

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DHUL HIJJAH 30, 1436H
AND INDEPENDENT AUDITORS' REPORT

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(A Saudi Joint Stock Company)
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Jabal Omar Development Company
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying balance sheet of Jabal Omar Development Company (a Saudi Joint Stock Company) (the "Company") as of Dhul Hijjah 30, 1436H and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (28) which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidences and documents supporting the amounts and notes in the financial statements. An audit also includes assessing the accounting policies used and the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis to express our opinion.

Unqualified opinion

In our opinion, such financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as of Dhul Hijjah 30, 1436H and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia and appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-Laws with respect to the preparation and presentation of financial statements.

Emphasis of matters

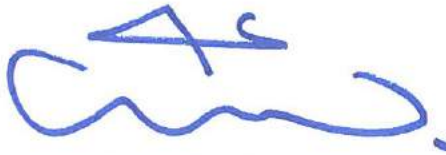
- 1) We draw attention to Note 1 to the accompanying financial statements, which state that as at Dhul Hijjah 30, 1436H, the Company's current liabilities exceeded its current assets. The Company's current liabilities primarily comprise of the current portion of a loan (the "loan") from a Governmental Authority (the "lender") amounting to Saudi Riyals 650 million due for repayment on Rabi' Awwal 21, 1437H (Note 16), and short-term loans amounting to Saudi Riyals 722 million. These conditions indicate 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 funding to enable it to meet its liabilities as they fall due. As further explained in Note 1 to the financial statements, subsequent to the issuance on Muharram 20, 1437H (corresponding to November 2, 2015) of the interim financial statements (unaudited) for the three month period and year ended Dhul Hijjah 30, 1436H, the Company has renegotiated a short term general purpose revolving facility to settle the current portion of the loan and has initiated other measures, to obtain sufficient funding for the Company to meet its obligations as they fall due to enable it to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

To the shareholder of Jabal Omar Development Company (continued)

- 2) We draw attention to Notes 2 and 12 to the accompanying financial statements which disclose the impact on the current year interim unaudited quarterly financial statements reflecting management's application of accounting policy for a specific transaction containing an embedded lease

PricewaterhouseCoopers



Ali A. Alotaibi
License Number 379

Safar 25, 1437H
December 7, 2015



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

		As at Dhul Hijjah 30	
	Note	1436H	1435H
Assets			
Current assets			
Cash and cash equivalents	5	368,893,760	1,031,799,197
Restricted cash	5	674,876,393	-
Accounts receivable and other assets	6	102,526,475	111,169,576
Inventory		3,584,768	828,645
Development property	7	147,055,824	34,148,167
		<u>1,296,937,220</u>	<u>1,177,945,585</u>
Non-current assets			
Restricted cash	5	108,300,000	1,445,742,674
Advances to certain founders	8	314,876,905	292,979,253
Deferred financial charges	9	230,393,977	186,724,588
Investment property	10	568,413,320	337,711,762
Investment in an associate	11	48,462,848	50,462,486
Property, plant and equipment	12	17,433,313,374	15,081,299,975
		<u>18,703,760,424</u>	<u>17,394,920,738</u>
Total assets		<u>20,000,697,644</u>	<u>18,572,866,323</u>
Liabilities			
Current liabilities			
Accounts payable and other liabilities	13	931,122,485	1,223,164,553
Short-term loans	14	721,901,988	460,000,000
Current portion of government loan	16	650,000,000	-
Current portion of liabilities against capital leases	15	11,543,461	-
Zakat payable	25	31,789,373	24,736,316
		<u>2,346,357,307</u>	<u>1,707,900,869</u>
Non-current liabilities			
Long-term loans	16	7,369,666,666	7,264,171,306
Other non-current liabilities	17	290,862,821	188,726,663
Liabilities against capital leases	15	487,779,639	-
Employees' termination benefits	18	7,238,084	5,194,575
Derivative financial instruments	19	112,746,304	102,933,473
		<u>8,268,293,514</u>	<u>7,561,026,017</u>
Total liabilities		<u>10,614,650,821</u>	<u>9,268,926,886</u>
Shareholders' equity			
Share capital	20	9,294,000,000	9,294,000,000
Statutory reserve	21	20,479,314	11,287,291
Hedging reserve	19	(112,746,304)	(102,933,473)
Retained earnings		184,313,813	101,585,619
Total shareholders' equity		<u>9,386,046,823</u>	<u>9,303,939,437</u>
Total liabilities and shareholders' equity		<u>20,000,697,644</u>	<u>18,572,866,323</u>
Contingencies and commitments	28		

The notes from 1 to 28 form an integral part of these financial statements.

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended Dhul Hijjah 30	
		1436H	1435H
Revenues	22	779,427,847	731,172,886
Cost of revenues		(344,974,805)	(205,697,444)
Gross profit		434,453,042	525,475,442
Operating expenses			
General and administrative	23	(112,289,284)	(81,304,742)
Selling and marketing	24	(5,289,502)	(6,999,826)
Provision for doubtful debts	6	(106,253,669)	-
Total operating expenses		(223,832,455)	(88,304,568)
Income from operations		210,620,587	437,170,874
Other income			
Company's share of net (loss) profit of an associate	11	(1,999,638)	462,486
Financial charges	12	(85,525,701)	-
Murabaha investments income		394,842	8,381,519
Other		219,500	708,412
Income before zakat		123,709,590	446,723,291
Zakat	25	(31,789,373)	(24,736,316)
Net income for the year		91,920,217	421,986,975
Earnings per share:	26		
▪ Income from operations		0.227	0.471
▪ Net income for the year		0.099	0.454
Weighted average number of shares outstanding		929,400,000	929,400,000

The notes from 1 to 28 form an integral part of these financial statements.

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended Dhul Hijjah 30	
	Note	1436H	1435H
Cash flow from operating activities			
Net income for the year		91,920,217	421,986,975
<u>Adjustments for non-cash items</u>			
Depreciation of property, plant and equipment	12	56,098,388	10,082,864
Depreciation of investment property	10	25,139,096	23,075,727
Provision for employee termination benefits, net	18	2,043,509	1,538,961
Provision for doubtful debts	6	106,253,669	-
Company's share in net results of an associate	11	1,999,638	(462,486)
Gain from sale of equipment		-	(84,412)
Zakat provision	25	31,789,373	24,736,316
<u>Changes in working capital</u>			
Accounts receivable and other assets		(97,610,568)	(56,952,124)
Inventory		(2,756,123)	(828,645)
Development property	7	122,077,412	122,040,695
Zakat paid	25	(24,736,316)	-
Accounts payable and other liabilities		(189,905,910)	627,640,397
Net cash generated from operating activities		122,312,385	1,172,774,268
Cash flow from investing activities			
Purchase of property, plant and equipment	12	(2,303,139,177)	(38,924,986)
Proceeds from sale of equipment		-	97,000
Purchase of investment property		(692,304)	(255,900)
Additions to construction work-in-progress		-	(2,968,018,805)
Additions to deferred financial charges	9	(60,000,000)	(9,680,000)
Net cash utilised in investing activities		(2,363,831,481)	(3,016,782,691)
Cash flow from financing activities			
Cash received/ (restricted)		662,566,281	(716,325,140)
Repayment of liabilities against capital leases		(5,702,318)	-
Repayment a portion of the syndicated loan		(46,254,640)	-
Net change in advances to certain founders		(21,897,652)	6,192,571
Proceeds from long-term loans		728,000,000	1,037,551,580
Proceeds from short-term loans		261,901,988	460,000,000
Net cash generated from financing activities		1,578,613,659	787,419,011
Net change in cash and cash equivalents		(662,905,437)	(1,056,589,412)
Cash and cash equivalents at beginning of year		1,031,799,197	2,088,388,609
Cash and cash equivalents at end of year	5	368,893,760	1,031,799,197

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Cash flow statement – continued
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended Dhul Hijjah 30	
	Note	1436H	1435H
Supplemental schedule of non-cash information			
Amortization of deferred financial charges capitalised as part of construction work-in-progress	9	16,330,611	25,366,817
Change in the fair value of derivative financial instruments classified under shareholders' equity	19	9,812,831	56,119,004
Reclassification of property, plant and equipment to construction work-in-progress		828,095	-
Development property transferred from construction work-in-progress	7	205,167,655	140,648,379
Investment property transferred from construction work-in-progress	10	255,148,350	-
Repayment of a portion of the syndicated loan by refinancing from a local commercial bank	16	4,000,000,000	-
Property, plant and equipment transferred from construction work-in-progress	12	-	766,650,946
Accrued financial charges capitalised as part of construction work-in-progress		73,750,000	73,958,333
Land transferred from property, plant and equipment to development property	7	29,817,414	15,540,483
Addition of district cooling system related to liabilities against capital leases	12	505,025,418	-

The notes from 1 to 28 form an integral part of these financial statements.

