

**JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 RAMADAN 1437H

Jabal Omar Development Company (A Saudi Joint Stock Company)

UNAUDITED INTERIM FINANCIAL STATEMENTS

As at 30 Ramadan 1437H

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**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)
ON THE INTERIM FINANCIAL STATEMENTS**

Scope of review

We have reviewed the accompanying balance sheet of Jabal Omar Development Company (a Saudi Joint Stock Company) ("the Company") as of 30 Ramadan 1437H and the related statement of income for the three-month and nine-month periods then ended, and statements of cash flows and changes in shareholders' equity for the nine-month period then ended. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organization for Certified Public Accountants' standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



23 Shawal 1437H
28 July 2016

Jeddah

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Jabal Omar Development Company (A Saudi Joint Stock Company)

BALANCE SHEET (UNAUDITED)

As at 30 Ramadan 1437H

	Note	30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		363,260,088	237,894,005
Restricted cash - current portion		178,440,467	862,506,483
Accounts receivable and other assets		219,626,211	198,954,531
Inventory		3,897,901	1,085,059
Property for development and sale		289,376,190	35,155,806
TOTAL CURRENT ASSETS		1,054,600,857	1,335,595,884
NON-CURRENT ASSETS			
Restricted cash - non-current portion		342,590,000	-
Advances to certain founders	4	314,791,899	314,715,061
Investment property		555,921,495	574,792,745
Investment in an associate		50,331,671	48,951,929
Property and equipment	5	19,116,785,523	17,413,063,783
TOTAL NON-CURRENT ASSETS		20,380,420,588	18,351,523,518
TOTAL ASSETS		21,435,021,445	19,687,119,402
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and other liabilities		1,134,764,319	1,530,229,822
Short term loans		-	936,226,364
Liabilities against capital lease - current portion	6	11,895,485	10,512,323
Term loans - current portion	7	842,000,000	650,000,000
Zakat payable		18,635,168	31,361,605
TOTAL CURRENT LIABILITIES		2,007,294,972	3,158,330,114
NON-CURRENT LIABILITIES			
Term loans	7	9,262,026,790	6,387,812,809
Other non-current liabilities		288,041,068	18,784,882
Liabilities against capital lease	6	478,813,508	489,735,796
Derivative financial instruments		21,011,890	110,893,797
Employees' terminal benefits		10,058,400	6,709,984
TOTAL NON-CURRENT LIABILITIES		10,059,951,656	7,013,937,268
TOTAL LIABILITIES		12,067,246,628	10,172,267,382

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal. Al Sharif

Chief Executive Officer

Mohanned Saud Al Rashed

Delegated Board of Directors Member

The attached notes 1 to 16 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

BALANCE SHEET (UNAUDITED) (continued)

As at 30 Ramadan 1437H

		30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR
	Note		
SHAREHOLDERS' EQUITY			
Share capital	9	9,294,000,000	9,294,000,000
Statutory reserve		20,479,314	33,174,582
Hedging reserve		(21,011,890)	(110,893,797)
Retained earnings		74,307,393	298,571,235
TOTAL EQUITY		9,367,774,817	9,514,852,020
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21,435,021,445	19,687,119,402

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal Al Sharif

Chief Executive Officer

Mohanned Saud Al Rashed

Delegated Board of Directors Member

The attached notes 1 to 16 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

STATEMENT OF INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 Ramadan 1437H

	Note	For the three-month period ended		For the nine-month period ended	
		30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR	30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR
Revenue	10	166,432,685	192,517,331	371,741,992	666,620,913
Cost of revenue		(160,517,816)	(94,237,505)	(340,031,864)	(258,367,706)
GROSS PROFIT		5,914,869	98,279,826	31,710,128	408,253,207
EXPENSES					
General and administrative		(39,723,875)	(13,445,961)	(90,778,572)	(53,601,602)
Selling and marketing		(1,462,101)	(709,790)	(2,803,601)	(5,242,002)
Reversal / (Allowance) of provision for doubtful debts	11	83,673,947	(11,920,012)	84,569,616	(43,916,788)
TOTAL EXPENSES		42,487,971	(26,075,763)	(9,012,557)	(102,760,392)
INCOME FROM MAIN OPERATIONS		48,402,840	72,204,063	22,697,571	305,492,815
Share of results of an associate		-	(1,266,610)	1,868,823	(1,510,557)
Other income		-	-	1,026,933	219,500
Finance charges		(44,571,639)	(47,635,914)	(116,964,579)	(53,967,246)
INCOME / (LOSS) BEFOR ZAKAT		3,831,201	23,301,539	(91,371,252)	250,234,512
Zakat		5,663,072	(14,634,264)	(18,635,168)	(31,361,605)
NET INCOME / (LOSS) FOR THE PERIOD		9,494,273	8,667,275	(110,006,420)	218,872,907
EARNINGS / (LOSS) PER SHARE					
Weighted average number of ordinary shares outstanding	12	929,400,000	929,400,000	929,400,000	929,400,000
From income from main operations	12	0.05	0.08	0.02	0.33
From net income / (loss) for the period	12	0.01	0.01	(0.12)	0.24

