

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
**Condensed Consolidated Interim
Financial Statements (Unaudited)**
For the three and nine-month periods ended
30 September 2020
Together with the
Independent Auditor's Review Report

ALANDALUS PROPERTY COMPANY**(A Saudi Joint Stock Company)****CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****AND INDEPENDENT AUDITOR'S REVIEW REPORT****For the three and nine- month periods ended 30 September 2020**

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

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

Introduction

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial statements of Al-Andalus Property Company (the "Company") and its subsidiaries (the "Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2020; and;
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed consolidated interim financial statements of Al-Andalus Property Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants



Khalil Ibrahim Al Sedais
License No: 371



Date: 19 Rabi al-awwal 1442H
Corresponding to: 5 November 2020

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**(UNAUDITED)****As at 30 September 2020**

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

		30 September 2020 (unaudited)	31 December 2019 (audited)
	Note		
ASSETS			
Non-current assets			
Investment properties	6	992,155,416	756,941,483
Property and equipment	7	168,009,246	188,383,419
Right-of-use assets		90,646,365	95,259,972
Investments in associates	8	473,271,470	464,834,820
Total non-current assets		1,724,082,497	1,505,419,694
Current assets			
Receivable from operating leases		66,538,335	38,639,800
Prepayments and other debit balances		6,616,060	26,698,018
Due from related parties	9	25,057,739	37,945,612
Financial instruments at fair value through profit or loss		7,249,692	42,263,693
Cash and cash equivalents		133,212,429	148,233,398
Total current assets		238,674,255	293,780,521
Total assets		1,962,756,752	1,799,200,215
EQUITY AND LIABILITIES			
Equity			
Share capital		700,000,000	700,000,000
Statutory reserve		95,381,933	95,381,933
Retained earnings		252,589,805	313,698,094
Equity attributable to shareholders of the Company		1,047,971,738	1,109,080,027
Non-controlling interests		180,245,527	199,658,418
Total equity		1,228,217,265	1,308,738,445
LIABILITIES			
Non-current liabilities			
Employees' benefits – defined benefit obligation		6,887,340	5,772,643
Lease liability on right-of-use assets		120,734,013	123,722,963
Islamic finance facilities	10	501,857,958	253,049,916
Total non-current liabilities		629,479,311	382,545,522
Current liabilities			
Advances from lessees and deferred revenue		47,244,479	38,307,724
Lease liability on right-of-use assets - current portion		12,400,000	15,700,000
Due to a related party	9	23,499,701	15,971,727
Zakat provision		4,077,164	11,631,543
Accruals and other credit balances		17,838,832	26,305,254
Total current liabilities		105,060,176	107,916,248
Total liabilities		734,539,487	490,461,770
Total equity and liabilities		1,962,756,752	1,799,200,215


 Fawaz Abdulaziz Bin Huwail
 Chief Financial Officer


 Hatha Bin Saad Alutaibi
 Chief Executive Officer


 Dr. Abdulrahman Mohammed Albarrak
 Authorized Board Member

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)****For the three-month and nine-month periods ended 30 September 2020**

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020 <i>Note</i> (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Revenue	11 36,984,093	42,717,907	110,373,341	125,026,760
Cost of revenue	11 (19,963,715)	(18,642,668)	(51,799,660)	(53,759,269)
Gross profit	17,020,378	24,075,239	58,573,681	71,267,491
General and administrative expenses	(7,883,826)	(8,669,120)	(23,360,513)	(23,544,465)
Marketing expenses	(86,566)	(92,710)	(1,139,901)	(1,207,315)
Share of income from associates	4,077,273	9,854,264	17,936,650	29,798,082
Other income	109,404	878,910	571,633	4,242,955
Impairment loss on property and equipment and investment properties	2.3 (1,500,000)	-	(21,500,000)	-
Operating profit	11,736,663	26,046,583	31,081,550	80,556,748
Interest expense on lease liabilities	(3,137,017)	(3,156,667)	(9,411,050)	(8,577,802)
Finance costs	(3,849,422)	(1,893,821)	(9,134,445)	(1,897,205)
Profit before Zakat	4,750,224	20,996,095	12,536,055	70,081,741
Zakat expense	(1,472,797)	(1,742,204)	(3,689,213)	(3,484,410)
Profit for the period	3,277,427	19,253,891	8,846,842	66,597,331
Attributable to:				
Equity holders of the Company	3,132,949	14,585,671	8,891,711	49,995,077
Non-controlling interests	144,478	4,668,220	(44,869)	16,602,254
	<u>3,277,427</u>	<u>19,253,891</u>	<u>8,846,842</u>	<u>66,597,331</u>
Other comprehensive income				
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial (losses)/gains from re-measurement of employees' benefits – defined benefit obligation	-	-	-	-
Total comprehensive income for the period	<u>3,277,427</u>	<u>19,253,891</u>	<u>8,846,842</u>	<u>66,597,331</u>
Total comprehensive income attributable to:				
Equity holders of the Company	3,132,949	14,585,671	8,891,711	49,995,077
Non-controlling interests	144,478	4,668,220	(44,869)	16,602,254
	<u>3,277,427</u>	<u>19,253,891</u>	<u>8,846,842</u>	<u>66,597,331</u>
Earnings per share				
Basic and diluted earnings per share	12 0.04	0.21	0.13	0.71


