)		
Dr. Abdulrahman Al-Barrak (Member)		
Dr. Sulaiman Al-Hutheef (Member)		

### Organizational Structure



## Board of Directors



Chairman of the Board of Directors

Mr. Abdulsalam bin  
Abdulrahman Al-Aqeel



Deputy Chairman of the Board Directors

Eng. Saleh bin  
Mohammed Al Habib



Member of the Board of Directors

Mr. Mohammed bin  
Abdulmohsen al - Zakri



Member of the Board of Directors

Mr. Ahmad bin  
Abdulrahman Al Mousa



Member of the Board of Directors

Mr. Hathal Bin  
Saad Al Otaibi



Member of the Board Directors

Dr. Abdulrahman bin  
Mohammed Al Barrak



Member of the Board of Directors

Mr. Nasser bin  
Sharaf al-Sharif



Member of the Board Directors

Dr. Sulaiman bin  
Ali Al Hudaif



## The Company's Activities and Investments

Alandalus Property Company relies, at the moment, on investing in income-generating real estate activities which are linked with the retail sector, such as malls and community shopping centers. Currently, the Company has varying equity The Company's core business is currently concentrated in real estate development and investment:

### First: Retail Real Estate

#### Malls:

Alandalus Property Company relies, at the moment, on investing in income-generating real estate activities which are linked with the retail sector, such as malls and community shopping centers. Currently, the Company has varying equity shares in three malls and four community shopping centers.



3 Malls



4 Community Shopping Centers





## Malls

# Alandalus Mall



Jeddah - King Abdullah Road and Prince Majid Road



Total area of 148,481 square meters



418 Shops



390 leaseholder



Rental space of 90,000 square meters



Full ownership by AlAhli REIT FUND (1)



The company's ownership in the fund is 68.73%



Signing a contract to operate cinema halls

Opened in 2007 in Jeddah, located on King Abdullah Road and opposite to King Abdulaziz square, in the new city center area, with a total area of 148,481 m<sup>2</sup> (built-up area and parking), Alandalus Mall consists of 418 shops rented by 390 leaseholders, with a total rented area of 90,000 sqm, divided into two floors. The Mall is entirely owned by Alahli REIT fund (1), of which the Company owns 68.73%.

The mall's tenant mix varies between international brands such as H&M, Mothercare, Guess, VavVaVoom, Paris Gallery, Centerpoint, American Eagle, Austin Reed, Kiabi and many others. In addition, the Mall houses an elegant food court and entertainment zone. A contract has been signed with Empire Cinemas to commence operating Cinemas on an area of 5,757 sqm on 01/10/2019.



A paramount achievement of Alandalus Mall is hitting a high occupancy rate of 95%. According to recent data, the Mall recorded a footfall of more than 13.5 million visitors in 2018.

The mall is distinguished by its strategic location directly overlooking King Abdulaziz square along 800m, and the surrounding population density. The project is located on the intersection of two vibrant and important streets in Jeddah, King Abdullah Street and Prince Majed Street.

With its distinctive and unique quality services, Alandalus Mall became the destination of choice for many companies to rent a space therein. This in turn led to a raise its rental business in terms of both space and price.



## Alandalus Mall activities 2018

- The Smurfs live stage show, 11/12/2018 to 21/01/2018
- Art Island, a live art exhibition in which artists displayed their paintings to visitors. The event was accompanied by Children Theater, clowns and live oriental melodies featuring oud and guitar players. The event lasted for 3 days from 08/11/2018 to 11/11/2018.
- "Khawater Aldalam" show consisting of programmed lighting, a black light show and programmed laser shows. The event lasted for 2 days from 15/11/2018 to 17/11/2018.

- A 2-day acrobatic show with captivating fireworks, sound and laser shows.
- Skating show by Hassan and Hussain Mahfouz, followed by Mexican bicycles and Halfpipe show. The event lasted for 3 days starting from 13/12/2018.
- Stand-up Comedy, a two day show for children with entertaining competitions and awards, 27/12/2018 "C 29/12/2018.
- A Multimedia show, an international show combining theatrical and visual shows using 3D technology.
- Saudi National Day that hosted local folk bands.



## Malls

# Hayat Mall



Riyadh - King Abdul Aziz Road



Total area of 226,108 square meters



545 Shops



535 leaseholder



Rental space of 90,000 square meters



Full ownership by Alhayat Property Company



The company's ownership 25%



Number of visitors +10 million visitors during 2018

Strategically located in Riyadh on King Abdulaziz Road, with an area of 226,108 square meters (building and parking), Hayat Mall consists of 545 shops, with 535 leaseholders, with total rented space of 90,000 square meters, including many leading brands such as Jarir bookstore, Swarovski, Victoria's Secret, Mark and Spencer, Virgin, Paul Cafe, Minneapolis entertainment town and others. The mall is owned by Alhayat Property Company, of which Alandalus owns a stake of 25%.

Hayat Mall maintained good operational levels, with more than 10 million visitors in 2018.



In 2018, efforts were focused on leasing activity and enhancing performance which led to increasing rental rate per square meter, through:

- Reorganizing tenant mix through replacement plans that resulted in quantitative and qualitative growth for the mall.
- Marketing, entertainment and awareness campaigns

## Hayat Mall activities 2018

- Transformers, a theatrical show imitating movie Transformers. A nine days event, 12-01-2018
- Hayat Mall Gargee'an event, 31-05-2018
- A three day Robot show, 06-09-2018
- Saudi National Day that hosted local bands.
- UAE National Day
- Saudi Programmer event in collaboration with Misk Charity Foundation
- «Ifar», distributing meals to all customers and shop employees throughout the holy month of Ramadan



## Malls

# Dareen Mall



Dammam city  
Corniche



Total area of  
99,960 square  
meters



183 Shops



160 leaseholder



Rental space of  
45,000 square meters



Full ownership  
by Alaswaq  
Almutawarah



The company's  
ownership 50%



Number of visitors  
5.5 million visitors  
during 2018

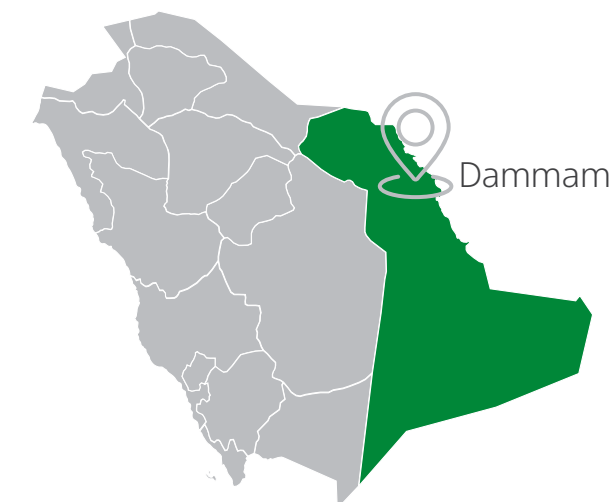
Opened in 2009, Dareen Mall is distinctively located on Dammam Corniche, with a total area of 99,960 square meters, divided into 61,326 square meters floor area, and parking space of 38,634 square meters, i.e. a total of 59,050.79 square meters. Dareen Mall is owned by Alaswaq Almutawarah Company, of which Alandalus holds 50% of its equity .

Dareen Mall share houses 183 shops, with 160 leaseholders occupying a total rental space of 45,000 square meters. The mall consists of two floors and 5 sections:

A supermarket, recreation centers, anchor tenants, small shops, an entertainment area, and a food court overlooking the sea view.

Dareen Mall houses a number of renowned national and international brands such as Hyper Panda, Mango, Mothercare, and many others.

Dareen Mall recorded the highest occupancy rate which hit 99%, with footfall exceeding 5.5 million visitors in 2018.



## Dareen Mall activities 2018

- Sea World Event
- Dinosaur World Exhibition
- «Iftar», offering meals to customers and shop employees throughout the holy month of Ramadan
- Saudi National Day event that hosted local bands
- Kuwait National Day
- Ideal Driver Competition





## Neighborhood Shopping Centers



# Alsahafah Center



Riyadh City, Al-Sahafa District,  
King Abdulaziz Road, Prince  
Nasser Bin Saud Street



Total area of  
12367 square  
meters



27 Commercial  
Units



17 leaseholder



The occupancy  
level 96%

Located on the intersection of King Abdulaziz road and Prince Nasser bin Saud Street in Alsahafah district in the northern part of Riyadh City, this mall occupies 12, 367 square meters (building and parking space).

Development off Alsahafah Center in Riyadh was completed in the fourth quarter of 2014 and became operational in the first quarter of 2015. The vital location of Alsahafah Center in a heavily populated and well serviced area were taken into account during the design phase. Alsahafah center includes 27 commercial units with 17 leaseholders. The rented units vary from commercial exhibits to offices Almazraah market occupies one of the most distinguished commercial exhibits; in addition to international brands such as Dr. Cafe, Crocs, and Whites pharmacies. The occupancy rate of Alsahafah center reached 96% in 2018.



# Telal Center



City of Riyadh Anas  
bin Malik Road



Total area of  
9,017square  
meters



21 Commercial  
Units



15 leaseholder



The occupancy  
level 100%

Alandalus Property completed the development of Telal Center on a leasehold land in Almalqa district in Riyadh in the fourth quarter of 2014, and operation of the center started in the third quarter of 2015.

Telal Center is located on Anas bin Malek Road, in the northern part of Riyadh City, with a total area of 9,017 square meters (including building and parking space). It encompasses 21 commercial units with 15 tenants of 3 categories: "Danube" Supermarket, anchor tenants, and other shops such as Starbucks, Whites pharmacies and Oud Elite. In 2018, Telal center reached 100% occupancy rate.

## Neighborhood Shopping Centers



# Yarmouk Center



North East Riyadh Yarmouk District - Dammam Road



Total area of 10,804 square meters



27 Commercial Units



25 leaseholder



The occupancy level 91%

Alandalus Property seeks to keep pace with the urban development and add value to the real estate industry. Therefore, the Company established Yarmouk Center which is designed to provide specialized services to Riyadh's eastern districts.

Yarmouk Center is located on a land rented by the Company on Dammam road, in the north eastern part of Riyadh City. The total area of the land is 10,804 square meters (building and parking space). Development was completed in the fourth quarter of 2014, and the center commenced operation in the second quarter of 2015.

The center comprises 27 commercial units with 25 leaseholders and is divided into 3 sections: Panda Hypermarket, anchor tenants and other small shops. Other brands include Baskin Robbins, Saadeddin and Al Tazaj restaurant. The occupancy rate of Yarmouk Center reached 91% in 2018.



# Al-Marwah Center



Jeddah - Prince Majed Road



Total area of 9,017 square meters



73 Commercial Units



The Company ownership is 70%

Located on Prince Majed Road, in Marwah District, north of Jeddah, Al-Marwah Center occupies an area of 17,030 square meters (including building, parking and office space). Development was completed in the fourth quarter of 2018, and the Center will start operation in the first quarter of 2019. It contains 73 commercial units and is divided into 3 sections: Almazrah market, anchor tenants and other small shops. Next to Almazrah market, there are other brands such as Lomar, McDonald's, Chuck Cheese and Fotuor Faris and others.

The Center is fully owned by Manafe Alandalus for Property Development and Investment Company (which is 70% owned by Alandalus Property and 30% by Mohammad Abdulaziz Al Rajhi & Sons Company. The land on which the center is built is owned by Mohammad Abdulaziz Al Rajhi & Sons Company and is rented by Manafe Company.



## The Company's Activities and Investments

### Second: Hospitality

In line with the Company's expansion plans, and in order to secure sustainable growth and diversity of its areas of business, the Company has developed a 5-star hotel tower (STAYBRIDGE SUITES - Alandalus Mall Jeddah) next to Alandalus Mall. The project's area is 28.255 square meters (building and parking space). The hotel is fully owned by AlAhli REIT Fund (1), which 68.73% owned

by Alandalus. The hotel tower was opened and commenced operation in the second quarter of 2017.

To ensure the tower's differentiation and distinctiveness, Holiday Inns Middle East LTD, which is fully owned by InterContinental Hotels Group (IHG), was chosen to manage and operate the tower under the brand name "Staybridge Suites Jeddah Alandalus Mall," as the first branded hotel in Saudi Arabia.

The hotel tower consists of 164 suites, in addition to recreational facilities, conference halls, international restaurants, and a Fitness Center.



#### Features And services Introduction



Ownership of the Company 68.73%



operation started in the second quarter of 2017



The total land area is 28,255 square meters



Owned by AlAhli REIT fund (1)



Recreational facilities



Jeddah City - King Abdullah Road and Prince Majid Road



The hotel tower consists of 164 suites



It has a number of Globally famous restaurants



# Investing in Subsidiaries and Sister Companies

Subsidiaries Companies

Sister Companies

## Investing in Subsidiaries and Sister Companies

### Subsidiaries:

The company's equity shares in Manafe Alandalus and AlAhli REIT Fund (1) and its main activity as of December 31, 2018:

Investment	Main Activity	Fund and Capital	Country of Registration and Activity	Company's ownership (%)
Manafe Alandalus Property Company	Buying & selling Lands and properties	500,000	Saudi Arabia	70%
AlAhli REIT Fund (1)	Investing mainly in developed and income-generating real estate assets	1,350,000,000	Saudi Arabia	68.73%

### Sister Companies:

Alandalus Property Company's investments include equity shares in a number of sister companies, in which the Company's ownership interest ranges from 25% - 50%, as of December 31, 2018:

Sister Company Name	Main Activity	Capital	Country of Registration and Activity	Company's equity shares (%)
Alaswaq Almutawarah Company	General construction, maintenance, electrical and mechanical works, commercial services, buying lands for investment purposes (selling or renting) for the Company's benefit.	25,000,000	Saudi Arabia	50%
West Jeddah Hospital Company	Health Care and Recovery	500,000	Saudi Arabia	50%
Hamat Property Co.	Owning and buying real estate properties for the Company, buying lands for investment (selling or renting), for the Company's benefit, establishing, operating and maintaining residential and commercial buildings and centers, city cleaning services, construction of residential and commercial and governmental buildings and malls; in addition to civil, architectural and electrical works.	500,000	Saudi Arabia	33,40%

Sister Company Name	Main Activity	Capital	Country of Registration and Activity	Company's equity shares (%)
Al-Hayat Property Company	Establishing, owning, and managing commercial centers, and residential compounds, undertaking construction works for residential and commercial buildings, educational, recreational and health facilities, roads and dams, water-related projects, sewerage systems, electrical, mechanical works, maintenance and operation of real estate properties, commercial complexes and buildings, acquiring, developing and investing lands and properties for the Company's benefit subject to its business activities	5,000,000	Saudi Arabia	25%
Sorouh Almarakez Company	Developing commercial and industrial projects, operating commercial centers, providing import, export, marketing services, buying lands and constructing buildings thereon for investment purposes (selling or renting), managing, maintaining and developing real estate properties, buying, owning, using properties and lands for the Company benefit	500,000	Saudi Arabia	25%
Al-Jawharah Al-Kobra for Real Estate Development and Investment	Buying and seeling land and real estate properties, property management for commission, managing and renting out (residential) owned or rented real estate properties, managing and renting out (non-residential) owned or rented real estate properties.	500,000	Saudi Arabia	25%



## Future Projects

### Establishment of a hospital in partnership with Dr. Sulaiman Al-Habib Medical Services Holding Group

In this joint venture, Alandalus Property has contributed two plots of land within Alandalus Square "C plot B1, with an area of 21,415.35 square meters, on which the hospital will be constructed, and plot B4 with an area of 8,835.73 square meters, on which a residential building will be built as part of the project. These plots have been transferred to West Jeddah Hospital Company (the name of the joint venture), which will be equally co-developed by the two Companies.

The project will be developed on King Abdul Aziz Square, at the intersection of King Abdullah Road with Prince Majid Road in Jeddah, adjoining Alandalus Mall and Staybridge Hotel. The project engineering plans have been completed and West Jeddah Hospital Company obtained its construction permit from Jeddah



municipality and initial approval from the General Directorate of Health Affairs of Jeddah. The excavation contractor has been assigned by the developing partner (the Medical Group) to commence preparing the site and start excavation. In addition, the partner invited contractors to submit proposals before assigning the structural construction works to the main contractor.

The project construction work is expected to be completed by the first quarter of 2022, and accordingly, the project will start operation by the second quarter of 2022. The total initial cost of the project is approximately SR 1.15 billion, including land value.

This project will be financed mainly by bank loans and partly by partners' own resources. Alandalus expects this project to have a positive impact on its financial results upon completion and operation.



A

Plot A: The land area is 21,415,35 square meters



Jeddah City - King Abdul Aziz Square - The intersection of King Abdullah Road with Prince Majid Road

B

Plot B: The land area is 8,835,73 square meters



Expected to operate during the second quarter of 2022



## Future Projects

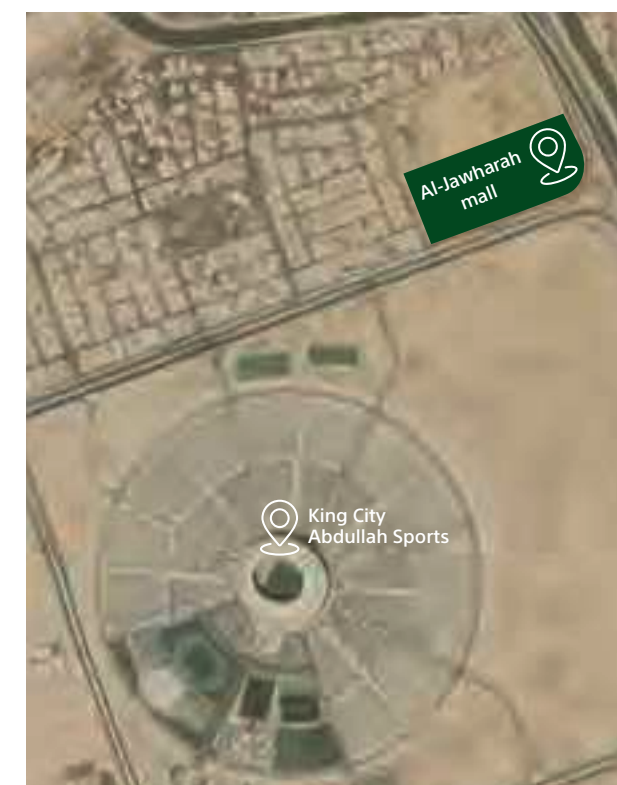
### Al-Asalah District Project (Al-Jawharah Al-Kubra)


Alandalus Property acquired 25% of the total land located in Al-Asala District in Jeddah near Al-Jawhara Stadium (King Abdullah Sport City), the total area of which is 124,880 square meters, on which a shopping center will be established in partnership with the other landowners.

The landowners founded a limited liability company, Al-Jawhara Al-Kubra Company LLC (the project company), with shares allocated based on the proportional project land ownership. A construction permit was obtained by the developing partner (Mohammad Al Habib Real Estate Co.), a related party, who's currently contacting the main contractor to carry out the structural construction works.

Construction work is expected to be completed by the end of the fourth quarter of 2021 and the project is expected to commence operations in the first quarter of 2022.


Total estimated project cost (including land value) is SAR 873 million which will be financed mainly by bank loans to be obtained by the project company, and partly through the partners' own financial resources.





 Total land area  
square meters 124,880

 Property  
ownership is 25%

 Jeddah City –  
Al-Asala District

 Expected to be operated  
during the first quarter of  
2022

 This share is owned by Al-Jawhara  
Al-Kubra Real Estate Development  
and Investment Company

 Project estimated cost (including  
land value) is 873 million SR.