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Chief Executive Officer

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Delegated Board of Directors Member

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Jabal Omar Development Company (A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 Ramadan 1437H

	30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR
OPERATING ACTIVITIES		
Net (loss) / income for the period	(110,006,420)	218,872,907
Adjustments for:		
Depreciation on property and equipment	101,032,288	50,217,876
Depreciation on investment property	28,151,073	18,759,671
(Reversal) / allowance for doubtful debts provision	(84,569,616)	43,916,788
Zakat provision	18,635,168	31,361,605
Provision for employees' terminal benefits, net	2,820,316	1,515,409
Share of results of an associate	(1,868,823)	1,510,557
Loss from disposal of property and equipment	494,798	-
Financial charges	116,964,579	53,967,246
	71,653,363	420,122,059
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(32,530,120)	(131,701,743)
Inventory	(313,133)	(256,414)
Property for development and sale	7,767,140	122,077,412
Accounts payable and other liabilities	200,820,081	137,123,488
Cash from operations	247,397,331	547,364,802
Zakat paid	(31,789,373)	(24,736,316)
Financial charges paid	(109,360,995)	(53,967,246)
Net cash from operating activities	106,246,963	468,661,240
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,942,922,111)	(2,188,568,936)
Proceeds from sale of property and equipment	100,000	-
Purchase of investment property	(299,277)	(692,304)
Net cash used in investing activities	(1,943,121,388)	(2,189,261,240)
FINANCING ACTIVITIES		
Restricted cash	262,145,926	583,236,191
Liabilities against capital lease	(8,614,107)	(4,777,299)
Repayment of a portion of a syndicated loan	-	(46,254,640)
Net change in advances to certain founders	85,006	(21,735,808)
Net movement in term loans	2,299,525,916	(60,000,000)
Net movement in short term loans	(721,901,988)	476,226,364
Net cash from financing activities	1,831,240,753	926,694,808
DECREASE IN BANK BALANCES AND CASH	(5,633,672)	(793,905,192)
Bank balances and cash at the beginning of the period	368,893,760	1,031,799,197
BANK BALANCES AND CASH AT THE END OF THE PERIOD	363,260,088	237,894,005

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal. Al Sharif

Chief Executive Officer

Mohanned Saud Al Rashed

Delegated Board of Directors Member

The attached notes 1 to 16 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS (UNAUDITED) (continued)

For the nine-month period ended 30 Ramadan 1437H

	30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR
MAJOR NON-CASH TRANSACTIONS		
Amortization of deferred financial charges capitalized as part of capital work in progress	7,624,601	11,412,397
Change in the fair value of derivative financial instruments stated under shareholders' equity	91,734,414	7,960,324
Property for development and sale transferred from property and equipment	150,087,506	123,085,051
Investment property transferred from property and equipment	15,359,971	255,148,350
Repayment of a portion of a syndicated loan through re-financing from a local commercial bank	-	650,000,000
Addition of district cooling system on capital lease basis	-	505,025,418

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal. Al Sharif

Chief Executive Officer

Mohammed Saud Al Rashed

Delegated Board of Directors Member

The attached notes 1 to 16 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended at 30 Ramadan 1437H