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Hedging reserve	Retained earnings (accumulated losses)	Total
Muharram 1, 1436H		9,294,000,000	11,287,291	(102,933,473)	101,585,619	9,303,939,437
Net income for the year		-	-	-	91,920,217	91,920,217
Transfer to statutory reserve	21	-	9,192,023	-	(9,192,023)	-
Fair value reserve adjustment	19	-	-	(9,812,831)	-	(9,812,831)
Dhul Hijjah 30, 1436H		9,294,000,000	20,479,314	(112,746,304)	184,313,813	9,386,046,823
Muharram 1, 1435H		9,294,000,000	-	(46,814,469)	(309,114,065)	8,938,071,466
Net income for the year		-	-	-	421,986,975	421,986,975
Transfer to statutory reserve	21	-	11,287,291	-	(11,287,291)	-
Fair value reserve adjustment	19	-	-	(56,119,004)	-	(56,119,004)
Dhul Hijjah 30, 1435H		9,294,000,000	11,287,291	(102,933,473)	101,585,619	9,303,939,437

The notes from 1 to 28 form an integral part of these financial statements.

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****1****General information**

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 the Royal Decree number M/63 dated Ramadan 25, 1427H. The incorporation of the Company was declared pursuant to the Ministerial Resolution No. Q/253, dated Shawal 16, 1428H (corresponding to October 28, 2007). The Company's commercial registration number 4031051838 issued in Makkah on Dhul Qa'dah 15, 1428H (corresponding to November 25, 2007).

The Company's main activity is to own Jabal Omar area adjacent to the western side of the Holy Mosque Square 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 by virtue of the Saudi Commission for Tourism and Antiquities (SCTA) letters, where the financial statements include the operating activities of these hotels:

No.	Hotel	Commercial Registration No.	Commercial Registration Date	Letter no. of SCTA	Date of SCTA Letter
1	Hilton Suites Makkah	4031077081	Rajab 15, 1434H	ATM/5887/34	Rabi al-thani 22, 1434H
2	Marriot Hotel Makkah	4031085088	Rajab 8, 1435H	ATM/8332/35	Jumada al-awwal 16, 1435H
3	Hyatt Regency Hotel	4031087547	Dhul Qa'dah 14, 1435H	8957	Rajab 26, 1435H

The Company's project (the "Project") includes seven phases, each phase has a number of podiums and towers. As at Dhul Hijjah 30, 1436H, the Company is still in the stage of developing the Project, where 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. The construction of towers H8, H4, H6, H7, H3, and H9 in area S1 of phase 1 were completed during the year. Also, the Company sold a number of development properties by means of auction in the same area.

As at Dhul Hijjah 30, 1436H, the Company's current liabilities exceeded its current assets by Saudi Riyals 1,049 million. The Company's current liabilities primarily comprise of the current portion of a loan (the "loan") from a Governmental Authority (the "lender") amounting to Saudi Riyals 650 million due for repayment on Rabi' Awwal 21, 1437H (Note 16), and short-term loans amounting to Saudi Riyals 722 million. During the year, the Company's management has also arranged a new financing arrangement of Saudi Riyals 8 billion (Note 16), which is restricted to phases 2, 4 and 5 of the construction project. Subsequent to the issuance on Muharram 20, 1437H (corresponding to November 2, 2015) of the interim financial statements (unaudited) for the three month period and year ended Dhul Hijjah 30, 1436H, management has renegotiated an existing short term, specific purpose facility to a general purpose revolving facility of Saudi Riyals 900 million from a local commercial bank, which contains an option to roll over the facility for another period. Management is intending to use this facility to settle the current portion of the loan and obligations relating to the phase 3 project. The Company's management continue to negotiate with the lender to defer the repayments of the loan for an additional period of 4 years and additional funding to support the construction of the phase 3 project. Management is confident about the favourable outcome of its negotiation with the lender and have a reasonable expectation that the Company will have adequate funding to meet its obligations as and when they become due through its borrowings and operating cash flows to support the construction of all phases of the project. Accordingly, these financial statements have been prepared on a going concern basis.

These financial statements were authorised for issue by the Company's Board of Directors on Safar 25, 1437H (corresponding to December 7, 2015).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention and the accrual basis of accounting as modified by revaluation of derivative financial instruments to fair value through shareholders' equity, and in compliance with accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

Subsequent to the issuance on Muharram 20, 1437H (corresponding to November 2, 2015) of the interim financial statements (unaudited) for the three month period and year ended Dhul Hijjah 30, 1436H, management have recorded the arrangements related to the District Cooling System ("DCS") as a capital lease asset, in accordance with the requirements under accounting standards issued by SOCPA and International Financial Reporting Interpretations Committee ("IFRIC") 4. As a result: a capital asset of Saudi Riyals 467 million and corresponding liability of Saudi Riyals 499 million has been recorded on balance sheet; and, an additional charge of Saudi Riyals 32 million has been recorded in the income statement, reducing net income for the year to Saudi Riyals 91.9 million. Further details are set out in Note 12.

2.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting standards promulgated by SOCPA requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of financial statements as well as the estimation of the amounts of revenues and expenses during the financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have the following risks and might cause material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful life of investment property, property, plant and equipment

The charge related to periodic depreciation is derived after determining the an asset's expected useful life and the expected residual value at the end of its useful life. Increasing an asset's expected useful life or its residual value would result in a reduced depreciation charge in the income statement.

The useful lives of investment property, plant and equipment are determined by the management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience of similar assets as well as anticipation of future events, which may impact their lives.

2.3 Segment reporting

(a) Business segment

A business segment is a group of assets, operations or entities:

- engaged in revenue production activities;
- results of its operations are continuously analysed by the management in order to make decisions related to resources allocation and performance assessment; and
- financial information is separately available.

(b) Geographical segment

The geographical segment is a group of assets, operations or entities engaged in revenue production activities within a particular economic environment that are subjected to risks and returns different from those operating in other economic environments.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Reporting currency

The financial statements of the Company are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at these transactions dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the currency translation at prevailing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks and highly liquid Murabaha investments with maturities of three months or less from the purchase date.

2.6 Restricted cash

Current and non-current restricted cash is classified according to agreements signed with banks (long-term loans).

2.7 Accounts receivable

Accounts receivable are carried at original invoices amounts less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the leases. Such provisions are charged to the income statement. When an account receivable is non-collectable, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited to income statement.

2.8 Inventory

Inventories are carried at the lower of cost or net realizable value. Cost is determined on the basis of the weighted cost average method. The cost of finished products include raw materials, labour and indirect production.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Investment in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Investment in associate is accounted using the equity method and is initially recognised at cost.

The Company's share of its associates' post-acquisition gain or loss is recognised in the income statement, and its share of post-acquisition changes in reserves is recognised in reserves. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Gains and losses arising due to changes in the investment value in an associate are recognised when declared in the Company's income statement.

JABAL OMAR DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.10 Development property

Property held by the Company for future development is classified as development properties and are measured at the lower of cost and net realizable value ("NRV"). Development properties expected to be sold and completed within the next twelve months are classified as current assets. Cost include:

- Freehold and leasehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning and designing costs, site preparation costs, professional fees for legal services, property transfer charges, construction indirect costs and any other related costs.

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.