## Future Projects

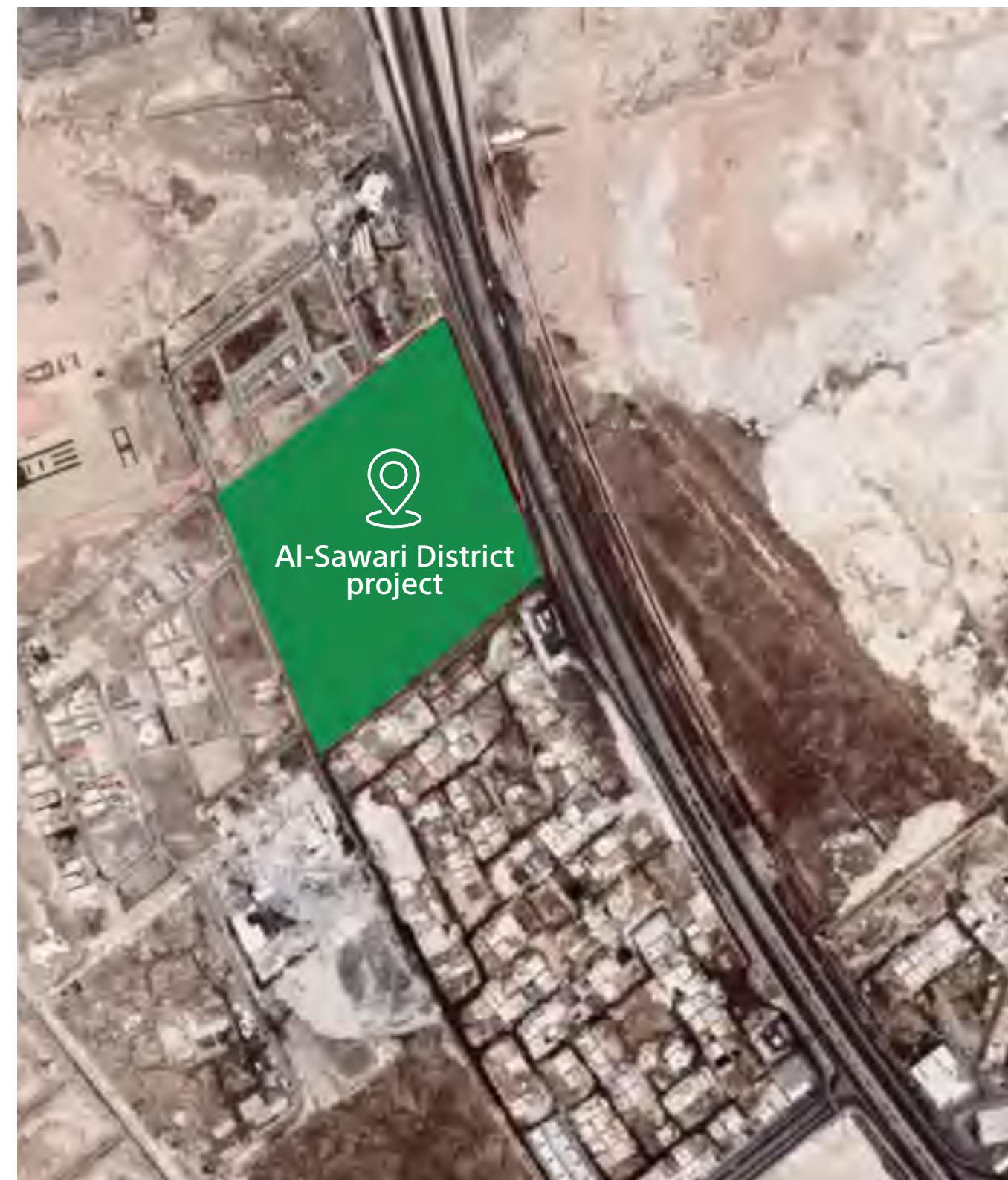
### Al-Sawari District project in Jeddah

The Company owns 25% of the land located in Al-Sawari District – Al-Madina Road, Jeddah, with an area of 130,477 square meters, which was intended for the establishment of a commercial center (Panorama Jeddah Mall) by Sorouh Al-Marakez Company, which was established by the land partners to own the project.

Alandalus Property decided, in agreement with the other partners, on 04/11/2018, to abandon this joint project

after reconsidering the project feasibility study. Given the interest of the partners, the Board of Directors of Sorouh Al-Marakez was assigned to determine the best investment use of the land subject to the land's location and features.

However, the land has not been transferred to Sorouh Al-Marakez Company, the partners of which (related parties) hold direct ownership in the subject land.



The total land area is  
130,477 square meters



Jeddah City – Al-Sawari  
District



Property ownership  
25%



Terminate Panorama Mall  
project and examine alternative  
opportunities on 04/11/2018



# | Human capital

About Human Resources

Saudization and Employment

## Human capital :

### About Human Resources

Alandalus believes in the importance of its people and the pivotal role of teamwork for the Company's future. As such, the Company is committed to attract outstanding talents and providing them with the right environment to maximize productivity, quality and efficiency.

The Company prioritizes the training and development of its workforce. Each employee is given a training plan based on

the development needs of the individual, the business requirements of the Company and the quality of the respective training program.

The Company offers programs and courses for employees at all levels. The type, duration and prerequisites of each course are determined by the Human Resources division. Training is provided either in-house or outside:

**In-house Training**  
conducted by specialists within the Company or third parties;



**Training outside the Kingdom**  
conducted by specialized centers and institutions.



In line with the Company's commitment to the development of its employees as the key development resource and the cornerstone of business enhancement, the Company held its annual ceremony this year which was attended by all employees.

Furthermore, as part of the Company's attention to employee health, a contract was entered with a major insurance company in the Kingdom to provide high-quality health care to for the Company's employees and their families.

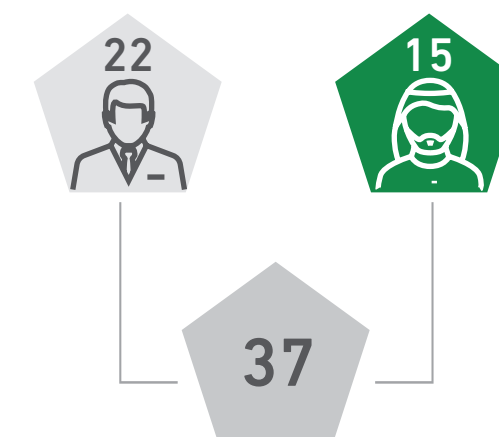
### Saudization and Employment

Alandalus ranks at the platinum level in terms of localization, with Saudis holding the highest managerial positions. The job localization strategy is at the forefront of the Company's interests; to form a national human base to take up the responsibility of moving the Company forward towards growth and advancement in line with latest developments.

We believe Saudization is not simply a regulatory requirement from the Ministry of Labor, but is national duty that will have a positive impact on the Saudi economy.

**The number of employees in the Company and the percentage of Saudization as of 31 December 2018**

Company name	Business Sector	Total employees	Saudis	Non Saudis	Saudization Percentage	Category
Alandalus Property	Commercial Real Estate Investment and Development	37	15	22	38.63 %	Platinum





## Social Responsibility

Alandalus Company is committed to implement its social responsibility strategy through bolstering social events and programs. The Company's commercial centers, in collaboration with government

entities, sponsors a number of charities and community programs. It is a commitment which the Company is proud of as it demonstrates its own mission and social responsibility.

### Highlights of social activities in 2018:

- World Kidney Day in cooperation with King Fahad Medical City Hospital
- World Vitiligo Day in cooperation with Vitiligo Charity Society
- World Heart Day in collaboration with the Health Charity Society
- International Day against Drug Abuse and Illicit Trafficking in collaboration with the Medical City
- International Day for Early Detection of Breast Cancer in Cooperation with the Ministry of Health.
- World Osteoporosis Day in collaboration with the Ministry of Health.
- International Day of Disabled Persons in cooperation with the Ministry of Education
- International Volunteer Day in cooperation with the General Directorate of Health Affairs
- International Women's Day
- Obesity Awareness Campaign in cooperation with Obesity Combating Association
- Spinal Surgery Awareness Campaign in

- cooperation with King Fahd Medical City Hospital
- Alternative Medicine Awareness Campaign in cooperation with the National Center for Complementary and Alternative Medicine
- Rheumatism Awareness Campaign in cooperation with the Rheumatic patient Charity Association
- Sponsoring the Holy Quran Project Event
- Introducing Entrepreneurship Campaign
- GCC Oral Health Week
- Pregnant and Breastfeeding Moms Event
- Your Decision Campaign by the Ministry of Environment
- The Impact Remains and Hope Arises Event
- Aseafni Event by Saudi Red Crescent Authority Application
- Colorectal Cancer Awareness Event



## Transactions with Related Parties

During the fiscal year 2018, some of the transactions and contracts entered by Alandalus with related parties continued to in effect. The following table shows the contracts and transactionss details and the Board Members involved therein. However, there are no preferential or special conditions in these contracts and transactions:

#	Description of Contract/Work	Related Party	Subject matte of Contract/Work	Duration of Contract/Work	Annual Sum in SR (During fiscal year 2018)
1	Transactions between Alandalus Property and AlHayat Property Company.	Al-Hayat Real Estate	Alandalus Property charges Al-Hayat Real Estate its pro rata share of direct general and administrative expenses.	Five years ending on 2 August 2020.	SR 15,914,744
2	Transactions between Alandalus Property and Alaswaq Almutawarah Company	Alaswaq Almutawarah Company	Cross-expenses	-	SR 2,035,749
3	Transactions between Alandalus Property and Manafe Alandalus for Real Estate Development and Investment	Manafe Alandalus for Real Estate Development and Investment	Alandalus Property charges Manafe Company the expenses paid on its behalf.	-	SR 5,443,126
4	Transactions between Alandalus Property and Mohammad AbdulAziz Al-Rajhi & Sons Co.	Mohammad AbdulAziz Al-Rajhi & Sons Co.	Alandalus Property charges Mohammad AbdulAziz Al-Rajhi & Sons Co. the expenses paid on behalf of Al-Marwa Center project.	-	SR12,281,703
5	Transactions between Alandalus Property and Al-Jawhara Al-Kubra Company	Al-Jawhara Al-Kubra Company	Alandalus Property financed Al-Jawhara Al-Kubra Company with this amount, as did the rest of the partners.	-	SR 4,875,000
6	A lease contract for a real estate unit in Alandalus Mall, signed with Imtiaz Al-Arabia Co., in which the Chairman of the Board of Directors, Mr. Abdul Salam Al-Aqeel, serves as a member of the Board of Managers.	Imtiaz Al-Arabia Co.	A contract under which Imtiaz AlArabia Co., Ltd. will lease an area of 105 square meters in Alandalus Mall.	Five years starting on 01/03/2015 A.D and end on 28/02/2020, and is renewable only by written agreement.	SR 174,300
7	A lease contract for a real estate unit in Alandalus Mall, signed with Imtiaz Al-Arabia Co., in which the Chairman of the Board of Directors, Mr. Abdul Salam Al-Aqeel, serves as a member of the Board of Managers.	Imtiaz Al-Arabia Co.	A contract under which Imtiaz AlArabia Co., Ltd. leases an area of 105 square meters in Alandalus Mall.	Five years start on 01/11/2015 and end on 31/10/2020, and is renewable only by written agreement.	SR 262,500

## Transactions with Related Parties

## Transactions with Related Parties (CONTINUED)

#	Description of Contract/Work	Related Party	Subject matter of Contract/Work	Duration of Contract/Work	Annual Sum in SR (During fiscal year 2018)
8	A lease contract for a real estate unit in Alandalus Mall, signed with Imtiaz Al-Arabia Co., in which the Chairman of the Board of Directors, Mr. Abdul Salam Al-Aqeel, serves as a member of the Board of Managers.	Imtiaz Al-Arabia Co.	A contract under which Imtiaz AlArabia Co., Ltd. leases an area of 109 square meters in Alandalus Mall.	Five years start on 01/02/2016 and end on 31/01/2021, and is renewable only by written agreement.	SR 207,100
9	A lease contract for a real estate unit in Alandalus Mall, signed with Imtiaz Al-Arabia Co., in which the Chairman of the Board of Directors, Mr. Abdul Salam Al-Aqeel, serves as a member of the Board of Managers.	Imtiaz Al-Arabia Co.	A contract under which Imtiaz AlArabia Co., Ltd. leases an area of 2018 square meters in Alandalus Mall.	Five years start on 15/04/2015 and end on 14/04/2020, and is renewable only by written agreement.	SR 479,600
10	A lease contract for a real estate unit in Alandalus Mall, signed with Imtiaz Al-Arabia Co., in which the Chairman of the Board of Directors, Mr. Abdul Salam Al-Aqeel, serves as a member of the Board of Managers.	Imtiaz Al-Arabia Co.	A contract under which Imtiaz AlArabia Co., Ltd. leases an area of 321 square meters in Alandalus Mall.	Five years start on 15/01/2014 and end on 14/01/2019, and is renewable only by written agreement.	SR 642,000
11	A lease of space at the company's headquarters signed with Global Healthcare Co., in which Eng. Saleh bin Mohammed Al-Habib (Vice Chairman) serves as a member of the Board of Managers.	Global Healthcare Co.	A contract under which Global Healthcare Co. leases an area of 666 square meters from the headquarters building of the company.	Extended for six months ending on 30/06/2019	SR 525,000
12	A lease of space at the company's headquarters signed with Global Healthcare Co., in which Eng. Saleh bin Mohammed Al-Habib (Vice Chairman) serves as a member of the Board of Directors.	Global Healthcare Co.	A contract under which Global Healthcare Co. leases an area of 600 square meters from the headquarters building of the company.	Extended for six months ending on 30/06/2019	SR 450,266

#	Description of Contract/Work	Related Party	Subject matter of Contract/Work	Duration of Contract/Work	Annual Sum in SR (During fiscal year 2018)
13	A lease of space at the company's headquarters signed with Alwatania Distribution Co., in which Eng. Saleh bin Mohammed Al-Habib (Vice Chairman) serves as a member of the Board of Directors.	Alwatania Distribution Co.	A contract under which Alwatania Distribution Co. leases an area of 74 square meters located in the second floor of the headquarters building of the company.	Extended for six months ending on 30/06/2019	SR 51,500
14	A lease contract for a real estate unit in Alandalus Mall owned by the company signed with International Company for Health and Beauty, in which Eng. Saleh bin Mohammed Al-Habib (Vice Chairman) serves as a member of the Board of Directors.	International Company for Health and Beauty	A contract under which the International Company for Health and Beauty will lease an area of 206 square meters from AlAndalus Mall.	Four Gregorian years starting from 01/05/2017 and ending on 30/04/2021, and is renewable only by written agreement	SR 473,800
15	A lease contract for a real estate unit in Tilal Center owned by the Company signed with Global Investment Co., in which Eng. Saleh bin Mohammed Al-Habib (Vice Chairman) serves as a member of the Board of Managers.	Global Investment Co.	A contract under which Al-Jamal Pharmacy Company leases rental units with a total area of 350 square meters to be utilized as a pharmacy under the trade name "Whites" in Tilal Center in Riyadh.	Three years starting from 01/04/2017 and ending on 31/03/2019, and is renewable only by written agreement.	SR 385,000
16	A lease contract for a real estate unit in Sahafa Center owned by the Company signed with Al-Jamal Pharmacy Fourth Company, in which Eng. Saleh bin Mohammed Al-Habib (Vice Chairman) serves as a member of the Board of Managers	Al-Jamal Pharmacy Fourth Company	A contract under which Al-Jamal Pharmacy Company leases rental units with a total area of 249.3 square meters to be utilized as a pharmacy under the trade name "Whites" in Sahafa Center.	One year begins on ... and ends on 17/12/2019, and is renewable only by mutual agreement of both parties.	SR 300,000

## Transactions with Related Parties (CONTINUED)

#	Description of Contract/Work	Related Party	Subject matter of Contract/Work	Duration of Contract/Work	Annual Sum in SR (During fiscal year 2018)
17	A Joint Venture contract to develop a hospital was signed with Dr. Sulaiman Al Habib Group, in which Eng. Saleh bin Mohammed Al-Habib (Vice Chairman) serves as a member of the Board of Managers	Sulaiman Al-Habib Medical Services Group Holding Co.	The contract stipulates that Dr. Sulaiman Al-Habib Medical Services Group shall design, operate, and manage the hospital, and each party shall own 50% of the hospital project.	The contract starts on 30/10/2014. The contract is valid for the duration of the Company established between the parties to own the hospital, (99 years).	Each of the parties owns 50% of the hospital project. The capital will be determined after the determining the total project expenses. The Company's contribution to the project will be in-kind, which is plot B1 with an area of 21,415.35 square meters, which is designated for the establishment of the hospital project, and plot B4 with an area of 4,835.73 square meters, which will be designated for housing accommodation for the hospital project. The value of the land was estimated at SR 3000 per meter and a total value of SR 91,339,000. The Medical Group pays the value of its share in this partnership by bearing development costs equivalent to the value of the land. For development, design, and construction services, the Medical Group shall be entitled to a fee which equals 10% of the development cost in addition to to management and operation fees of 5% of the annual income (7.5% if the annual return on investment exceeds 20%).

#	Description of Contract/Work	Related Party	Subject matter of Contract/Work	Duration of Contract/Work	Annual Sum in SR (During fiscal year 2018)
18	Management and supervision contract between Alandalus as the proxy company and NCB Capital as the manager of AIAhli REIT Fund (I), of which the Company owns 68.73% of its units. Eng. Saleh Al-Habib (Vice Chairman) and Mr. Ahmed Al-Mousa (Member of the Board) serve as members of the Board of Directors of the Fund.	AIAhli REIT Fund (I)	A contract under which Alandalus shall manage and supervise Andalus Mall, in addition to overseeing the hotel: (Stepbridge Suites - Jeddah - Andalus Mall) for agreed fees payable to Alandalus from the Fund account.	Duration is not specified. Alandalus may terminate it by six month prior notice to termination date, while the Fund Manager may not terminate it - except for any of the breaches mentioned in the contract - unless an approval of the Fund unit holders was obtained.	SR 500 thousand. for the first year starting from the transfer date of ownership of the instrument to the Fund on 25/12/2017, after which the parties agreed to estimate the value of the fees annually.



## Transactions with Related Parties (CONTINUED)

#	Description of Contract/Work	Related Party	Subject matte of Contract/ Work	Duration of Contract/Work	Annual Sum in SR (During fiscal year 2018)	
19	Management, operation, and leasing services contract of Alandalus Mall in Jeddah signed with Hamat Property Co., in which Mr. Abdul Salam Al-Aqeel, Eng. Saleh Al-Habib and Mr. Hathal Al Otaibi serve as members in its Board of Managers.	Hamat Property Co.	A contract under which Hamat Property Co. manages, operates and leases the commercial center owned by Alandalus in Jeddah "Alandalus Mall" in exchange for fees specified in the contract.	10 years end on 24/12/2027 A.D, and is renewable with a written agreement.	Specific percentages of the total income of the center and the sums collected from the tenants.	
20	Management, operation, and leasing services contract of Sahafa Center in Riyadh signed with Hamat Property Co., in which Mr. Abdul Salam Al-Aqeel, Eng. Saleh Al-Habib and Mr. Hathal Al Otaibi serve as members in its Board of Managers.	Hamat Property Co	A contract under which Hamat Property Co. shall manage, operate and lease the commercial center owned by Alandalus in Riyadh "Sahafa Center" in exchange for fees specified in the contract.	5 years end in 31/12/2023, and is renewable with a written agreement.	Specific percentages of the total income of the center and the amounts collected from the tenants.	The total amounts payable to Hamat real Estate Company during 2018 in return for management and operation services under the contracts was SR 1,515,046

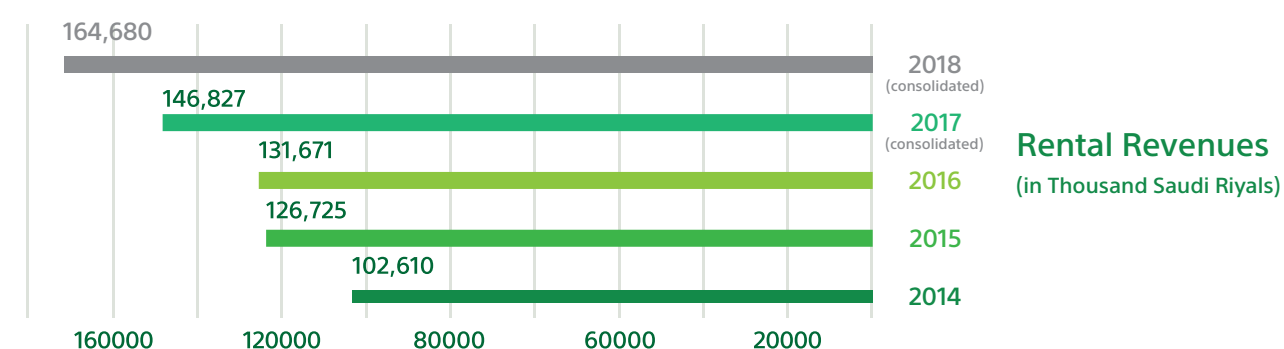
#	Description of Contract/Work	Related Party	Subject matte of Contract/ Work	Duration of Contract/Work	Annual Sum in SR (During fiscal year 2018)	
21	Management, operation, and leasing services contract of Yarmouk Center in Riyadh signed with Hamat Property Co., in which Mr. Abdul Salam Al-Aqeel, Eng. Saleh Al-Habib and Mr. Hathal Al Otaibi serve as members in its Board of Managers.	Hamat Property Co	A contract under which Hamat Property Co. shall manage, operate and leases the commercial center owned by Alandalus in Riyadh "Yarmouk Center" in exchange for fees specified in the contract.	5 years end in 31/12/2023, and is renewable with a written agreement.	Specific percentages of the total income of the center and the amounts collected from the tenants.	
22	Management, operation, and leasing services contract of Tilal Center in Riyadh signed with Hamat Property Co., in which Mr. Abdul Salam Al-Aqeel, Eng. Saleh Al-Habib and Mr. Hathal Al Otaibi serve as members in its Board of Managers.	Hamat Property Co	A contract under which Hamat Property Co. shall manage, operate and lease the commercial center owned by Alandalus in Riyadh "Tilal Center" in exchange for fees specified in the contract.	5 years end in 31/12/2023, and is renewable with a written agreement.	Specific percentages of the total income of the center and the amounts collected from the tenants.	The total amounts payable to Hamat real Estate Company during 2018 in return for management and operation services under the contracts was SR 1,515,046

## Financial Results and Business Data

### Income Statement

The table lists the actual income statements for the years: 2014, 2015, 2016, 2017 and 2018