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Hedging reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 1 Muharam 1437H (audited)	9,294,000,000	20,479,314	(112,746,304)	184,313,813	9,386,046,823
Net loss for the period	-	-	-	(110,006,420)	(110,006,420)
Fair value reserve adjustment	-	-	91,734,414	-	91,734,414
30 Ramadan 1437H (unaudited)	9,294,000,000	20,479,314	(21,011,890)	74,307,393	9,367,774,817
Balance at 1 Muharam 1436H (audited)	9,294,000,000	11,287,291	(102,933,473)	101,585,619	9,303,939,437
Net income for the period (restated) (note 14)	-	-	-	218,872,907	218,872,907
Transfer to statutory reserve	-	21,887,291	-	(21,887,291)	-
Fair value reserve adjustment	-	-	(7,960,324)	-	(7,960,324)
29 Ramadan 1436H (restated) (unaudited)	9,294,000,000	33,174,582	(110,893,797)	298,571,235	9,514,852,020

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal Al Sharif

Chief Executive Officer

Mohammed Saud Al Rashed

Delegated Board of Directors Member

The attached notes 1 to 16 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

At 30 Ramadan 1437H

1 ACTIVITIES

Jabal Omar Development Company ("the Company"), a Saudi Joint Stock Company was established under the Regulations for Companies in the Kingdom of Saudi Arabia as per Royal Decree No. M/63 dated 25 Ramadan 1427H. The incorporation of the Company was declared by Ministerial Resolution No. 253/S dated 16 Shawal 1428H (corresponding to 28 October 2007). The Company is registered in Makkah Al Mukkramah City under Commercial Registration number 4031051838 dated 15 Dul Qida 1428H (corresponding to 25 November 2007).

The Company's main activity is to own Jabal Omar area adjacent to the western side of the Holy Mosque in Makkah and develop it into plots of land to manage, invest, sell and lease them for the Company's interest; in addition to carrying out operations necessary for construction, maintenance, management, demolishing, surveying, and furnishing hotels, commercial facilities and staff residences, as well as importing and exporting hotels' equipment and furniture and operating the hotels.

The Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage's (SCTA) letters. The interim financial statements include of the results of the operating activities of the following hotels:

<i>Name</i>	<i>Registration No.</i>	<i>Registration date</i>	<i>SCTA's-letter No.</i>	<i>SCTA's-letter date</i>
Hilton suites Makkah	4031077081	15 Rajab 1434H	AVM/5887/34	22 Rabi II, 1434H
Marriott Makkah	4031085088	8 Rajab 1435H	AVM/8332/35	16 Jumada I, 1435H
Hyatt Regency	4031087547	14 Dul Qida 1435H	8957	26 Rajab 1435H
Conrad	4031091636	10 Rajab 1436H	9347	25 Jumada I, 1436H

The Company's project (the "Project") includes seven phases, each phase has a number of podiums and towers. As at 30 Ramadan 1437H, the Company is still in the stage of developing the Project, it has completed demolition, cleared debris, levelled surface, cut rocks and is currently constructing infrastructures, roads, bridges, underpasses, walkways, electrical and water works and executing buildings construction and others.

As at 30 Ramadan 1437H, the Company current liabilities exceeds its current assets. The current liabilities includes SR 770.9 million, which is payable to contractors and current portion of a loan from a local bank amounting to SR 842 million, which is due for payment on 3 Rajab 1438H (corresponding to 31 March 2017). These conditions indicates that the Company's ability to meet its obligations as they become due and to continue as a going concern depends upon the Company's ability to obtain sufficient funds to enable it to meet its liabilities as they fall due. However, the Company has unutilized credit limit under syndicated Islamic loan agreement with two local banks (see note 7(c)). As per the financing arrangement under this agreement, the amount of SR 770.9 million payable to contractors, who are working on the project, will be financed through the proceeds from this facility.

In respect of the loan amounting to SR 842 million, which is due for payment on 3 Rajab 1438H (corresponding to 31 March 2017), the management intends to re-negotiate and restructure its facilities with the banks before the year ending 30 Dul Hijja 1437H, and is confident that it will be able to restructure its facilities and obtain sufficient funds to enable it to meet its liabilities as they fall due to enable it continue as a going concern.

2 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Saudi accounting standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA").

These interim financial statements do not contain all the information and disclosures required for full financial statements prepared in accordance with the accounting standards generally accepted in Kingdom of Saudi Arabia. The results presented in these interim financial statements may not be an accurate indicator of the annual financial results.

