

**KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (Unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2011 AND INDEPENDENT
ACCOUNTANTS' LIMITED REVIEW REPORT**

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

October 19, 2011

To the Shareholders of Kingdom Holding Company:
(A Saudi Joint Stock Company)

Scope of review

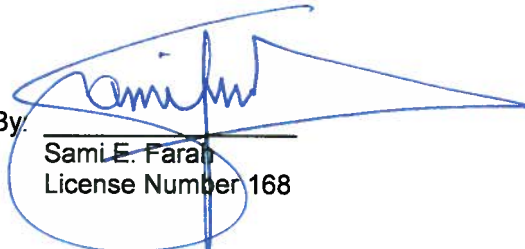
We have reviewed the accompanying interim consolidated balance sheet of Kingdom Holding Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of September 30, 2011 and the related interim consolidated statements of income for the three-month and nine-month periods then ended, and the interim consolidated statements of cash flows and changes in shareholders' equity for the nine-month period ended September 30, 2011 and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, 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 consolidated financial statements for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group.

PricewaterhouseCoopers

By: 
Sami E. Farah
License Number 168

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Interim consolidated balance sheet (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

		<u>September 30,</u>	
	Note	2011	2010
Assets			
Current assets			
Cash and cash equivalents		1,012,471	1,167,725
Held for trading investments		239,210	-
Accounts receivable and other assets		1,369,363	1,310,219
Net assets held for sale		139,500	138,800
		<u>2,760,544</u>	<u>2,616,744</u>
Non-current assets			
Available for sale investments	3	7,670,398	8,854,338
Investments in associates	4	17,304,118	16,581,111
Investments in real estate		1,876,867	1,528,352
Property and equipment, net		7,843,848	9,161,032
Intangible assets	5	1,626,475	1,844,819
Other long term assets		107,217	130,757
		<u>36,428,923</u>	<u>38,100,409</u>
Total assets		<u>39,189,467</u>	<u>40,717,153</u>
Liabilities			
Current liabilities			
Bank borrowings and term loans	6	755,240	1,483,488
Accounts payable and other liabilities		1,117,622	1,251,547
Dividends payable	7	137,581	-
		<u>2,010,443</u>	<u>2,735,035</u>
Non-current liabilities			
Term loans	6	11,428,375	10,453,769
Other long term liabilities		702,231	673,293
		<u>12,130,606</u>	<u>11,127,062</u>
Total liabilities		<u>14,141,049</u>	<u>13,862,097</u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital	8	37,058,823	37,058,823
Statutory reserve		181,545	121,020
Retained earnings		1,099,072	1,023,540
Unrealized loss from available for sale investments	3	(13,695,336)	(12,649,036)
Foreign currency translation adjustments and other		(116,018)	(52,605)
Total shareholders' equity		<u>24,528,086</u>	<u>25,501,742</u>
Minority interests		520,332	1,353,314
Total equity		<u>25,048,418</u>	<u>26,855,056</u>
Total liabilities and equity		<u>39,189,467</u>	<u>40,717,153</u>

Contingencies

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The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Interim consolidated income statement (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

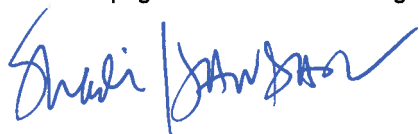
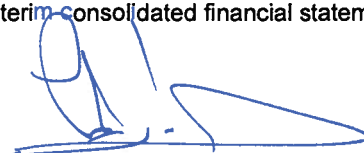
	Note	Three-month periods ended September 30,		Nine-month periods ended September 30,	
		2011	2010	2011	2010
Revenues					
Hotels and other operating revenues		515,033	519,153	1,604,008	2,036,328
Sales of real estate		-	-	250,000	-
Dividends income		21,739	17,493	70,788	55,266
(Loss)/income from associates, net	4	(71,458)	(9,444)	(164,154)	235,992
Income from and gain on investments and other, net	9	356,509	270,063	611,880	340,329
Other		11,333	28,654	93,945	89,059
Total revenues		833,156	825,919	2,466,467	2,756,974
Costs and expenses					
Hotels and other operating costs		(347,988)	(365,070)	(1,089,656)	(1,439,161)
Cost of real estate		-	-	(160,483)	-
General and administrative		(115,105)	(115,517)	(327,345)	(355,537)
Total costs and expenses		(463,093)	(480,587)	(1,577,484)	(1,794,698)
Gross profit		370,063	345,332	888,983	962,276
Depreciation and amortization		(54,964)	(55,537)	(175,795)	(216,654)
Finance charges, net		(104,309)	(103,087)	(311,312)	(318,441)
Reversal of impairment loss	10	-	-	96,300	-
Income from operations		210,790	186,708	498,176	427,181
Minority interests		5,169	(6,789)	4,159	(2,743)
Income before zakat and tax		215,959	179,919	502,335	424,438
Zakat and tax	11	(18,280)	(19,907)	(50,538)	(53,777)
Net income for the period		197,679	160,012	451,797	370,661
Earnings per share (Saudi Riyals):					
▪ Income from operations		0.06	0.05	0.13	0.12
▪ Net income for the period		0.05	0.04	0.12	0.10

