

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 RABI AL AWWAL 1438H

Jabal Omar Development Company (A Saudi Joint Stock Company)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 30 Rabi Al Awwal 1438H

Content	Page No.
Review report to the shareholders	1
Balance sheet	2-3
Statement of income	4
Statement of cash flows	5-6
Statement of changes in shareholders' equity	7
Notes to the unaudited interim financial statements	8-20



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Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

Tel: +966 12 221 8400
Fax: +966 12 221 8575

www.ey.com

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)
ON THE UNAUDITED 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 Rabi Al Awwal 1438H and the related statements of income, cash flows and changes in shareholders' equity for the three-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 review of 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

17 Rabi' II 1438H
15 January 2017

Jeddah

17/347/AIR



Jabal Omar Development Company (A Saudi Joint Stock Company)

BALANCE SHEET (UNAUDITED)

As at 30 Rabi Al Awwal 1438H

	Note	1438H SR	1437H SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	653,482,218	962,526,958
Restricted cash - current portion	4	162,003,224	467,490,955
Accounts receivable and other assets		95,736,628	138,476,807
Inventory		2,112,763	4,153,200
Property for development and sale	5	205,639,247	147,544,479
TOTAL CURRENT ASSETS		1,118,974,080	1,720,192,399
NON-CURRENT ASSETS			
Restricted cash - non-current portion	4	132,640,000	342,590,000
Advances to certain founders		314,192,559	314,839,899
Investment properties		566,715,646	559,111,219
Investment in an associate		58,361,782	50,920,818
Property and equipment	6	20,666,727,993	17,828,063,350
TOTAL NON-CURRENT ASSETS		21,738,637,980	19,095,525,286
TOTAL ASSETS		22,857,612,060	20,815,717,685
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and other liabilities		884,668,282	786,934,241
Term loans - current portion	7	1,064,436,802	1,802,208,332
Liabilities against capital lease - current portion		12,136,112	11,659,629
Zakat payable		5,330,305	56,087,613
TOTAL CURRENT LIABILITIES		1,966,571,501	2,656,889,815
NON-CURRENT LIABILITIES			
Term loans	7	9,621,248,357	8,019,064,019
Other non-current liabilities		597,442,413	222,947,569
Liabilities against capital lease – non-current portion		472,684,693	484,823,973
Derivative financial instruments	7 (b)	-	1,052,668
Employees' terminal benefits		12,206,876	8,706,018
TOTAL NON-CURRENT LIABILITIES		10,703,582,339	8,736,594,247
TOTAL LIABILITIES		12,670,153,840	11,393,484,062

The attached notes 1 to 13 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

BALANCE SHEET (UNAUDITED) (continued)

As at 30 Rabi Al Awwal 1438H

	Note	1438H SR	1437H SR
SHAREHOLDERS' EQUITY			
Share capital		9,294,000,000	9,294,000,000
Statutory reserve		81,415,796	20,479,314
Hedging reserve	7 (b)	-	(1,052,668)
Retained earnings		812,042,424	108,806,977
TOTAL SHAREHOLDERS' EQUITY		10,187,458,220	9,422,233,623
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,857,612,060	20,815,717,685

The attached notes 1 to 13 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 period ended 30 Rabi Al Awwal 1438H

	Note	1438H SR	1437H SR
Revenues	9	311,472,025	104,508,040
Cost of revenue		(157,818,864)	(96,058,877)
GROSS PROFIT		153,653,161	8,449,163
EXPENSES			
General and administrative		(27,121,329)	(21,237,613)
Selling and marketing		(5,238,032)	(546,700)
Allowance of provision for doubtful debts		-	(8,081,208)
TOTAL EXPENSES		(32,359,361)	(29,865,521)
INCOME / (LOSS) FROM MAIN OPERATIONS		121,293,800	(21,416,358)
Share of income of an associate		3,617,082	2,457,970
Other income		500,079	1,026,933
Murabaha investment income		2,688,116	-
Financial charges		(48,798,804)	(33,277,141)
INCOME / (LOSS) BEFORE ZAKAT		79,300,273	(51,208,596)
Zakat		-	(24,298,240)
NET INCOME / (LOSS) FOR THE PERIOD		79,300,273	(75,506,836)
EARNING / (LOSS) PER SHARE			
From income / (loss) from main operations	10	0.13	(0.02)
From net income / (loss) for the period	10	0.09	(0.08)
Weighted average number of ordinary shares outstanding	10	929,400,000	929,400,000