NRV for completed development properties is assessed with reference to market conditions and prices prevailing at the reporting date and is determined by the Company according to recent market transactions.

The specific cost of development properties is recognised in the income statement on disposal based on the relative sales value of the sold property.

NRV in respect of development properties under construction is assessed with reference to market prices at the reporting date for similar completed properties, less estimated costs of construction work completion.

2.11 Advances to certain founders

This item represents 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 Article of Association. Recipients of such advances are required to compensate the Company for any outstanding balances if they intend to dispose their shares in the Company.

2.12 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment. Land is not depreciated. Depreciation is charged to the income statement using the straight-line method to allocate the related assets costs over the following estimated useful lives:

	Number of Years
• Buildings	25
• Buildings on leased land	8
• Equipment	10
• Furniture and fixtures	10
• Machinery and equipment	6 – 7
• Vehicles	4
• Office equipment	6
• Computers	4

Gains and losses of disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to income statement as and when incurred. Major renewals and improvements, if any, are capitalised and the replaced asset is retired.

Depreciation of fixed assets belonging to hotels is calculated based on 50% of the above-mentioned rate based on the occupancy and operation rate.

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****2 Summary of significant accounting policies (continued)****2.13 Construction work-in-progress**

Construction work-in-progress which comprise the construction of Jabal Omar Project are recognised at cost. Such cost includes consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other attributable costs. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of those assets. The capitalised financing costs are reduced by any realized revenues generated by the Company from the temporary investment of the borrowed funds.

2.14 Deferred financial charges

Costs that are not of future benefit after the current period are charged to the income statement, 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 income statement.

2.15 Investment property

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, furniture and fixtures forming an integral part of the buildings. Investment property is recorded at net historical cost less accumulated depreciation, except for properties under construction recognised at cost. Historical cost includes expenses directly attributable to the acquisition of assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The net carrying amount of the replaced asset is de-recognised. All other repairs and maintenance costs are charged to the income statement during the financial period during which they incurred.

Depreciation on other assets is charged to income statement using the straight-line method to distribute their costs over their estimated useful lives as follows:

	Number of Years
• Buildings	25
• Equipment	10
• Furniture and fixtures	5

The assets' useful lives are reviewed, and adjusted if appropriate, as at each balance sheet date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to income statement as and when incurred. Major renewals and improvements, if any, are capitalised and the replaced assets are retired.

2.16 Leased assets

The Company records the assets acquired under capital leases (implicit or explicit) by recognizing related assets and liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to the income statement applying the straight-line method at the rates applicable to related assets as follows:

	Number of Years
• District cooling system	30

2 Summary of significant accounting policies (continued)

2.17 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 the use value. 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 income statement. Impairment losses recognised on intangible assets are not reversible.

2.18 Borrowings

Borrowings are recognised at the proceeds received less transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of those assets borrowing. Other borrowing costs are charged to the income statement. Financing costs are reduced by any revenues realised by the Company from the temporary investment of the borrowed funds.

2.19 Accounts payable and accruals

Liabilities are recognised for amounts to be paid against goods and services received, whether or not billed to the Company.

2.20 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the liability, and the amount can be reliably estimated.

2.21 Zakat

The Company is subjected to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Provision for zakat for the Company is charged to the income statement. Additional amounts payable under final settlements, if any, are recognised when determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.22 Employee termination benefits

Employee termination benefits required by the Saudi Labour and Workmen Law are recognised by the Company and charged to the income statement. The liability is calculated based on the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on the employees' final salaries and allowance and their cumulative years of service, as stated in the laws of Saudi Arabia.

2 Summary of significant accounting policies (continued)

2.23 Derivative financial instruments

Derivative financial instruments, principally interest rate swap contracts, are initially recognised at cost and re-measured to fair value at subsequent reporting dates by qualified and independent parties. The method of recognizing the gain or loss resulting from revaluation of financial derivatives is determined depending on whether the determined financial derivatives are classified as a hedging instrument, and the nature of the item being hedged (i.e. cash flow hedge or fair value hedge).

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

As at Dhul Hijjah 30, 1436H, the Company held two financial derivatives which are interest rate swap agreements and are classified as a cash flow hedge (Note 19). The Company documented, at the inception of such transactions, the relationship between the hedging instruments and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Company also documents its assessments, at hedge inception and on an ongoing basis, to determine whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The effective portion of changes in the fair value classified and qualified as cash flow hedges instruments is recognised in equity. The gain or loss resulting from the ineffective portion, if any, is recognised immediately in the income statement within other gains or losses.

2.24 Revenues

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

Income from investment property leased under operating leases is recognised in the income statement 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.

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

Hotel revenues are recognised when accommodation service and / or food services are provided.

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

2.25 Selling, marketing and general and administrative 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.

2.26 Operating leases

Rental expenses related to operating leases are charged to the income statement over the lease term.

2.27 Reclassifications

The following amounts in the comparative 1435H financial statements have been reclassified to conform with 1436H presentation:

- (i) For a better presentation, the "construction work-in-progress" item was merged into the property, plant and equipment item at the balance sheet instead of presenting each of them separately.

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Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H

(All amounts in Saudi Riyals unless otherwise stated)

3 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks, including: market risks (including currency risks, fair value risks, cash flow interest rate risks and price risks), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the markets' financial positions and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge against cash flow interest rate risks.

Risk management is carried out by the management under policies approved. Executive management identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The most important types of risks are credit risks, currency risks and fair value risks and cash flow interest rate risks.

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, restricted cash, investment in an associate, long-term borrowings, assets and liabilities against capital leases, derivative financial instruments, accounts payable and other liabilities. Recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset and net amounts are recognised in the financial statements when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on an offset basis, or to recognise the assets and liabilities simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. The Company's management believes that there is no significant currency risk.

3.2 Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risks are exposures to various risks associated with the effect of fluctuations at prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risks arise mainly from its short-term Murabaha deposits and long-term loans, which are at floating commission rates and are subjected to re-pricing on a regular basis. The Company has entered into interest swap contracts to convert the Company's exposure from floating commission rates under certain loan facilities into fixed rates. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks of the Company are adequately managed.

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to equity securities price risk.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its lease revenue, leasing activities and sale of development property by credit.

Credit risk is managed by requiring tenants to pay leases in advance. The credit quality of tenants is assessed based on a review of their credit rating by the Company with independent agencies at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each classification of financial assets.

Sale of development property using credit is managed by requiring customers to pay 100% of the sale price before transferring the legal ownership, therefore, substantially eliminating the Company's credit risk in this respect.

Advances to certain founders will be recovered from the future share of dividends distributed to them. Also, the founders are prevented from disposing their interest in the Company unless they settle any advances received by them. The Company's management believes that credit risk is adequately managed.

Cash is deposited to banks with sound credit ratings. Accounts receivable are recognised after deducting the provision for doubtful debts.

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****3 Financial instruments and risk management (continued)****3.5 Liquidity risk**

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

The Company's current assets exceeded its current liabilities as at Dhul Hijjah 30, 1436H. Current liabilities mainly consist of the current portion of the loan (the "Loan") from the government entity (the "Lender") amounting to Saudi Riyals 650 million due on Rabi Al Awwal 21, 1437H (Note 16), and short-term loans amounting to Saudi Riyals 722 million.