The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Nine-month periods ended	
		September 30, 2011	September 30, 2010
Cash flow from operating activities			
Income before zakat and tax		502,335	424,438
<u>Adjustments for non-cash items</u>			
Depreciation and amortization		175,795	216,654
Loss/(income) from associates, net	4	164,154	(235,992)
Income from and gain on investments and other, net	9	(611,880)	(340,329)
Reversal of impairment loss	10	(96,300)	-
<u>Changes in working capital</u>			
Accounts receivable and other assets		(504,115)	(445,440)
Other long term assets		21,053	63,935
Accounts payable and other liabilities		814,108	213,603
Other long term liabilities		26,296	(51,549)
Zakat and tax paid		(15,893)	(46,277)
Net cash generated from/(utilized in) operating activities		475,553	(200,957)
Cash flow from investing activities			
Net assets held for sale		-	167,250
Movement in held for trading Investment		(148,754)	-
Acquisition of available for sale investments		-	(4,079)
Acquisition of additional ownership in a subsidiary	1	-	(1,387,508)
Reclassification of subsidiary, net of cash		(245,137)	(293,340)
Advances to associates		-	(210,407)
Dividends from associates and others, net		-	(146,976)
Proceeds from sale of investments in associates		-	543,750
Additions to investments in real estate		(253,875)	(227,315)
Property and equipment, net		(21,190)	(606,218)
Intangible assets		(26,659)	48,624
Net cash utilized in investing activities		(695,615)	(2,116,219)
Cash flow from financing activities			
Loans and bank borrowings, net		338,338	1,231,132
Dividend paid		(412,743)	-
Minority interests, net		8,333	20,367
Net cash (utilized in)/generated from financing activities		(66,072)	1,251,499
Net change in cash and cash equivalents		(286,134)	(1,065,677)
Cash and cash equivalents at beginning of period		1,298,605	2,233,402
Cash and cash equivalents at end of period		1,012,471	1,167,725
Supplemental schedule of non-cash information			
Net assets related to subsidiary classified as associate		1,240,775	-
Increase/(decrease) in unrealized loss from available for sale investments	3	2,425,416	(594,699)
Transfer of available for sale investment to/(from) held for trading investment and additions	3	77,066	(4,079)
Reduction in capital to absorb losses	8	-	25,941,177
Transfer of general reserve to absorb losses	8	-	3,131,106

The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Interim consolidated statement of changes in equity (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Shareholders' equity						Minority interests	Total equity
	Share capital	Statutory reserve	General reserve	Retained earnings	Unrealized loss from available for sale investments	Foreign currency translation adjustments and other		
January 1, 2011	37,058,823	181,545	-	1,197,599	(11,269,920)	(86,636)	1,315,287	28,396,698
Net income for the period	-	-	-	451,797	-	-	4,159	455,956
Dividends	-	-	-	(550,324)	-	-	-	(550,324)
Net movement during the period	-	-	-	-	(2,425,416)	(29,382)	(799,114)	(3,253,912)
September 30, 2011	37,058,823	181,545	-	1,099,072	(13,695,336)	(116,018)	520,332	25,048,418
January 1, 2010	63,000,000	121,020	3,131,106	(28,419,404)	(13,243,735)	(9,691)	7,446,949	32,026,245
Reduction in capital to absorb losses	(25,941,177)	-	-	25,941,177	-	-	-	-
Transfer of general reserve to absorb losses	-	-	(3,131,106)	3,131,106	-	-	-	-
Net income for the period	-	-	-	370,661	-	-	(2,743)	367,918
Net movement during the period	-	-	-	-	594,699	(42,914)	(6,090,892)	(5,539,107)
September 30, 2010	37,058,823	121,020	-	1,023,540	(12,649,036)	(52,605)	1,353,314	26,855,056