The attached notes 1 to 13 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

	Note	1438H SR	1437H SR
OPERATING ACTIVITIES			
Net income / (loss) for the period		79,300,273	(75,506,836)
Adjustments for:			
Depreciation on property and equipment	6	41,561,516	34,173,520
Depreciation on investment properties		2,928,374	9,302,101
Provision for doubtful debts		-	8,081,208
Zakat		-	24,298,240
Provision for employees' terminal benefits, net		1,241,021	1,467,934
Share of income of an associate		(3,617,082)	(2,457,970)
Loss from disposal of property and equipment		-	494,798
Financial charges		48,798,804	-
		<u>170,212,906</u>	<u>(147,005)</u>
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(74,341,948)	(44,031,540)
Inventory		2,112,417	(568,432)
Property for development and sale		37,818,726	7,767,140
Accounts payable and other liabilities		113,879,650	(212,103,496)
		<u>249,681,751</u>	<u>(249,083,333)</u>
Cash from / (used in) operations			
Financial charges paid		(118,838,482)	-
		<u>130,843,269</u>	<u>(249,083,333)</u>
Net cash from / (used in) operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,281,704,790)	(358,797,042)
Proceeds from sale of property and equipment		-	100,000
		<u>(1,281,704,790)</u>	<u>(358,697,042)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Restricted cash		252,464,157	(26,904,562)
Liabilities against capital lease		(2,958,834)	(2,839,498)
Net change in advances to certain founders		585,650	37,006
Net movement in term loans		319,369,318	1,111,022,615
Net movement in short term loans		-	120,098,012
		<u>569,460,291</u>	<u>1,201,413,573</u>
Net cash from financing activities			
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(581,401,230)	593,633,198
Cash and cash equivalents at the beginning of the period		1,234,883,448	368,893,760
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>653,482,218</u>	<u>962,526,958</u>

The attached notes 1 to 13 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 three-month period ended 30 Rabi Al Awwal 1438H

	<i>Note</i>	<i>1438H</i> <i>SR</i>	<i>1437H</i> <i>SR</i>
MAJOR NON-CASH TRANSACTIONS			
Amortization of deferred financial charges capitalized as part of property and equipment		<u>1,832,145</u>	<u>5,018,714</u>
Amortization of deferred financial charges		<u>3,597,688</u>	<u>-</u>
Change in the fair value of derivative financial instruments stated under shareholders' equity		<u>-</u>	<u>111,693,636</u>
Property for development and sale transferred from property and equipment	6	<u>5,741,611</u>	<u>8,255,795</u>
Settlement of liability against accounts receivables	9	<u>196,000,000</u>	<u>-</u>

The attached notes 1 to 13 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 three-month period ended at 30 Rabi Al Awwal 1438H

	Share capital SR	Statutory reserve SR	Hedging reserve SR	Retained earnings SR	Total SR
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 three month period ended 30 Rabi Al Awwal 1437H (unaudited)	-	-	-	(75,506,836)	(75,506,836)
Fair value reserve adjustment	-	-	111,693,636	-	111,693,636
Balance at 30 Rabi Al Awwal 1437H (unaudited)	9,294,000,000	20,479,314	(1,052,668)	108,806,977	9,422,233,623
Balance at 1 Muharam 1438H (audited)	9,294,000,000	81,415,796	-	732,742,151	10,108,157,947
Net income for the three- month period ended 30 Rabi Al Awwal 1438H (unaudited)	-	-	-	79,300,273	79,300,273
Balance at 30 Rabi Al Awwal 1438H (unaudited)	9,294,000,000	81,415,796	-	812,042,424	10,187,458,220

The attached notes 1 to 13 form part of these unaudited interim financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

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 Ministerial Resolution No. 253/S dated 16 Shawal 1428H (corresponding to 28 October 2007) declared the incorporation of the Company. The Company is registered in Makkah Al Mukkramah City under Commercial Registration number 4031051838 dated 15 Dhul 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. These financial statements include of the results of the operating activities of the following hotels:

