

**Kingdom Holding Company  
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2010**

Ernst & Young



**LIMITED REVIEW REPORT  
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 at 30 September 2010 and the related interim consolidated statements of income for the three and nine months period then ended and the related interim consolidated statement of cash flows for the nine months period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding 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 standards generally accepted in the Kingdom of Saudi Arabia.

**Emphasis of a matter**

We draw attention to Note 4 to the interim consolidated financial statements pertaining to the transfer of certain available for sale investments from the principal shareholder to the Company, and the impact of such a transaction on the carrying value of the Company's investments.

for Ernst & Young



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Riyadh: 10 Dhul Qa'da 1431H  
(18 October 2010)

Kingdom Holding Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET – (UNAUDITED)

As at 30 September 2010  
(SR'000)

	Note	30 September 2010	30 September 2009
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		1,167,725	3,395,471
Accounts receivable and other assets		1,310,219	1,797,847
Net assets held for sale		138,800	138,800
<b>Total current assets</b>		<b>2,616,744</b>	<b>5,332,118</b>
<b>Non-current assets:</b>			
Available for sale investments	4	8,854,338	6,113,233
Investments in associates	5	16,581,111	9,785,671
Investments in real estate	5	1,528,352	3,126,698
Property and equipment, net		9,161,032	11,749,830
Intangible assets	6	1,844,819	11,867,902
Other long term assets		130,757	1,036,917
<b>Total non-current assets</b>		<b>38,100,409</b>	<b>43,680,251</b>
<b>Total assets</b>		<b>40,717,153</b>	<b>49,012,369</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Bank borrowings and term loans	7	1,483,488	616,451
Accounts payable and other liabilities		1,251,547	1,810,917
<b>Total current liabilities</b>		<b>2,735,035</b>	<b>2,427,368</b>
<b>Non-current liabilities:</b>			
Term loans	7	10,453,769	12,748,031
Due to principal shareholder	8	-	1,707,797
Other long term liabilities		673,293	2,423,103
<b>Total non-current liabilities</b>		<b>11,127,062</b>	<b>16,878,931</b>
<b>Total liabilities</b>		<b>13,862,097</b>	<b>19,306,299</b>
<b>Equity:</b>			
<b>Shareholders' equity:</b>			
Share capital	9	37,058,823	63,000,000
Statutory reserve		121,020	121,020
General reserve	9	-	3,131,106
Retained earnings / (accumulated losses)	9	1,023,540	(28,574,930)
Unrealized loss from available for sale investments	4	(12,649,036)	(15,358,964)
Foreign currency translation adjustments and other		(52,605)	(34,977)
<b>Total shareholders' equity</b>		<b>25,501,742</b>	<b>22,283,255</b>
Minority interests	6	1,353,314	7,422,815
<b>Total equity</b>		<b>26,855,056</b>	<b>29,706,070</b>
<b>Total liabilities and equity</b>		<b>40,717,153</b>	<b>49,012,369</b>

The attached notes 1 to 15 form part of these interim consolidated financial statements.

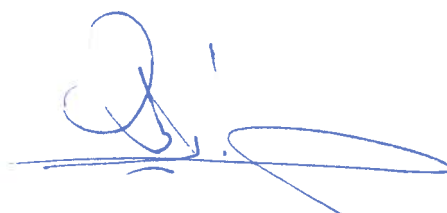
Kingdom Holding Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENTS OF INCOME – (UNAUDITED)

For the three and nine months period ended 30 September 2010  
(SR'000)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2010	2009	2010	2009
<b>REVENUES</b>					
Hotels and other operating revenues		519,153	1,007,730	2,036,328	2,896,814
Dividends income		17,493	83,636	55,266	248,430
Income (loss) from associates, net	5	(9,444)	(21,469)	235,992	(69,625)
Other		28,654	27,381	89,059	162,430
Total revenues		555,856	1,097,278	2,416,645	3,238,049
<b>COSTS AND EXPENSES</b>					
Hotels and other operating costs		(365,070)	(684,799)	(1,439,161)	(2,021,279)
General and administrative expenses		(115,517)	(128,785)	(355,537)	(348,664)
Total costs and expenses		(480,587)	(813,584)	(1,794,698)	(2,369,943)
<b>GROSS PROFIT</b>		75,269	283,694	621,947	868,106
Depreciation and amortization		(55,537)	(106,419)	(216,654)	(320,325)
Finance charges, net		(103,087)	(87,956)	(318,441)	(330,958)
Income on investments, net	10	270,063	74,925	340,329	234,035
<b>INCOME FROM OPERATIONS</b>		186,708	164,244	427,181	450,858
Minority interests		(6,789)	(9,809)	(2,743)	(139,187)
<b>INCOME BEFORE ZAKAT AND TAX</b>		179,919	154,435	424,438	311,671
Zakat and tax	11	(19,907)	(49,598)	(53,777)	(64,606)
<b>NET INCOME FOR THE PERIOD</b>		160,012	104,837	370,661	247,065
<b>Earnings per share (SR):</b>	12				
<i>Attributable to:</i>					
Income from operations		0.05	0.04	0.12	0.12
Net income for the period		0.04	0.03	0.10	0.07





The attached notes 1 to 15 form part of these interim consolidated financial statements.