The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the nine-month period ended September 30, 2011 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Kingdom Holding Company (the "Company") is a Saudi Joint Stock Company (JSC) operating in the Kingdom of Saudi Arabia. The Company was previously formed as a limited liability company and operated under commercial registration number 1010142022 dated Muharram 11, 1417H (corresponding to May 28, 1996). The Ministry of Commerce and Industry approved, pursuant to resolution number 128/S dated Jumada Awwal 18, 1428H (corresponding to June 4, 2007), the conversion of the Company into a JSC.

The objectives of the Company are hotel management and operation, general contracting, operation and maintenance, wholesale and retail trading of construction materials, foodstuff, agriculture products and metals for non-construction and petroleum products, trading of transportation equipment, advertising, commercial services, education, medical services, commercial agencies and investment and establishment of other companies.

The principal activities and the various segments of the Company and its subsidiaries (the "Group") are described in Note 13.

The Company jointly with Bahrain's Batelco Group signed a non-binding term sheet on Jumad Awwal 2, 1432H (corresponding to April 6, 2011) with Mobile Telecommunications Company (Zain Kuwait) relating to the potential acquisition of Zain Kuwait's 25% equity stake in Mobile Telecommunications Company Saudi Arabia (Zain KSA). The Board of Directors of Zain KSA agreed to proceed with the due diligence process subject to the signing of the term sheet between Zain KSA, and Bahrain Batelco Group and the Company. On September 29, 2011, Zain Kuwait and the consortium consisting of the Company and Bahrain's Batelco Group concluded not to proceed with the potential acquisition of Zain KSA.

During the period ended June 30, 2010, the Group made an offer to buy the publicly listed shares of the minority shareholders of Kingdom Hotel Investments (KHI), a subsidiary, representing 44% of the total issued share capital of KHI. The offer price was Saudi Riyals 18.75 (US\$ 5) per share and the overall consideration was Saudi Riyals 1,388 million. This offer was approved by the board of directors of KHI and an independent committee of the Board, and was later approved by KHI's shareholders. As a result, the Group currently owns 100% of the issued capital of KHI.

These financial statements were authorized for issue by the Company's Board of Directors on October 18, 2011.

2 Summary of significant accounting policies

A brief summary of principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of held for trading and available-for-sale investments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

The interim consolidated financial statements have been prepared in accordance with SOCPA's Standard on Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2010.

The interim consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries (the "Group"). A subsidiary is a company in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts a practical control. A subsidiary company is consolidated from the date on which the Group obtains a practical control until the date such control ceases. Minority interests has been calculated and reflected separately in the interim consolidated balance sheet and interim consolidated income statement. Significant balances and transactions, including unrealized gains or losses on transactions, between the Group companies have been eliminated in the interim consolidated financial statements.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2010. In the opinion of management, the interim consolidated financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

The Group's interim results may not be indicative of its annual results of the operations.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the nine-month period ended September 30, 2011 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.2 Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.3 Assets held for sale

The Group considers properties to be assets held for sale when management approves and commit to a formal plan to actively market a property or group of properties for sale and it is probable that the sale will close within twelve months of the balance sheet date. Upon designation of an asset held for sale, the Group records the value of each property or group of properties at the lower of its carrying value or its estimated fair value, less estimated costs to sell.

2.4 Investments

(a) Held for trading investments

Held for trading investments in readily marketable securities, which are purchased for trading purposes, are stated at market value and included under current assets. Changes in market value are credited or charged to the interim consolidated income statement.

(b) Investment in available for sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity are classified as available for sale. Such investments are included in non-current assets unless management has expressed intention of holding the investment for less than twelve months from the balance sheet date, in which case they are included in current assets. After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are re-measured at fair value as follows:

- (i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows.

Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired.

(c) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any. Under the equity method, investments in associate are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The interim consolidated income statement reflects the Group's share in the results of associates and the Group's share of post-acquisition movements in reserves, if any, is recognized in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the interim consolidated income statement.

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the nine-month period ended September 30, 2011 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

(d) **Investments in real estate**

Real estate investments that are being developed for future purposes are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete, re-development and selling expenses. Investments in real estate are derecognized when either they have been disposed off or when the investment in real estate is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of investments in real estate are recognized in the interim consolidated income statement in the period of the retirement or disposal.