SR '000	2014	2015	2016	2017 (consolidated)	2018 (consolidated)
Revenues	102,610	126,725	131,671	146,827	164,680
Cost of revenue	-31,943	-51,649	(49,711)	(66,677)	(70,995)
Gross profit	70,667	75,076	81,960	80,150	93,685
General and administrative expenses	-5,577	-8,628	(11,401)	(12,735)	(31,786)
Selling and marketing expenses	-2,734	-849	(1,265)	(931)	(1,785)
Company's share of profits of investments in affiliate companies	34,691	37,788	29,448	38,848	33,260
Impairment of due receivables of operating leases	0	0	-	(1,621)	(5,068)
Other revenues	758	580	1,113	856	4,258
Operating profit	97,047	103,387	99,855	104,567	92,565
Gains on transferring investment properties to affiliate companies	-	-	-	22,944	-
Impairment losses	-	-	-	-	(6,014)
Cost of Islamic tawarruq financing facilities	-9,413	-8,323	(6,315)	(7,019)	(4,004)
Profit before Zakat	88,392	95,645	93,541	120,493	82,547
Zakat	-1,585	-1,573	(1,717)	(2,103)	(13,584)
Comprehensive income for the year	86,807	94,072	91,824	118,390	68,963
Return to:					
Owners	-	-	-	118,390	47,972
Non-controlling interests	-	-	-	-	20,990
Other comprehensive income					
Re-measurement of employee end of service indemnity liability	-	-	(24)	(215)	24
Comprehensive income	86,807	94,072	91,799	118,175	68,986
Return to					
Owners	-	-	-	118,175	47,996
Non-controlling interests	-	-	-	-	20,990
Earnings per share (EPS)					
Basic and discounted EPS of the year net profit	1.24	1.34	1.31	1.69	0.69



## Financial Results and Business Data

Income Statement

Revenue Analysis

Statement of Financial Position

Accounting Standards

Islamic Tawarruq Facilities

Regular Payments

Staff Benefits



## Financial Results and Business Data (CONTINUED)

The table details the changes in the operational results between 2017 and 2018:

Saudi Riyal '000	2017 (consolidated)	2018 (consolidated)	change	Change percentage
Revenues	146,827	164,680	17,853	12%
Cost of revenue	(66,677)	(70,996)	-4,319	6%
Gross profit	80,150	93,685	13,534	17%
General and administrative expenses	(12,735)	(31,786)	-19,051	150%
Selling and marketing expenses	(931)	(1,785)	-854	92%
Company's share of profits of investments in affiliate companies	38,848	33,260	-5,588	-14%
Impairment of due receivables of operating leases	(1,621)	(5,068)	-3,447	213%
Other revenues	856	4,258	3,402	397%
Operating profit	104,567	92,565	-12,004	-11%
Gains on transferring investment property to affiliate companies	22,944	-	-22,944	
Impairment losses	-	(6,014)	-6,014	
Cost of Islamic tawarruq financing	(7,019)	(4,004)	3,015	-43%
Profit before payment of Zakat	120,493	82,547	-37,947	-31%
Zakat	(2,103)	(13,584)	-11,481	546%
Profit of the year	118,390	68,963	-49,428	-42%
Return to:				
Owners	118,390	47,972	-70,417	-59%
Non-controlling interests	-	20,990		
Other comprehensive income				
Re-measurement of end of service indemnity liability	(215)	23		
Comprehensive income	118,175	68,986	-49,189	-42%
Return to:				
Owners	118,175	47,996		
Non-controlling interests	-	20,990		

## Revenue Analysis

According to the Company's activities:

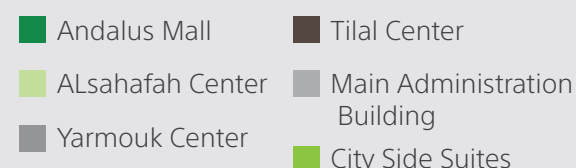
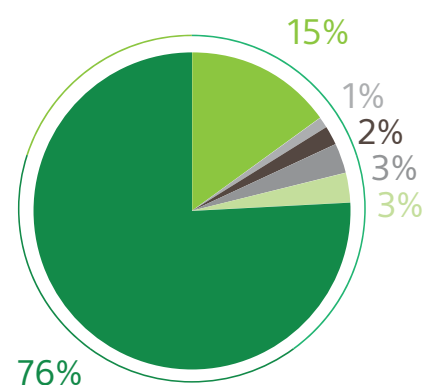
	SR '000	City	2014	2015	2016	2017	2018
Revenue	Alandalus Mall	Jeddah	101,635	106,634	114,383	121,373 a	124,232
	ALsahafah Center	Riyadh	-	8,192	6,233	6,077	5,620
	ALyarmouk Center	Riyadh	-	5,855	5,684	5,577	5,320
	Tilal Center	Riyadh	-	5,052	4,339	5,542	4,126
	Head Office building	Riyadh	975	992	1,032	1,032	1,006
	Staybridge Suites, Alandalus Mall	Jeddah				7,226	24,376
	Gross Revenue		102,610	126,725	131,671	146,827	164,680
	SR '000	City	2014	2015	2016	2017	2018
Revenue	Alandalus Mall	Jeddah	99.0%	84.1%	86.9%	82.7%	75.5%
	Head Office building	Riyadh	0.0%	6.5%	4.7%	4.1%	3.4%
	ALsahafah Center	Riyadh	0.0%	4.6%	4.3%	3.8%	3.2%
	Tilal Center	Riyadh	0.0%	4.0%	3.3%	3.8%	2.5%
	ALyarmouk Center	Riyadh	1.0%	0.8%	0.8%	0.7%	0.6%
	Staybridge Suites, Alandalus Mall	Jeddah	0.0%	0.0%	0.0%	4.9%	14.7%
	Gross Revenue		100.00%	100.00%	100.0%	100.00%	100.00%

The Group's revenues increased from SR 146.83 million in 2017 to SR 164.68 million in 2018, an increase of 12.16%, driven by the increase in revenues of the hospitality sector specifically in Staybridge's amounting to 24.4 million in 2018 compared to SR 7.2 million in 2017, a growth rate of 238%. The hotel began to generating revenues by the end of late second quarter of 2017. In addition, revenues from the retail sector, represented in Alandalus Mall, rose from SR 138.6 million in 2017 to SR 140.3 million in 2018, an increase of 1.2%, which increased the Group's total profit to SR 93.68 million in 2018 from SR 80.15 million in 2017, a growth of 16.88%.

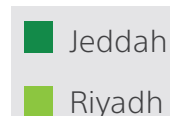
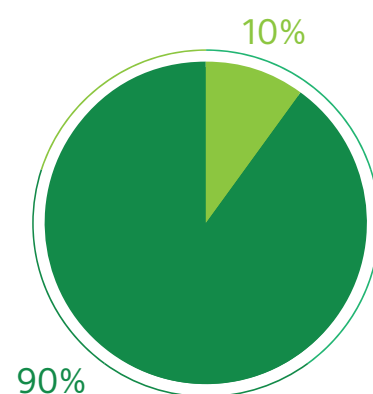
However, the net return to owners of the Company decreased due to the following reasons:

- Change of ownership interests of the parent company in both Alandalus Mall and Staybridge Hotel in Jeddah that are owned by AlAhli REIT Fund 1, in which the Company's ownership interest declined from 100% to 68.73% in 2018.
- The exceptional gains of SR 23 million made by the Company in the same period of last year as a result of disposing of an investment land owned by Company which was presented as in-kind contribution into a new associate company (West Jeddah Hospital Company).
- The increase in general and administrative expenses as a result of the management fees charged by AlAhli REIT Fund 1 and the increase of the provision of impairment of receivables due from tenants under operating leases in accordance with the International Financial Reporting Standards no. 9 – Financial Tools, in addition to decrease of the Company's share of the profit made by some affiliate companies.
- Recognition by the Company of exceptional decline of SR 6 million in the value of the investment in Hamat Real Estate Company (affiliate company) in addition to the increase of provision for Zakat in 2018.

## Analysis of the Company's Revenue by Activity 2017



## Geographical Analysis of the Company's Revenue



## Statement of Financial Position

The Statement of Financial Position as in 31 December 2014, 2015, 2016, 2017 and 2018:

SR '000	2014	2015	2016	2017 (consolidated)	2018 (consolidated)
<b>Assets</b>					
Non-current assets					
Properties and equipment	10,233	10,058	10,504	202,352	195,759
Investment properties	593,553	666,055	692,167	548,310	505,867
Investments in affiliate companies	406,907	402,828	387,960	457,273	493,988
<b>Total non-current assets</b>	<b>1,010,693</b>	<b>1,078,941</b>	<b>1,090,631</b>	<b>1,207,935</b>	<b>1,195,614</b>
<b>Current assets:</b>					
Receivables from operating leases, net	11,304	12,608	10,878	14,321	26,098
Prepayments and other receivables	16,610	6,910	9,496	6,122	3,978
Due from related parties	1,590	6,710	239	1,097	17,124
Financial instruments at fair value through profit or loss	0	0	0	-	58,112
Cash and cash-equivalent	13,064	50,272	27,303	444,213	145,112
<b>Total current assets</b>	<b>42,568</b>	<b>76,500</b>	<b>47,916</b>	<b>465,753</b>	<b>250,424</b>
<b>Total assets</b>	<b>1,053,261</b>	<b>1,155,441</b>	<b>1,138,547</b>	<b>1,673,688</b>	<b>1,446,038</b>
<b>Equity and liabilities</b>					
Capital	343,000	700,000	700,000	700,000	700,000
Statutory reserve	52,827	62,235	72,287	84,126	88,925
Retained earnings	388,324	115,989	117,681	444,214	347,411
Company Shareholder Equity	784,151	878,223	889,967	1,228,340	1,136,336
Non-controlling interests				192,278	211,455
<b>Total Equity</b>	<b>784,151</b>	<b>878,223</b>	<b>889,968</b>	<b>1,420,618</b>	<b>1,347,791</b>
<b>Non-current liabilities</b>					
Employees end of service indemnity liability	1,624	2,049	4,351	4,497	5,075
Islamic Tawarruq Facilities	173,786	164,514	117,145	53,049	-
Rentals due under operational lease contracts			8,159	9,169	9,724
<b>Total non-current assets</b>	<b>175,410</b>	<b>166,563</b>	<b>129,655</b>	<b>66,715</b>	<b>14,799</b>



## Statement of Financial Position (CONTINUED)

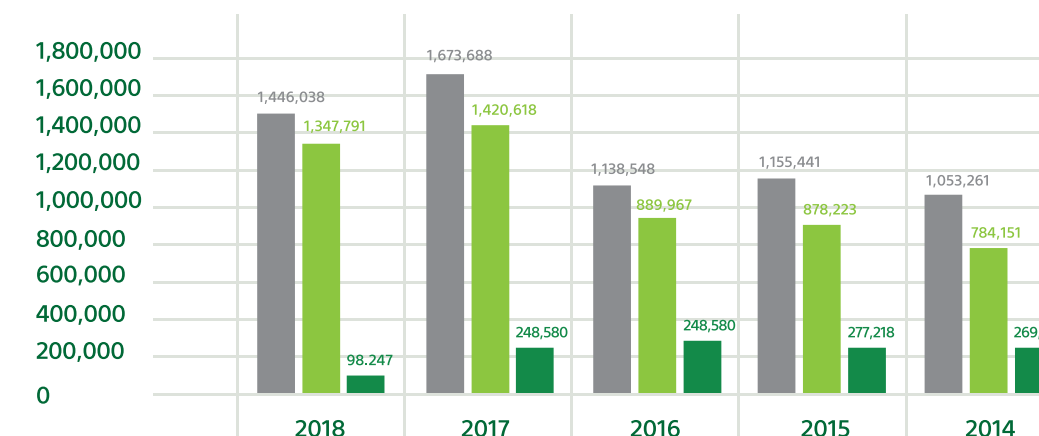
The Statement of Financial Position as in 31 December 2014, 2015, 2016, 2017 and 2018:

SR '000	2014	2015	2016	2017 (consolidated)	2018 (consolidated)
<b>Current Liabilities</b>					
Pre-Paid Rentals	34,316	36,245	32,319	27,677	34,663
Current portion of Tawarruq Islamic facility	51,141	62,462	68,169	122,331	1,823
Due to related parties	4,404	5,105	2,306	1,273	330
Provision for Zakat	1,777	1,457	2,800	4,658	13,306
Other payables	2,062	5,386	13,329	30,417	33,326
<b>Total current liabilities</b>	<b>93,700</b>	<b>110,655</b>	<b>118,924</b>	<b>186,355</b>	<b>83,448</b>
<b>Total Liabilities</b>	<b>269,110</b>	<b>277,218</b>	<b>248,580</b>	<b>253,070</b>	<b>98,247</b>
<b>Total liabilities and equity</b>	<b>1,053,261</b>	<b>1,155,441</b>	<b>1,138,548</b>	<b>1,673,688</b>	<b>1,446,038</b>

The fair value of the Group's investment properties as at 31 December 2018 stood at SR 1.6 billion. The Group's share in the fair value of affiliates' properties stood at SR 745 million, bringing the total fair value of the Company's real estate investments to SR 2.35 billion.

The properties were evaluated by external evaluators accredited by the Saudi Authority for Accredited Valuers (Taqeem).

Total assets,  
equity  
and liabilities  
in thousand)  
(Saudi Riyals



## Accounting Standards:

The Company's financial statements for the year ending December, 31st 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in Saudi Arabia and the other standards and versions issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Moreover, the Company has adopted the implementation of IFRS 9 which is related to the financial instruments and IFRS 15 which is related to revenue from customers, as of January 1st 2018. However, implementation of these two accounting standards had significant impact on the Company's financial statements. IFRS 16 which is related to lease contracts will be applied as of January 1st 2019.

## Statement of Financial Position (CONTINUED)

### Islamic Tawarruq Facilities:

During 2018, the Company did not obtain any additional facility. It repaid the last installment of the facility obtained from AlRajhi Bank to finance the purchase of a stake in Hayat Mall Center for an amount of SR 43 million. Thus, these facilities were fully repaid.

Moreover, the Company fully repaid and settled the facilities obtained from AlRajhi Bank to finance the establishment of Staybridge Hotel, Alandalus Mall. This early repayment of SR 75.3 million was made against waiver by the Bank of the remaining profit margin of SR 7.1 million.

All the repaid and current facilities of 2018 are detailed below (in thousands Saudi Riyals):

Facilities Agreement	Date of Agreement	Facilities Amount	Amount Used from the Facilities	Term of Agreement	Purpose	Amount Repaid During 2017	Remaining Amount Remaining Amount	Currency
Islamic Facilities – AlRajhi Bank	16/01/2008	220,000	220,000	10 years	To finance the purchase of a strategic stake of Hayat Mall Center	43,000	0.00	Saudi Riyal
Islamic Facilities – AlRajhi Bank	21/11/2012	100,000	100,000	10 years	To finance 60% of the total value of the establishment of (Staybridge Suites Hotels, Jeddah, Alandalus Mall)	75,377	0.00	Saudi Riyal
Islamic Facilities – AlRajhi Bank	01/07/2013	20,000	20,000	5 years	To finance 60% of the total value of the establishment of Alsahafah Center, Tilal Center and Alyarmouk Center in Riyadh	7,312	1,826	Saudi Riyal
Islamic Facilities – Albilad Bank	28/09/2017	100,000	50,000	7 years for long-term facilities and one year for short-term facilities	Long-term facilities has been used to finance the Company's new projects and the partial limit has been used to support the requirement of the working capital	51,872	0.00	Saudi Riyal
Leasing Facilities – National Commercial Bank	07/11/2018	650,000	0.00	15 years	Acquisition of income-generating properties that will increase diversification of assets and will have positive effect of dividends paid by the Fund	0.00	0.00	Saudi Riyal
<b>Total</b>		<b>1,090,000</b>	<b>390,000</b>			<b>177,561</b>	<b>1,826</b>	

### Regular Payments:

The regular payments due during the ending year as in December 31st 2018:

(SR'000)	Paid	Due at the end of the financial year but not paid	Description	Reasons
Zakat	4,936,507.40	-	Zakat paid for 2017	-
Tax	551,189.41	199,790.50	December 2018 taxation	To be paid in January 2019
General Organization for Social Insurance	1,010,601.30	-	GOSI fees	For year 2018
Costs of visas and passports	111,172	-	Costs of visas and passports	For year 2018
Labor Office Fees	223,663	-	Labor Office Fees	For year 2018

### Staff Emoluments:

The end of service emoluments as in December 31st 2018:

SR '000	2018
Year start balance	4,497
Benefits during the year	835
Paid during the year	(233)
Actuarial losses due to re-measurement	(24)
Balance as of December 31	5,057



## The Company's Board of Directors, Committees and Executive Management

Board Members

Executive Committee

Nomination and Remuneration Committee

Audit Committee

(Chief Executive Officer (CEO

# The Company’s Board of Directors, Committees and Executive Management

## • Board Members

### A.Names, current and previous positions, qualifications and experience of directors

-	Name	Current Position	Previous Positions	Qualifications	Experience
1	Mr. Abdulsalam bin Abdulrahman AL-Aqeel	Chairman of the Board of Directors of AlAndalus Property Co.	Vice Chairman of the Board of Directors of AlAndalus Property Co.	Bachelor degree, Management Science in Industry, King Fahd University of Petroleum and Minerals, 1990	Director of many companies and charities board member, member of audit and risk committee, director general of a number of real estate and trade companies, managing director of Jarir Commercial Investments Company
2	Eng. Saleh bin Muhammad AL-Habib	Vice Chairman of the Board of Director, and Chairman of the Executive Committee, AlAndalus Property Co.	Managing Director of Mohammad AlHabib Real Estate Investment Co.	Bachelor degree, Architecture, King Saud University, 2000	Member of the Board of Directors of Dr. Sulaiman AL-Habib Medical Group, Managing Director of Mohammed Al Habib and Sons Holding Co. Managing Director of Hamat Real Estate Company. Managing Director of Global Healthcare Co. Managing Director of Muhammad AL-Habib Real Estate Company. Member of the Board of Directors of Al Hayat Property Co.
3	Mr. Ahmad bin Abdulrahman AL-Mousa	Member of the Board of Directors of AlAndalus Property Co.	Member of The Board of Directors of AlJazeera Markets Co.	Bachelor degree, Business Administration, London School of Economic Science, 1999	Member of the Board of Directors of Abdulrahman bin Abdullah AlMousa and Sons Holding Co. Member of the Board of Directors of Real Estate and Tourism Development Company. Member of the Board of Directors of Aljazera Market Co.
4	Mr. Muhammad bin Abdulmuhsen AL-Zakri	Member of The Board of Directors of AlAndalus Property Co.	Executive Manager of AlZakri Industrial and Trading Co.	Master degree, Finance Management, University of Lafrin, 2011	Practical experience in finance management, operation management, business development and executive management
5	Mr. Hathal bin Saad Al Otaibi	Member of the Board of Directors and CEO of AlAndalus Property Co.	Acting CEO of AlAndalus Property and Head of Business Development	Master degree, King Saud University, 2016	Member of the Board of Directors of Hayat Real Estate Co. Marketing Officer at National Industries Company. Training Manager at Aljazeera Bank. Product Manager at AlMarai Company
6	Eng. Faisal bin Abdullah AL-Rashid Resigned on June 5th 2018	Member of the Board of Directors of AlAndalus Property Co.	Member of the Board of Directors of Al Hayat Property	Bachelor degree, Industrial Engineering, Northwest University, 2011	Member of the Board of Directors of Al Hayat Property. Member of the Board of Directors of Abdullah Saad AL-Rashid and Sons Ltd. Member of the Board of Directors of Golden Chicken Co. Business Development Manager and CEO of AlAndalus Property Company.
7	Mr. Naser bin Shareef AL-Shareef	Member of the Board of Directors of Awj Investment Co.	CEO of AWJ Investments	Bachelor of Economy and Finance, 2004	Deputy Head of private wealth and institutional assets in Dubai, Head of Private Wealth and institutional assets in Riyadh, and CEO of Awj Investment Co.,
8	Dr. Abdulrahman bin Muhammad AL-Barak	Member of the Board of Directors and Chairman of Review Committee, AlAndalus Property Co.	Vice Chairman of CMA Council	PhD in Finance, Newcastle University, UK Master Degree, Finance, Colorado University, USA Bachelor degree, Accounting, King Faisal University, SKA	Chairman of Thara’a Consulting Company. Former Deputy Chairman of Saudi Capital Market Authority. Chairman, Associate Professor and Dean of Finance Faculty at King Faisal University, KSA
9	Dr. Sulaiman Ali Al Hudaif	Member of the Board of Directors and Chairman of Nomination and Remuneration Committee, AlAndalus Property Co.	Director General of Human Capital Sector, Alinma Bank	PhD. Business Administration, Northwestern University, 2006	Director General of Human Capital Sector, Alinma Bank, CEO of Alam Al-Nukhba Management and Organization Consulting Company, Executive Director General of Human Resources and Development, Al-Rajhi Bank.