Kingdom Holding Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS – (UNAUDITED)

For the nine months period ended 30 September 2010  
(SR'000)

	Note	Nine months period ended	
		30 September 2010	30 September 2009
<b>Operating activities:</b>			
Income before zakat and tax		424,438	311,671
<b>Adjustments to reconcile income to net cash used in operating activities:</b>			
Depreciation and amortization		216,654	320,325
(Income) loss from associates, net		(235,992)	69,625
Income on investments, net		(340,329)	(234,035)
		64,771	467,586
<b>Changes in operating assets and liabilities</b>			
Accounts receivable and other assets		(445,440)	(376,626)
Other long term assets		63,935	(716,272)
Accounts payable and other liabilities		213,603	(94,823)
Other long term liabilities		(51,549)	428,791
		(154,680)	(291,344)
<b>Cash used in operations</b>		(154,680)	(291,344)
Zakat and tax paid		(46,277)	(58,606)
		(200,957)	(349,950)
<b>Investing activities:</b>			
Net assets held for sale		167,250	143,508
Acquisition of available for sale investments		(4,079)	(517)
Proceeds from sale of available for sale investments		-	2,831,586
Acquisition of additional ownership in a subsidiary	1	(1,387,508)	-
Reclassification of subsidiary, net of cash		(293,340)	-
Advances to associates		(210,407)	(39,629)
Dividends from associates and others, net		(146,976)	48,003
Proceeds from sale of investments in associates		543,750	691,316
Additions to investments in real estate		(227,315)	(71,565)
Proceeds from sale of investments in real estate		-	1,494,463
Property and equipment, net		(606,218)	(640,596)
Intangible assets		48,624	(306,105)
		(2,116,219)	4,150,464
<b>Net cash (used in) from investing activities</b>			
<b>Financing activities:</b>			
Loans and bank borrowings, net		1,231,132	(2,136,512)
Due to principal shareholder		-	(249,380)
Minority interests, net		20,367	88,305
		1,251,499	(2,297,587)
<b>Net cash from (used in) financing activities</b>			
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,065,677)</b>	<b>1,502,927</b>
Cash and cash equivalents at the beginning of the period		2,233,402	1,892,544
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1,167,725</b>	<b>3,395,471</b>
<b>Non cash transactions:</b>			
Unrealized loss from available for sale investments	4	594,699	336,963
Reduction in capital to absorb losses	9	25,941,177	-
Transfer of general reserve to absorb losses	9	3,131,106	-

The attached notes 1 to 15 form part of these interim consolidated financial statements.

# Kingdom Holding Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED) 30 September 2010

### 1 ACTIVITIES

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 11 Muharram 1417H (corresponding to 28 May 1996). The Minister of Commerce and Industry has approved, pursuant to resolution number 128/S dated 18 Jumada Awal 1428H (corresponding to 4 June 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 Group are described in Note 14.

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

### 2 BASIS OF PREPARATION

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 statements of income. Significant balances and transactions between the Group companies have been eliminated in the interim consolidated financial statements.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with the Saudi Organization for Certified Public Accountants Standard on Interim Financial Statements. 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 31 December 2009.

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 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.

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

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 31 December 2009. 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.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

A brief summary of the principal accounting policies of the Group is set out below:

***Assets held for sale***

The Group considers properties to be assets held for sale when management approves and commits 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 cost to sell.

***Investments***

***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 remeasured at fair value. 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.

***Investments in 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. Under the equity method, investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The interim consolidated statements of income reflect the Group's share in the results of operations of associates.

***Investments in real estate***

Real estates 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, redevelopment and selling expenses. Real estates are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investments in real estate are recognized in the interim consolidated statements of income in the period of retirement or disposal.

***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 an intangible asset 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.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Loans and bank borrowings***

Loans and bank borrowings are recognized initially at fair value, net of transaction costs incurred; and any differences between the proceeds (net of transaction costs) and the redemption value are recognized in the consolidated statements of income over the period of the loan using the effective interest method. Loans are classified as current liabilities unless the Group has the 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 consolidated statements of income when incurred.

***Revenue recognition***

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, rateably 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.

Dividends 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.

***Segmental reporting***

A segment is a distinguishable component of the Group's 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.