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is considered the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

2.6 Loans and bank borrowings

Loans and bank borrowings are recognized initially at fair value, net of transactions costs incurred; and any difference between the proceeds (net of transaction costs) and the redemption value are recognized in the interim consolidated income statement over the period of the loan using the effective interest method. Loans are classified as current liabilities unless the Group has the unconditional right and intention to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the interim consolidated income statement when incurred.

2.7 Revenues

Hotel revenues are recognized when services are performed or when food and beverages are sold. Other revenues are recognized when services are provided and ultimate collection is reasonably assured. Management fees and other revenues from managed properties are recognized when performance conditions have been met, in accordance with the terms specified in the related management contracts.

Revenue from real estate leasing operations is recognized on accrual basis, nearby over the term of the lease. Revenue from sale of real estate is recognized upon the execution of sale contract and the delivery of the real estate, whichever comes last.

Dividend income from available for sale investments is recognized when the right to receive the dividends is established. Commission income is recognized as the commission accrues.

2.8 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

KINGDOM HOLDING COMPANY
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Notes to the interim consolidated financial statements
For the nine-month period ended September 30, 2011 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.9 Foreign currency translations

The interim consolidated financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. Each subsidiary in the Group determines its own functional currency, and as a result, items included in the interim financial statements of each subsidiary are measured using that functional currency.

At the subsidiary level, transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the interim consolidated income statement.

At the consolidation level, financial statements of foreign subsidiaries are translated into the presentation currency of the Company (Saudi Riyals) using the exchange rate at each balance sheet date for assets and liabilities, and the average exchange rate for each period for revenues and expenses. Components of equity other than retained earnings are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of equity.

2.10 Impairment

(a) Tangible and intangible assets

At each fiscal year end, the Group reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amounts are determined on the basis of value-in-use calculations. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized in the interim consolidated income statement.

(b) Financial assets

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

- (i) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the interim consolidated income statement; and
- (ii) 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.

For impairment of available for sale investments, the unrealized gain or loss previously reported in shareholders' equity is included in the interim consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the interim consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

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For the nine-month period ended September 30, 2011 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Available for sale investments

(a) Available for sale investments consist of the following:

	September 30, 2011	September 30, 2010
International	6,447,199	7,724,166
Local and regional	1,223,199	1,130,172
	<u>7,670,398</u>	<u>8,854,338</u>

(b) The movement in available for sale investments for the nine-month period ended September 30 is set out below:

	2011	2010
Cost:		
At the beginning of the period net of impairment charge	21,442,800	21,499,295
Transfer (to)/from held for trading investments and additions, net	(77,066)	4,079
At the end of the period	<u>21,365,734</u>	<u>21,503,374</u>
Unrealized loss:		
At the beginning of the period	(11,269,920)	(13,243,735)
(Increase)/decrease in unrealized loss during the period, net	(2,425,416)	594,699
At the end of the period	<u>(13,695,336)</u>	<u>(12,649,036)</u>
Net carrying amount	<u>7,670,398</u>	<u>8,854,338</u>

At the end of December 2009, the principal shareholder transferred to the Company certain available for sale investments (which had a market value of Saudi Riyals 2,234 million) at no consideration (no cost to the Company). As a result, the average cost of these available for sale investments was reduced and the gap between the cost of these investments and their market price was significantly narrowed.

The Company performs an assessment to determine whether the decline in value of its available for sale investments is temporary or non-temporary. Based on this assessment, the management has concluded that such a decline is considered to be temporary. In reaching to this conclusion, management has considered several factors, including the financial performance of the investee, the fair value of investment, information from financial analysts about the forecasted market price, the Company's intent and ability to hold these investments until the market price recovers and its intent and ability to mitigate any potential impairment that could be incurred on such investments.

Management will continue to monitor and review its available for sale investments and assess the impact of changes in the factors referred to above to determine the need for any further impairment.