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ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

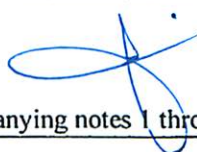
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine-month period ended 30 September 2020

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

	Share capital	Statutory reserve	Retained earnings	Equity Attributable to the shareholders of the Company	Non-controlling interests	Total
Balance as at 1 January 2020 – audited	700,000,000	95,381,933	313,698,094	1,109,080,027	199,658,418	1,308,738,445
Profit / (loss) for the period - unaudited	-	-	8,891,711	8,891,711	(44,869)	8,846,842
Other comprehensive income - unaudited	-	-	-	-	-	-
Total comprehensive income / (loss) for the period - unaudited	-	-	8,891,711	8,891,711	(44,869)	8,846,842
Dividends declared during the period (Note 15)	-	-	(70,000,000)	(70,000,000)	(19,368,022)	(89,368,022)
Balance as at 30 September 2020 -unaudited	700,000,000	95,381,933	252,589,805	1,047,971,738	180,245,527	1,228,217,265
Balance as at 1 January 2019 - audited	700,000,000	88,925,263	347,411,134	1,136,336,397	211,454,555	1,347,790,952
Impact of change in accounting policy	-	-	(21,551,247)	(21,551,247)	(4,354,074)	(25,905,321)
Restated balance as at 1 January 2019	700,000,000	88,925,263	325,859,887	1,114,785,150	207,100,481	1,321,885,631
Profit for the period – unaudited	-	-	49,995,077	49,995,077	16,602,254	66,597,331
Other comprehensive income – unaudited	-	-	-	-	-	-
Total comprehensive income for the period – unaudited	-	-	49,995,077	49,995,077	16,602,254	66,597,331
Dividend declared during the period	-	-	(70,000,000)	(70,000,000)	(27,950,000)	(97,950,000)
Change in non-controlling interest	-	-	-	-	1,229,688	1,229,688
Balance as at 30 September 2019 - unaudited	700,000,000	88,925,263	305,854,964	1,094,780,227	196,982,423	1,291,762,650

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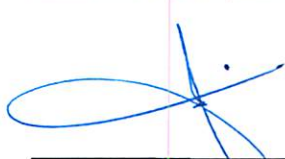
ALANDALUS PROPERTY COMPANY


(A Saudi Joint Stock Company)


CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**For the nine-month period ended 30 September 2020**

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

	For the nine-month period ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
<u>Operating activities:</u>		
Profit before Zakat	12,536,055	70,081,741
<u>Adjustments for non-cash items:</u>		
Depreciation:		
- investment properties	15,792,019	10,189,545
- property and equipment	5,067,928	5,599,297
- right-of-use assets	4,613,607	4,613,607
Impairment loss	21,500,000	-
Share of income from associates	(17,936,650)	(29,798,082)
Employees' benefits – defined benefit obligation	1,121,759	620,397
Finance costs	9,134,445	1,897,205
Interest on lease liabilities	9,411,050	8,577,802
<u>Changes in:</u>		
Receivables from operating leases	(28,898,535)	(25,000,919)
Prepayments and other debit balances	20,081,958	(18,503,668)
Related parties' balances, net	20,415,847	26,501,917
Lease liability on right-of-use assets	(15,700,000)	(5,977,802)
Advances from lessees and deferred revenue	8,936,755	5,872,105
Accruals and other credit balances	(6,124,825)	(13,832,625)
Dividends received from associates	15,750,000	24,675,000
<u>Cash flows from operations</u>		
Employees' benefits – defined benefit obligation paid	(7,062)	(52,742)
Zakat paid	(11,243,590)	(4,361,218)
Net cash generated from operating activities	64,450,761	61,101,560
<u>Investing activities</u>		
Additions to property and equipment	(1,693,755)	(908,400)
Additions to investment properties	(255,505,952)	(262,674,184)
Sale of financial instruments at fair value through profit or loss	35,013,999	47,645,480
Investment in associate	(6,250,000)	-
Net cash used in investing activities	(228,435,708)	(215,937,104)
<u>Financing activities</u>		
Payment for Islamic finance interest /facilities	(9,793,000)	(1,826,151)
Proceeds from Islamic finance facilities	248,125,000	254,981,321
Dividends paid	(70,000,000)	(70,000,000)
Change in non-controlling interest	(19,368,022)	(26,720,312)
Net cash generated from financing activities	148,963,978	156,434,858
Net change in cash and cash equivalents during the period	(15,020,969)	1,599,314
Cash and cash equivalents at the beginning of the period	148,233,398	145,111,774
Cash and cash equivalents at end of the period	133,212,429	146,711,088