Name	Commencement of operation	Registration No.	Registration date	SCTA's-letter No.	SCTA's-letter date
Hilton suites Makkah	4 Ramadan 1435H	4031077081	15 Rajab 1434H	AVM/5887/34	22 Rabi II, 1434H
Marriott Makkah	5 Ramadan 1436H	4031085088	8 Rajab 1435H	AVM/8332/35	16 Jumada I, 1435H
Hyatt Regency	5 Ramadan 1436H	4031087547	14 Dhul Qida 1435H	8957	26 Rajab, 1435H
Conrad	25 Shabaan 1437H	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 Rabi Al Awwal 1438H, 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, water works, executing buildings construction, and other construction works.

2 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and in compliance with the 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 that are required for complete annual financial statements. Therefore, these interim financial statements should be read in conjunction with annual financial statements of the Company for the year ended 30 Dhul-Hijjah 1437H. The results presented in these interim financial statements may not be an accurate indicator of the annual financial results.

The interim financial statements of the Company are presented in Saudi Riyals, being the functional currency of the Company.

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 ended 30 Dhul Hijjah 1437H.

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 of current operations and events, the actual results may differ from these estimates.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date less costs of completion and estimated costs of sale.

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 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 comprises of buildings, equipment, furniture and fixtures. Investment properties are carried at cost less accumulated depreciation and accumulated impairment losses, if any. The estimated useful lives of the investment property for the calculation of depreciation are as follows:

Buildings	85 years
Equipment	20 years
Furniture and fixtures	10 years

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Company without any restrictions.

Inventory

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

Impairment of non-current assets

Non-current assets are reviewed in respect of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised representing the excess of the asset carrying amount over its recoverable amount which is the higher of an asset's fair value less the cost of selling or value in use. For the purpose of assessing the impairment, assets are grouped at their lowest levels where separate identifiable cash flows are available (cash-generating units).

Non-current assets, other than intangible assets, that suffered impairment are reviewed for possible reversal of impairment at each reporting date. If an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, subjected to not exceeding the carrying amount if the impairment loss is not recognised for the asset or the cash-generating unit in previous years. A reversal of an impairment loss is recognised as income immediately in the statement of income. Impairment losses recognised on intangible assets are not reversible.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to 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 statement of income.

Deferred financial charges

Costs that are not of future benefit after the current period are charged to the statement of income, while costs that will benefit future periods are capitalised. Deferred financial charges include financial and administrative consultation fees related to obtaining long-term financing for partial construction of the Company's main project. Such charges are amortized over the period of the long-term financing. Amortization of deferred financial charges that is directly attributable to the acquisition, construction or production of qualifying assets is capitalised as part of those assets. Other amortization charges are charged to the 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.

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 amount 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.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging

The Company uses derivative financial instruments (interest rate swaps) to hedge its risks associated with commission 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 statement of income 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.

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 substantially receiving the full property value.

Unearned rental income represent the rent received in advance from clients and is recognised in the statement of income over the term of the lease.

Hotel revenues are recognized once contracted services are provided.

Income from investment property leased under operating leases is recognised in the statement of income based on a straight-line basis over the lease term. When the Company provides incentives to its customers, the cost of incentives is recognised based on a straight-line basis over the lease term as a deduction from the lease value.

Murabaha income is recognised on a time-proportion basis at prevailing market rates.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Selling, marketing and general and administrative expenses include direct and indirect costs that are not specifically part of revenue costs as required under generally accepted accounting principles. Allocations between selling, marketing, general and administrative expenses and cost of sale, when required, are made on a consistent basis.