### B. Companies in Saudi Arabia and Abroad, in which the Member of the Company’s Board of Directors is/ was a director or held/ is holding an executive position

Director's Name	Company	Country	Legal status (listed joint stock/ unlisted joint stock/ LLC.)	Current/ previous
1 Mr. Abdulsalam bin Abdulrahman AL-Aqeel	Riyadh Najed Schools Company	Saudi Arabia	Unlisted joint stock	Current
	Kinan International Real Estate Development Company	Saudi Arabia	Unlisted joint stock	Current
	Horma National Company	Saudi Arabia	Unlisted joint stock	Current
	Saudi Food Bank	Saudi Arabia	Charity	Current
	Asala Holding Company	Saudi Arabia	Unlisted joint stock	Current
	Hamat Property Co.	Saudi Arabia	LLC	Current
	Sorouh Centers Company	Saudi Arabia	LLC	Current
	General Investment Authority	Saudi Arabia	Governmental entity	Previous
	Jarir Commercial Investment Company	Saudi Arabia	Unlisted joint stock	Current
	Jarir Trading Development Company	Saudi Arabia	Unlisted joint stock	Current
	Imtiaz Al Arabia Co.	Saudi Arabia	Unlisted joint stock	Current
	Jarir Marketing Company	Saudi Arabia	LLC	Current
	Burooj International Company	Saudi Arabia	LLC	Current
	Istehwath Burooj Ltd. Company	Saudi Arabia	LLC	Current
	Future Aswaq Group of Companies	Saudi Arabia	LLC	Current
	Advanced Markets Company	Saudi Arabia	LLC	Current
	Afras Arabia Co. Ltd.	Saudi Arabia	LLC	Current
	Jarir Union Company	Saudi Arabia	LLC	Current
	Imtiaz International Co. Ltd.	Saudi Arabia	LLC	Current
	Future Houses Company	Saudi Arabia	LLC	Current
	Khomasiat Tabah Limited Company	Saudi Arabia	LLC	Current
	Khomasiat Taibah Limited Company	Saudi Arabia	LLC	Current
	Sama Sama Contracting company	Saudi Arabia	LLC	Current
	Robin Arabian Company	Saudi Arabia	LLC	Current
	International Real Estate Investment Company	Saudi Arabia	Unlisted joint stock	Current
	Azzan Sabya Co. Ltd.	Saudi Arabia	LLC	Current
	Reof Tabuk Company Limited, One Person Company	Saudi Arabia	LLC	Current
	Al Dhahia Al-Mithaliah Real Estate Development & Investment Company	Saudi Arabia	LLC	Current
	Amwaj Dhahran Company Ltd., one person company (OPC)	Saudi Arabia	LLC	Current
	Kadi Al-Janoub Company Ltd, OPC	Saudi Arabia	LLC	Current
	East Health Medical Company	Saudi Arabia	LLC	Current
	Alwosta Medical Company	Saudi Arabia	LLC	Current

## Members of the Board of Directors: (CONTINUED)

B.List of Companies, in Saudi Arabia and Abroad, where the Board Member is a Current or Former Member of them or One of its Managers: (Continued)

Member's Name		Company	Country	Legal Status (listed joint stock/ unlisted joint stock/Ltd.)	Current/ previous
2	Eng. Saleh bin Muhammad AL-Habib	Global Healthcare Co.	Saudi Arabia	LLC	Current
		Dr. Sulaiman AL-Habib Medical Group	Saudi Arabia	Unlisted joint stock	Current
		Mohammed Abdulaziz Al Habib and Sons Holding	Saudi Arabia	LLC	Current
		Asala Holding Company	Saudi Arabia	Unlisted joint stock	Current
		International Real Estate Investment Company	Saudi Arabia	Unlisted joint stock	Current
		Al Hayat Property	Saudi Arabia	LLC	Current
		Muhammad AL-Habib Real Estate Company	Saudi Arabia	LLC	Current
		Advanced Markets Company	Saudi Arabia	LLC	Current
		The Grand Jewel Company	Saudi Arabia	LLC	Current
		Sorouh Centers Company	Saudi Arabia	LLC	Current
		West Jeddah Hospital Company	Saudi Arabia	LLC	Current
		Hamat Real Estate Company	Saudi Arabia	LLC	Current
		Manafe'a Alandalus Company	Saudi Arabia	LLC	Current
		Burooj International Company	Saudi Arabia	LLC	Current
3	Mr. Ahmad bin Abdulrahman AL-Mousa	Saleh Al Habib Real Estate Development Company	Saudi Arabia	LLC	Current
		Saleh Al-Habib Real Estate Investment Company	Saudi Arabia	LLC	Current
		Qawaem Real Estate Development Company	Saudi Arabia	LLC	Current
		Gheras Alakhlaq Educational School	Saudi Arabia	LLC	Current
		Northern Abhor Company	Saudi Arabia	LLC	Current
		High Stars Company	Saudi Arabia	LLC	Current
		Asala Centers Company	Saudi Arabia	LLC	Current
		Araqa Centers Company	Saudi Arabia	LLC	Current
		Jawaher Western Company	Saudi Arabia	LLC	Current
		ALMASA AL KHADRA TR. L.L.C	Saudi Arabia	LLC	Current
		AIAhli REIT Fund 1	Saudi Arabia	Real Estate Investment Traded Fund	Current
		Jazeera Shopping Centers Company	Saudi Arabia	Unlisted joint stock	Current
		Real Estate & Tourism Development Company	Saudi Arabia	Unlisted joint stock	Current
		Abdulrahman bin Abdullah AIMousa and Sons Co	Saudi Arabia	Unlisted joint stock	Current
		Abdulrahman AIMousa Holding Co.	Saudi Arabia	Unlisted joint stock	Current
		AIAhli REIT Fund 1	Saudi Arabia	Real Estate Investment Traded Fund	Current

List of Members of the Board of Directors					
	Member's Name	Company	Country	Legal Status (listed joint stock/ unlisted joint stock/Ltd.)	Current/ previous
4	Mr. Muhammad bin Abdulmuhsen Al-Zakri	Zakri Industry & Trading Co	Saudi Arabia	LLC	Current
5	Mr. Hathal bin Saad AL-Utaibi	Advanced Markets Company	Saudi Arabia	LLC	Current
		Sorouh Centers Company	Saudi Arabia	LLC	Current
		Manafe'a Alandalus Company	in Saudi Arabia	LLC	Current
		Hayat Real Estate Co.	in Saudi Arabia	LLC	Current
		West Jeddah Hospital Company	Saudi Arabia	Unlisted joint stock	Current
		Hamat Property Co.	Saudi Arabia	Unlisted joint stock	Current
6	Eng. Faisal bin Abdullah AL-Rashid Resigned on June 5th 2018	Al Hayat Property	Saudi Arabia	Unlisted joint stock	Current
		Abdullah Saad AL-Rashid and Sons Ltd.	Saudi Arabia	Unlisted joint stock	Current
		Abdulaziz & Faisal Sons of Abdullah Saad Al Rashed Company Ltd.	Saudi Arabia	LLC	Current
		Golden Chicken Co. Business	Saudi Arabia	Unlisted joint stock	Current
7	Mr. Naser bin Shareef AL-Shareef	Anan Holding	Saudi Arabia	Unlisted joint stock	Current
		Anan Housing	Saudi Arabia	LLC	Current
		Arena Company	Saudi Arabia	LLC	Current
		Saudi Fisheries Company	Saudi Arabia	Listed Joint Stock	Current
8	Dr. Abdulrahman bin Muhammad AL-Barak	Tharaa Management Investment Company	Saudi Arabia	LLC	Current
		Leejam Sports Company	Saudi Arabia	Listed joint stock	Current
		MEDGULF	Saudi Arabia	Listed joint stock	Current
		National Commercial Bank	Saudi Arabia	Listed joint stock	Current
		Etihad Etisalat Co. (Mobily)	Saudi Arabia	Listed joint stock	Current
		Elm Information Security	Saudi Arabia	Closed joint stock	Current
		Saudia Cargo Co.	Saudi Arabia	LLC	Current
		Jabal Omar Development Co.	Saudi Arabia	Listed joint stock	Previous
9	Dr. Sulaiman Ali Al Hudaif	Alinma Investment Co.	Saudi Arabia	Closed joint stock	Current
		Al Tayyar Travel Group	Saudi Arabia	Listed joint stock	Current
		Asala Holding Company	Saudi Arabia	Listed joint stock	Current



## Members of the Board of Directors: (CONTINUED)

### C. Structure of the Board of Directors and type of directorship (Executive, Non-executive, Independent)

Member's Name	Executive/ Non-executive/ Independent)
Mr. Abdulsalam bin Abdulrahman AL-Aqeel	Non-executive Board Board of Directors
Eng. Saleh bin Muhammad AL-Habib	Deputy Non-executive Board Member
Mr. Ahmad bin Abdulrahman AL-Mousa	Non-executive Board Member
Mr. Muhammad bin Abdulmuhsen AL-Zakri	Non-executive Board Member
Mr. Hathal bin Saad Al Otaibi	Executive Board Member – CEO
Eng. Faisal bin Abdullah AL-Rashid (Resigned on June 5th 2018)	Non-executive Board Member
Dr. Sulaiman Ali Al Hudaif	Independent Board Member
Dr. Abdulrahman bin Muhammad AL-Barak	Independent Board Member
Mr. Naser bin Shareef AL-Shareef	Independent Board Member

### D. Number of Board of Director's Meetings Held in 2018, their Dates and Attendance Record:

Member's Name		No. of Meetings			
		1st Meeting 12/03/2018	2nd Meeting 07/05/2018	3rd Meeting 10/09/2018	4th Meetin 06/11/2018
1	Mr. Abdulsalam bin Abdulrahman AL-Aqeel	✓	✓	✓	✓
2	Eng. Saleh bin Muhammad AL-Habib	✓	✓	✓	✓
3	Mr. Ahmad bin Abdulrahman AL-Musa	✓	✓	✓	✓
4	Mr. Muhammad bin Abdulmuhsen AL-Zakri	✓	✓	✓	✓
5	Mr. Hathal bin Saad AL-Utaibi	✓	✓	✓	✓
6	Eng. Faisal bin Abdullah AL-Rashid (Resigned on June 5th 2018)	✓	✓		
7	Dr. Sulaiman Ali Al Hudaif	✓	✓	✓	✓
8	Dr. Abdulrahman bin Muhammad AL-Barak	✓	✓	✓	✓
9	Mr. Naser bin Shareef AL-Shareef	✓	✓	✗	✓

## | The Executive Committee

### a. Terms of Reference and Responsibilities:

One of the key functions and responsibilities of the Executive Committee is to discuss any of the matters reserved for the Board of Directors without exception, make recommendations in respect thereof and submit such recommendations to the Board. The Committee also takes decisions on the matters assigned to it by the Board. It also makes and presents recommendations to the Board on all matters related to the investment policies, strategies, business plans and annual budget presented by the Company's executive management, as well as the organizational and employment structure/ reorganization/ restructuring of the Company and its business policies, except for such policies that fall under the terms of reference of other Board committees, including financial and accounting, compensation and remuneration policies and the internal audit guide. Furthermore, the Executive Committee considers joint ventures, mergers and

acquisitions pursuant to the Company's plans, and selling the Company's lands and properties, cash and stock dividends, writing off accounts receivable, oversees the operational developments and the Company's overall performance, and approves workflow rules and regulations, except those that requires Board approval. The Committee also receives progress reports on key project and expansion plans, and reports on corporate risk profile as well as the effectiveness and efficiency of performance of the Risk Management Unit, and addresses the matters and obstacles related to the Company's business. The Executive Committee, in accordance with the approved terms of reference, approves investments in new projects in line with the investment plan, amendments of budget items, capital purchases and operational expenses that exceed the Company's approved budget; and reviews the valuation of Company's assets.

### b. Members' Names, Current and Previous Positions, Qualifications and Experiences:

	Name	Current Position	Previous Positions	Qualifications	Experience
1	Eng. Saleh bin Muhammad AL-Habib	Deputy Chairman of Board and Chairman of the Executive Committee, Alandalus Property Co.	Managing Director of Mohammad AlHabib Real estate Investment Co.	Bachelor degree, Architecture, King Saud University, 2000	Member of the Board of Directors of Dr. Sulaiman AL-Habib Medical Group. Managing Director of Mohammed Al Habib and Sons Holding. Managing Director of Hamat Real Estate Company. Managing Director of AL- Global Healthcare Co. Managing Director of Muhammad AL-Habib Real Estate Investment Company. Member of Board of Directors of Al Hayat Property.
2	Mr. Abdulsalam bin Abdulrahman AL-Aqeel	Chairman of the Board of Directors of Alandalus Property Co.	Deputy Chairman of the Board of Directors of Alandalus Property Co.	Bachelor degree, Management Science in Industry, King Fahd University of Petroleum and Minerals, 1990	Member of the boards of directors of many companies' and charities, member of the board of directors and audit and risks committee. Director general of a number of real estate and trade companies. Managing Director of Jarir Commercial Investment.
3	Mr. Ahmad bin Abdulrahman AL-Mousa	Member of the Board of Directors of Alandalus Property Co.	Member of the Board of Directors of Jazeera Markets Company	Bachelor degree, Business Administration, London School of Economic Science, 1999	Member of the Board of Directors of Abdulrahman bin Abdullah Mousa and Sons Co. Member of the Board of Directors of Abdulrahman AlMousa Holding Co. Member of the Board of Directors of Real Estate and Tourism Development Company. Member of the Board of Directors of Aljazera Market Co.
4	Mr. Muhammad bin Abdulmuhsen AL-Zakri	Member of The Board of Directors of Alandalus Property Co.	Executive director, Alzakri Industry and Trade Com.	Master degree, Financial Management, University of Lafrin, 2011	Practical experience in financial management, operational management, business development and executive management.

### c. Number the Executive Committee Meetings during 2018, Dates and Attendance:

	Member's Name	No. of Meetings (2)	
		1st Meeting 5/11/2018	الاجتماع الثاني 17-12-2018
1	Eng. Saleh bin Muhammad AL-Habib (chairman)	✓	✓
2	Mr. Abdulsalam bin Abdulrahman AL-Aqeel	✓	✓
3	Mr. Ahmad bin Abdulrahman AL-Mousa	✓	✓
4	Mr. Muhammad bin Abdulmuhsen AL-Zakri	✓	✓

## Nomination and Remuneration Committee

### a. Terms of Reference and Responsibilities

In respect of nomination , the Nomination and Remuneration Committee is responsible for:

1. Suggesting clear policies and criteria of membership of the Board of Directors and the Executive Committee
2. Recommend nominations and re-nominations to the Board of Directors in accordance with the approved policies and standards taking into account that nomination shall not include any person who was previously convicted of any crime of dishonesty.
3. Preparing descriptions of the capacities and qualifications required to join the Board or hold an executive management position;
4. Determining the time to be allocated by the member for the activities of the Board of Directors;
5. Conducting an annual review of the skills and experiences required for Board membership and executive management positions;
6. Reviewing the structure of the Board and the Executive Management and recommending possible changes;
7. On an annual basis, ensure the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the board of directors of another company.
8. Developing job descriptions for the executive and non-executive members, independent members and senior executives;
9. Developing procedures to fill in any vacant position in the Board or among executive management;
10. Determining the strengths and weaknesses of the Board and recommending solutions that are compatible with the Company's interests.

### b. Members' Names, Current and Previous Positions, Qualifications and Experiences:

	Name	Current Position	Previous Positions	Qualifications	Experience
1	Dr. Sulaiman Ali Al Hudaif	Member of The Board of Directors and Chairman of Nomination and Remuneration Committee	Director General of Human Capital Sector, Alinma Bank	PhD. Business Administration, Northwestern University, 2006	Director General of Human Capital Sector, Alinma Bank. CEO of Alam Al-Nukhba Management and Organization Consulting Company. Executive Director General of Human Resources and Development, Al-Rajhi Bank.
2	Mr. Abdulsalam bin Abdulrahman AL-Aqeel	Chairman of the Board of Alandalus Property Co.	Deputy Chairman of the Board of Directors of Alandalus Property Co.	Bachelor degree, Management Science in Industry, King Fahd University of Petroleum and Minerals, 1990	Member of the boards of directors of many companies and charities, member of the board of directors and audit and risks committee. Director general of a number of real estate and trade companies. Managing Director of Jarir Commercial Investment
3	Eng. Saleh bin Muhammad AL-Habib	Deputy Chairman of Board and Chairman of the Executive Committee	Chairman of the Executive Committee	Bachelor degree, Architecture, King Saud University, 2000	Member of the Board of Directors of Dr. Sulaiman AL-Habib Medical Group. Managing Director of Mohammed Al Habib and Sons Holding. Managing Director of Hamat Real Estate Company. Managing Director of AL- Global Healthcare Co. Managing Director of Muhammad AL-Habib Real Estate Investment Company. Member of Board of Directors of Al Hayat Property.

### c. Number the Executive Committee Meetings during 2018, Dates and Attendance:

	Member's Name	No. of Meetings (2)	
		The 1st Meeting 10/9/2018	The 2nd Meeting 17/12/2018
1	Dr. Sulaiman Ali Al Hudaif (chairman)	✓	✓
2	Mr. Abdulsalam bin Abdulrahman AL-Aqeel	✓	✓
3	Eng. Saleh bin Muhammad AL-Habib	✓	✓



## The Audit Committee

### a. Terms of Reference and Responsibilities

The Audit Committee is responsible for monitoring the Company's activities and ensuring the integrity and fairness of the financial reports, statements and internal control systems. Regarding financial reports, the Committee is responsible for examining the Company's initial and annual financial statements before they are presented to the Board of Directors, share their view on the same, and recommend the procedures what guarantee integrity, fairness and transparency thereof. If requested by the Board, the Committee shall present its technical view on whether the Board's report and the Company's financial statements are fair, balanced, intelligible, and include all the information needed for the shareholders and investors to evaluate the Company's financial position, performance, business model and strategies. The Committee shall also examine any crucial or abnormal issues in the financial reports, thoroughly consider any issues raised by the Company's financial manager, or his deputy, the compliance officer or auditor, verify the accounting estimates on material issues reflected in the financial reports, examine the Company's accounting policies and provide the Board with their views and recommendations regarding the same.

At level of internal audit, the Committee shall examine and review the Company's internal and financial control systems, evaluate the internal audit reports and follow up the implementation of any corrective measures relating to any remarks stated therein, supervise and oversee the internal auditor's performance and activities and the Company's internal audit department, if any, in order to ensure the availability of all necessary resources and their effectiveness in performing the assigned tasks and duties. If the Company has no internal auditor, the Committee will provide the Board with a recommendation stating the extent to which such an auditor is needed. It will also develop a mechanism and policy to enable the employees to report any illegal or unethical practices in the Company. Moreover, it presents its recommendation to the Board to appoint a manager for the internal audit unit or department or an

internal auditor and proposes their compensation.

Regarding the external auditor, the Committee will recommend the Board of Directors to nominate or remove auditors, determine their fees and evaluate their performance after verifying their independency and reviewing the scope of their work and their engagement terms. Moreover, the Committee will ensure the auditor's independence, objectivity and fairness as well as the extent of effectiveness of the audit taking into consideration all relevant rules and standards. Furthermore, the Committee shall review the plan and the activities of the Company's auditor and make sure that all technical and administrative auditing reports are within the scope of their auditing tasks, present its view on the same, and respond to the auditor's queries. It will also examine the auditor's report and any observations on the financial statements and follow up on any actions taken in this regard.

The Committee shall also ensure the commitment to review the results of the reports made by the regulatory bodies and make sure that the Company has taken all necessary actions, and is in compliance with all applicable rules, regulations, policies and instructions. Moreover, the Committee shall review all proposed contracts and transactions with any related party and provide its views to the Board, and report to the Board all issues believed to require a further action along with its suggested course of action.

In respect of the Audit Committee's performance of its responsibilities, the Committee will provide its views, if any, on the financial statements and the adequacy of the Company's internal control system and other tasks carried out within its terms of reference. The Committee shall also discuss and examine its performance at least once a year in order to assess its effectiveness, and agree on the measures needed to improve its efficiency. Finally, a report on the Committee's performance must be presented to the Board.

### a. Members' Names, Current and Previous Positions, Qualifications and Experiences:

	Name	Current Position	Previous Positions	Qualifications	Experience
1	Dr. Abdulrahman bin Muhammad AL-Barak	Member of The Board of Directors and Chairman of the Audit Committee – Alandalus Property	Deputy chairman of the Council CMA	PhD in Finance, Newcastle University, UK Master Degree, Finance, Colorado University, USA Bachelor degree, Accounting, King Faisal University, SKA	Chairman of Thara'a Consulting Company. Deputy Chairman of Capital Market Authority of Saudi Arabia. Chairman, Co-professor and Dean of Finance in King Faisal University, KSA
2	Mr. Alaa bin Abdullah AL-Feda	Member of the Audit Committee, Alandalus Property	Member of the Audit Committee, Eastern Cement Co.	Master degree, funding, Newcastle University, 2009	Member of audit committee in King Saud University Endowments. Executive consultant of financial planning and budget in the Ministry of Finance. Member of audit committee in Eastern Cement.
3	Mr. Saleh bin Abdullah AL-Yahya	Member of the Audit Committee	Senior manager, Earnst & Young, USA	Bachelor degree, accounting, King Saud University, 2002	Partner, Alluhaid & Alyahya Chartered Accountants. Partner Ernst & Young, KSA. Senior Manager, USA

### b. The Number the Executive Committee Meetings during 2018, Dates and Attendance record:

	Member's Name	No. of Meetings (2)			
		1st Meeting 25-03-2018	2nd Meeting 01-05-2018	3ed Meeting 06-08-2018	4th Meeting 01-11-2018
1	Dr. Abdulrahman bin Muhammad AL-Barak (chairman)	✓	✓	✓	✓
2	Mr. Alaa bin Abdullah AL-Fadda	✓	✓	✓	✗
3	Mr. Saleh bin Abdullah AL-Yahya	✓	✓	✓	✓

## Chief Executive Officer

	Name	Current Positions	Previous Position	Qualifications	Experiences
1	Mr. Hathal bin Saad Al Otaibi	CEO of Alandalus Property	Director of Business Development of Alandalus Property	Master degree, Business Administration, King Saud University, 2016	Marketing Officer of National Industries Company from 2003-2004. Head of Training Dept. in Aljazira Bank 2004 -2005. almarai Company, Product Manager, 2005-2008, Head of Business Development, 2008-2017, CEO 2017 to present.