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal. Al Sharif

Chief Executive Officer

Mohanned Saud Al Rashed

Delegated Board of Directors Member

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the interim financial statements are consistent with those used in the preparation of the financial statements for the year ending 30 Dul hijja 1436H.

The significant accounting policies adopted are as follows:

Accounting convention

The interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting modified to include the measurement of derivative financial instruments which are stated at fair value.

Use of estimate

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best information available to the management with regard to current operations and events, the actual results may differ from these estimates.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Any subsequent recoveries of amounts previously written-off are credited in the statement of income.

Inventory

Inventory are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

Property for development and sale

Property for development and sale principally represents real estate properties held by the Company for the purpose of development and sale in the future and are stated at the lower of cost and net realizable value.

Advances to certain founders

These represent the advances paid to certain land shareholders as compensation for losses incurred due to disruption of their business activities. Such amounts will be recovered from their future share of dividends in accordance with the Company's Bylaws. Recipients of such advances are required to compensate the Company for any outstanding balances if they intend to dispose their shares in the Company.

Investment properties

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Company is classified as investment property. Investment property comprise of buildings, equipment and furniture and fixtures.

Investment properties held are carried at cost less accumulated depreciation and any accumulated impairment losses, if applicable. Land is not depreciated.

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of investment properties may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, such assets are written down to their recoverable amount being the higher of fair value less cost to sell or value in use.

Expenditure for repair and maintenance are charged to the statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal. Al Sharif

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Mohanned Saud 'Al Rashed

Delegated Board of Directors Member

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

The Company's investment in an associate is accounted for under the equity method of accounting. An associate is an entity over which the Company exercises significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in associate is carried in the balance sheet at cost adjusted by the changes in the Company's share of net assets of the associate. The statement of income reflects the share of the results of the associate. Unrealised profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of interest in an associate.

When the Company's share of losses in associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate are prepared for the same period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts, being the higher of their fair value less cost to sell and their value in use.

Capital work in progress are stated at cost which represents the construction work at Jabal Omar project including consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other costs attributable to assets transportability to the site and readiness to operate for the intended purpose.

Expenditure for repair and maintenance are charged to statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised using capitalisation rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the interim statement of income.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, commission bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments and hedging

The Company uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations and such derivative financial instruments are classified as cash flow hedges. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting are taken directly to the statement of income.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for by recording the gain or loss on the effective portion of the hedging instrument directly in equity, while any ineffective portion is recognized immediately in the statement of income.

Amounts recognized in the shareholders' equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to statement of income.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations on accrual basis. The provision is charged to the statement of income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which the assessment is finalized.

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Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labor law applicable to employees' accumulated periods of service at the balance sheet date.

Revenue recognition

Revenues from sale of property for development and sale are recognised when the Company transfers substantially all the risks and rewards of ownership of underlying assets to the buyer which is normally on completion of construction work, unconditional exchanging of contracts and receiving the full property value.

Hotel revenues are recognized once contracted services are provided.

Rental income from investment properties is recognized on accrual basis.

Expenses

Selling and marketing expenses are those that specifically related to salesmen and marketing expenses. All other expenses are classified as general and administrative expenses.

Leases

Assets purchased under finance leases (explicit or implicit) are recorded at the lower of their fair value or the present value of the future minimum lease payments at the inception of the lease and are depreciated over their expected useful lives on the same basis as owned assets. The finance charge element of the finance lease obligations is charged to the statement of income over the period of the lease, using a constant rate of interest on the remaining balance of the liability. The liability at the balance sheet date is stated net of future finance charges.

Leases, where all asset related ownership risks and rewards are held by the lessor, are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight line basis over the term of the lease.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in specific providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), with profits and losses different from those of other segments. The Company follows the business segment because it carries out most of its activities in the Kingdom of Saudi Arabia.

Muhammad Amir Khan

Chief Financial Officer

Yasser Faisal. Al Sharif

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Delegated Board of Directors Member

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

4 ADVANCES TO CERTAIN FOUNDERS

	30 Ramadan 1437H SR	29 Ramadan 1436H SR
1 Muharam	314,876,905	292,979,253
Payments	-	28,389,572
Amounts received	(85,006)	(6,653,764)
30/29 Ramadan	<u>314,791,899</u>	<u>314,715,061</u>

The Company's shareholders in their extraordinary general assembly dated 19 Jumada II, 1437H (corresponding to 28 March 2016) approved to suspend payment of advances to certain founders during the year 1437H, as the Company's term of commitment has expired.