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. 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 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.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

4 CASH AND CASH EQUIVALENTS

	1438H SR	1437H SR
Cash on hand	282,000	661,138
Cash at banks (see note (a) below)	947,843,442	1,771,946,775
	<u>948,125,442</u>	<u>1,772,607,913</u>
Less: restricted cash – current (see note (b) below)	(162,003,224)	(467,490,955)
Less: restricted cash – non-current (see note (b) below)	(132,640,000)	(342,590,000)
Cash and cash equivalents	<u>653,482,218</u>	<u>962,526,958</u>

- Cash at banks include an amount of SR 209.95 million placed in Murabaha deposit during the period (1437H: Nil) with a local bank for a period of three months.
- Restricted cash balances represent amounts deposited in a separate account with banks as a reserve, as per the loan agreement. Current and non-current restricted cash is classified according to agreements of term loans signed with banks.
- Cash at banks includes amounts deposited with the Bank Albilad, a related party, amounting to SR 238.4 million (1437H: SR 766.48 million).

5 PROPERTY FOR DEVELOPMENT AND SALE

	1438H SR	1437H SR
At the beginning of the period	237,716,362	147,055,823
Transferred from property and equipment (note 6)	5,741,611	8,255,795
Cost of property sold	(37,818,726)	(7,767,139)
At the end of the period	<u>205,639,247</u>	<u>147,544,479</u>

6 PROPERTY AND EQUIPMENT

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

Buildings	85 years	Furniture and fixtures	10 years
Central district cooling system	30 years	Other assets	4-7 years
Equipment	20 years	Infrastructure assets:	
		- Construction	85 years
		- Equipment	20 years

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

6 PROPERTY AND EQUIPMENT (continued)

	Lands SR	Buildings SR	Central district cooling system SR	Equipment SR	Furniture and fixtures SR	Other assets SR	Infrastructure Assets SR	Capital work in progress SR	Total 30 Rabi Al Awwal 1438H SR	Total 30 Rabi Al Awwal 1437H SR
Cost:										
At the beginning of the period	4,545,782,024	2,619,421,151	505,025,418	1,120,214,483	450,973,094	37,049,048	225,234,202	10,139,373,321	19,643,072,741	17,512,591,442
Additions during the period	-	-	-	-	2,590,854	641,919	-	1,280,304,162	1,283,536,935	437,774,089
Disposals	-	-	-	-	-	-	-	-	-	(2,506,968)
Transfer to property for development and sale (note 5)	(5,741,611)	-	-	-	-	-	-	-	(5,741,611)	(8,255,795)
At the end of the period	4,540,040,413	2,619,421,151	505,025,418	1,120,214,483	453,563,948	37,690,967	225,234,202	11,419,677,483	20,920,868,065	17,939,602,768
Accumulated depreciation:										
At the beginning of the period	-	64,186,637	26,543,144	64,035,374	30,459,076	18,395,088	8,959,237	-	212,578,556	79,278,068
Charge for the period	-	7,944,291	3,791,877	12,834,034	13,226,300	2,280,354	1,484,660	-	41,561,516	34,173,520
Relating to disposals	-	-	-	-	-	-	-	-	-	(1,912,170)
At the end of the period	-	72,130,928	30,335,021	76,869,408	43,685,376	20,675,442	10,443,897	-	254,140,072	111,539,418
Net book value amounts:										
At 30 Rabi Al Awwal 1438H	4,540,040,413	2,547,290,223	474,690,397	1,043,345,075	409,878,572	17,015,525	214,790,305	11,419,677,483	20,666,727,993	
At 30 Rabi Al Awwal 1437H	4,208,906,587	2,036,941,339	488,912,087	819,864,051	313,514,980	13,870,659	-	9,946,053,647		17,828,063,350

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

6 PROPERTY AND EQUIPMENT (continued)

- a. 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.

At the time of incorporation of the Company, it was intended that the Company will complete the procedures for transferring the title deeds of remaining lands to the Company once their owners complete the statutory and legal documentations of such lands.

- b. Due to the physical location of the Project and peculiarities attached to the Land ownership around Haram area, where the Jabal Omar Project is situated, there were certain pieces of Land without identified title deeds. The Company at the time of incorporation, agreed to a mechanism where Land owners should bring the title deeds and get the shares of equivalent to Land value. The Company was in a practice of recording the Land upon availability of title deeds. However, owners of the land costing SR 359 million remained unable to complete the statutory and legal documentations of such Lands even after several years of operations of the Company. Accordingly, during the year 1437H, the management of the Company decided to record the remaining Land costing SR 359 million in the financial statements, considering the following:

- No title deeds have been submitted for the past 2 years;
- In respect of the Owners who could not submit their legal title deeds, pursuant to the transfer arrangement, Makkah Construction and Development Company ("MCDC") has subscribed for shares in the Company on behalf of those Owners. This mechanism has been ratified by Royal Decree No.M/63, dated 25/9/1427H and therefore legal ownership of the land is with the Company.
- The Company is in the possession of Land for the past several years and has started construction on such Land.