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The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine-month period ended 30 September 2020

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

1 INFORMATION ABOUT THE COMPANY

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

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

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements (the “Interim Financial Statements”) for the nine-month period ended 30 September 2020 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2019.

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

2.2 Basis of measurement

The interim financial statements have been prepared on a historical cost basis, except for financial instruments at 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 properties and equipment, investment properties, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)****For the nine-month period ended 30 September 2020**

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

2 BASIS OF PREPARATION(CONTINUED)**2.2 Basis of measurement (Continued)**

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

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

2.3 Impact of coronavirus (Covid-19) outbreak

The Group's operations have been affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the business disruptions COVID-19 outbreak have caused to its operations and financial performance. As of 30 September 2020, the Group has recorded impairment loss on account of investment and non-investment properties amounting to SR 17 million as impairment in property and equipment (see note 7) and SR 4.5 million as impairment in investment property (see note 6). Further, the Group has also assessed the ability of its lessees to pay the rents relating to the period impacted by COVID-19 outbreak. As a result, the Group has made provision for SR 30.7 million in respect of receivables against operating leases balances.

As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. The management of the Group is currently monitoring the situation and its impact on the Group's operation, cash flows and financial position. Despite the above adjustments, the management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

2.4 Presentational currency

The presentational currency of the Group is Saudi Riyals (SR).

3 BASIS OF CONSOLIDATION

The interim financial statements, as of and for the period ended 30 September 2020, include the financial statements of the Company and its subsidiaries listed below:

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>	
		<u>30 September 2020</u>	<u>31 December 2019</u>
AlAhli REIT Fund 1	Kingdom of Saudi Arabia	68.73%	68.73%
Manafea Al Andalus Company for Real Estate Development	Kingdom of Saudi Arabia	70 %	70 %

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)****For the nine-month period ended 30 September 2020**

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

3 BASIS OF CONSOLIDATION (CONTINUED)

Details of subsidiaries are as follows:

1. 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 to make investments in investment properties. Currently, the Fund has made investments in the below properties which are located in Jeddah/ Riyadh:

Nature and name of property	Location
Al-Andalus Mall	Jeddah
Hotel	Jeddah
Salama Tower	Jeddah
QBIC Plaza	Riyadh

2. Manafea Al-Andalus Company for Real Estate Development

Manafea Al Andalus Company for Real Estate Development was formed as a limited liability company and registered in the Kingdom of Saudi Arabia under Commercial Registration No 1010700657 dated 19 April 2017 (corresponding to 22 Rajab 1438H). The principal activities of Manafea includes; leasing, managing properties owned or leasing (residential and nonresidential), commission from properties management, developments activities and investment properties.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

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

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

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)****For the nine-month period ended 30 September 2020**

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

**5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)**

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

- Determining fair values of investment properties
- Impairment loss on account of receivables against operating leases
- Useful lives of property, equipment and investment properties
- Impairment of non-financial assets

6 INVESTMENT PROPERTIES

	30 September 2020 (unaudited)	31 December 2019 (audited)
<u>Cost:</u>		
Balance at beginning of the period / year	881,781,189	616,441,839
Additions (6.1)	255,505,952	266,392,271
Disposal	-	(1,052,921)
Balance at end of the period / year	<u>1,137,287,141</u>	<u>881,781,189</u>
<u>Accumulated depreciation and impairment:</u>		
Balance at beginning of the period / year	(124,839,706)	(110,575,280)
Depreciation charge for the period / year	(15,792,019)	(14,264,426)
Impairment losses (6.2)	(4,500,000)	-
Balance at end of the period / year	<u>(145,131,725)</u>	<u>(124,839,706)</u>
Net book value	<u>992,155,416</u>	<u>756,941,483</u>