5 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	50 years
Central district cooling system	30 years
Equipment	10 years
Furniture and fixtures	10 years
Other assets	4-7 years

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

5 PROPERTY AND EQUIPMENT (continued)

	<i>Lands</i> <i>SR</i>	<i>Buildings</i> <i>SR</i>	<i>Central district</i> <i>cooling system</i> <i>SR</i>	<i>Equipment</i> <i>SR</i>	<i>Furniture and</i> <i>fixtures</i> <i>SR</i>	<i>Other</i> <i>assets</i> <i>SR</i>	<i>Capital work in</i> <i>progress</i> <i>SR</i>	<i>Total</i> <i>30 Ramadan</i> <i>1437H</i> <i>SR</i>	<i>(Restated)</i> <i>Total</i> <i>29 Ramadan</i> <i>1436H</i> <i>SR</i>
Cost:									
At the beginning of the period	4,208,906,587	2,012,837,974	505,025,418	827,465,183	326,105,252	31,011,946	9,601,239,082	17,512,591,442	15,104,523,238
Additions during the period	-	3,348,388	-	32,939	8,758,609	1,267,579	1,937,139,197	1,950,546,712	2,761,045,165
Disposals	-	-	-	-	-	(2,506,968)	-	(2,506,968)	(873,663)
Transfers	-	742,947,443	-	378,237,909	109,484,451	4,236,659	(1,234,906,462)	-	-
Transfer to property for development and sale	-	-	-	-	-	-	(150,087,506)	(150,087,506)	(123,085,052)
Transfer to investment property	-	-	-	-	-	-	(15,359,971)	(15,359,971)	(255,148,350)
At the end of the period	4,208,906,587	2,759,133,805	505,025,418	1,205,736,031	444,348,312	34,009,216	10,138,024,340	19,295,183,709	17,486,461,338
Depreciation:									
At the beginning of the period	-	18,785,490	12,321,454	19,954,923	12,008,385	16,207,816	-	79,278,068	23,223,263
Charge for the period	-	35,380,406	11,375,631	39,272,015	12,904,391	2,099,845	-	101,032,288	50,217,876
Disposals	-	-	-	-	-	(1,912,170)	-	(1,912,170)	(43,584)
At the end of the period	-	54,165,896	23,697,085	59,226,938	24,912,776	16,395,491	-	178,398,186	73,397,555
Net book amounts:									
At 30 Ramadan 1437H	4,208,906,587	2,704,967,909	481,328,333	1,146,509,093	419,435,536	17,613,725	10,138,024,340	19,116,785,523	
At 29 Ramadan 1436H	4,220,593,337	1,652,996,996	475,742,934	596,517,423	311,533,040	14,723,862	10,140,956,191		17,413,063,783

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

5 PROPERTY AND EQUIPMENT (continued)

- Land represents plots of land situated in the Jabal Omar area, which were received by the Company from the founding shareholders against their shares, issued at nominal value of SR 10 per share. Valuation of land was prepared and approved by Development Commission of Makkah Al Mukarramah. Legal formalities for the transfer of title deeds from the founding shareholders to the Company were completed. The Company will complete the procedures for transferring the title deeds of remaining lands to the Company once their owners complete the statutory and official documentations of such lands (note 9).
- The Company has pledged a portion of its lands as a security against a government loan and loans from local commercial banks (note 7).
- The Company signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC"), an associate, for the construction, operation and maintenance of the District Cooling System ("DCS") for 26.5 years, from the date of final commissioning of DCS, which became effective on 9 Rabi I, 1436H (corresponding to 31 December 2014). The system is pledged against a loan obtained by CDCC.

Since the Agreement with CDCC in respect of DCS contains an embedded lease arrangements, the arrangement is treated as a capital lease, as per the requirements of accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA") and the fourth interpretation issued by the International Financial Reporting Standards Interpretation Committee "Determining whether an Arrangement contains a Lease ("IFRIC 4").