The following is the Company's financial liabilities analysis and net derivative financial liabilities classified into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	2 years to 5 years	Over 5 years
1436H				
Accounts payable and other liabilities	931,122,485	-	-	-
Short-term loans	721,901,988	-	-	-
Other non-current liabilities	-	290,862,821	-	-
Liabilities against capital leases	11,543,461	24,521,406	40,669,500	422,588,733
Long-term loans	650,000,000	1,988,130,897	2,285,013,620	3,096,522,149
Derivative financial instruments	-	-	-	112,746,304
	Less than 1 year	Between 1 and 2 years	From 2 years to 5 years	Over 5 years
1435H				
Accounts payable and other liabilities	1,223,164,553	-	-	-
Short-term loans	460,000,000	-	-	-
Other non-current liabilities	-	109,545,783	79,180,880	-
Liabilities against capital leases	-	-	-	-
Long-term loans	-	750,966,795	930,560,772	5,582,643,739
Derivative financial instruments	-	-	-	102,933,473

3.6 Fair value

Fair value is the value for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are grouped under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through equity. Differences may arise between the carrying value and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

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Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H

(All amounts in Saudi Riyals unless otherwise stated)

4 Segment information

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 centres – 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 Dhul Hijjah 30, 1436H and 1435H, summarised by segment, is as follows:

	Dhul Hijjah 30, 1436H			
	Hotels	Commercial centres	Property development	Total
<u>Total assets comprised of:</u>				
Current assets	106,341,942	15,629,714	1,174,965,564	1,296,937,220
Property, plant and equipment	2,559,328,989	-	14,873,984,385	17,433,313,374
Investment property	-	568,413,320	-	568,413,320
Other non-current assets	-	-	702,033,730	702,033,730
Liabilities	42,847,642	27,617,016	10,544,186,163	10,614,650,821
Revenues	177,657,890	131,269,957	470,500,000	779,427,847
Net income	(85,232,998)	(26,802,292)	203,955,507	91,920,217

	Dhul Hijjah 30, 1435H			
	Hotels	Commercial centres	Property development	Total
<u>Total assets comprised of:</u>				
Current assets	54,453,328	72,036,094	1,051,456,163	1,177,945,585
Property, plant and equipment	770,482,621	-	14,310,817,354	15,081,299,975
Investment property	-	337,711,762	-	337,711,762
Other non-current assets	-	-	1,975,909,001	1,975,909,001
Liabilities	20,613,757	37,629,385	9,210,683,744	9,268,926,886
Revenues	61,626,497	105,146,389	564,400,000	731,172,886
Net income	21,160,427	38,839,519	361,987,029	421,986,975

5 Cash and cash equivalents

	1436H	1435H
Cash on hand	949,420	816,317
Cash at banks	1,151,120,733	1,669,529,935
Murabaha investments	-	807,195,619
	1,152,070,153	2,477,541,871
Less: restricted cash – current	(674,876,393)	-
Restricted cash – non-current	(108,300,000)	(1,445,742,674)
Cash and cash equivalents at end of year	368,893,760	1,031,799,197

Murabaha investments are held with local commercial banks inside the Kingdom of Saudi Arabia with sound credit ratings and yield financial income at prevailing market rates. Cash consisted of amounts deposited with the Bank Albilad, a related party, amounting to Saudi Riyals 70.3 million.

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Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H

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6 Accounts receivable and other assets

	Note	1436H	1435H
Trade receivables		114,166,545	74,721,593
Due from related parties	27	57,760,026	1,887,669
Margin on bank guarantee	28	18,399,984	18,399,984
Prepaid expenses		4,445,803	5,837,069
Margin on letters of credit		-	6,571,461
Accrued revenue		-	889,758
Other		14,007,786	2,862,042
		<u>208,780,144</u>	<u>111,169,576</u>
Less: provision for doubtful debts		(106,253,669)	-
		<u>102,526,475</u>	<u>111,169,576</u>

Movement in provision for doubtful debts is as follows:

	1436H	1435H
Muharram 1	-	-
Additions	106,253,669	-
Dhul Hijjah 30	<u>106,253,669</u>	<u>-</u>

7 Development property

	Note	1436H	1435H
Muharram 1		34,148,167	-
Transferred from property, plant and equipment and construction work-in-progress	12	234,985,069	156,188,862
Cost of development property sold		(122,077,412)	(122,040,695)
Dhul Hijjah 30		<u>147,055,824</u>	<u>34,148,167</u>

8 Advances to certain founders

	1436H	1435H
Muharram 1	292,979,253	299,171,824
Payments	28,605,143	27,477,089
Received amounts	(6,707,491)	(33,669,660)
Dhul Hijjah 30	<u>314,876,905</u>	<u>292,979,253</u>

The Board of Directors recommended in their meeting held on Dhul Qa'dah 20, 1435H (corresponding to September 15, 2014) to continue paying such compensation amounts for certain founders until Dhul Hijjah 30, 1436H. The Company's shareholders approved this recommendation in the Extraordinary General Assembly Meeting held on Jumad-ul-Awal 21, 1436H (corresponding to March 12, 2015).

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Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H

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9 Deferred financial charges

The movement of deferred financial charges for the year as follows:

	1436H	1435H
Muharram 1	186,724,588	202,411,405
Additions	60,000,000	9,680,000
Amortizations capitalised as part of construction work-in-progress	(16,330,611)	(25,366,817)
Dhul Hijjah 30	<u>230,393,977</u>	<u>186,724,588</u>

10 Investment property

	Muharram 1, 1436H	Transfers from construction work-in- progress (Note 12.1)	Additions	Dhul Hijjah 30, 1436H
Cost				
Buildings	255,482,496	191,237,066	-	446,719,562
Equipment	127,730,858	63,911,284	692,304	192,334,446
Furniture and fixtures	608,636	-	-	608,636
	<u>383,821,990</u>	<u>255,148,350</u>	<u>692,304</u>	<u>639,662,644</u>

**Accumulated
Depreciations**

Buildings	(20,438,600)	-	(11,392,418)	(31,831,018)
Equipment	(25,546,172)	-	(13,600,349)	(39,146,521)
Furniture and fixtures	(125,456)	-	(146,329)	(271,785)
	<u>(46,110,228)</u>	<u>-</u>	<u>(25,139,096)</u>	<u>(71,249,324)</u>
	<u>337,711,762</u>			<u>568,413,320</u>

	Muharram 1, 1435H	Transfers from construction work-in- progress (Note 12.1)	Additions	Dhul Hijjah 30, 1435H
Cost				
Buildings	255,482,496	-	-	255,482,496
Equipment	127,730,858	-	-	127,730,858
Furniture and fixtures	352,736	-	255,900	608,636
	<u>383,566,090</u>	<u>-</u>	<u>255,900</u>	<u>383,821,990</u>

**Accumulated
Depreciations:**

Buildings	(10,219,300)	-	(10,219,300)	(20,438,600)
Equipment	(12,773,086)	-	(12,773,086)	(25,546,172)
Furniture and fixtures	(42,115)	-	(83,341)	(125,456)
	<u>(23,034,501)</u>	<u>-</u>	<u>(23,075,727)</u>	<u>(46,110,228)</u>
	<u>360,531,589</u>			<u>337,711,762</u>

During the year ended Dhul Hijjah 30, 1436H construction works related to the commercial Center S2 were finalized, the Company is still in the process of obtaining legal licenses required to operate the market. Accordingly, the Company's management decided not to depreciate the building until commencement of the operation.

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11 Investment in an associate

Investment in an associate is comprised of the following:

	Ownership interest		1436H	1435H
	1436H	1435H		
Central District Cooling Company ("CDCC")	40%	40%	48,462,848	50,462,486

Movement in the investment in an associate is as follows:

	1436H	1435H
Muharram 1	50,462,486	2,000,000
Additions	-	48,000,000
Company's share in net (loss) / income	(1,999,638)	462,486
Dhul Hijjah 30	48,462,848	50,462,486

During the year ended Dhul Hijjah 30, 1435H, the Company increased its in-kind share in CDCC by transferring an amount of Saudi Riyals 48 million from construction work-in-progress to investment in an associate (Note 12).