الأندلس العقارية  
Alandalus Property

## Reporting Shareholders' Suggestions and Remarks to the Board of Directors

The board of directors briefed the members, non-executives in particular, of the shareholders' inquiries and recommendations to be subject to a further discussion and approve what complies with the company's policies and the country's rules and regulations.

# Board Members Remuneration

Remuneration Policy

Other provisions of remuneration policy

Statement of deviation from the remuneration policy

Board members' remuneration in 2018

Senior executives' benefits



## Remuneration Policy:

The Company's remuneration policy was approved by the Shareholders General Assembly. The policy takes into account, in determining and paying remunerations to each member of the Board, committee, or the Executive Management of the Company, all relevant provisions of the Companies Law and its implementing regulations related to listed shareholding companies and the Corporate Governance Regulations issued by the Capital Market Authority, in addition to the following criteria:

1. The policy must be in conformity with the Company's strategy, objectives and risk profile;
2. The remuneration must be based on a recommendation from the Nominations and Remuneration Committee.
3. The remuneration must be fairly sufficient to attract, motivate and retain competent board members with proper experience.
4. Remuneration must be provided to motivate the Board members and the Executive Management to ensure long-term success and advancement of the Company, taking into account linking the variable portion of the remuneration with long-term performance.
5. The remuneration must be fair and commensurate with the members' terms of reference, responsibilities and roles, all the targets set by the Board to be achieved during the fiscal year.
6. In terms of new appointments, remuneration must be determined in

coordination with the Nominations and Remuneration Committee.

7. Market remuneration practices must be taken into account, while avoiding any unjustifiable increase in remuneration and compensation.

8. Any plan to grant shares in the Company to the board members, Executive Management and employees, either by issuing new shares or purchasing shares by the Company, must be coordinated with the Nominations and Remuneration Committee subject to relevant applicable regulations.

9. The remuneration will be stopped or recovered if not approved by the General Assembly.

### **The remunerations and compensations of the Board of Directors and its committees will be determined based on the following:**

Members of the board and committees will be entitled the following remunerations without attendance fees.

- (1) The chairman will be entitled to receive an annual cash bonus of SR 200,000.
- (2) Each board member will be entitled to receive an annual cash bonus of SR 200,000.
- (3) Each committee chairman will be entitled to receive an annual cash bonus of SR 100,000.
- (4) Each committee member will be entitled to receive an annual cash bonus of SR 50,000.

(5) Entitlement to the annual bonus is qualified by attending -at least- two-thirds of the meetings held during the year.

6) The amount of the annual bonus will be estimated based on the date of joining and leaving the respective committee or the board, taking into consideration the minimum attendance of two-thirds of the meetings held within that period.

(7) Any member of both the board and any committee is entitled to receive remuneration for board membership and the chairmanship or membership of a board committee or the Audit Committee.

(8) The fixed annual remuneration is exclusive of travel and related expenses. These will be reimbursed as per the following:

(A) Travel expenses and airline tickets (business class).

(B) Hotel accommodation business related costs.

C) Expenses will be reimbursed submitting valid invoices.

### **Executive Management remunerations**

The Nomination and Remuneration Committee regularly reviews the benefits of the Executive Management and incentive programs and plans. After receiving the executive management recommendations, the Committee shall review such recommendations and submit its final recommendation to the Board of Directors for approval, taking into account the annual budget, the Company's capabilities and the liquidity available.

The Executive Management remuneration includes:

- (1) Basic salary (paid monthly at the end of each calendar month).
- 2) Housing allowance, transportation allowance, and any other allowances approved by the Board of Directors.
- (3) Medical insurance for the employee and his/ her family.
- (4) Annual bonus if approved by the Board of Directors (based on performance, appraisal and measurement metrix).
- (5) End of service benefits.

## Other provisions related to remuneration policy:

Board members are not permitted to vote on their remuneration at the General Assembly meeting.

(1) If the General Assembly decides to terminate the membership of absent board members due to failure to attend three consecutive meetings without valid justification, such member will not be entitled to any bonuses for the period following the last meeting attended, and must return all the bonuses he might have received for that period.

2. The Board of Directors shall disclose in its annual report the details of remuneration policies, mechanism of determination, and the financial and in-kind benefits paid to each Board member for any executive, technical, managerial or advisory roles.

## Board members' remuneration from 10 March 2018 to 31 December 2018

	Fixed Remuneration						Varying Remuneration				End of Service Benefits		Total	Allowances and expenses															
	Certain amount	Board Meeting Attendance Fee	Total Committee Meeting Attendance Fee	In-Kind Benefits	Amounts received by board members as employees or officers, or for technical, administrative or consulting work	Remuneration of Board Chairman, Managing Director, if a member	Total	Percentage of Profit	Regular Benefits	Short Term Incentive Plans	Long Term Incentive Plans	Bonus Shares (value to be added)		-00															
Member Name															First: Independent Members														
Dr. Abdulrahman Albarrak	300,000	12,000	12,000	-00	267,288	-00	-00	-00	-00	-00	-00	-00	267,288	-00															
Dr. Sulaiman Alhudheef	300,000	12,000	6,000	-00	261,288	-00	-00	-00	-00	-00	-00	-00	261,288	-00															
Mr. Nasser Alshareef	200,000	9,000	-00	-00	171,192	-00	-00	-00	-00	-00	-00	-00	171,192	-00															
Total	800,000	33,000	18,000	-00	699,768	-00	-00	-00	-00	-00	-00	-00	699,768	-00															
	Fixed Remuneration						Varying Remuneration				End of Service Benefits		Total	Allowances and expenses															
	Certain amount	Meeting Attendance Fee	Total of Committee Meeting Attendance Fee	In-Kind Benefits	Amounts waived by board members as employees or officers, or for technical, administrative or consulting work	Remuneration of Board Chairman, Managing Director, if a member	Total	Percentage of Profit	Periodic Benefits	Short Term Incentive Plans	Long Term Incentive Plans	Grant/ Awarded Shares (value to be added)		-00															
Member's Name															Second: Non-Executive Members														
Mr. Abdulsalam Alaqeel	300,000	12,000	16,000	-00	271,288	200,000	-00	-00	-00	-00	-00	-00	271,288	-00															
Eng. Saleh Alhabeeb	350,000	12,000	16,000	-00	311,836	-00	-00	-00	-00	-00	-00	-00	311,836	-00															
Mr. Ahmad Almousa	250,000	12,000	10,000	-00	224,740	-00	-00	-00	-00	-00	-00	-00	224,740	-00															
Mr. Mohammed Alzekri	250,000	12,000	10,000	-00	224,740	-00	-00	-00	-00	-00	-00	-00	224,740	-00															
Eng. Faisal Alrashed - Resigned on 05/06/2018	-00	-00	-00	-00	-00	-00	-00	-00	-00	-00	-00	-00	-00	-00															
Total	1,150,000	48,000	52,000	-00	1,032,604	-00	-00	-00	-00	-00	-00	-00	1,032,604	-00															
Member Name															Third: Executive Members														
Hathal Al Otaibi	200,000	12,000	-00	-00	174,192	-00	-00	-00	-00	-00	-00	-00	174,192	-00															
Total	200,000	12,000	00	-00	174,192	-00	-00	-00	-00	-00	-00	-00	174,192	-00															

## Statement of deviation from the remuneration policy:

Members of the Board and committees who didn't waive their remuneration received meeting attendance fees in addition to their fixed remuneration in accordance with the current remuneration policy and based on the Nominations and Remuneration Committee resolution in this regard. These payments will be put before the General Assembly for approval.

## The following members of the Board and committees waived their membership fees and meeting attendance fees:

1. Mr. Abdulsalam Alaqeel
2. Eng. Saleh Alhabeeb
3. Mr. Ahmad Almousa
4. Mr. Mohammed Alzekri
5. Mr. Hathal Alotaibi

## Committee Members Remuneration

Audit Committee Members	Fixed Remuneration (excluding meeting attendance allowance)	Meeting Attendance Fees	Total
Dr. Abdulrahman Albarrak	81,096	12,000	93,096
Mr. Saleh Alyehya	40,548	12,000	52,548
Mr. Alaa Alfeda	40,548	9,000	49,548
Total	162,192	33,000	195,192
Members of the Nomination and Remuneration Committee			
Dr. Sulaiman Alhuthief	81,096	6,000	87,096
Mr. Abdulsalam Alaqeel	40,548	6,000	46,548
Eng. Saleh Alhabeeb	40,548	6,000	46,548
Total	162,192	18,000	180,192
Members of the Executive Committee			
Eng. Saleh Alhabeeb	81,096	10,000	91,096
Mr. Abdulsalam Alaqeel	40,548	10,000	50,548
Mr. Ahmad Almousa	40,548	10,000	50,548
Mr. Mohammed Alzekri	40,548	10,000	50,548
Total	202,740	40,000	242,740

## Committee Members Remuneration

Details of the top five remuneration awarded to senior executives, including CEO and CFO during the fiscal year of 2018

Fixed Remuneration	
Salaries	2,524,079
Allowances	897,832
In-kind benefits	--
Total	3,421,911
Variable Remuneration	
Periodic bonuses	330,000
Profits	--
Short - term incentive plans	--
Long - term incentive plans	--
Shares / Grants	--
Total	330,000
End of service benefits	248,989
Total remuneration of Board executive members	--
Total	4,000,900



# Key Shareholders and Change in Equity

Change in Shareholders' Ownership and Interests

Change in Board Members and Senior Executives'  
Ownership and Interests

Shareholders' Meetings

Shareholders Registers Requests in 2018

## Key Shareholders and Change in Equity

### Change in Shareholders' Ownership and Interests

Shareholder Name	Number of shares at Offering	Number of Shares as of 01/01/2018	Number of Shares as of 31/12/2018	Change in Number of Shares	% Change
Global Borouj Ltd CO.	19,354,020	19,354,020	19,354,020	-	0.00 %
Alzakri Trading and Industry Co.	12,096,262	12,096,262	12,096,262	-	0.00 %
Abdulrahman AlMousa Holding Co.	4,838,506	4,838,506	4,838,506	-	0.00 %
Al-Rashid Trading & Contacting Co.	4,838,506	4,461,232	-	4,461,232	-100.00 %

### Change in Board Members and Senior Executives' Ownership and Interests

Shareholder Name	Number of shares at Offerign	Number of Shares as of 01/01/2018	Number of Shares as of 31/12/2018	Change in Number of Shares	%Change
Eng. Saleh Alhabib	-	-	95,270	95,270	+100.00 %

## Shareholders' Meetings

### Meetings Held in 2018

	Member Name	Board Members General Meeting Attendance Record	
		11th Ordinary General Meeting 05/03/2018	12th Ordinary General Meeting 27/05/2018
1	Mr. Abdulsalam Alaqeel	✓	✓
2	Eng. Saleh Alhabeeb		✓
3	Mr. Ahmad Almousa		✓
4	Mr. Mohammed Alzekri		✓
5	Mr. Hathal Alotaibi	✓	✓
6	Mr. Faisal Alrashed (resigned on 05/06/2018)		✗
7	Mr. Nasser Alshareef		✓
8	Dr. Abdulrahman Albarrak	✓	✓
9	Dr. Sulaiman Alhutheef		✓

## Shareholders Registers Requests during 2018:

Request Date	Reasons
05/03/2018	Company's General Meeting
28/03/2018	Corporate Procedures
27/05/2018	Company's General Assembly
29/05/2018	Profit File
12/08/2018	Corporate Procedures
31/12/2018	Corporate Procedures

# | Corporate Governance

Implementation of Corporate Governance

Risks

Disclosures in 2018

Results of Annual Internal Audit

Profit Distribution Policy

Acknowledgements



## Corporate Governance

### Implementation of Corporate Governance

Pursuant to the requirements of clause (1) of Article 90 of the Corporate Governance Regulations issued by the Board of the Capital Market Authority on 13 February 2017, the following table sets out the provisions applied and those that have not been implemented during the financial year ending on 31/12/2018, the reasons for non-implementation:

The Company represents that all the provisions stated in the Corporate Governance Regulation issued by the Capital Market Authority on 13/2/2017 have been implemented except those listed below:		
Article/ Clause No.	Content of Article/Clause	Notes on implementation
Clause (B) of Article (32) Board Meetings	B. The Board shall convene at least four meetings a year, with no less than one meeting every three months	As this clause is still indicative, therefore it is not included in the updated version of the Corporate Governance Regulations and the Board of Directors Regulations, both of which state that the Board shall convene no less than twice a year. Nevertheless, the Company has implemented this Clause; the Company's Board convened four times in 2018. The Company will incorporate this Clause in its internal governance regulation and the Board's regulation once it becomes obligatory.
Article 39 Training	The Company must pay adequate attention to training and qualifying the Board members and the Executive Management, and develop all necessary programs, taking the following into account: 1. preparing programs for the recently-appointed members of Board and Executive Management in order to familiarize them with the progress of the Company's business and activities, particularly the following: a. The Company's strategy and objectives ; b. The financial and operational aspects of the Company's activities; c. The Board members' obligations, duties, responsibilities and rights; d. Board committees' responsibilities and terms of reference 2. Developing the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the Company's activities.	This Article is still indicative. The Company will implement it once it becomes obligatory.

The Company represents that all the provisions stated in the Corporate Governance Regulation issued by Capital Market Authority on 13/2/2017 have been implemented except those listed hereunder:		
Article/ Clause No.	Content of Article/Clause	Notes on implementation
Article 41 The Assessment	A. Based on the Nomination Committee's recommendation, the Board will develop the necessary procedures to assess the performance of the Board, its members and committees and the Executive Management annually using efficient key performance indicators (KPIs) based on the achievement by the Company of its strategic objectives, the effectiveness of risk management and the efficiency of the internal control systems. In addition, weaknesses and strengths shall be identified and addressed, and a solution shall be proposed based on the Company's interest. B. The performance assessment procedure must be in writing and clearly stated and disclosed to the Board members and parties assessed. C. The performance assessment shall cover the skills and experiences of the Board, highlight their weaknesses and strengths, and suggest methods to address weaknesses, such as nominating competent professional personnel capable of improving the performance of the Board. The performance assessment will also include mechanisms of assessment of the Board's activities in general. D. The individual assessment of the Board members will take into account the extent of participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and committees' meetings and dedicating adequate time thereto. E. The Board will make the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	This Article is still indicative. The Company will implement it once it becomes obligatory.
Clause (B) of article 54 Formation of the Audit Committee	B) The Chairman of the Audit Committee must be an independent member	As this clause is still indicative, therefore it is not included in the updated version of the Corporate Governance Regulations and the Audit Committee Regulations. Nevertheless, the Company has implemented this article in 2018; the chairman of the Audit Committee is an independent member. The Company will incorporate this article in its internal corporate governance regulation and the Audit Committee regulation once it becomes obligatory.

## Governance (CONTINUED)

The Company represents that all the provisions stated in the Corporate Governance Regulation issued by the Capital Market Authority on 13/2/2017 have been implemented except those listed below:		
Article/ Clause No.	Content of Article/Clause	Notes on implementation
Article 70: Formation of the Risk Management Committee	The Company's Board of Directors will form a Risk Management Committee whose Chairman and the majority of members are non-executive. The committee members must have an appropriate level of knowledge in risk management and finance.	Although the article is still indicative, it was implemented by the Company (Risk management committee formed). The Company will comply with this article once it becomes obligatory. However, management of Company's risks is currently included in the Audit Committee's terms of reference. The Committee assigned this task to the Audit Committee. Also, the Company has a risk management policy approved by the Board of Directors.
Article 72 Meetings of the Risk Management Committee	The Risk Management Committee meets regularly at least every six months and on need basis.	Currently tasked to the Audit Committee
Article 85 Employee Motivation	1- Forming committees or holding specialized workshops to hear the employees' views on the Company and discuss key subject matters of decisions. 2- Programs that grant employees shares in the Company, a share of profits earned, and retirement programs. 3 – Developing social programs for the Company's employees.	This is still an indicative article, which the Company will implement once it becomes obligatory.
Article 87 Corporate Social Responsibility (CSR)	The General Assembly will, upon a recommendation of the board of directors, establish a policy to ensure balance between its objectives and those of the society in order to develop the social and economic conditions of the society.	This is still an indicative article, which the Company will implement once it becomes obligatory.

The Company represents that all the provisions stated in the Corporate Governance Regulation issued by the Capital Market Authority on 13/2/2017 have been implemented except those listed below:		
Article/ Clause No.	Content of Article/Clause	Notes on implementation
Article 88 Social Responsibility Initiatives	1- Developing measurement indicators that link the Company's performance to its social contribution, and comparing the same with that of other companies in the industry. 2- Disclosing the Company's social responsibility objectives to the employees and ensuring their awareness thereof. 3- Disclosing social responsibility plans in periodic reports on the Company's activities. 4- Developing community awareness programs to introduce the Companies' social responsibility.	This is still an indicative article, which the Company will implement once it becomes obligatory.
Clause 3 of Article 89 Disclosure Policies and Procedures	3- The Company's website will include all the information that needs to be disclosed and any data or information published through other means of disclosure.	This is still an indicative article, which the Company will implement once it becomes obligatory. However, the Company has provided all required mandatory information on the its website, such as the general meeting invitation, candidacy announcement and other required information
Article 95 Formation of the Corporate Governance Committee	If the Board of Directors forms a Corporate Governance Committee, such committee must be tasked with the terms of reference established under Article 94 of this regulation. The Committee shall follow up on any matters related to the implementation of corporate governance and provide the Board of Directors at least annually with reports and recommendations in respect thereof.	This is still an indicative article, which the Company will implement once it becomes obligatory.

## Risks

Alandalus Property attaches great importance to addressing the risks it faces. The Company's policy in this regard is based on periodic review of these risks as one of the most important elements of Company's strategy and internal control. The Company risk management system is designed to avoid exposure to risks and minimize their impact while increasing the likelihood of achieving the Company's strategic objectives and taking appropriate measures to reduce the probability and size of any possible losses. Accordingly, the Company clearly identifies the acceptable levels of the risks related to all its activities. In addition, the risk management system takes into consideration the correlation between different risks in order to assess their overall impact on the Company's operations and activities.

### In particular, this policy is designed to:

- Protect the interests of the Company shareholders and other related parties;
- Comply with the corporate governance standards related to risk management and disclosure;
- Protect the Company's strategic objectives and activities;
- Enhance the effectiveness of the Company's management; and
- Capture investment opportunities to increase the value of the Company's assets and profitability in the long term.

Regarding risk identification, the Company makes every effort to identify the key risks it encounters. To this effect, it uses questionnaires, interviews, meetings with risk identification officers, in addition to evaluations provided by external experts, the findings of internal and external auditors, and other methods of risk identification. The Company also identifies the risks associated with its operations and records them in a "Risk Register," with description of the nature each risk and technical opinion on its significance to the Company's operations. This register is periodically updated to reflect any internal and external changes and circumstances related to the Company operations.

### In risk analysis, assessment and classification, the Company adopts the following criteria:

- The expected impact of each risk on the interests of shareholders and other related parties;
- Based on this assessment, risks are distributed by type to the concerned business divisions, and are classified accordingly;
- The Company uses precise, measurable indicators to assess the probability of occurrence of risk related events.
- The Company determines the maximum limit of each risk indicator in order to ensure that it is in line with the Company's objectives.

In terms of risk management, the Company takes the following steps:

- Prepares methods and solutions to mitigate each risk and minimizes any losses the Company may incur;
- The method chosen to be used by the Company, in terms of type and structure, is based on analysis of expected benefits and cost of implementation;
- Principal risk management methods used by the Company are:
  - Acceptance and documentation of the risk
  - Sharing the risk with third parties
  - Terminating the risk factor (e.g., cancelling a particular project)
  - Financing risk (e.g., insurance, adding new investments)
  - Diversifying of risks
- Key considerations related to selection of risk management methods:
  - The Company's willingness to accept the current risk magnitude;
  - The balance between preventive control and detection; and
  - The balance between the costs and benefit of control.

### According to current risk management system, the officers responsible for risk management are:

- Company Division heads are responsible for identifying the risks faced by their

individual departments and units, and for proposing possible mitigations to internal auditors;

- The internal auditor will inform the Audit Committee of existing and possible risks.
- The Audit Committee is responsible for managing the risks that may be faced by the Company may, preparing necessary reports with proposed steps for managing these risks, and submitting the same to the Board of directors.

As part of the Company's obligation to disclose the risks facing the Company in the Annual Report of the Board of Directors, the risks described below are the key risks. However, they are not inclusive all the risks that the Company may face, as there may be additional risks that are either unknown to or deemed by the Company to be insignificant.

### 1- General Real Estate Risks:

The Company performance may decline due to fluctuations in the value of its assets, and the Company's properties and investee projects may be affected by changes in market conditions, the economy, property prices and governmental regulations. The Company's assets may be expropriated by the competent authorities, or the government may take any action on such assets for public interest.



## Risks (CONTINUED)

### 2- Development risks:

Real estate development projects face different risks, including:

1. Delayed completion and delivery of works
2. Estimated cost overrun
3. Failure to secure leases at expected levels
4. Delayed governmental approvals and permits for land zoning and other governmental authorizations required

### 3- Correlation between the Company's performance and the retail sector:

The business of tenants in the Company's malls is concentrated in the retail sector, which is considered the main driver of the malls' performance. Consequently, if the retail sector declines or its overall growth slows down, this will directly impact tenants' performance and ability to continue leasing the shops in the Company's malls and to meet their financial obligations, which will in turn adversely and materially affect the Company's business, operations outcomes, financial position and future prospects.