In the interim financial statements for the nine-month period ended 29 Ramadan 1436H, the DCS arrangement was not accounted for as capital lease. However, in its annual financial statements for the year ended 30 Dhul Hijjah 1436H, the management has recorded DCS arrangement as capital lease, in line with the applicable accounting standards. Accordingly, the comparative financial information for nine-month period ended 29 Ramadan 1436H in these interim financial statements is restated in this regard (note 6 and 14).

- The capital work in progress represents the infrastructure and development works related to phases I, II, III, and IV.

6 LIABILITIES AGAINST CAPITAL LEASES

The liabilities against capital leases are as follows:

	30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR
Total lease payments under capital leases	773,684,151	801,476,802
Finance charges	(282,975,158)	(301,228,683)
	<u>490,708,993</u>	<u>500,248,119</u>
Current portion	(11,895,485)	(10,512,323)
Non-current portion	<u>478,813,508</u>	<u>489,735,796</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

6 LIABILITIES AGAINST CAPITAL LEASES (continued)

The lease payments under capital leases due during the next five years are as follows:

	30 Ramadan 1437H SR	(Restated) 29 Ramadan 1436H SR
1436H	-	4,268,471
1437H	7,841,393	31,365,574
1438H	31,365,574	31,365,574
1439H	31,365,574	31,365,574
1440H	31,365,574	31,365,574
1441H	31,365,574	31,365,574
1442H and above	640,380,462	640,380,461
	<u>773,684,151</u>	<u>801,476,802</u>

7 TERM LOANS

	30 Ramadan 1437H SR	29 Ramadan 1436H SR
Government loan (note ("a") below)	3,000,000,000	3,000,000,000
Loan from a local bank (note ("b") below)	4,000,000,000	4,000,000,000
Syndicate loan (2) (note ("c") below)	2,430,442,511	-
Facility from a local bank (note ("d") below)	842,000,000	-
	<u>10,272,442,511</u>	<u>7,000,000,000</u>
Less: Deferred financial charges	(215,165,721)	(235,312,191)
Commission due on the government loan	46,750,000	273,125,000
	<u>10,104,026,790</u>	<u>7,037,812,809</u>
Current portion	(842,000,000)	(650,000,000)
	<u>9,262,026,790</u>	<u>6,387,812,809</u>

- a. The Company signed an agreement with a governmental entity and obtained a loan amounted to SR 3 billion to develop Jabal Omar area, which was withdrawn during past years. On 6 Jumada I, 1437H (corresponding to 15 February 2016), the Company obtained an approval from the governmental entity to postpone the effective date of loan settlement and its financial charges and grace period commissions for additional term so that the grace period would become 7 years from original disbursement date. Accordingly, as per the revised repayment terms. The loan is repayable in six annual equal instalments, the first; instalment will be due on 1 January 2019 (corresponding to 25 Rabi II, 1440H) and last instalment will be on 1 January 2024 (corresponding to 19 Jumada Thani 1445H). The Company paid all commissions due for 2012 to 2015 amounting SR 335.2 million as per the said agreement.. The loan carries borrowing costs at commercial rates. The loan is secured by a mortgage of land plots of 30,611 square meters (note 5).

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Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

7 TERM LOANS (continued)

- b. The Company signed an Islamic finance agreement with a local commercial bank on 15 Rabi Thani 1436H (corresponding to 4 February 2015) with an amount of SR 4 billion. The proceeds of this facility were used to fully repay syndicate loan in respect of phase 1 and the difference of SR 46,254,640 was covered from the retention amounts (restricted cash balance). The loan carries borrowing costs at commercial rates. The Company entered in to two hedging agreements to hedge against interest rate risk resulting from fluctuation in transaction rate of the syndicated loan facilities. The two hedging arrangements were assigned to the loan from local bank, on settlement of the syndicate loan.

The Islamic finance agreement is payable on quarterly basis. The first repayment instalment of the Islamic finance agreement will be due on 29 March 2018 and last instalment will be on 31 December 2029.

The Company provided securities comprising the phase 1 lands deeds of Company's project in Makkah Al Mukarramah and a promissory note. Such financing shall be settled out of the expected revenues of the five hotels (10 towers) located in phase 1 of the project, in addition to revenues of leasing the commercial center and selling some of the phase 1 residential units.