4 Investments in associates

The movement in investments in associates for the nine-month period ended September 30 is as follows:

	2011	2010
At the beginning of the period	16,690,681	11,758,635
Share in (loss)/income, net	(164,154)	235,992
Transfer from subsidiaries and others	777,591	4,586,484
At the end of the period	<u>17,304,118</u>	<u>16,581,111</u>

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(A Saudi Joint Stock Company)
Notes to the interim consolidated financial statements
For the nine-month period ended September 30, 2011 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Investments in associates (continued)

During the six-month period ended June 30, 2011, due to certain changes in the management and operating control structure of Trade Centre Company Limited (TCCL) (a former 36 % owned subsidiary), KHC no longer exercises control over TCCL. Accordingly, such investment was reclassified to investments in associates at its fair value resulting in a gain of Saudi Riyals 171 million (Note 9).

During 2010, the shareholders of Fairmont Raffles Holding International (FRHI), a former 58% owned subsidiary, signed an agreement with Voyager Partners Limited and Qatari Diar Hotel and Property Investment Limited for the sale of 40% of FRHI's capital through the issuance of additional shares. As a result, the Group's ownership interest was reduced from 58% to 35%. Also, during the same period and due to certain changes in the management and operating control structure of Real Estate Investment Company (REIC) (a former 39% owned subsidiary), KHC no longer exercise control over REIC. Accordingly, both investments (including their related goodwill - Note 5) were reclassified during the third quarter of 2010 to investments in associates at their fair values resulting in a gain of Saudi Riyals 371 million (Note 9).

During 2010, the Company completed an exchange transaction with a newly established company, Jeddah Economic Company (JEC), an associate, through contribution of certain land of Saudi Riyals 1,832 million. The Company has an ownership of 40% in JEC, which will be engaged in the development of large real estate projects in Jeddah, Kingdom of Saudi Arabia. As a result of completing certain defined milestones pertaining to this investment, the Company recognized a gain of Saudi Riyals 662 million, which represents a portion of the income that is attributable to the equity of the other partners in JEC. During the three-month period ended September 30, 2011, the shareholders restructured the ownership of JEC and a new shareholder contributed Saudi Riyals 1,460 million cash for a 16.63 % equity interest in JEC. This was based on a valuation of all contributions provided by the existing shareholders. As a result, the Company's share was diluted to 33.35 % resulting in a gain of Saudi Riyals 363.5 million (Note 9).

5 Intangible assets

	September 30, 2011	September 30, 2010
Goodwill	1,575,600	1,721,236
Other intangible assets	50,875	123,583
	<u>1,626,475</u>	<u>1,844,819</u>

Other intangible assets include management contracts that relate to subsidiaries that operate hotel properties. Such contracts have definite lives and are amortized over its duration.

6 Bank borrowings and term loans

	September 30, 2011	September 30, 2010
<u>Current</u>		
Short-term loans	76,753	26,195
Revolving credit facilities	1,155	70,662
	<u>77,908</u>	<u>96,857</u>
Current portion of term loans	677,332	1,386,631
	<u>755,240</u>	<u>1,483,488</u>
<u>Non-current</u>		
Term loans	11,428,375	10,453,769
	<u>12,183,615</u>	<u>11,937,257</u>

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6 Bank borrowings and term loans (continued)

Bank borrowings and term loans are obtained from various financial institutions and are principally secured by promissory notes and pledge of certain shares that are held under available for sale investments. They carry borrowing costs at normal commercial rates.

During the nine-month period ended September 30, 2011, the Group obtained bank borrowings and term loans of Saudi Riyals 338 million, net (2010: Saudi Riyals 1,231 million).

7 Dividends payable

The General Assembly of the Company, in its annual meeting which was held on Rabi Thani 22, 1432H (corresponding to March 27, 2011) approved the cash dividends distribution of Saudi Riyals 137.5 million per quarter totaling to Saudi Riyals 550.3 million for the year, as recommended by the Company's board of directors.

The first, second and third dividend distributions were made to all shareholders on record as of the date of the General Assembly meeting.

8 Absorption of losses and reduction in share capital

In its Extraordinary General Meeting on Safar 26, 1431H (February 10, 2010), the General Assembly resolved to reduce the Company's capital by Saudi Riyals 25,941 million, in order to use this amount and the general reserve balance of Saudi Riyals 3,131 million to absorb accumulated losses of Saudi Riyals 29,072 million. As a result, the Company's capital was reduced from Saudi Riyals 63,000 million to Saudi Riyals 37,059 million.