- 6.1 On 22nd June 2020, the Group acquired QBIC Plaza, located in Riyadh, against cash consideration of SR 250 million and financed the acquisition through additional Islamic Financing. Moreover, the Plaza has been leased for a net lease amount of SR 21.6 million annually, for a period of 3 years.
- 6.2 Based on the valuations performed by the valuers as of 30 June 2020, the Group management has recognized impairment loss to the carrying values of certain investment properties, amounting to SR 4.5 million.
- 6.3 During the year 2019, the Group pledged Al-Andalus Mall and (Hotel (PPE- note7)) as security against an Islamic Financing Facility obtained from NCB amounting to SR 650 million (see note 10). The carrying values of Al-Andalus Mall and Hotel aggregated to SR 555.2 million as at the reporting date 30 September 2020.
- 6.4 The lands and the buildings classified as investment properties, were assessed by external valuers to determine their fair value as at 30 June 2020. The fair values of the investment properties amounted to SR 1.7 billion (31 Dec 2019: SR 1.6 billion) as on that date. The key assumptions used in determining the fair values of the investment properties were discount rates, exit yield rates and the valuation approaches used are discounted cash flows and sales comparable method. The external valuers are accredited by the Saudi Authority for Accredited Values (TAQEEM). The details of independent valuers as follows:
- ValuStrat
 - Knight Frank

The management believes that the fair values as at 30 September 2020 do not materially differ from fair values determined as at 30 June 2020.

ALANDALUS PROPERTY COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)****For the nine-month period ended 30 September 2020**

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

7 PROPERTY AND EQUIPMENT

	30 September 2020 (unaudited)	31 December 2019 (audited)
<u>Cost:</u>		
Balance at beginning of the period / year	209,614,265	208,579,990
Additions	1,693,755	1,034,275
Balance at end of the period / year	211,308,020	209,614,265
<u>Accumulated depreciation and impairment:</u>		
Balance at beginning of the period / year	(21,230,846)	(12,820,679)
Depreciation charged for the period / year	(5,067,928)	(8,410,167)
Impairment losses (7.1)	(17,000,000)	-
Balance at end of the period / year	(43,298,774)	(21,230,846)
Net book value	168,009,246	188,383,419

- 7.1 Based on the valuations performed by the valuers as of 30 June 2020, the Group recognized an impairment loss to the carrying value of one of the property, amounting to SR 17 million.

8 INVESTMENTS IN ASSOCIATES

The details of investments in associates are as follow:

		<u>Ownership percentage</u>		30	31
	Country of incorporation	30 September 2020	31 December 2019	September 2020 (unaudited)	December 2019 (audited)
Al-Aswaq Al-Mutatawerah Company	Saudi Arabia	50%	50%	100,036,580	98,943,551
Hayat Real Estate Company	Saudi Arabia	25%	25%	188,102,203	186,975,889
Serouh AL-Marakez Company West Jeddah Hospital Company	Saudi Arabia	25%	25%	49,284,666	49,291,014
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company	Saudi Arabia	50%	50%	67,674,155	67,600,640
		25%	25%	68,173,866	62,023,726
				473,271,470	464,834,820

The following is the movement of investment in associates:

	30 September 2020 (unaudited)	31 December 2019 (audited)
Balance at beginning of the period/year	464,834,820	493,988,554
Additions during the period/year	6,250,000	11,125,000
Share of income for the period/year	17,936,650	37,020,342
Dividends received	(15,750,000)	(33,675,000)
Investments disposed off	-	(43,624,076)
Balance at end of the period/year	473,271,470	464,834,820

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8 INVESTMENTS IN ASSOCIATES (CONTINUED)

The associates' financial performance for the nine-month period ended 30 September 2020, is derived from management accounts of each investee.

The below associates have yet to commence the commercial operations:

- West Jeddah Hospital Company
- Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company
- Serouh AL-Marakez Company

9 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 the terms and conditions of transactions with such parties.