- c. On 3 Dul alhijja 1436H (corresponding to 16 September 2015), the Company signed a syndicated Islamic loan agreement under Ijara system with a credit limit of SR 8 billion with two local banks. Such loan shall be used to repay all bank liabilities related to Phases 2 and 4 including a loan from a local bank with a credit limit of Saudi Riyals 2 billion and another short-term liability in addition to completing the construction of phases 2 and 4 and executing phase 5. The syndicated Islamic loan is payable over a period of 12 years as of the date of signing the agreement with a grace period of 4 years. The Company has withdrawn an amount of SR 2.43 billion under the facilities. The loan carries borrowing costs at commercial rates. The Company provided the following securities against the loan:

- Negative mortgage of the above mentioned stages' lands deeds.
- Endorsing lease contracts of the above mentioned stages.
- Mortgage of the above mentioned stages' bank accounts.
- Endorsing insurance policies of the above mentioned stages.
- Release of the letter of guarantee provided by the above mentioned phases contractors.
- Signing a direct agreement with contractors of the above mentioned phases contractors.
- Promissory note by the Company for the bank.

- d. On 21 Jumada II 1437H (corresponding to 30 March 2016), the Company signed a facility term agreement (non-revolving) with an amount of SR 842 million for the purpose of repaying the Company's outstanding liabilities, which was full withdrawn. The loan carries borrowing costs at commercial rates. The facility is unsecured and due for payment on 3 Rajab 1438H (corresponding to 31 March 2017).

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

8 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the nine-month period and the related balances at the period end:

Related party	Nature of transaction	Amount of transactions	
		30 Ramadan 1437H SR	29 Ramadan 1436H SR
Bank Al Bilad - affiliate	Loan from a local bank	842,000,000	-
Central District Cooling Company - affiliate	Cooling charges	47,913,629	51,658,738
Senior management employees	Senior management salaries and benefits	5,974,187	4,043,007
BOD member	Rental revenues from commercial shops	3,349,013	3,190,725
BOD member	Consultation services	691,839	1,600,000
Makkah Construction Development Company ("MCDC")	Hotel services offered by a shareholder	67,206	59,120
	Payment against transfer of lands title deeds to the name of the Company	-	50,000,000
BOD members	BOD attendance fees	330,336	45,000

Balances arising from above transactions are as follows:

a. Due from related parties

	30 Ramadan 1437H SR	29 Ramadan 1436H SR
Makkah Construction and Development Company	50,000,000	50,000,000
Tazej Factory for Food Products	6,565,398	7,359,266
Jabal Khandama Company	35,290	-
	<u>56,600,688</u>	<u>57,359,266</u>

b. Due to related parties

	30 Ramadan 1437H SR	29 Ramadan 1436H SR
Central District Cooling Company	14,738,171	18,792,884
Abnia' Office for Engineering Investments	-	400,000
Others	712,888	890,168
	<u>15,451,059</u>	<u>20,083,052</u>

The Company has a capital lease commitment with an associate amounted to SR 490.7 million (note 6).

The Company has a term loan amounted to SR 842 million from a related local bank (note 7).

The balances of due from / to related parties are stated under accounts receivable and other assets and accounts payable and other liabilities respectively.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

9 CAPITAL

As at 30 Ramadan 1437H and 29 Ramadan 1436H, the Company's capital is divided into 929,400,000 shares of SR 10 each allocated as follows:

	<i>30 Ramadan 1437H SR</i>	<i>29 Ramadan 1436H SR</i>
Public shares	4,594,000,000	4,594,000,000
Shares in-kind against land and other costs (note a)	4,340,435,050	4,340,435,050
Cash shares issued (note b)	359,564,950	359,564,950
	<u>9,294,000,000</u>	<u>9,294,000,000</u>

- The Company received lands from the founding shareholders against the issued shares with nominal amount of SR 10 per share. Land valuations were approved by Development Commission of Makkah Al Mukarramah. Transfer of title deeds to the Company by founding shareholders were completed.
- In accordance with (Article 8/2) of the Company's Bylaws, cash shares issued represent cash balances deposited by MCDC against property of which owners did not submit relevant legal documents. Such shares will be assigned to the favor of owners gradually once the required documentations are complete.