Considering that MCDC subscribed for the shares on behalf of Land owners who could not submit their legal title deeds and deposited cash at the time of incorporation, a corresponding liability is recorded as payable to MCDC. The amount payable to MCDC is classified as long term and included in other non-current liabilities.

- c. 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 arrangement, the arrangement is treated as a capital lease.

- d. The capital work in progress represents the infrastructure and development works related to Phases I to VII.
- e. During the period, the Company conducted an operational efficiency review of its buildings (including building classified under property and equipment and investment property) and furniture & fixtures; based on which, the Company revised the expected useful lives of buildings and furniture & fixtures. As a result, the buildings and furniture & fixtures, which were previously depreciated over 50 years and 20 years, are now expected to remain in use for 85 years and 10 years, respectively, from the date of capitalization and are depreciated accordingly.

As a result of the revision in useful lives, actual depreciation expense in current period in respect of buildings decreased by SR 6.8 million and increased by SR 7.2 million for furniture & fixtures.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

7 BANKING FACILITIES

	1438H SR	1437H SR
Term loans		
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)	2,825,940,156	1,894,439,282
Facility from a local bank (note (d) below)	842,000,000	842,000,000
	10,667,940,156	9,736,439,282
Less: Deferred financial charges	(204,691,799)	(225,375,263)
Accrued commission on term loans	222,436,802	310,208,332
	10,685,685,159	9,821,272,351
Current portion	(1,064,436,802)	(1,802,208,332)
Long term portion	9,621,248,357	8,019,064,019

- 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 loan carries borrowing costs at commercial rates. The loan is secured by a mortgage of land plots of 30,494 square meters (note 6).

- 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 I. 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. During 1437H, the swap agreements were terminated and amounts previously recognized in equity were transferred to statement of income.

The loan under 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 I 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 I of the project, in addition to revenues of leasing the commercial center and selling some of the Phase I residential units.

- c. On 3 Dhul-Hijjah 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, 4 and 5, including a loan from a local bank with a credit limit of Saudi Riyals 2 billion (already paid) 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 from the date of signing the agreement with a grace period of 4 years. The Company has withdrawn an amount of SR 2.82 billion under the facilities. The loan carries borrowing costs at commercial rates.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

7 BANKING FACILITIES (continued)

c. The Company provided the following securities against the loan:

- Mortgage of the above mentioned stages' lands deeds.
- Endorsing lease contracts of the above mentioned stages.
- Restriction on 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 with a local bank, with an amount of SR 842 million for the purpose of settlement of certain Company's outstanding liabilities. 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).

8 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include but not limited to its shareholders and their subsidiary and associated companies, in addition to the Company's senior management and associate. In the ordinary course of its business, the Company transacts with related parties which are based on prices and terms approved by the management.

The following are the details of major related party transactions during the period and the related balances at 30 Rabi Al Awwal:

Related party	Nature of transaction	Amount of transactions	
		1438H SR	1437H SR
Bank Al Bilad - affiliate	Loan from a local bank (note 7)	-	382,000,000
Senior management employees	Senior management salaries and benefits	1,516,178	1,641,818
Tazej Factory for Food Products - affiliate	Rental revenues from commercial shops	1,411,913	1,433,653
BOD member	Consultation services	-	691,839
Makkah Construction Development Company ("MCDC") – shareholder	Hotel services	-	67,206
Central District Cooling Company – associate	Cooling charges	19,192,250	15,119,293