Balances due from /to related parties are as follows:

	30 September 2020 (unaudited)	31 December 2019 (audited)
Due from related parties		
Al-Jawhra Al-Kubra Company for Real Estate Development and Investments Company	-	5,000
IHG Group – Hotel	853,885	197,906
Hayat Real Estate Company	2,241,166	406,136
Asalah Holding	21,962,688	37,336,570
	<u>25,057,739</u>	<u>37,945,612</u>
Due to related parties		
Hamat Property Company	-	6,463,666
Al-Ahli Capital	23,458,880	9,467,240
Mohammad Al-Rajhi Investment Company	40,821	40,821
	<u>23,499,701</u>	<u>15,971,727</u>

10 ISLAMIC FINANCE FACILITIES

	30 September 2020 (unaudited)	31 December 2019 (audited)
Balance at the beginning of the period / year	253,049,916	1,826,151
Facility obtained during the period / year	250,000,000	255,000,000
Loan arrangement fee and amortization	(1,191,958)	(1,950,084)
Payment during the year	-	(1,826,151)
Balance at the end of the period / year	<u>501,857,958</u>	<u>253,049,916</u>

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11 SEGMENT REPORTING

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

- Retail and operation Sector: This include leasing rental units of investment properties such as Malls and operation service.
- Hospitality sector: This includes entities engaged in providing hospitality service (Hotel).
- Office sector: This includes rent for commercial units from investment properties (Salama Tower and QBIC Plaza).

	Retail and operation Sector	Hospitality Sector	Office Sector	Other	Total
<u>For the nine months period ended 30 September 2020 (unaudited)</u>					
Revenue*	82,787,297	7,415,419	20,170,625	-	110,373,341
Cost of revenue	(31,212,832)	(15,154,510)	(5,432,318)	-	(51,799,660)
Share in income from associates	-	-	-	17,936,650	17,936,650
Expenses	(8,411,050)	-	(9,134,445)	(25,500,414)	(43,045,909)
Impairment loss	(4,500,000)	(17,000,000)	-	-	(21,500,000)
Other income*	-	-	-	571,633	571,633
Net income before Zakat	38,663,415	(24,739,091)	5,603,862	(6,992,131)	12,536,055
<u>As of 30 September 2020 (unaudited)</u>					
Total assets	730,433,554	140,732,132	503,856,651	587,734,415	1,962,756,752
Total liabilities	198,217,324	-	501,857,958	34,464,205	734,539,487
<u>For the nine months period ended 30 September 2019 (unaudited)</u>	Retail Sector	Hospitality Sector	Office Sector	Other	Total
Revenue*	106,758,612	13,890,676	4,377,472	-	125,026,760
Cost of revenue	(36,191,539)	(16,420,215)	(1,147,515)	-	(53,759,269)
Share in income from associates	-	-	-	29,798,082	29,798,082
Expenses	(9,876,890)	-	(1,893,821)	(23,456,076)	(35,226,787)
Other income*	-	-	-	4,242,955	4,242,955
Net income before Zakat	60,690,183	(2,529,539)	1,336,136	10,584,961	70,081,741
<u>As of 30 September 2019 (unaudited)</u>					
Total assets	648,417,971	162,868,795	257,133,956	710,833,092	1,779,253,814
Total liabilities	216,891,780	-	256,893,822	13,705,562	487,491,164

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

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12 EARNINGS PER SHARE – BASIC AND DILUTED

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

	For the three-month period ended		For the nine-month period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Profit for the period	<u>3,132,949</u>	<u>14,585,671</u>	<u>8,891,711</u>	<u>49,995,077</u>
Weighted average number of outstanding ordinary shares (share)	<u>70,000,000</u>	<u>70,000,000</u>	<u>70,000,000</u>	<u>70,000,000</u>
Basic and diluted earnings per share	<u>0.04</u>	<u>0.21</u>	<u>0.13</u>	<u>0.71</u>

The diluted earning per share is equal to the basic earnings per share for each of the period since there are no instruments that could result in the dilution of earning per share.

13 CAPITAL COMMITMENTS

The Group has no capital commitments as of 30 September 2020 (31 December 2019: SR 250 million relating to acquisition contracts of investment properties).

14 DETERMINATION OF FAIR VALUE, CLASSIFICATION AND RISK MANAGEMENT

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

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

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

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

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

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

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

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14 DETERMINATION OF FAIR VALUE, CLASSIFICATION AND RISK MANAGEMENT (CONTINUED)*Fair values of financial instruments*

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

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

	Fair Value		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>30 September 2020</u>			
Financial instruments at fair value through profit or loss	<u>-</u>	<u>7,249,692</u>	<u>-</u>
<u>31 December 2019</u>			
Financial instruments at fair value through profit or loss	<u>-</u>	<u>42,263,693</u>	<u>-</u>

The valuation techniques used to determine the fair value of investment properties are classified as Level 2 fair value.

15 DIVIDENDS

The Shareholders, in their Ordinary General Assembly Meeting dated 14 May 2020, resolved the distribution of SR 70,000,000 as dividend (Dividend per share of SR 1), that was paid on 8 June 2020.

16 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved for issuance by the Board of Directors on 19 Rabi al-awwal 1442H (corresponding to 5 November 2020).