10 REVENUES

	<i>For the nine-month ended 30 Ramadan 1437H SR</i>	<i>29 Ramadan 1436H SR</i>
Sale of property for development and sale	11,300,000	470,500,000
Lease of commercial centers	72,457,945	94,555,479
Hotels revenues	287,984,047	101,565,434
	<u>371,741,992</u>	<u>666,620,913</u>

11 REVERSAL / (ALLOWANCE) OF PROVISION FOR DOUBTFUL DEBTS

During the period, the management reassessed the recoverability of its receivable balances and the required provision against doubtful rent receivable. As a result of re-negotiations with tenants, an amount of SR 84,569,616 was reversed as no longer required (1436H: an allowance of SR 43,916,788 was charged to statement of income).

12 EARNINGS / (LOSS) PER SHARE

Earnings per share on income from main operations is calculated by dividing the income from main operations by the weighted average number of shares in issue available during the period. Earnings / (Loss) per share on net income / (loss) is calculated by dividing the net income / (loss) by the weighted average number of shares in issue available during the period.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

13 SEGMENT REPORTING

The Company's activity is geographically concentrated in the central region of Makkah, western region of the Kingdom of Saudi Arabia, and there is no activity for the company outside the western region.

The Company operates in the following major segments:

- Hotels – includes leasing rooms and selling food and beverages ("the Hotel").
- Commercial centers – includes operating and leasing commercial shopping malls ("the Commercial Centres").
- Property development – includes construction and development of property and sale of completed dwellings.

Selected financial information as at 30 Ramadan 1437H and 29 Ramadan 1436H and for the nine-month period ended therein, summarised by segment, is as follows:

<i>30 Ramadan 1437H</i>				
	<i>Hotels</i>	<i>Commercial</i>	<i>Real Estate</i>	
	<i>SR</i>	<i>Centres</i>	<i>Development</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>Balance sheet items:</i>				
Current assets	195,228,481	81,598,902	777,773,474	1,054,600,857
Property and equipment	4,151,482,354	-	14,965,303,169	19,116,785,523
Investment properties	-	555,921,495	-	555,921,495
Other non-current assets	-	-	707,713,570	707,713,570
Liabilities	93,104,330	-	11,974,142,298	12,067,246,628
<i>Statement of income items:</i>				
Revenues	287,984,047	72,457,945	11,300,000	371,741,992
Net (loss) / income	(108,118,543)	109,637,540	(111,525,417)	(110,006,420)
<i>29 Ramadan 1436H (Restated)</i>				
	<i>Hotels</i>	<i>Commercial</i>	<i>Real Estate</i>	
	<i>SR</i>	<i>Centres</i>	<i>Development</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>Balance sheet items:</i>				
Current assets	57,619,765	137,767,010	1,140,209,109	1,335,595,884
Property and equipment	2,571,576,136	-	14,841,487,647	17,413,063,783
Investment properties	-	574,792,745	-	574,792,745
Other non-current assets	-	-	363,666,990	363,666,990
Liabilities	30,747,139	43,916,788	10,097,603,455	10,172,267,382
<i>Statement of income items:</i>				
Revenues	101,565,434	94,555,479	470,500,000	666,620,913
Net (loss) / income	(21,100,302)	7,157,230	232,815,979	218,872,907

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 Ramadan 1437H

14 AMENDMENTS TO PREVIOUS PERIOD

As mentioned in note 5, subsequent to issuing the interim financial statements for the nine-month period ended 29 Ramadan 1436H, the management decided to use more appropriate accounting policies regarding DCS arrangement under agreement with CDCC. Accordingly, the interim financial statements for the period ended 29 Ramadan 1436H were restated to reflect these amendments. Following is the effect of these amendments on the interim financial statements:

	<i>SR</i>
Increase in property and equipment	475,742,934
Increase in liabilities against capital lease – current portion	10,512,323
Increase in liabilities against capital lease – non-current portion	489,735,796
Decrease in income for the period	(24,505,186)
Increase in cost of revenue	12,752,314
Increase in finance charges	11,752,872

15 COMPARATIVE FIGURES

In addition to the amendments referred to note 14 above, certain amounts of prior period have been reclassified to conform with the current period's presentation.

16 FINANCIAL STATEMENTS APPROVAL

These interim financial statements were approved by the Company's board on 23 Shawal 1437H (corresponding to 28 July 2016).

Muhammad Amir Khan

Chief Financial Officer

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