### 4- Tax Risk

Investment in the Company involves a variety of tax risks. If the Company incurs such taxes, it will reduce the cash available for its operations as well as the potential dividend distributions. The taxes incurred

will cause the Company's return on investment, and consequently the share price to decrease.

### 5- Risk of possible inability to renew the lease or re-lease the space at the end of lease term:

The Company's share price, financial position, results of operations, and cash flow, as well as performance and ability to distribute dividends, may be adversely affected if the Company or operator is unable to immediately re-lease the property, renew the lease, or if the lease is renewed or the property is re-leased at significantly lower rates.

Upon termination of any lease, there is no guarantee that the contract will be renewed or that the tenant will be replaced. The terms of any subsequent lease may be less favorable than the current lease.

In the event of default by any tenant, the Company may face delays or limitations in the enforcement process and may incur high costs to protect its investments.

### 6- Competition from new malls:

Malls generally depend on footfall. Hence, the upgrading of existing malls or the entry of new malls into more accessible areas with features and services competitive with those of the Company's malls will have a significant adverse impact on the number of visitors of the Company's malls,

which in turn will result in lower income for tenants, non-renewal of lease contracts, and consequently lower occupancy or rental rates, either of which would negatively impact the Company's business, expectations, results of operations, financial position and future prospects.

### 7- Increase of operating and maintenance costs:

The Company's recurring expenses include the costs of operation and maintenance of its complexes and malls. These facilities require continuous maintenance to keep them in good operating conditions at optimal levels and retain their attractiveness to tenants and visitors. If expenses increase more than expected – due to various factors, such as increased labor costs, contract costs, repair and maintenance costs, or the Company's inability to pass the increase to the tenants, the Company's business, financial position and future prospects will be adversely and materially affected.

### 8- Litigation and Penalties:

The Company is exposed to the risk of litigation from many counterparties, including tenants, customers, mall visitors, guests, partners, suppliers, employees, regulators, operators, owners of the lands leased by the Company to set up its projects, and real estate brokers.

The rulings in such cases against the interests of the Company may cause the Company to incur heavy related litigation costs or large penalties imposed by regulators – all of which will have significant adverse impact on the Company's business, operations outcomes, financial position and future prospects.

### 9- Effect of certain government projects on the Company's real estate properties and malls:

Given the multiple construction and infrastructure projects being executed by various government agencies across the Kingdom, some of the Company's properties may be subject to expropriation, fully or partially, under the expropriation for public benefit act issued by Royal Decree No. M/15 and 111424/03/. If for any of the Company's malls is expropriated, this will result in the discontinuation of business of that mall, of the income of which will be lost.

Accordingly, the exposure of any of the Company's properties to expropriation under the expropriation for public benefit regulation will have a material adverse impact on the Company's business, results of operations, financial position and future prospects.

## Risks (CONTINUED)

### 10. Existing banking facilities:

The Company has entered into a number of credit facility contracts to finance its projects, and is required under these contracts to pay installments and commissions according to a fixed schedule. In the event that the Company fails for any reason to generate sufficient cash flows from its principal business or to secure the necessary funds from other sources, the Company may be unable to meet its financial obligations on the due dates under these contracts. This would constitute a breach of its obligations, which may cause the bank to require the Company to pay the full outstanding debt immediately and enforce foreclosure of the guarantees. This may also cause other creditors of the Company to demand payment of outstanding debts.

Pursuant to these contracts, the Company is also bound by a number of commitments, including restrictions limiting its ability to make distributions if such distribution would result in a breach of the debt coverage ratio provided for in the contracts. Any breach by the Company of any of its obligations set out in these agreements would entitle the lender to demand immediate payment of the outstanding debt balance and take other measures to recover its right. These factors may have a material adverse effect on the Company's credit record, business, results of operations and financial position.

### 11. Lack of funding for projects or availability of funding on unfavorable terms:

Given the Company's business, its new projects are huge investments in the real estate sector that require considerable funding which may be secured solely from internal financial sources. Therefore, the Company depends on commercial banks to finance its future projects. Therefore, the Company's ability to deliver its future projects depends on its ability to secure funding from commercial banks.

The Company's ability to obtain external financing depends on several factors, including its financial position, the size of its outstanding debt relative to its assets and equity, its credit position, the project's expected cash flow, the Company's financial performance and results of operations, and banks' desire to finance the sectors in which the Company operates, the securities provided, in addition to other factors that are beyond the Company's control, such as the overall economic situation, the financial markets condition, liquidity in the banking system, SAMA's directions, and interest rate levels.

The Company may be unable to obtain such facilities in whole or in part, which may significantly impact the Company's ability to execute its projects. In addition, the Company may obtain facilities, but on unfavorable terms or at a higher cost than expected, which would limit the project revenues and cash flow. All of these factors may have significant adverse impact on the Company's business, results of operations and financial position.

## General Disclosures During the Year 2018

Title of Disclosure	Date of Publication	Link
Al Andalus Property announces results of the 10th Ordinary General Meeting (1st Meeting)	1 January 2018	<a href="#">Click Here</a>
Al Andalus Property announces opening of candidacy for membership of the Board of Directors for its next session	10 January 2018	<a href="#">Click Here</a>
Alandalus Property announces early payment of the credit facility agreement signed with a local bank.	15 February 2018	<a href="#">Click Here</a>
Alandalus Property invites its shareholders to attend the 11th Ordinary General Meeting (1st Meeting)	19 February 2018	<a href="#">Click Here</a>
Alandalus Property announces the appointment of Mr. Hathall bin Saad Al Otaibi as CEO	25 February 2018	<a href="#">Click Here</a>
Alandalus Property announces results of the 11th Ordinary General Meeting (1st Meeting)	06 March 2018	<a href="#">Click Here</a>
Alandalus Property announces the appointment of the Chairman of the Board of Directors and the Vice President and the formation of the Board's Nomination and Remuneration Committee.	12 March 2018	<a href="#">Click Here</a>
Alandalus Property announces its consolidated financial results for the year ending 31-12-2017	27 March 2018	<a href="#">Click Here</a>
Alandalus Property announces the recommendation of its Board of Directors to distribute dividends to its shareholders for the year 2017	01 April 2018	<a href="#">Click Here</a>
Alandalus Property invites its shareholders to attend the 12th Ordinary General Meeting (1st Meeting).	02 May 2018	<a href="#">Click Here</a>
Alandalus Property announces its interim consolidated financial results for the period ending 31-3-2018 (three months).	08 May 2018	<a href="#">Click Here</a>
Addendum announcement from Alandalus Property regarding the interim consolidated financial results for the period ended 31-03-2018 (three months).	08 May 2018	<a href="#">Click Here</a>
Alandalus Property announces the results of the 12th Ordinary General Meeting (1st Meeting).	28 May 2018	<a href="#">Click Here</a>
Correction announcement from Alandalus Property regarding the results of the Ordinary General Meeting	28 May 2018	<a href="#">Click Here</a>
Alandalus Property announces the resignation of a member of the Board of Directors.	5 June 2018	<a href="#">Click Here</a>
Alandalus Property announces the latest developments related to its joint venture with Mohammed Abdul Aziz Al-Rajhi & Sons Investment Company in Jeddah (Al Marwa Center).	19 July 2018	<a href="#">Click Here</a>
Alandalus Property announces the latest developments related to its joint venture with Dr. Sulaiman Al Habib Medical Holding Group in Jeddah (Dr. Sulaiman Al Habib Hospital).	30 July 2018	<a href="#">Click Here</a>
Alandalus Property announces its preliminary consolidated financial results for the period ending 30-6-2018 (six months).	6 August 2018	<a href="#">Click Here</a>
Alandalus Property announces the latest developments related to Panorama Jeddah project.	4 November 2018	<a href="#">Click Here</a>
Alandalus Property announces its preliminary financial results for the period ending 30-9-2018 (nine months).	7 November 2018	<a href="#">Click Here</a>

## Results of Annual Audit of the Effectiveness of Internal Control Procedures

During the fiscal year ended 31 December 2018, the operations of Alandalus Property underwent to periodic review by the Internal Audit Department, under the supervision of the Audit Committee of the Board of Directors, to verify the effectiveness of the internal control system and procedures through internal audits that are designed to review the of administrative and financial policies and procedures, and the procedures and output of financial reporting, in order to protect the Company's assets.

The Internal Audit Department helps the Audit Committee to achieve its objectives by implementing the corporate governance procedures and performing its oversight role in order to achieve desired objectives while focusing on high-risk activities and processes.

As per the results of implementation of the audit plan, the Committee concluded the following:

The internal control systems have no significant deficiency and are effective in preventing and detecting errors, and there were no major breaches during the year. Necessary procedures were taken to follow up on the remarks highlighted by the internal audit reports to ensure that the necessary corrective actions were taken. The Company makes continuous and regular efforts to develop systems and policies in order to improve its business and enhance administrative control methods to ensure the efficiency and effectiveness of the Company's control activities and risk management as directed by the Board and under the supervision of the Audit Committee.

## Profit Distribution Policy:

### A. Profits will be distributed according to the Company's Articles of Association:

1. (10%) of net profits will be set aside to set up the Company's statutory reserve. The Ordinary General Assembly (OGA) may decide to discontinue such deduction when the said reserve equals 30% of the paid-up capital.
2. The OGA, on a proposal of the Board of Directors, may set aside (10%) of net profit to set up an additional general reserve.
3. The OGA may decide to establish other reserves to the extent that they serve the interest of the Company or ensure distribution of fixed dividends to shareholders. The OGA may also deduct amounts from net profits to establish social entities for the Company's employees or to support existing ones.
4. From the balance, and amount representing 5% of paid-up capital will be distributed to shareholders.
5. Subject to the provisions stipulated in article (20) of Alandalus Articles of Association and the article (76) of the Companies Law, after the foregoing, a percentage not exceeding (5%) of the balance will be allocated to the Board of Directors, provided that in all cases, such distribution shall not exceed the maximum limits allowed by the Companies Law, and shall be in accordance with the regulations, decisions and official instructions issued by relevant authorities. However, the entitlement to such remuneration must be based on the number of meetings attended by the member.
6. The Board of Directors may, after fulfilling the requirements set by the relevant authorities, distribute semi-annual and quarterly dividends as it deems fit.



## Profit Distribution Policy

(CONTINUED):

### B. Details of Company's dividend distribution policy:

1. The shareholder shall be entitled to his share of the profits in accordance with the General Assembly resolution on the distribution of dividends to shareholders or the resolution of the Board of Directors to distribute interim dividends. The resolution shall specify the due date and distribution date. The shareholders registered in the Shareholders Register shall be entitled to receive dividends .

2. The Board of Directors shall implement the General Assembly resolution regarding the distribution of profits to the shareholders registered within 15 days of the dividend due date specified in the General Assembly or Board resolution to distribute interim dividends.

3. The Board may decide to distribute interim dividends to shareholders semi-annually or quarterly, subject to the following requirements:

- The General Assembly will authorize the Board to distribute interim dividends under a resolution to be taken to taken annually.

- The Company's profitability must be healthy and stable.

- The Company must have reasonable liquidity and can reasonably predict its level of profit.

- The Company must have distributable profits, according to the latest audited financial statements, that are sufficient to pay the proposed dividends, after deducting the amount distributed and capitalized from such profits following the date of these financial statements.

4. Dividend distribution generally depends on several factors, including:

- The Company's profitability (i.e., realizing sufficient profits to allow statutory distribution) and financial condition.

- Cash flow, new capital investments and future expected external financing, taking into account the importance of maintaining a strong liquidity policy to address any unforeseen changes.

- Any restrictions on distribution under the financing loans intended to be entered into by the Company

- Any other legal or regulatory considerations.

### C- Board of Directors' recommendation to distribute annual profits for the fiscal year 2018:

The Company's Board of Directors recommended - based on the Executive Committee recommendation issued in this regard and according to the Company's announcement on Tadawul- Distribution of annual profits to shareholders for the fiscal year 2018, in the amount of SR 70 million (1 SR per share), , of which SR 35,000,000 will be taken from the net profits realized in the fiscal year of 2018, while the remaining SR 35,000,000 will be taken from the capital gains realized from the issue of 31.7% of the Real Estate AIAhli REIT FUND (1).

### Acknowledgements:

The Board of Directors of Alandalus Property represents that:

- Neither the Company nor any of its affiliates has issued any debt instruments in the past or approved the issuance of such instruments;
- The accounting records were prepared in appropriate manner;
- The Company's internal control system was prepared properly and implemented effectively; and
- There is no doubt regarding the Company's ability to continue its business.

# Report of the Financial Auditors and the Consolidated Financial Statements for 2018

Independent auditor's Report on the Consolidated  
Financial Statements

Consolidated Statement of Financial Position

Consolidated Statement of Profit or Loss and  
other Comprehensive Income

Consolidated Statement of Changes in equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

## Consolidated Financial Statements

For the year ended 31 December 2018

Together with the

## Independent auditor's report



**KPMG Al Fozan & Partners**  
Certified Public Accountants  
KPMG Tower  
Selahudeen Al Ayoubi Road  
P. O. Box 92670  
Riyadh 11663  
Kingdom of Saudi Arabia

Telephone: +966 11 474 6600  
Fax: +966 11 474 6600  
Internet: www.kpmg.com/sa  
License No. 46/1/323 issued 11/3/1992

## Independent Auditors' Report

### To the Shareholders of Alandalus Property Company

#### Opinion

We have audited the consolidated financial statements of **Alandalus Property Company** (Saudi joint stock company) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Independent Auditors' Report

### To the Shareholders of Alandalus Property Company (continued)

#### Key Audit Matters (continued)

##### Valuation of Investments property

See note 9 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2018, The carrying value of Group's investments property is SR 506 million (31 December 2017: SR 548 million), and its fair value is amounted to SR 1,584 million (31 December 2017: SR 1,610 million).</p> <p>The investments property are stated at cost less accumulated depreciation and impairment losses, if any. However, the fair value of the investments properties is disclosed in the notes to the consolidated financial statements.</p> <p>The Group uses the valuation reports from the independent valuer engaged by the management to evaluate the fair value of property at the reporting date.</p> <p>We considered this as a key audit matter since the valuation requires significant judgment with respect to appropriateness of method used, and any input inaccuracies in this judgement could result in material misstatements of the consolidated financial statements disclosure.</p>	<p>Our audit procedures, with assistant by our own property valuation specialist in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Understanding of valuation approaches, meeting with the Group's independent valuers to understand the assumptions and methodologies used in valuing the investments property and the market evidence used by the independent valuers to support their assumptions. We also obtained an understanding of the Company management involvement in the valuation process to assess whether appropriate oversight has occurred.</li> <li>- Assessing valuers' credentials and assessed the independence, professional qualifications, competence and experience of the Group's independent valuers, also ensured the valuer is a certified from Saudi Authority for Accredited Valuers (TAQEEM).</li> <li>- Assessing the methodology used by the valuers by considering whether their valuations were in accordance with the Royal Institution of Chartered Surveyors (RICS), Valuation Professional Standards and relevant accounting standards.</li> <li>- Assessing input and agreeing observable inputs used in the valuations, such as rental income, occupancy rates, break clauses and lease lengths back to lease agreements for a sample of properties.</li> <li>- Assessing the adequacy of the Group's disclosures in relation to the judgement in relation to valuing investments properties.</li> </ul>





## Independent Auditors' Report

### To the Shareholders of Alandalus Property Company (continued)

#### Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 10 Rajab 1439H corresponding to 27 March 2018.

#### Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. "Reasonable assurance" is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



## Independent Auditors' Report

### To the Shareholders of Alandalus Property Company (continued)

#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Alandalus Property Company (the "Company") and its subsidiaries (the "Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the (consolidated) financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners  
Certified Public Accountants

Khalil Ibrahim Al Sedais  
License No.: 371

Riyadh on:  
Date: 19 March 2019  
Corresponding to: 12 Rajab 1440



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

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

	Note	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	8	195,759,311	202,351,935
Investments property	9	505,866,559	548,310,118
Investments in associates	10	493,988,554	457,272,802
		1,195,614,424	1,207,934,855
<b>Current assets</b>			
Receivable from operating leases	11	26,097,810	14,320,989
Prepayments and other debit balances	12	3,977,706	6,122,259
Due from related parties	24	17,124,796	1,096,564
Financial instruments - fair value through profit or loss	13	58,111,578	-
Cash and cash equivalents	14	145,111,774	444,213,231
		250,423,664	465,753,043
<b>Total assets</b>		<b>1,446,038,088</b>	<b>1,673,687,898</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		700,000,000	700,000,000
Statutory reserve		88,925,263	84,125,638
Retained earnings		347,411,134	444,214,504
<b>Equity attributable to owners of the Company</b>		<b>1,136,336,397</b>	<b>1,228,340,142</b>
Non-controlling interests		211,454,555	192,277,369
<b>Total equity</b>		<b>1,347,790,952</b>	<b>1,420,617,511</b>

	Note	2018	2017
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits obligations	15	5,074,706	4,496,770
Islamic Tawarruq facilities	16	-	53,049,109
Accrued operating leases		9,724,527	9,169,439
		14,799,233	66,715,318
<b>Current liabilities</b>			
Advances from leases		34,663,463	27,676,645
Islamic Tawarruq facilities	16	1,822,767	122,331,008
Due to related parties	24	330,145	1,272,608
Zakat provision	18	13,305,708	4,658,195
Accruals and other credit balances	17	33,325,820	30,416,613
		83,447,903	186,355,069
<b>Total liabilities</b>		<b>98,247,136</b>	<b>253,070,387</b>
<b>Total liabilities and equity</b>		<b>1,446,038,088</b>	<b>1,673,687,898</b>

The accompanying notes 1 through 30 form an integral part of these consolidated financial statements.



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

	Note	2018	2017
Revenue	19	164,680,427	146,827,437
Cost of revenue		(70,995,536)	(66,676,860)
<b>Gross profit</b>		<b>93,684,891</b>	<b>80,150,577</b>
General and administrative expenses		(31,785,768)	(12,735,246)
Impairment of receivable from operating leases contracts	9	(5,067,566)	(1,621,110)
Marketing expenses		(1,785,462)	(931,166)
Share of income from associates	10	33,260,429	38,848,354
Other income		4,258,321	856,308
<b>Operating profit</b>		<b>92,564,845</b>	<b>104,567,717</b>
Gain from transferring investments property to an associate	10	-	22,943,531
Impairment of investment an associate	10	(6,014,253)	-
Finance cost		(4,004,027)	(7,018,529)
<b>Profit before Zakat</b>		<b>82,546,565</b>	<b>120,492,719</b>
Zakat	18	(13,584,020)	(2,102,528)
<b>Profit for the year</b>		<b>68,962,545</b>	<b>118,390,191</b>
<b>Attributable to:</b>			
Owners of the Company		47,972,305	118,390,191
Non-controlling interests		20,990,240	-
		<b>68,962,545</b>	<b>118,390,191</b>

	Note	2018	2017
<b>Other comprehensive income</b>			
Re-measurement of employees' end of service benefits obligations actuary gains / (losses)	15	23,950	(215,155)
<b>Comprehensive income</b>		<b>68,986,495</b>	<b>118,175,036</b>
<b>Comprehensive income attributable to:</b>			
Owners of the Company		47,996,255	118,175,036
Non-controlling interests		20,990,240	-
		<b>68,986,495</b>	<b>118,175,036</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share from net income of the year	20	0.69	1.69

The accompanying notes 1 through 30 form an integral part of these consolidated financial statements.