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12

Property, plant and equipment

1436H	Note	Muharram 1	Additions	Transfers	Transferred to development property	Transferred to investment property	Transferred to investment in an associate	Disposals	Dhul Hijjah 30
Cost									
Land		4,238,724,001	-	-	(29,817,414)	-	-	-	4,208,906,587
Buildings		469,651,897	-	1,543,186,077	-	-	-	-	2,012,837,974
District cooling system		-	505,025,418	-	-	-	-	-	505,025,418
Buildings on leased land		6,275,177	-	-	-	-	-	-	6,275,177
Equipment		183,644,034	883,657	642,937,492	-	-	-	-	827,465,183
Furniture and fixtures		122,302,329	8,996,116	195,678,485	-	-	-	(871,678)	326,105,252
Machinery and equipment		3,116,427	-	-	-	-	-	-	3,116,427
vehicles		1,925,950	-	-	-	-	-	-	1,925,950
Office equipment		455,606	120,646	-	-	-	-	-	576,252
Computers		10,699,795	1,783,741	6,634,604	-	-	-	-	19,118,140
Construction work-in-progress	12.1	10,067,728,022	2,382,263,723	(2,388,436,658)	(205,167,655)	(255,148,350)	-	-	9,601,239,082
		15,104,523,238	2,899,073,301	-	(234,985,069)	(255,148,350)	-	(871,678)	17,512,591,442
Accumulated Depreciations									
Buildings		(3,127,882)	(15,657,608)	-	-	-	-	-	(18,785,490)
District cooling system		-	(12,321,454)	-	-	-	-	-	(12,321,454)
Buildings on leased land		(5,375,735)	(304,643)	-	-	-	-	-	(5,680,378)
Equipment		(3,050,965)	(16,903,958)	-	-	-	-	-	(19,954,923)
Furniture and fixtures		(3,256,400)	(8,795,568)	-	-	-	-	43,583	(12,008,385)
Machinery and equipment		(3,018,666)	(97,574)	-	-	-	-	-	(3,116,240)
vehicles		(1,200,219)	(294,148)	-	-	-	-	-	(1,494,367)
Office equipment		(242,851)	(53,509)	-	-	-	-	-	(296,360)
Computers		(3,950,545)	(1,669,926)	-	-	-	-	-	(5,620,471)
		(23,223,263)	(56,098,388)	-	-	-	-	43,583	(79,278,068)
		15,081,299,975							17,433,313,374

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12 Property, plant and equipment (continued)

1435H	Note	Muharram 1	Additions	Transfers	Transferred to development property	Transferred to investment property	Transferred to investment in an associate	Disposals	Dhul Hijjah 30
Cost									
Land		4,229,264,484	25,000,000	-	(15,540,483)	-	-	-	4,238,724,001
Buildings		-	-	469,651,897	-	-	-	-	469,651,897
District cooling system		-	-	-	-	-	-	-	-
Buildings on leased land		6,275,177	-	-	-	-	-	-	6,275,177
Equipment		-	10,680,220	172,963,814	-	-	-	-	183,644,034
Furniture and fixtures		1,999,856	1,734,568	118,567,905	-	-	-	-	122,302,329
Machinery and equipment		3,116,427	-	-	-	-	-	-	3,116,427
Vehicles		2,251,805	127,500	-	-	-	-	(453,355)	1,925,950
Office equipment		383,606	72,000	-	-	-	-	-	455,606
Computers		3,921,767	1,310,698	5,467,330	-	-	-	-	10,699,795
Construction work-in-progress	12.1	7,955,683,392	3,067,343,955	(766,650,946)	(140,648,379)	-	(48,000,000)	-	10,067,728,022
		<u>12,202,896,514</u>	<u>3,106,268,941</u>	<u>-</u>	<u>(156,188,862)</u>	<u>-</u>	<u>(48,000,000)</u>	<u>(453,355)</u>	<u>15,104,523,238</u>
Accumulated Depreciations									
Buildings		-	(3,127,882)	-	-	-	-	-	(3,127,882)
District cooling system		-	-	-	-	-	-	-	-
Buildings on leased land		(5,061,311)	(314,424)	-	-	-	-	-	(5,375,735)
Equipment		-	(3,050,965)	-	-	-	-	-	(3,050,965)
Furniture and fixtures		(1,068,749)	(2,187,651)	-	-	-	-	-	(3,256,400)
Machinery and equipment		(2,629,114)	(389,552)	-	-	-	-	-	(3,018,666)
Vehicles		(1,370,349)	(270,637)	-	-	-	-	440,767	(1,200,219)
Office equipment		(206,709)	(36,142)	-	-	-	-	-	(242,851)
Computers		(3,244,934)	(705,611)	-	-	-	-	-	(3,950,545)
		<u>(13,581,166)</u>	<u>(10,082,864)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,767</u>	<u>(23,223,263)</u>
		<u>12,189,315,348</u>							<u>15,081,299,975</u>

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12 Property, plant and equipment (continued)

Lands represent the parcel of land property situated in the Jabal Omar area. They were acquired from the Company's founding shareholders by exchange of shares issued at par value of Saudi Riyals 10 each. Valuation of land was prepared and approved by the High Commission of the Development of Makkah Region ("HCDMR"). Legal formalities for the transfer of ownership from founding shareholders to the Company are complete. Additions to land represent plots for which the owners have submitted title deeds for transfer to the Company.

The Company has pledged a portion of its Land as collateral against a government loan from local commercial banks (Note 16).

The Company entered into an agreement (the "Agreement") with the Central District Cooling Company (CDCC), an associate, to construct, operate and maintain a District Cooling System (DCS) for a period of 26.5 years after the date of final commissioning of DCS which was effective Rabi Awwal 9, 1436H (corresponding to December 31, 2014). The DCS is pledged against a loan obtained by CDCC.

Subsequent to the issuance on Muharram 20, 1437H (corresponding to November 2, 2015) of the interim financial statements (unaudited) for the three month period and year ended Dhul Hijjah 30, 1436H, management have recorded the arrangements related to the District Cooling System ("DCS") as a capital lease asset. As the Agreement with CDCC contains an embedded lease arrangement management considered that a more appropriate application of the accounting policy would be for the DCS to be treated as a capital lease in accordance with the requirements under accounting standards issued by SOCPA and IFRIC 4.

As a result of the recognition of the DCS as a capital lease asset, the property, plant and equipment as at Rabi Awwal 29, 1436H, Jumada Thani 30, 1436H, Ramadan 29, 1436H and Dhul Hijjah 30, 1436H are increased by Saudi Riyals 498 million [revised balance Saudi Riyals 16,141 million], Saudi Riyals 487 million [revised balance Saudi Riyals 16,719 million], Saudi Riyals 475 million [revised balance Saudi Riyals 17,413 million] and Saudi Riyals 468 million [revised balance Saudi Riyals 17,433 million], respectively; and, liabilities against finance lease are increased by Saudi Riyals 502 million [revised balance Saudi Riyals 502 million], Saudi Riyals 501 million [revised balance Saudi Riyals 501 million], Saudi Riyals 500 million [revised balance Saudi Riyals 500 million] and Saudi Riyals 499 million [revised balance Saudi Riyals 499 million], respectively; and, retained earnings and statutory reserve are decreased by Saudi Riyals 4 million [revised balance Saudi Riyals 258 million], Saudi Riyals 14 million [revised balance Saudi Riyals 323 million], Saudi Riyals 25 million [revised balance Saudi Riyals 332 million] and Saudi Riyals 31 million [revised balance Saudi Riyals 205 million], respectively.

The net income reported for the three months period ended Q1, Q2, Q3, and Q4 1436H are reduced by Saudi Riyals 4.1 million, Saudi Riyals 10.3 million, Saudi Riyals 10 million and Saudi Riyals 7 million, respectively. The revised income statement line items as a result of the changes include: increase in cost of revenue by Saudi Riyals 16.4 million (revised cost of revenue Saudi Riyals 345 million) and for the three months ended Q1, Q2, Q3, Q4 1436H by Saudi Riyals 2.4 million, Saudi Riyals 5.3 million, Saudi Riyals 5 million and Saudi Riyals 3.7 million, respectively; and, increase in finance charges by Saudi Riyals 15 million (revised finance charges Saudi Riyals 85.5 million) and for the three months ended Q1, Q2, Q3, Q4 1436H by Saudi Riyals 1.7 million, Saudi Riyals 5 million, Saudi Riyals 5.1 million and Saudi Riyals 3.3 million, respectively.

Earnings (loss) per share for each of the three months period ended Q1, Q2, Q3 and Q4 1436H are Saudi Riyals 0.156 per share, Saudi Riyals 0.070 per share, Saudi Riyals 0.009 per share and Saudi Riyals (0.136) per share, respectively.