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances arising from above transactions are as follows:

a) Due from related parties

	1438H SR	1437H SR
Makkah Construction and Development Company (MCDC)	-	50,000,000
Tazej Factory for Food Products	7,468,431	8,334,686
Central District Cooling Company	-	5,955,794
Jabal Khandama Company	-	39,316
	<u>7,468,431</u>	<u>64,329,796</u>

b) Due to related parties

	1438H SR	1437H SR
Makkah Construction and Development Company (MCDC) (see note below)	309,564,950	-
Central District Cooling Company	8,046,612	-
Others	677,598	952,119
	<u>318,289,160</u>	<u>952,119</u>
Less: classified as non-current	<u>(309,564,950)</u>	<u>-</u>
	<u>8,724,210</u>	<u>952,119</u>

The amount due to Makkah Construction and Development Company (MCDC), represents cash paid by them for shares in cash against land of which the Owners were not able to submit the statutory and legal documentation. The amount paid to MCDC during the year ended 30 Dhul-Hijjah 1436H of SR 50 million was offset against the liability recorded during the year 1437H (note 6(b)).

The Company has a capital lease commitment with an associate amounted to SR 484.8 million.

The balances of due from / to related parties are stated under accounts receivable and other assets and accounts payable and other liabilities respectively. However, balance due to MCDC amounting to SR 309 million is classified as long term and included in other non-current liabilities.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

9 REVENUES

	1438H SR	1437H SR
Sale of property for development and sale (see note below)	196,000,000	11,300,000
Lease of commercial centers	21,841,997	35,832,100
Hotels revenues	93,630,028	57,375,940
	311,472,025	104,508,040

During the period, the Company entered into a sales agreement, to sell seven (7) of its residential units of Phase 2 with a party, which was previously, a contractor to the Company, for a consideration of SR 196 million. Simultaneously, the Company entered into a settlement agreement with the same party and agreed to settle the balance payable of equivalent amount with the proceeds from the sale of residential units. The Company has transferred the possession of the residential units as per sale agreement, along-with the associated risks and rewards.

10 EARNING / (LOSS) PER SHARE

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

11 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").
- Real estate development – includes construction and development of property and sale of completed dwellings.
- Property under construction – includes construction and development activities of Hotels under all phases.

Selected financial information as at 30 Rabi Al Awwal and for the period ended therein, summarised by segment, is as follows:

	30 Rabi Al Awwal 1438H				
	Operating Hotels	Commercial Centres	Property for development and sale	Property under construction	Total
	SR	SR	SR	SR	SR
<i>Balance sheet items:</i>					
Current assets	104,301,735	28,713,278	205,724,491	780,234,576	1,118,974,080
Property and equipment	3,873,805,830	-	-	16,792,922,163	20,666,727,993
Investment properties	-	566,715,646	-	-	566,715,646
Other non-current assets	-	-	-	505,194,341	505,194,341
Liabilities	57,289,986	5,707,341	-	12,607,156,513	12,670,153,840
<i>Statement of income items:</i>					
Revenues	93,630,028	21,841,997	196,000,000	-	311,472,025
Net (loss) / income	(71,464,905)	8,775,541	141,989,637	-	79,300,273

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 30 Rabi Al Awwal 1438H

11 SEGMENT REPORTING (continued)

	30 Rabi Al Awwal 1437H				
	<i>Operating Hotels</i>	<i>Commercial Centres</i>	<i>Property for development and sale</i>	<i>Property under construction</i>	<i>Total</i>
	SR	SR	SR	SR	SR
<i>Balance sheet items:</i>					
Current assets	90,327,389	7,656,278	148,687,438	1,473,521,294	1,720,192,399
Property and equipment	3,048,227,922	-	-	14,779,835,428	17,828,063,350
Investment properties	-	559,111,219	-	-	559,111,219
Other non-current assets	-	-	-	708,350,717	708,350,717
Liabilities	44,032,269	-	-	11,349,451,793	11,393,484,062
<i>Statement of income items:</i>					
Revenues	57,375,940	35,832,100	11,300,000	-	104,508,040
Net (loss) / income	(79,243,118)	2,203,887	1,532,395	-	(75,506,836)

12 COMPARATIVE FIGURES

Certain amounts of prior period have been reclassified to conform to the current period presentation.

13 FINANCIAL STATEMENTS APPROVAL

These interim financial statements were approved by the Company's Board of Directors on 17 Rabi' II 1438H (corresponding to 15 January 2017).