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

	Share capita	Statutory reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	Total equity
<b>For the year ended 31 December 2018</b>						
Balance as at 1 January 2018	700,000,000	84,125,638	444,214,504	1,228,340,142	192,277,369	1,420,617,511
Profit for the year			47,972,305	47,972,305	20,990,240	68,962,545
Other comprehensive income		-	23,950	23,950	-	23,950
Total comprehensive income for the year		-	47,996,255	47,996,255	20,990,240	68,986,495
Transfer to statutory reserve	-	4,799,625	(4,799,625)	-	-	-
Dividends (note 25)		-	(140,000,000)	(140,000,000)	-	(140,000,000)
Change in non-controlling interest of a subsidiary establishment	-	-	-	-	(1,813,054)	(1,813,054)
<b>Balance as at 31 December 2018</b>	<b>700,000,000</b>	<b>88,925,263</b>	<b>347,411,134</b>	<b>1,136,336,397</b>	<b>211,454,555</b>	<b>1,347,790,952</b>

	Share capita	Statutory reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	Total equity
<b>For the year ended 31 December 2017</b>						
Balance as at 1 January 2017	700,000,000	72,286,619	117,680,856	889,967,475	-	889,967,475
Profit for the year	-	-	118,390,191	118,390,191	-	118,390,191
Other comprehensive income	-	-	(215,155)	(215,155)	-	(215,155)
Total comprehensive income for the year	-	-	118,175,036	118,175,036	-	118,175,036
Transfer to statutory reserve	-	11,839,019	(11,839,019)	-	-	-
Arising from a subsidiary establishment and an increase of ownership interest in a subsidiary (note 23)	-	-	220,197,631	220,197,631	-	220,197,631
Subsidiary establishment (note 23)	-	-	-	-	192,277,369	192,277,369
<b>Balance as at 31 December 2017</b>	<b>700,000,000</b>	<b>84,125,638</b>	<b>444,214,504</b>	<b>1,228,340,142</b>	<b>192,277,369</b>	<b>1,420,617,511</b>

The accompanying notes 1 through 30 form an integral part of these consolidated financial statements.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

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

	Note	2018	2017
<b>Operating activities:</b>			
Profit for the year before Zakat		82,546,565	120,492,719
<b>Adjustments</b>			
Depreciation of investments property		11,073,386	10,451,132
Depreciation of property and equipment		7,264,833	2,710,871
Share of income from associates	10	(33,260,429)	(38,848,354)
Gain from disposal of investment properties to associate company		-	(22,943,531)
Impairment loss of receivable from operating leases	11	5,067,566	1,621,110
Utilized provision of lessees discounts		-	6,922,087
Impairment of investment an associate	10	6,014,253	-
Impairment loss of investments property	9	1,305,919	4,244,103
Finance cost		4,004,027	7,018,529
Loss of disposal of property and equipment		14,650	-
Employees' end of service benefits		835,256	885,395
<b>Changes in</b>			
Receivables from operating leases		(16,844,387)	(11,469,155)
Prepayments and other debit balances		2,144,553	3,374,041
Due from related parties		(16,028,232)	(1,890,870)
Accrued rents from operating leases		555,088	1,010,092
Advances from leases		6,986,818	(4,642,782)
Accruals and other credit balances		2,909,207	14,569,801
Zakat paid		(4,936,507)	(244,186)
Due to related parties		(942,463)	-
Dividends received from associates		42,212,337	33,058,151
Additional contributions received from investments in associates		-	4,287,171
Employees' end of service benefits obligations paid		(233,370)	(955,252)
<b>Net cash flows generated from operating activities</b>		<b>100,689,070</b>	<b>129,651,072</b>

	Note	2018	2017
<b>Investing activities</b>			
Purchase of property and equipment		(689,859)	(3,578,041)
Disposal of property and equipment		3,000	-
Purchase of investments in associates		(847,357)	-
Additions to investments property		(20,770,302)	(103,720,343)
Financial instruments - fair value through profit or loss		(58,111,578)	414,475,000
<b>Net cash flows (used in) / generated from investing activities</b>		<b>(80,416,096)</b>	<b>307,176,616</b>
<b>Financing activities</b>			
Proceeds from Islamic Tawarruq facilities		-	110,000,000
Payment for Islamic Tawarruq facilities		(177,561,377)	(129,917,908)
Dividends paid		(140,000,000)	-
Change in non-controlling interest		(1,813,054)	-
<b>Cash flows used in from financing activities</b>		<b>(319,374,431)</b>	<b>(19,917,908)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(299,101,457)</b>	<b>416,909,780</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>444,213,231</b>	<b>27,303,451</b>
<b>Cash and cash equivalents at end of the year</b>		<b>145,111,774</b>	<b>444,213,231</b>

- Non-cash Transactions, Note (26)

The accompanying notes 1 through 30 form an integral part of these consolidated financial statements.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(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 03/09/1427 H 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 17/09/1427 H corresponding to 10/10/2006.

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

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

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

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

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

#### 2- BASIS OF PREPARATION

##### Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

#### Basis of measurement

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

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

#### Functional and presentation currency

These Consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and reporting currency of the Group.

#### 3- BASIS OF CONSOLIDATION

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to

the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquirer's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquirer's awards and the extent to which the replacement awards relate to pre-combination service.



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 3- BASIS OF CONSOLIDATION

#### (CONTINUED)

#### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### Non- Controlling interest (NCI)

NCI are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components

#### Transactio eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below for the year ended 31 December 2018.

Name of subsidiary	Country of incorporation	Ownership percentage	
		2018	2017
AlAhli REIT Fund 1	Kingdom of Saudi Arabia	68.73 %	68.73 %
Manafea Alandalus Company for Real Estate Development	Kingdom of Saudi Arabia	70%	-

- Non-cash Transactions, Note (26)

#### 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 generating income properties. These properties are Alandalus mall and stay bridge hotel, which are located in Jeddah, (Note 23).

#### Manafea Alandalus Company for Real Estate Development

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

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 4- STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

##### IFRS 16 "Leases"

IFRS16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers on or before the date of initial application of IFRS 16.

The Group has completed an initial assessment of IFRS 16 potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the

Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

##### Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

##### Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined

which transition approach to apply. As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

#### 5- CHANGE IN ACCOUNTING POLICIES

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 1 January 2018. Other new standards are effective from 1 January 2018 but they do not have a material effect on the consolidated financial statements.

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the consolidated financial statements of the Group at the year ended 31 December 2017.

The effect of applying these standards is illustrated in point (a) and (b) below.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 5- CHANGE IN ACCOUNTING

##### POLICIE (CONTINUED)

###### a) IFRS 15: Revenue from contracts with customers

This standard replaces IAS 11, which covers construction contracts, and IAS 18, which includes revenue resulting from selling of goods and rendering of services. This standard based on principle of revenue recognition when control on goods or service is transferred to the customer, unless these contracts are in the scope of other standards. The new standard establishes a five steps approach for accounting of revenue from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which a Group expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires organizations to make estimation, taking into account all facts and related circumstances upon applying each step of the approach on the contracts with its customers. In addition, the standard determines accounting of

the additional costs to obtain the contract and cost related directly to perform the contract.

The Group is engaged in leasing activities and these contracts are within the scope of IAS 17 and IFRIC 4, consequently, IFRS (15) does not have any significant impact on the Group's consolidated financial statements.

###### b) IFRS 9 "Financial Instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

###### 1) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The Group used modified retrospective approach in adopting IFRS 9 and there was no impact on comparative figures. The adoption of IFRS 9 has not a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

5- CHANGE IN ACCOUNTING

POLICIE (CONTINUED)

1) Classification and measurement of financial assets and financial liabilities (Continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Group has no such investments
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Company has no such investments

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## 5- CHANGE IN ACCOUNTING

### POLICIE (CONTINUED)

#### b) IFRS 9 "Financial Instruments" (Continued)

##### 1) Classification and measurement of financial assets and financial liabilities

(Continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

	Original classification under IAS 39	New classification under IFRS 9	Book value under IAS 39	Re-measurement	Book value under IFRS 9
<b>Financial assets</b>					
Receivable from operating leases	Loans and Receivables	Amortized cost	26,097,810	-	26,097,810
Cash and cash equivalents	Loans and Receivables	Amortized cost	145,111,774	-	145,111,774
Due from related party	Loans and Receivables	Amortized cost	17,124,796	-	17,124,796

#### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of profit or loss and other comprehensive income in the period in

which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Group's own credit risk will be recognized in other comprehensive income.

#### 2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets include at amortised cost consist of receivable from operating leases, due from related parties and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: These ECLs result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 5- CHANGE IN ACCOUNTING POLICIES (CONTINUED)

##### b) IFRS 9 "Financial Instruments" (Continued)

##### 2) Impairment of financial assets (Continued)

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group used simplified approach to measure expected credit loss.

##### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried

at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

##### Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from operating leases are presented separately in the statement of profit or loss and other comprehensive income.

##### Derecognition

##### Financial assets

The Group derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

Gains and losses on derecognition are generally recognized in the consolidated statements of profit or loss and other comprehensive income.

However, gains and losses on derecognition of financial assets classified, as FVTOCI remain within the accumulated other comprehensive income.

##### Financial liabilities

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of profit or loss and other comprehensive income.

##### c) Annual Improvements to IFRSs 2015 – 2017 Cycle

**IFRS 3 Business Combinations and IFRS 11 Joint Arrangements** - clarifies how a Group accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

**IAS 12 Income Taxes** - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

**IAS 23 Borrowing Costs** - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 6- SIGNIFICANT ACCOUNTING POLICIES

##### Property and equipment

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

Years	Asset
25-40	Buildings
The lower of lease term or useful life	Leasehold improvements
4	Motor vehicles
3-10	Furniture and office equipment

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

##### Investment properties

Investment properties are lands held for a purpose other than use in the operating activities of the Group. The Group holds investment properties, which are held to earn rental income and/or for capital appreciation. Investment properties are measured in accordance with cost model. As these properties are lands, therefore, they are not depreciated.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for increase in its value.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Expenses incurred for replacing component of investment properties items, which are accounting for separately are capitalized, and carrying value of replaced component

is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the statement profit or loss and other comprehensive income when incurred.

##### Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## 6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of non-financial assets

(Continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Investments in equity accounted investees

An associate is an entity over which the Group has significant influence. Significant influence is the Group's ability to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets, and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that an associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associates are accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as embedded goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

When a group entity transacts with an associate of the Group, profits or losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

After application of the equity method, the Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. When necessary, the entire carrying amount of the investment (including embedded goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, short-term deposits, and Murabaha with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

##### The Group as a Lessee

Finance leases that transfer to the Group substantially all of the risks and benefits

incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are distributed between finance charges and the reduction in the lease obligation to achieve a fixed interest rate in the residual balance of the obligation. Finance charges are recognized in finance costs in the consolidated statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

##### The Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

##### Employee benefits

###### Short-term obligations

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### Post-employment obligation

The Group provides end of service benefits to its employees in accordance with the

requirements of articles 87 and 88 of the Saudi Arabia Labour and Workmen Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period.

The employee benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Employee benefits (Continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality United States government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

##### Foreign currency transactions

Transactions in foreign currencies are translated to Saudi Riyal using the rates of exchange prevailing at the dates of the respective transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyal using prevailing exchange rates prevailing on that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement profit or loss and other comprehensive income.

##### Revenue

Rental income from lease of investment property Rental income arising from operating leases on investment properties is recognized, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis,

except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

##### Statutory reserve

In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Group sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital. The Group is currently in the process of amending bylaws. This reserve is currently not available for distribution to the owners of the Group.

##### Zakat

The Company and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the General Authority of Zakat and Tax («GAZT») in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on net equity using

the basis defined in the zakat regulation. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. Zakat is charged to the consolidated statement of profit or loss and other comprehensive income. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

##### Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

# Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Dividend

Dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

### 7- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of consolidated 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 consolidated financial statements:

#### Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, is included in the following notes:

Note 3 - whether the Group exercises control over an investee.

Note 10 - Classification of equity accounted investees.

Note 22 - Determining whether an arrangement contains a lease.

Note 22 - Classification of leases.

#### Assumptions and estimation

##### uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

#### Provision for expected credit losses of receivable from operating leases

The Group uses a provision matrix to calculate ECLs of receivable from operating leases. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in

the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and contract assets is disclosed in Note 11.

#### Employee benefits – defined benefit obligation

The Group operates an End of service benefit plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate please refer note 15.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## 7- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)

### Employee benefits – defined benefit obligation(Continued)

Certain actuarial assumptions have been adopted as disclosed in note 15 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

### Valuation of investment properties

The Group hire the services of third party professionally qualified valuer to obtain estimates of the market value of investment properties using recognized valuation techniques for the purpose of impairment review and disclosures in the consolidated financial statements.

### Going concern

The Group management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group and the Group have the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

## 8- PROPERTY AND EQUIPMENT

	Lands	Buildings	Improvements on buildings	Devices and equipment	Vehicles	Total
<b>Cost:</b>						
Balance at 1 January 2017	6,118,266	4,008,734	267,100	2,973,216	463,720	13,831,036
Additions	-	-	-	3,362,741	215,300	3,578,041
Transferred from investments property to property and equipment (note 9)	9,916,479	-	-	-	-	9,916,479
Transferred from capital work in progress (note 9)	-	165,925,165	-	15,138,981	-	181,064,146
<b>Balance at 31 December 2017</b>	<b>16,034,745</b>	<b>169,933,899</b>	<b>267,100</b>	<b>21,474,938</b>	<b>679,020</b>	<b>208,389,702</b>
<b>Additions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>689,859</b>	<b>-</b>	<b>689,859</b>
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>(267,100)</b>	<b>(116,551)</b>	<b>(115,920)</b>	<b>(499,571)</b>
<b>Balance at 31 December 2018</b>	<b>16,034,745</b>	<b>169,933,899</b>	<b>-</b>	<b>22,048,246</b>	<b>563,100</b>	<b>208,579,990</b>
<b>Accumulated depreciation:</b>						
Balance at 1 January 2017	-	(782,909)	(267,100)	(1,856,107)	(420,780)	(3,326,896)
Charged for the year	-	(1,587,037)	-	(1,026,691)	(97,143)	(2,710,871)
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>(2,369,946)</b>	<b>(267,100)</b>	<b>(2,882,798)</b>	<b>(517,923)</b>	<b>(6,037,767)</b>
Charged for the year	-	(4,461,042)	-	(2,751,488)	(52,303)	(7,264,833)
Depreciation of disposals	-	-	267,100	98,901	115,920	481,921
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>(6,830,988)</b>	<b>-</b>	<b>(5,535,385)</b>	<b>(454,306)</b>	<b>(12,820,679)</b>
<b>Net Book Value:</b>						
<b>31 December 2018</b>	<b>16,034,745</b>	<b>163,102,911</b>	<b>-</b>	<b>16,512,861</b>	<b>108,794</b>	<b>195,759,311</b>
<b>31 December 2017</b>	<b>16,034,745</b>	<b>167,563,953</b>	<b>-</b>	<b>18,592,140</b>	<b>161,097</b>	<b>202,351,935</b>
<b>1 January 2016</b>	<b>6,118,266</b>	<b>3,225,825</b>	<b>-</b>	<b>1,117,109</b>	<b>42,940</b>	<b>10,504,140</b>

Depreciation charged for the year ended 31 December as follows:

2017	2018	
2,170,525	6,395,297	Cost of revenues
540,346	869,536	General and administrative expenses
<b>2,710,871</b>	<b>7,264,833</b>	



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 9- INVESTMENTS PROPERTY

	Lands	Buildings	Projects under construction	Total
<b>Cost:</b>				
Balance at 1 January 2017	247,414,434	352,249,772	176,003,159	775,667,365
Additions	50,834,556	-	55,850,975	106,685,531
Transferred from Projects under construction to property and equipment note (8)	8,782,623	-	(189,846,769)	(181,064,146)
Transferred to property and equipment note (8)	(9,916,479)	-	-	(9,916,479)
Disposal	(44,866,178)	-	-	(44,866,178)
<b>Balance at 31 December 2017</b>	<b>252,248,956</b>	<b>352,249,772</b>	<b>42,007,365</b>	<b>646,506,093</b>
Additions	-	-	20,770,302	20,770,302
Transferred from projects under construction to building	-	18,677,851	(18,677,851)	-
Transferred to associates note (10)	(50,834,556)	-	-	(50,834,556)
<b>Balance at 31 December 2018</b>	<b>201,414,400</b>	<b>370,927,623</b>	<b>44,099,816</b>	<b>616,441,839</b>

	Lands	Buildings	Projects under construction	Total
<b>Accumulated depreciation and impairment:</b>				
Balance at 1 January 2017	-	(83,500,740)	-	(83,500,740)
Charged for the year	-	(10,451,132)	-	(10,451,132)
Impairment losses	-	-	(4,244,103)	(4,244,103)
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>(93,951,872)</b>	<b>(4,244,103)</b>	<b>(98,195,975)</b>
Charged for the year	-	(11,073,386)	-	(11,073,386)
Impairment losses	-	-	(1,305,919)	(1,305,919)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>(105,025,258)</b>	<b>(5,550,022)</b>	<b>(110,575,280)</b>
<b>Net Book Value:</b>				
<b>31 December 2018</b>	<b>201,414,400</b>	<b>265,902,365</b>	<b>38,549,794</b>	<b>505,866,559</b>
31 December 2017	252,248,956	258,297,900	37,763,262	548,310,118
1 January 2017	247,414,434	268,749,032	176,003,159	692,166,625

The management has assessed the fair value of the investments property as of 31 December 2018 and the investment properties fair value is amounted to SR 1.594 billion (31 December 2017: SR 1.6 billion).

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.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

Fair value measurement					
Properties	Valuation approach	Purpose	key inputs and valuation assumptions	Fair value as at 31 December 2018	Fair value at as31 December 2017
Lands	Sales comparable method	Capital appreciation	Recent sales transactions of land	163,600,000	166,200,000
Alandalus head	Replacement cost	Rental revenue and Capital appreciation	Premise construction cost on site in addition to land amount	15,500,000	15,500,000
quarter	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 9%	18,400,000	23,000,000
Al Sahafa Mall	Discounted cash flows	Rental revenue and Capital appreciation	Exit rate 7%	12,420,000	17,000,000
Al Tilal Mall	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 9%	13,000,000	18,000,000
Al Yarmouk Mall	Discounted cash flows	Rental revenue and Capital appreciation	Exit rate 7%	1,161,000,000	1,144,000,000
Alandalus Mall	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 9%	36,000,000	25,500,000
Al Marwah Plaza Mall	Discounted cash flows	Rental revenue and Capital appreciation	Exit rate 7%	174,000,000	201,000,000

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).

## 10- INVESTMENTS IN ASSOCIATES

The details of investments in associated are as follow:

Ownership percentage					
	Country of incorporation	2018	2017	2018	2017
Al Aswaq Al Mutatawerah Company	Saudi Arabia	50%	50%	97,622,867	100,460,745
Hamat Property Company	Saudi Arabia	33.4%	33.4%	41,995,288	47,194,498
Hayat Real Estate Company	Saudi Arabia	25%	25%	186,423,778	193,130,904
Sorroh Centers Company	Saudi Arabia	25%	25%	49,333,150	48,676,946
West Jeddah Hospital Company	Saudi Arabia	50%	50%	67,656,665	67,809,709
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments	Saudi Arabia	25%	-	50,956,806	-
				493,988,554	457,272,802

The following is the movement of investment in associates:

	2018	2017
Opening balance	457,272,802	387,960,061
Share of income from associated companies	33,260,429	38,848,354
Dividends received	(42,212,337)	(33,058,151)
Share of movement in additional contributions	-	(4,287,171)
Investment addition during the year	51,681,913	67,809,709
Impairment losses of embedded goodwill	(6,014,253)	-
Balance at end of year	493,988,554	457,272,802

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 10- INVESTMENTS IN ASSOCIATES (CONTINUED)

##### Al Aswaq Al Mutatawerah Company

During 2007, the Company with another investor established Al Aswaq Al Motatawira Company as a limited liability company with a share capital amounting to SR 500,000 and equally owned by 50% for each of them for owning Dareen Compound in Dammam. The Company has provided additional funding for the investee amounted to SR 35,461,474 representing its share in financing the cost of the project land. Consequently, total investment cost amounted to SR 35,711,474. The group management has no control over this investment, but has a significant influence. The details of investment are as follow:

##### Hamat Property Company

During 2012, the Company purchased 33,40% of Hamat Real Estate Company's share capital amounted to SR 500,000 at SR 44,434,383. The activities of the associate include purchasing of lands for the construction of buildings thereon,

and investing on them through sale or lease. The mentioned investment include embedded goodwill amounted to SR 44,18 million. The Company determined whether there is any objective evidence that the investment in the associate is impaired, accordingly the Company recognised impairment losses on embedded goodwill amounted to SR 6,014,253.

##### Hayat Real Estate Company

In 2007, the Company acquired 50% ownership interest of Hayatt Mall share capital, and recognized SR208 million as an embedded goodwill from the acquisition. During year 2010, the Company disposed 50% from its ownership interest in Hayatt Mall (represents 25% of Hayatt Mall share capital). During year 2009, the Company along with the other investors, established Hayatt Real Estate Company for managing Hayatt Mall. On 1 January 2015, the structure of Hayatt Real Estate Company was changed to comply with the ownership structure of Hayatt Mall where Alandalus Property Company owns 25% of its share capital.

on 2 January 2015, the investors, as the sole owners of Hayat Real Estate Company and Hayatt Mall, unanimously resolved to activate the role of Hayatt Real Estate Company effective from the beginning of January 2015 to be the owner of all assets of Hayatt Mall and responsible for its liabilities and contracts in addition to transferring all the accounts of Hayatt Mall to Hayatt Real Estate Company. The issuance of Hayatt Mall financial statements have been discontinued effective from 1 January 2015.

Accordingly, the Company owns 25% ownership interest of Hayat Real Estate Company. The mentioned investment include embedded goodwill amounting to SR 95.75 million as at 31 December 2018. The details of investment are as follow:

##### Sorroh Centers Company

On 17 April 2014, the Company established Sorroh Centers Company (a limited liability company) with share capital amounting to SR 500,000. The Company contributed plots of land amounted to SR 48,591,406 as an additional share capital, equivalent to its ownership percentage. The associate has not started its business yet.

##### West Jeddah Hospital Company

On 06/01/1436 H corresponding to 30 October 2014, the Company established West Jeddah Hospital Company (a limited liability company) amounting to SR 500,000 and owning 50% of its share capital. The partnership contract indicated the valuation of two plots of land provided by Alandalus Property Company is 3,000

SR/m for a total area of 30,251 m<sup>2</sup> and amounted to SR 90,753,240. However, the lands cost in the company's books at the ownership transfer amounted to SR 44,866,178 resulting in gain amounted to SR 22,943,531. As the 50% share of Alandalus Property Company were disposed from the company's gains related to soled land. Thus, the investment value was SR 67,809,709 as at 31 December 2018. Such investment was recognized on transfer of ownership dated 20/06/1438 H corresponding to 19/03/2017. The associate has not started its business yet. The group management has no control over this investment, but has a significant influence.