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Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H
(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment (continued)

12.1 Construction work-in-progress

	Muharram 1	Additions	Transferred to investment property	Transferred to property, plant and equipment	Transferred to development property	Transferred to investment in an associate	Reclassification	Dhul Hijjah 30
1436H								
Cost								
Property under construction	7,086,774,257	1,596,044,487	(205,100,054)	(1,810,368,334)	(120,052,557)	-	-	6,547,297,799
Borrowing costs on qualifying assets	649,886,855	372,250,396	(26,920,811)	(232,515,194)	(23,614,748)	-	-	739,086,498
Project management and supervision	410,882,679	135,543,160	(10,950,608)	(66,580,203)	(6,114,263)	-	-	462,780,765
Engineering consultancy and model replica	368,064,254	26,047,938	(2,775,516)	(38,704,595)	(2,149,936)	-	-	350,482,145
Furniture and fixtures	132,771,531	200,837,254	-	(170,054,943)	(23,600,714)	-	-	139,953,128
Location levelling	112,809,052	5,173,900	(1,118,462)	(7,992,648)	(783,610)	-	-	108,090,232
Demolition and removal of debris	36,213,049	387,687	(326,213)	(2,456,207)	(264,300)	-	-	33,554,016
Professional and financial consultancy fees	34,419,288	9,887,533	(1,314,961)	(8,018,694)	(948,894)	-	-	34,024,272
Hotel consultancy	29,473,636	4,897,909	(136,286)	(4,449,694)	(109,388)	-	-	29,676,177
Advances to contractors	1,027,231,984	(154,466,653)	-	-	-	-	-	872,765,331
Other	179,201,437	185,660,112	(6,507,439)	(47,296,146)	(27,529,245)	-	-	283,528,719
	10,067,728,022	2,382,263,723	(255,148,350)	(2,388,436,658)	(205,167,655)	-	-	9,601,239,082

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(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment (continued)

12.1 Construction work-in-progress (continued)

	Muharram 1	Additions	Transferred to investment property	Transferred to property, plant and equipment	Transferred to development property	Transferred to investment in an associate	Reclassification	Dhul Hijjah 30
1435H								
Cost								
Property under construction	5,695,877,619	1,986,140,710	-	(493,979,740)	(95,254,673)	(48,000,000)	41,990,341	7,086,774,257
Borrowing costs on qualifying assets	443,455,039	324,210,406	-	(101,637,925)	(16,140,665)	-	-	649,886,855
Project management and supervision	314,873,516	123,612,551	-	(23,141,069)	(4,462,319)	-	-	410,882,679
Engineering consultancy and model replica	340,591,193	47,027,181	-	(17,877,746)	(1,676,374)	-	-	368,064,254
Furniture and fixtures	146,189,196	113,073,701	-	(107,591,397)	(18,899,969)	-	-	132,771,531
Location levelling	109,832,024	7,268,065	-	(3,597,355)	(693,682)	-	-	112,809,052
Demolition and removal of debris	36,180,910	1,426,751	-	(1,169,161)	(225,451)	-	-	36,213,049
Professional and financial consultancy fees	29,416,623	8,324,151	-	(2,784,540)	(536,946)	-	-	34,419,288
Hotel consultancy	27,895,112	2,649,160	-	(989,346)	(81,290)	-	-	29,473,636
Advances to contractors	667,244,157	359,987,827	-	-	-	-	-	1,027,231,984
Other	144,128,003	93,623,452	-	(13,882,667)	(2,677,010)	-	(41,990,341)	179,201,437
	7,955,683,392	3,067,343,955	-	(766,550,946)	(140,648,379)	(48,000,000)	-	10,067,728,022

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi joint stock company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****13 Accounts payable and other liabilities**

	Note	1436H	1435H
Contractors' accrued balances		698,936,528	705,222,784
Retention payable		355,958,158	254,879,301
Accounts payables		-	244,977,328
Advances from customers		51,939,007	127,875,222
Hotel accounts payable		39,866,042	21,061,567
Accrued expenses		5,122,432	18,728,903
Accrued financial charges		18,860,354	17,984,461
Unearned revenue	13.1	21,388,932	13,383,305
Due to related parties	27	23,306,616	1,293,610
Accrued withholding tax		437,653	334,377
		<u>1,215,815,722</u>	<u>1,405,740,858</u>
Less: Non-current portion of retention payable	17	<u>(284,693,237)</u>	<u>(182,576,305)</u>
		<u>931,122,485</u>	<u>1,223,164,553</u>

13.1 Unearned revenues represent advanced lease payments received from tenants of commercial centres.

14 Short-term loans

Short-term loans represent Murabaha financing facilities obtained from local commercial banks. Financial charges are recognised at prevailing market rates which are based on Saudi inter-bank offer rate ("SIBOR"). Utilised balance of the credit limit for short-term loans as at Dhul Hijjah 30, 1436H amounted to Saudi Riyals 722 million (Dhul Hijjah 30, 1435H: Saudi Riyals 460 million). Short-term loans are secured by promissory notes from the Company.

15 Liabilities against capital leases**15.1 Lease liabilities at Dhul Hijjah 30 are as follows:**

	1436H	1435H
Total value of minimum future lease payments	797,208,331	-
Finance charges	(297,885,231)	-
Present value of minimum lease payments	<u>499,323,100</u>	<u>-</u>

At Dhul Hijjah 30, liabilities against capital leases are presented in the balance sheet as follows:

	1436H	1435H
Current portion	11,543,461	-
Non-current portion	<u>487,779,639</u>	<u>-</u>
	<u>499,323,100</u>	<u>-</u>

15.2 The future minimum lease payments as at Dhul Hijjah 30 are as follows:

	1436H	1435H
1437H	31,365,574	-
1438H	31,365,574	-
1439H	31,365,574	-
1440H	31,365,574	-
1441H and thereafter	671,746,036	-
	<u>797,208,332</u>	<u>-</u>

The present value of minimum lease payments has been discounted at an effective interest rate of approximately 4% per annum.

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi joint stock company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****16 Long-term loans**

	Note	1436H	1435H
Government loan	16.1	3,000,000,000	3,000,000,000
Syndicated loan – paid	16.2	-	4,046,254,640
Loan from a local bank – Saudi Riyals 4 billion	16.3	4,000,000,000	-
Loan from a local bank – Saudi Riyals 2 billion	16.4	728,000,000	-
		<u>7,728,000,000</u>	<u>7,046,254,640</u>
Accrued financial charges related to government loan	16.1	291,666,666	217,916,666
Less: current portion of government loan classified under current liabilities	16.1	(650,000,000)	-
		<u>7,369,666,666</u>	<u>7,264,171,306</u>

16.1 Government loan

The Company signed a loan agreement with a government entity to develop Jabal Omar area with an amount of Saudi Riyals 3 billion, which was fully withdrawn during the past years. The Company obtained the government entity approval to postpone the beginning of loan repayment, banking commission and the grace period commission for two extra years, so that the grace period becomes 4 years. The loan is not subjected to financing expenses at Saudi banks prevailing interest rates. The loan and its financial charges are due over 6 Georgian annual instalments starting from January 1, 2016 (corresponding to Rabi Al Awwal 21, 1437H). The loan is secured by mortgage of land parcels with a total area of 30,611 square meters (Note 12).