9 Income from and gain on investments and other, net

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Change in market value of held for trading investments	(38,140)	-	13,390	-
Gain on investments in associates	331,679	270,063	534,600	405,963
Others	62,970	-	63,890	(65,634)
	356,509	270,063	611,880	340,329

Gain on investments in associates includes Saudi Riyals 363.5 million relating to the JEC transaction (see Note 4). Others include a reversal of provision of Saudi Riyals 73 million (September 30, 2010: include certain cost of Saudi Riyals 31 million incurred by the Group in connection with the acquisition of additional shares in KHI (see Note 1)).

10 Reversal of impairment losses

During the nine-month period ended September 30, 2011, the Company reviewed the carrying value of certain assets held for sale based on an updated valuation of the current fair value of these investments. This has resulted in an increase in the carrying value of Saudi Riyals 96.3 million. Accordingly, such increase has been recorded as a reversal of impairment loss, which was initially recorded during 2008 against these investments.

11 Zakat and tax matters

Zakat and tax reported in the interim consolidated income statement consist of the following:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Zakat provisions	5,070	1,512	12,954	8,044
Income tax provision, net	13,210	13,650	33,585	36,178
Withholding tax on foreign dividends	-	4,745	3,999	9,555
	18,280	19,907	50,538	53,777

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11 Zakat and tax matters (continued)

Zakat for the period represents the amount due on the Company and its local subsidiaries. The Company's subsidiaries that are incorporated outside the Kingdom of Saudi Arabia are subject to related tax laws of the country of operations. Foreign dividends are subject to withholding taxes.

12 Earnings per share

Earnings per share for the periods ended September 30, 2011 and 2010 has been computed by dividing the income from operations and net income for each of the period by the number of shares outstanding during such periods of 3,706 million shares.

13 Segment information

The Group's primary activities are categorized into three segments, as follows:

Equity

International - The principal activity includes investments in international quoted securities.

Domestic and Regional - The principal activity includes investments in securities quoted on the Saudi stock exchange, the regional stock exchanges and investments in associates - other than real estate.

Private equity - The principal activity includes investments in private equities, managed funds and other entities existing with the structure of the Group.

Hotels

The principal activity of this segment includes investments in subsidiaries and associates that are in the business of managing and owning hotel properties and related activities.

Real Estate and Domestic

Real estate - The principal activity includes investments in activities relating to ownership and development of land and real estate projects.

Domestic - The principal activity includes investments in local entities.

a) Selected financial information as of and for the nine-month period ended September 30, summarized by the above business segments, was as follows:

	Equity	Hotels	Real estate and domestic	Total
2011				
Total assets	32,997,502	5,581,492	610,473	39,189,467
Total liabilities	8,357,728	5,231,510	551,811	14,141,049
Revenues:				
For the three-month period ended September 30	431,325	515,722	(113,891)	833,156
For the nine-month period ended September 30	636,026	1,294,101	536,340	2,466,467
Net income/(loss):				
For the three-month period ended September 30	288,005	82,472	(172,798)	197,679
For the nine-month period ended September 30	321,811	(15,028)	145,014	451,797
2010				
Total assets	13,189,781	20,676,155	6,851,217	40,717,153
Total liabilities	7,393,247	5,359,035	1,109,815	13,862,097
Revenues:				
For the three-month period ended September 30	29,928	383,950	412,041	825,919
For the nine-month period ended September 30	38,784	1,489,336	1,228,854	2,756,974
Net income/(loss):				
For the three-month period ended September 30	(89,362)	262,621	(13,247)	160,012
For the nine-month period ended September 30	(230,986)	59,360	542,287	370,661

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13 Segment information (continued)

- b) The Group has diversified investments in various segments concentrated geographically as follows:
- The activities of the Equity segment are mainly concentrated in the United States of America and the Middle East.
 - The Hotels segment comprises of various 'brands' which are spread in most parts of the world, but mainly in Europe, North America, the Middle East and Asia.
 - The Real Estate comprises of significant concentration of properties in the Kingdom of Saudi Arabia.

14 Contingencies

The Company and its consolidated subsidiaries are defendants in various legal claims arising in the normal course of business. Provisions have been established for certain claims, based on the information presently available. Any additional liabilities including any potential tax assessments that may result in connection with other claims are not expected to have a material adverse effect on the Group's financial position or results of operations.

15. Comparatives figures

Certain reclassifications have been made to the 2010 interim consolidated financial statements to conform with the current period presentation.

In addition, prior period amounts reflect the consolidation of a subsidiary that was classified as an associate during the current period (Note 4).