##### Al-Jawhra Al-Kubra Company for Real Estate Development and Investment

In year 2017, the Company contributed by 25 % in Asala land located in Jeddah. During the period, the Company transferred this plot of land (transferred from investments properties note 9) to establish Al-Jawhara Al-Kubra Company Real Estate Development and Investment with a capital of SR 500,000 which is engaged in purchase and sale of land and real estate, commission for real estate administration against management and leasing of properties owned or leased (non-residential) properties. The land deeds has been transferred in favor of Al Jawhara Al-Kubra Company with the same percentage of ownership of the land. Alandalus owns 25% of the shares of the investee and the investee did start not yet its activity.



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 10- INVESTMENTS IN ASSOCIATES (CONTINUED)

2018	Al Aswaq Al Mutatawerah Company	Hamat Property Company	Hayat Real Estate Company	Sorroh Centers Company	West Jeddah Hospital Company	Al-Jawhra Al-Kubra Company for Real Estate Development and Investment	Total
Non-current assets	201,035,123	1,501,743	362,159,192	197,166,932	107,400,994	211,255,139	1,080,519,123
Current assets	4,460,066	23,995,476	43,410,426	2,782,943	1,033,505	10,334,409	86,016,825
Non-current liabilities	(397,041)	(3,798,054)	-	-	-	-	(4,195,095)
Current liabilities	(9,852,416)	(10,246,445)	(42,874,505)	(2,617,274)	(211,000)	(17,762,324)	(83,563,964)
Net assets	195,245,732	11,452,720	362,695,113	197,332,601	108,223,499	203,827,224	1,078,776,889
Less additional funding related to other investors	-	-	-	-	(18,797,231)	-	(18,797,231)
	195,245,732	11,452,720	362,695,113	197,332,601	89,426,268	203,827,224	1,059,979,658
Group's share percentage	50%	33.4%	25%	25%	50%	25%	
Group's share of net assets	97,622,867	3,825,208	90,673,778	49,333,150	44,713,134	50,956,806	337,124,943
Alandalus shares of profit	-	-	-	-	22,943,531	-	22,943,531
from sold land	-	44,184,333	95,750,000	-	-	-	139,934,333
Embedded goodwill	-	(6,014,253)	-	-	-	-	(6,014,253)
Impairment losses of embedded goodwill	97,622,867	41,995,288	186,423,778	49,333,150	67,656,665	50,956,806	493,988,554
Total revenue of an associate	40,517,921	36,049,129	130,894,192	-	-	-	207,461,242
Associate net income	21,936,811	3,311,922	91,579,455	(267,772)	(290,889)	(11,000)	116,258,527
The Company share of income from associate	10,662,121	815,046	22,005,211	(66,153)	(153,046)	(2,750)	33,260,429

2017	Al Aswaq Al Mutatawerah Company	Hamat Property Company	Hayat Real Estate Company	Sorroh Centers Company	West Jeddah Hospital Company	Total
Non-current assets	202,826,910	1,462,763	364,298,444	197,163,769	89,232,356	854,984,242
Current assets	7,776,989	15,313,989	68,004,381	500,000	500,000	92,095,359
Non-current liabilities	(340,338)	(3,626,131)	(2,119,938)	-	-	(6,086,407)
Current liabilities	(9,342,071)	(4,125,185)	(40,659,272)	(2,955,983)	-	(57,082,511)
Net assets	200,921,490	9,025,436	389,523,615	194,707,786	89,732,356	883,910,683
Group's share percentage	50%	33.4%	25%	25%	50%	-
Group's share of net assets	100,460,745	3,010,165	97,380,904	48,676,946	44,866,178	294,394,938
Embedded goodwill	-	44,184,333	95,750,000	-	-	139,934,333
Alandalus shares of profit from sold land	-	-	-	-	22,943,531	22,943,531
Carrying amount of investment in associates	100,460,745	47,194,498	193,130,904	48,676,946	67,809,709	457,272,802
Total revenue of an associate	44,257,585	31,952,365	131,106,566	-	-	207,316,516
Associate net income	26,354,914	5,933,593	94,817,308	(56,837)	(15,200)	127,033,778
The Company share of income from associate	13,177,457	1,981,820	23,704,077	(15,000)	-	38,848,354

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 11- RECEIVABLE FROM OPERATING LEASES

	2018	2017
Receivable from operating leases	34,912,618	24,472,874
Utilized provision of lessees discounts	-	(6,404,643)
Provision for doubtful debts	(8,814,808)	(3,747,242)
	26,097,810	14,320,989

The summary for the movement of provision for doubtful debts is as follows:

	2018	2017
1 January	3,747,242	2,126,132
Provided during the year	5,067,566	1,621,110
31 December	8,814,808	3,747,242

Following is the provision criteria used for provisioning against doubtful debts in trade receivables:

Past due and impaired							
	Total	1 to 90 days	From 91-180 days	From 181-270 days	From 271-365 days	From 366-455 days	More than 455 days
2018	34,912,618	12,414,951	7,688,546	6,982,992	7,747,644	56,866	21,619
2017	24,472,874	-	15,454,143	3,320,160	1,957,161	995,997	2,745,413

#### 12- PREPAYMENTS AND OTHER DEBIT BALANCES

	2018	2017
Advance rent	-	291,737
Advance insurance	610,598	966,163
Staff Loans	478,209	557,700
Advances to suppliers	840,893	4,306,659
Prepayments	1,500,000	-
Others	548,006	-
	3,977,706	6,122,259

#### 13- FINANCIAL INSTRUMENTS - FAIR VALUE THROUGH PROFIT OR LOSS

	Cost	Fair Value
AlAhli Saudi Riyal Trade Fund	57,729,000	58,111,578

#### 14- CASH AND CASH EQUIVALENTS

	2018	2017
Cash in hand	-	794,404
Cash at banks	75,102,584	38,418,827
Murabha	70,009,190	-
Cheques under collection	-	405,000,000
	145,111,774	444,213,231

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 15- EMPLOYEES' END OF SERVICE BENEFITS OBLIGATIONS

Movement in the employee's defined liabilities in the statement of financial position is as follows:

	2018	2017
Balance at 1 January	4,496,770	4,351,472
Interest cost	134,885	129,573
Current service cost	700,371	755,822
Actuarial (loss) / gain on the obligation (OCI)	(23,950)	215,155
Benefits paid	(233,370)	(955,252)
Balance at 31 December	5,074,706	4,496,770

	2018	2017
Benefit expense recognized in profit or loss		
Current service cost	700,371	755,822
Interest cost on benefit obligation	134,885	129,573
	835,256	885,395

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2018	2017
Discount rate	3%	3%
Future salary increases	12%	12%

A quantitative sensitivity analysis for salary change assumption and discount rate on the defined benefit obligation as at 31 December 2018, 2017 is shown below:

	2018		2017	
	% increase	1% decrease	% increase	1% decrease
Discount rate	(151,301)	158,152	(175,397)	188,733
Future salary increases rate	143,928	(140,673)	171,621.02	(166,389)

The sensitivity analysis above have been undertaken based on a method that extrapolates the impact on the employee defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting date. The sensitivity analysis is based on

a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

#### 16- ISLAMIC TAWARRUQ FACILITIES

	2018	2017
Balance at beginning of the year	186,506,269	202,803,364
Additions during the year	-	113,620,413
Payment	(184,680,118)	(129,917,508)
Total value of Tawarruq	1,826,151	186,506,269
Less: Deferred finance cost	(3,384)	(11,126,152)
Net value of Tawarruq	1,822,767	175,380,117
Current portion	1,822,767	122,331,008
Non-Current portion	-	53,049,109



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 16- ISLAMIC TAWARRUQ FACILITIES (CONTINUED)

Details on the deferred cost of finance are as follows:

	2018	2017
Opening balance	11,126,152	17,489,055
Additions during the year	-	3,620,814
Interest waived for early payment	(7,118,741)	-
Amortization of the year (cost of financing Islamic Tawarruq)	(4,004,027)	(9,983,717)
	3,384	11,126,152

Amortized finance costs include costs of financing Islamic Tawarruq, which are capitalized under cost of investment properties (projects in progress), amounting to Nil during the year ended 31 December 2018 (31 December 2017: SR 2,965,188).

#### 17- ACCRUALS AND OTHER CREDIT BALANCES

	2018	2017
Accrued expenses	13,116,925	10,367,179
Due to suppliers	12,298,011	4,444,822
Due to Alandalus Mall Maintenance	1,162,242	4,000,000
Retention payable against construction works	-	3,915,228
Rent discount provision	2,450,898	2,517,444
Accrued staff salaries and benefits	2,297,744	2,288,978
Improvements provision	2,000,000	2,000,000
Others	-	882,962
	33,325,820	30,416,613

#### 18- ZAKAT

The Company and its subsidiaries file their Zakat returns individually based on the financial statements belong to each Company. Therefore, Zakat base is identified and Zakat is calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the consolidated statement of income for

the Group.

Alandalus Property Company filed all Zakat returns up to the year ended 31 December 2017 and obtained Zakat certificate up to year 2017. The Company finalized Zakat assessment with the General Authority of Zakat and Income Tax ("GAZT") up to the year ended 31 December 2014.

##### Zakat base

Zakat is calculated for the year ended 31 December using the Zakat base based on the unconsolidated financial statements of Alandalus Property Company as follows:

	2018	2017
Net Zakat positive base (A)		
Capital	700,000,000	700,000,000
Reserves	297,702,596	117,680,856
Retained earnings	84,125,638	72,286,619
Provisions	4,263,401	4,337,649
Fund by long-term Murabha	1,822,767	175,380,117
Net adjusted profit	19,673,141	84,101,118
Net Zakat positive base	1,107,587,543	1,153,786,359

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 18- ZAKAT

Zakat base (Continued)

	2018	2017
Net Zakat negative base (B)		
Property and equipment-net	9,930,489	202,351,935
Investments property	65,190,221	548,310,118
Investments in associates	489,106,005	418,424,447
	564,226,715	1,169,086,500

	2018	2017
Net	543,360,828	(15,300,141)
Net Zakat base	543,360,828	84,101,118
Zakat charge at 2.5%	13,584,020	2,102,528

Zakat provision movement is as follows:

	2018	2017
1 January	4,658,195	2,799,853
Provided during the year	13,584,020	2,102,528
Payments made during the year	(4,936,507)	(244,186)
31 December	13,305,708	4,658,195

#### 19- SEGMENT REPORTS

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 Jeddah Alandalus Mall).

2018	Retail Sector	Hospitality Sector	Other	Total
Revenue*	140,303,947	24,376,480	-	164,680,427
Cost of revenue	(47,570,077)	(23,425,459)	-	(70,995,536)
Share in income from associates	-	-	33,260,429	33,260,429
Expenses	(4,382,963)	(1,406,525)	(31,785,769)	(37,575,257)
Impairment loss of receivable from operating leases	(5,067,566)	-	-	(5,067,566)
Impairment of investment in an associate	(6,014,253)	-	-	(6,014,253)
Other income*	-	-	4,258,321	4,258,321
Net profit before Zakat	77,269,088	(455,504)	5,732,981	82,546,565
Total assets	505,866,559	169,658,519	770,513,010	1,446,038,088
Total liabilities	68,686,933	20,264	29,539,939	98,247,136

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 19- SEGMENT REPORTS (CONTINUED)

2017	Retail Sector	Hospitality Sector	Other	Total
Revenue*	138,569,827	7,225,844	1,031,766	146,827,437
Cost of revenue	(53,189,961)	(13,486,899)	-	(66,676,860)
Share in income from associates	-	-	38,848,354	38,848,354
Gains from investment properties transfer to	-	-	22,943,531	22,943,531
Investment in associate.	(5,535,935)	(1,482,594)	(13,666,412)	(20,684,941)
Expenses	(1,621,110)	-	-	(1,621,110)
Impairment loss of receivable from operating leases	-	-	856,308	856,308
Impairment loss of investments prop- erties	78,222,821	(7,743,649)	50,013,547	120,492,719
Other income*	535,524,543	165,925,163	972,238,192	1,673,687,898
Net profit before Zakat	75,434,615	73,971,081	103,664,691	253,070,387

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

#### 20- EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income relating to owners of the Company by the weighted average number of ordinary shares during the year. Diluted earnings per share is calculated

by dividing income for the year by the weighted average number of ordinary shares during the year with an assuming transferring all impaired shares to ordinary shares.

	2018	2017
Net profit for the year	47,972,305	118,390,191
Weighted average number of outstanding ordinary shares (share)	70,000,000 0.69	70,000,000 1.69

The diluted earnings per share are equal to the basic earnings per share for the year ended 31 December 2018 and 31 December 2017 as there are no instruments with reduced earnings per share effect.

#### 21- CAPITAL COMMITMENTS

The Group has capital commitments relating to construction contracts of investment properties amounted of SR

3 million as of 31 December 2018 (31 December 2017: SR 8.6 million).

#### 22- OPERATING LEASES

##### As Lessor

	2018	2017
Less than one year	19,653,627	18,932,262
From one to 5 years	104,142,692	99,405,551
Above 5-year	87,988,291	133,904,252
	211,784,610	252,242,065



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## 22- OPERATING LEASES (CONTINUED)

### As Lessee

Minimum payments for future leases expected for future trade centers under lease are due as follows:

	2018	2017
One year	15,700,000	12,830,000
Two-year	31,400,000	29,200,000
Three-year	49,195,500	47,592,750
Four-year	77,417,776	68,776,888
Above 5-year (2023 through 2039)	115,356,166	147,349,804
	289,069,442	305,749,442

## 23- ESTABLISHMENT OF A SUBSIDIARY

Under sale and purchase agreement signed between Alandalus Property Company and NCB Capital, it has been agreed to transfer Alandalus mall and S Staybridge Suites Hotel Alandalus Mall to establish Alahli REIT fund 1 "the Fund". The properties were transferred to the Fund on 25 December 2017, The Ccompany

continued control the properties as part of its ability to control the fund.

As there was a change in the Company's ownership interest in the subsidiary that did not result the loss of control, resulted in offering gain amount of SAR 220.2 million was recognized in retained earnings.

## 24- 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:

- The Group has contracts with Hamat Property Company, an associate to provide consulting of development and rental services for Alandalus Trade Center in Jeddah and trade centers in Sahafa, Yermouk and Telal for rental fees at 7% of total leases of the center for the first year upon renting for the first time, upon replacing a tenant by another one or through the increase in the rental value of the new lease .also, the contract includes monthly fees for providing consultation and development fees at 4% of the center income which represents rental income, advertisement and specialized rental, and fees for developed rentals at 15% of total rental value of the tenant for one year only for the new units or lease services in which the operator developed and added and that have not been existed in designs of centers or rental budget that approved by the Company. Under the

same agreement, the Company is subject to borne the financial liabilities relating to employees such as salaries and benefits and other charges such as maintenance and electricity.

- The Company charges Al Hayat Real Estate Company, an associate with their share of direct expenses of the general and administrative expenses incurred by Alandalus Property Company according to the agreement of managing such companies.
- The Group leases a land from one of the shareholders for a period of 20 years to establish one of trade centers thereon for an annual rent starts from SR 3.1 million beginning from 16/3/1434 H.
- The Company has lease contracts with a related company as a lessee (through ownership of a board member for indirect share in the related companies) with annual rental value of SR 3.9 million (31 December 2017: SR 3.7 million).
- The Company has a contract with Dr. Sulaiman Al Habib Medical Group, which is a related to a sister Company and Board of Director vice president, representing Dr. Sulaiman Al Habib Medical Group perform a design, operate and management the hospital is owned between two parts equally (West Jeddah hospital).

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 24- TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Due from related parties:	Transactions during 2018			Transactions during 2017			Balance at	
	Operating services	Rental services	Exchange expenses	Operating services	Rental services	Exchange expenses	2018	2017
Al Aswaq Al Muta-tawerah Company	-	-	2,035,749	-	-	999,580	-	35,749
NCB Capital	5,360,515	-	-	-	-	-	2,459,666	-
Hayat Real Estate Company	-	-	15,890,574	-	-	5,633,569	1,176,555	1,060,815
Mohamed Alrajhi Company for investments	-	-	12,281,704	-	-	-	7,652,210	-
Al-Jawhra Al-Kubra Company	-	-	4,875,000	-	-	-	4,875,000	-
IHG Group (Inter-continental )	-	-	-	-	-	-	961,365	-
IHG Group (Inter-continental )	-	-	-	-	-	-	17,124,796	1,096,564
<b>Due to a related party</b>								
Hamat Property Company	654,810	153,871	706,365	736,752	4,994,896	4,397,288	330,145	1,272,608

Summary of transactions and balances are as follows:

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

	Charged to consolidated statement of profit or loss and other comprehensive income		Balance in consolidated financial position
	2018	2017	2017
Salaries and wages and end of service benefit	2,624,282	1,796,805	945,732

#### 25- DIVIDENDS TO SHAREHOLDERS

On 15/07/1439H corresponding to 1 April 2018, according to the Ordinary General Assembly Meeting which resolved dividend

distribution of SR 140,000,000 (dividends per share SR 2). The full amount was paid during 2018.

#### 26- NON-CASH TRANSACTIONS

	2018	2017
Investments properties transferred to acquire investment in associate	50,834,556	67,809,709
Investments properties transferred to property and equipment	-	9,916,479
	23,950	(215,155)

#### 27- FINANCIAL INSTRUMENTS- FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT

The Group is subjected to various financial risks due to its activities including: Market risk (including currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Senior management is responsible for risk management. Financial instruments carried on the consolidated statement

of financial position include cash and cash equivalents, investments, accounts receivable, due from/to related parties, prepayments and other current assets, Murabaha finance, trade payables and accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 27- FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

##### a. Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk

exposures within acceptable parameters, while optimizing the return.

The effect on the equity (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in fair value of FVTPL investments, with all other variables held constants is as follows:

	Percentage of change	31 December 2018
Effect on consolidated statement of profit or loss	±10%	5,811,000

##### b. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar.

The management closely and continuously monitors the exchange rate fluctuations.

##### c. Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flow.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at fixed rate of interest and are not subject to re-pricing on a regular basis.

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flow.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at fixed rate of interest and are not subject to re-pricing on a regular basis.

##### d. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading

to a financial loss. The Group is exposed to credit risk from its trade receivables, cash and cash equivalent and due from related parties.

	2018	2017
Cash and cash equivalent	145,111,774	444,213,231
Receivable from operating leases	26,097,810	14,320,989
Due from related parties	17,124,796	1,096,564
	188,334,380	459,630,784

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB- and above.
- The receivable are shown net of allowance for impairment of trade receivables and sales returns.
- Financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined Policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing

basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant.

Trade receivables outstanding balance is of 100% in Saudi Arabia.

##### e. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank overdrafts and bank loans.



## Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

#### 27- FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2018	Carrying amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Islamic Tawarruq facilities	1,822,767	1,822,767	-	-
Accrued operating leases	9,724,527	-	9,724,527	-
Trade payable	33,325,820	33,325,820	-	-
Due to related Parties	330,145	330,145	-	-
	45,203,259	35,478,732	9,724,527	-

2017	Carrying amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Islamic Tawarruq facilities	186,506,269	130,856,275	55,649,994	-
Accrued operating leases	9,169,439	-	9,169,439	-
Trade payable	30,416,613	30,416,613	-	-
Due to related Parties	1,272,608	1,272,608	-	-
	227,364,929	162,545,496	64,819,433	-

#### 28- FAIR VALUE

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.

#### Fair values of financial instruments

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 years unless otherwise indicated.

- 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.

- The Group's management estimated the fair value for short-term Islamic Tawarruq facilities, which are classified in level 3, to be approximate to their carrying value.

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

Financial instruments are exposed to change in value risk as a result of changes in commission rates of the financial assets and liabilities with variable commission. Actual commission rate and period of re-pricing or maturity of financial assets and liabilities were mentioned in the related notes.

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.

Alandalus PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

28- FAIR VALUE (CONTINUED)

Fair values of financial instruments (continued)

	Fair Value		
	Level 1	Level 2	Level 3
2018			
Financial instruments- FVTPL	-	58,111,578	-
2017			
Financial instruments- FVTPL	-	-	-

29- CAPITAL MANAGEMENT

The Board’s policy is to maintain an efficient capital base to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group’s objectives when managing capital are:

- i) To safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) To provide an adequate return to shareholders.

30- APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issuance on 12 Rajab 1440 H (corresponding to 19 March 2019).

| Conclusion

Aspirations and Ambitions

## | Conclusion

### Aspirations and Ambitions

Alandalus strives to become the best and most influential investor and developer in the Kingdom's real estate sector and to deliver its real estate services and products in such a way that would pave the way for a prosperous economy, with objectives and ambitions drawn up from vision 2030 in order to achieve sustainable development in all residential and commercial segments. Alandalus seeks to contribute to local content and to strengthen and build up its position as a leading real estate company in the Kingdom, overcoming all challenges and obstacles.

Alandalus is looking forward to becoming the industry leading company through establishing, managing and owning malls and residential and commercial centers. It also aims to expand its projects through diversification of the sectors in which it operates, in order to continue the development process and meet client needs, and consequently ensure sustainability while complying with the applicable rules and regulations.





الأندلس العقارية  
Alandalus Property

P.O. Box 260020 Riyadh 11422

Head Office  
(+966) 11 4700 735

Fax  
(+966) 11 450 6760