16.2 Syndicated loan – paid

On Dhul Hijjah 6, 1433H (corresponding to July 25, 2012), the Company's management signed with a group of Saudi banks ("the Syndicate") an Islamic syndicated loan agreement under Islamic Ijara system whereby the Syndicate provides a loan of Saudi Riyals 5 billion to be allocated for the completion of phase 1 of the Company's project ("Jabal Omar") with a financial period of 12 years and a grace period of 4 years. The loan is due over quarterly instalments starting at Dhul Hijjah 28, 1437H (corresponding to September 30, 2016). The loan incurs financial charges at prevailing market rates based on SIBOR for a period of 360 days payable on quarterly instalments as of the start of loan payments. As at Dhul Hijjah 14, 1435H, the loan balance amounted to Saudi Riyals 4,046 million (Dhul Hijjah 30, 1434H: Saudi Riyals 4,046 million) as part of the total syndicated loan amount. The Company provided the following as securities for the loan:

- The Company deposited Saudi Riyals 653 million as restricted cash with one of the Syndicate's banks for the completion of phase 1 under the syndicated loan agreements as at Rabi Al Thani 14, 1436H.
- Under the syndicated loan agreements, the Company deposited amounts collected from leased commercial stores and proceeds from development properties clients amounting to Saudi Riyals 981 million as at Rabi Al Thani 14, 1436H as restricted cash with one of the Syndicate's banks.
- A member bank of the Syndicate retained deeds of the project's land with an area of 94,665 square meters (Note 12).
- The Company has signed two promissory notes amounting to Saudi Riyals 5 billion to one member bank of the Syndicate.
- The Company has transferred the present and future beneficiary right of the Company's owned insurance policies to a member bank of the Syndicate.
- The Company has transferred the beneficiary ownership of guarantees provided by a contractor of Jabal Omar Project amounting to Saudi Riyals 201 million to a member bank of the Syndicate.

Also, the Company has entered into two hedging agreements to hedge against interest rates risk resulting from fluctuation in transaction rate of the syndicated loan facilities (Note 19).

This loan was repaid as explained in Note 16.3

JABAL OMAR DEVELOPMENT COMPANY

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Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H

(All amounts in Saudi Riyals unless otherwise stated)

16 Long-term loans (continued)

16.3 Loan from a local bank – Saudi Riyals 4 billion

As at Rabi Al Thani 15, 1436H (corresponding to February 4, 2015), the Company's management signed an Islamic financial agreement with a commercial local bank amounting to Saudi Riyals 4 billion whereby the bank shall finance the Company with an amount of Saudi Riyals 4 billion to settle the amount drawn from the syndicated loan related financing S1 (Note 16.2) so called refinancing process, on the basis of which the entire syndicated loan amount has been settled and the difference of Saudi Riyals 46,254,640 of the retained amounts is covered. The balance of the retained amounts has been transferred to the bank and classified by the Company under current assets due to this agreement while maintaining the two hedging agreements. The refinancing agreement has been signed with the bank as per the following terms and advantages:

- A grace period of 3 years instead of 2 years.
- Repayment period of 12 years instead of 8 years as for the previous loan.
- Possible distribution of profits to shareholders in case of available surplus in the company's revenues over instalments due to the bank.
- Decrease of commission
- Retrieving property deeds located outside tS1 areas, currently given to banks.
- Decrease of administrative fees due to dealing with one bank instead of six banks.
- Such financing is allocated to cover the costs of construction of phase 1 of the project (S1, S2, N2, N3). The refinancing period is 15 years including the 3 years grace period. Repayment shall commence as at September 2017.

The Company provided securities comprising the phase 1 land deeds of the Company's project in Makkah 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 market and selling some of the phase 1 residential units.

16.4 Loan from a local bank – Saudi Riyals 2 billion

As at Rajab 28, 1436H (corresponding to March 17, 2015), the Company's management signed a long-term Islamic financing agreement amounting to Saudi Riyals 2 billion with two local banks. The loan will be used to complete construction of buildings S3 and S4 of phase 2 of the Company's Projects. Financial charges are recognized at prevailing market rates which are based on SIBOR.

In exchange of such a loan, the Company gave the following securities:

- Negative mortgage of the land deeds of phase 2 (S3 and S4).
- Endorsing commercial stores contracts related to phase 2.
- Mortgage of banking accounts related to phase 2.
- Endorsing insurance policy related to phase 2.
- Release of letters of guarantee extended by phase 2 contractor.
- Signing a direct agreement with the contractor and hotels operators in phase 2.
- Promissory Note by the Company to the bank.

16.5 Loan from a local bank – Saudi Riyals 8 billion

As at Dhul Hijjah 3, 1436H (corresponding to September 16, 2015), the Company's management signed an Islamic syndicated loan agreement under Islamic Ijara system with an amount of Saudi Riyals 2 billion with two local banks. Such loan shall be used to repay all bank liabilities related to S2 and S4 including a loan from a local bank with a credit limit of Saudi Riyals 2 billion (Note 16.4) and another short-term liability (Note 14) in addition to completing the construction of phases 2 and 4 and executing phase 5. Financial charges are recognized at prevailing market rates based on SIBOR over a period of 12 years as of the date of signing the agreement with a grace period of 4 years. The company has 3 months as of the signing date to fulfil conditions required for the execution of the agreement. In exchange of the loan, the Company gave the following securities:

- 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.

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi joint stock company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****16 Long-term loans (continued)****16.6 Maturity of long-term loans**

	1436H	1435H
1437H	650,000,000	767,413,417
1438H	637,500,000	932,805,063
1439H	1,350,630,897	1,017,453,687
1440H	747,135,093	1,055,167,554
1441H and thereafter	4,634,400,676	3,273,414,919
	<u>8,019,666,666</u>	<u>7,046,254,640</u>

17 Other non-current liabilities

	Note	1436H	1435H
Non-current portion of retention payable	13	284,693,237	182,576,305
Refundable deposits		6,169,584	6,150,358
		<u>290,862,821</u>	<u>188,726,663</u>

Refundable deposits represent amounts received from tenants in the commercial centre area, these amounts are refundable at the end of the contract period or in case of lease termination according to contract terms.

18 Employee termination benefits

	1436H	1435H
Muharram 1	5,194,575	3,655,614
Provision	3,015,637	1,786,848
Paid	(972,128)	(247,887)
Dhul Hijjah 30	<u>7,238,084</u>	<u>5,194,575</u>

19 Derivative financial instruments

On Jumada Al Awwal 7, 1434H (corresponding to March 19, 2013) the Company entered into two swap agreements with two local commercial banks to hedge against future adverse fluctuations in interest rates on part of the syndicated loan (Note 16.2) for an amount of Saudi Riyals 1,980 million over a period of 9 years and at fixed interest rate of 3.34% per annum. The Company classified the swap contracts as a cash flow hedge.

As explained in (Note 16.3), the Company's management refinanced the syndicated loan with a long-term borrowing from a local commercial bank. The Company's management sought the assistance of a third party to evaluate the effectiveness of the instrument and concluded that the hedge is effective.

The fair values of derivative financial instruments together with the contracts amounts were as follows:

	Contracts amount	Positive fair value	Negative fair value
Dhul Hijjah 30, 1436H	1,980,000,000	-	(112,746,304)
Dhul Hijjah 30 1435H	1,980,000,000	-	(102,933,473)

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi joint stock company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****20 Share capital**

As at Dhul Hijjah 30, 1436H and 1435H, the Company's share capital comprised of 929,400,000 shares stated at Saudi Riyals 10 per share as follows:

	Note	1436H	1435H
Public shares		4,594,000,000	4,594,000,000
Shares in-kind against land and other costs	12	4,340,435,050	4,340,435,050
Cash shares in issue		359,564,950	359,564,950
		<u>9,294,000,000</u>	<u>9,294,000,000</u>

The Company is 11.4% owned by Makkah Construction and Development Company, a Saudi Joint Stock Company, ("MCDC") (including 1.3% as properties value which are under transferring process to the ownership of the Company), and 88.6% is being owned by public shareholding and other shareholders.

In accordance with (Article 8/2) of the Company's Article of Association, cash shares issued represent cash balances deposited by MCDC against property of which owners did not submit relevant legal documents. These shares will be waived when this occurs.

21 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of net income, after absorption of accumulated losses, to a statutory reserve until such reserve equals 50% of its share capital. During the year ended Dhul Hijjah 30, 1436H an amount of Saudi Riyals 9,192,023 was transferred to this reserve (1435H: Saudi Riyals 11,287,291). This reserve currently is not available for distribution to the Company's shareholders.

22 Revenues

	Note	1436H	1435H
Sale of development property	27	470,500,000	564,400,000
Lease of commercial centers	27	131,269,957	105,146,389
Hotel revenue		177,657,890	61,626,497
		<u>779,427,847</u>	<u>731,172,886</u>

23 General and administrative expenses

	1436H	1435H
Salaries and wages	59,297,468	52,971,803
Hotels	37,751,335	-
Training	4,598,154	-
Facilities	212,878	8,833,402
Professional fees	1,684,343	4,291,451
Administrative publications	2,647,912	2,784,450
Maintenance	212,916	2,471,321
Depreciation	1,713,770	1,688,601
Attendance allowances for board meetings	288,000	69,000
Other	3,882,508	8,194,714
	<u>112,289,284</u>	<u>81,304,742</u>

24 Selling and marketing expenses

	1436H	1435H
Advertising and promotions	4,447,202	4,864,694
Exhibitions and sponsorship	842,300	2,135,132
	<u>5,289,502</u>	<u>6,999,826</u>

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi joint stock company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****25 Zakat and tax matters****25.1 Components of zakat base**

	1436H	1435H
Adjusted net income		
Net income before zakat	123,709,590	446,723,291
Provisions provided during the year	109,269,306	1,786,848
Depreciation differences	(203,689,061)	(31,676,885)
Gain from disposal of equipment	-	(84,412)
Share of net income of an associate	1,999,638	(462,486)
Adjusted net income	31,289,473	416,286,356
Zakat base		
Share capital	9,294,000,000	9,294,000,000
Retained earnings	101,585,619	-
Statutory reserve	11,287,291	-
Provision for employee termination benefits	4,222,447	3,407,727
Adjusted net income	31,289,473	416,286,356
Long-term loans used to finance long-term zakat assets	8,019,666,666	7,264,171,306
Accounts payable and accruals for contractors	698,936,528	950,200,112
Accrued financial charges	18,860,354	17,984,461
Retention payable	355,958,158	254,879,301
Short-term loans used to finance zakat assets	721,901,988	460,000,000
Withholding tax	437,653	334,377
Liabilities against capital leases to finance fixed assets	499,323,100	-
Liabilities from a related party to finance fixed assets	16,176,630	-
Less:		
Accumulated losses	-	(309,114,065)
Investment in an associate	(48,462,848)	(50,462,486)
Share of net income of an associate	(1,999,638)	462,486
Property, plant and equipment and investment property	(17,798,037,633)	(5,319,522,417)
Construction work-in-progress	-	(10,067,728,022)
Advances to certain founders	(314,876,905)	(292,979,253)
Deferred financial charges	(230,393,977)	(186,724,588)
Restricted cash against loans	(108,300,000)	(1,445,742,674)
Zakat base	1,271,574,906	989,452,621

Zakat is payable at 2.5% of the amended net income.

25.2 Provision for zakat

	1436H	1435H
Muharram 1	24,736,316	-
Provision	31,789,373	24,736,316
Paid	(24,736,316)	-
Dhul Hijjah 30	31,789,373	24,736,316

25.3 Zakat and tax status

- a) The Company has filed its zakat status for the financial year ended on Dhul-Hijjah 29, 1434H, and received a restricted certificate. The DZIT issued the zakat assessment for the period from Ramadan 23, 1427H to Shawwal 15, 1428H, and for the period from Shawwal 16, 1428H to Dhul Hijjah 30, 1429H and the year 1430H amounting to Saudi Riyals 30.1 million. The Company objected to the resolution. The Preliminary Objection Committee favored the DZIT; accordingly the Company appealed with the Appeal Committee and submitted a bank guarantee of Saudi Riyals 29.1 million (Note 28).

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi joint stock company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****25 Zakat and tax matters (continued)****25.3 Zakat and tax status (continued)**

- b) The DZIT also issued an assessment of the Company's withholding tax for the period Dhul Qa'ada 29, 1426H to Dhul Hijjah 30, 1430H with an amount of Saudi Riyals 12 million. The Company's objection was forwarded to the Preliminary Objection Committee (POC). The POC issued its decision and supported the DZIT. The Company settled Saudi Riyals 8 million and appealed against the decision of the POC. The Company submitted a bank guarantee of Saudi Riyals 2.8 million (Note 28).
- c) During the year 1435H, the DZIT raised assessment for the years from 1431H to 1433H with additional zakat and withholding tax amounting to Saudi Riyals 23.8 million. The Company objected to the assessments.
- d) The Company filed its Zakat assessments for the two years ended on 1435H and 1434H and obtained a restricted Zakat certificate. The DZIT did not complete the review of the Company's assessments for the said years.

26 Earnings per share

Earnings per share for the years ended on Dhul Hijjah 30, 1436H and 1435H, were calculated by dividing the income from operations and net income for each year by the weighted average number of shares outstanding during the year.

27 Related party matters**27.1 Related party transactions**

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarised as follows:

Name	Related party	1436H	1435H
Loan from a local bank	Al-Bilad Bank	460,000,000	-
Cooling services	CDCC	67,840,073	42,288,733
Cash transfer	MCDC	50,000,000	-
Construction work-in-progress	CDCC	16,176,630	10,252,680
Senior management's salaries and other benefits	Executive management	6,047,066	6,291,200
Revenue from leasing commercial stores	Board member	4,258,297	4,246,299
Attendance allowances for board meetings	Board member	288,000	69,000
Consultancy services	Board member	2,000,000	2,524,075
Hotel services from a shareholder	MCDC	59,120	663,090
Expenses paid on their behalf	Jabal Khandama Company	43,188	-
Purchase of property, plant and equipment	Board member	-	9,192
Funds paid against transfer of land deeds to the Company land	MCDC	-	25,000,000
Investment in an associate by a capitalised in-kind shareholding transferred from capital work in progress	CDCC	-	48,000,000
Revenues from sale of development property	Board member	-	124,200,000

The Company's headquarters was established on a property owned by the Chairman of the Company's previous Board of Directors. The Company was not charged a rental fee for the use of this property during the years ended on 1436H and 1435H.

JABAL OMAR DEVELOPMENT COMPANY**(A Saudi joint stock company)****Notes to the financial statements for the year ended Dhul Hijjah 30, 1436H****(All amounts in Saudi Riyals unless otherwise stated)****27 Related party matters (continued)****27.2 Due from related parties**

	1436H	1435H
Makkah Development and Construction Company	50,000,000	-
Tazaj Food Industries Factory	7,716,838	-
Jabal Khandama Company	43,188	-
Central District Cooling Company	-	1,887,669
	57,760,026	1,887,669

27.3 Due to related parties

	1436H	1435H
Central District Cooling Company	22,416,448	-
Abnia Consulting Engineers	-	400,000
Other	890,168	893,610
	23,306,616	1,293,610

28 Contingencies and commitments

- (a) As at Dhul Hijjah 30, 1436H, the Company has entered into contractual commitments amounted to Saudi Riyals 18.251 million (Dhul Hijjah 30, 1435H: Saudi Riyals 17,256 million). The costs incurred on Jabal Omar Project's capital work as at Dhul Hijjah 30, 1436H amounted to Saudi Riyals 13,674 million (Dhul Hijjah 30, 1435H: Saudi Riyals 10,381 million).
- (b) During the year 1433H, the Company received a letter from Makkah Development and Construction Company requesting compensation for financial services and guarantees that have been provided to Jabal Omar Development Company since incorporation amounting to Saudi Riyals 207 million. Due to the absence of an agreement governing the relationship between the parties concerning the financial services and guarantees, the board of directors has recommended to assign the claim to a council to come up with the appropriate amount according to "Ihsan" principle then presents the results to the General Assembly to gain approval.
- (c) As at Dhul Hijjah 30, 1436H, the Company obtained a bank guarantee from a local bank amounting to Saudi Riyals 29.1 million extended to DZIT against the zakat assessment of which 50% was restricted (Note 25).
- (d) As at Dhul Hijjah 30, 1436H, the Company obtained a bank guarantee from a local bank amounting to Saudi Riyals 2.8 million extended to DZIT against withholding tax assessment for the period from Dhul Qidah 29, 1426H to Dhul Hijjah 30, 1430H. The amount was fully restricted. (Note 25).
- (e) As at Dhul Hijjah 30, 1436H, the Company obtained a bank guarantee from a local commercial bank amounting to Saudi Riyals 1 million for the Ministry of the Interior against the Company's license to perform private civil security services.