***Foreign currencies***

The 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 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 retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the interim consolidated statements of income.

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.

***Impairment***

***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 were 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.



Kingdom Holding Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –

(UNAUDITED) (continued)

30 September 2010

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

*Impairment (continued)*

*Tangible and intangible assets (continued)*

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 recognised in the consolidated statements of income.

*Financial assets*

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statements of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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

4 AVAILABLE FOR SALE INVESTMENTS

- (a) Available for Sale (AFS) investments consist of the following:

	<u>30 September 2010</u> <u>SR'000</u>	<u>30 September 2009</u> <u>SR'000</u>
Local and regional	1,130,172	789,612
International	7,724,166	5,323,621
	<u>8,854,338</u>	<u>6,113,233</u>

- (b) The movement in AFS investments is set out below:

	<u>30 September 2010</u> <u>SR'000</u>	<u>30 September 2009</u> <u>SR'000</u>
<i>Cost:</i>		
At the beginning of the period	21,499,295	24,909,176
Additions / (disposals), net *	4,079	(3,436,979)
At the end of the period	<u>21,503,374</u>	<u>21,472,197</u>
<i>Unrealized loss:</i>		
At the beginning of the period	(13,243,735)	(15,695,927)
Change during the period, net	594,699	336,963
At the end of the period	<u>(12,649,036)</u>	<u>(15,358,964)</u>
<i>Net carrying amount</i>	<u>8,854,338</u>	<u>6,113,233</u>

\* During the nine months period ended 30 September 2009, the Group disposed of certain AFS investments and incurred a net loss of SR 606 million (note 10).

# Kingdom Holding Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –

(UNAUDITED) (continued)

30 September 2010

### 4 AVAILABLE FOR SALE INVESTMENTS (continued)

At the end of December 2009, the principal shareholder transferred to the Company certain available for sale investments - which had a market value of SR 2,234 million - at no consideration (no cost to the Company). As a result, the average cost of the available for sale investments was reduced and the variance between the cost of these investments and their market price was significantly narrowed. In assessing the impairment of available for sale investments, the Company has considered this transaction, in addition to other factors that relate to the performance and fair value of these investments. Management will also continue to review its available for sale investments and assess the impact of changes in the factors mentioned above on the impairment of these investments, if any.

### 5 INVESTMENTS IN ASSOCIATES

Following is the movement of investments in associates:

	<i>Nine months period ended</i>	
	<i>30 September 2010</i>	<i>30 September 2009</i>
	<i>SR'000</i>	<i>SR'000</i>
At the beginning of the period	11,758,635	10,311,433
Income (loss) from associates, net	235,992	(69,625)
Transfers from subsidiaries and others*	4,586,484	(456,137)
At the end of the period	<u>16,581,111</u>	<u>9,785,671</u>

\* During the nine months period ended 30 September 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%. Moreover, due to certain changes in the control structure of Real Estate Investment Company (REIC) – a former 39% owned subsidiary, KHC has lost control over REIC. Therefore, both investments (including their related goodwill – note 6) have been reclassified to investments in associates at their fair values, resulting in an aggregate gain of SR 371 million (note 10).

During the nine months period ended 30 September 2010, the Company has completed an exchange transaction with a newly established company; Jeddah Economic Company (JEC) – an associate, through contribution of certain land of SR 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 has recognized an income of SR 394 million, which represents a portion of the income that is attributable to the equity interest of other partners in JEC.

During the nine months period ended 30 September 2009, the Group disposed of certain investments in associates, resulting in a gain of SR 244 million (note 10).

### 6 INTANGIBLE ASSETS

	<i>30 September 2010</i>	<i>30 September 2009</i>
	<i>SR'000</i>	<i>SR'000</i>
Goodwill (note 5)	1,721,236	7,903,499
Other intangible assets	123,583	3,964,403
	<u>1,844,819</u>	<u>11,867,902</u>

Goodwill includes the portion relating to the goodwill of minority interests of subsidiaries, aggregating to SR 135 million (30 September 2009: SR 2,340 million).

Kingdom Holding Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –  
(UNAUDITED) (continued)  
30 September 2010

7 BANK BORROWINGS AND TERM LOANS

	<i>30 September 2010</i>	<i>30 September 2009</i>
	<i>SR'000</i>	<i>SR'000</i>
<b>Current:</b>		
Revolving credit facilities	70,662	51,100
Short term loans	26,195	28,025
	<u>96,857</u>	<u>79,125</u>
Current portion of long term loans	1,386,631	537,326
	<u>1,483,488</u>	<u>616,451</u>
<b>Non - current:</b>		
Term loans, net	10,453,769	12,748,031
	<u>11,937,257</u>	<u>13,364,482</u>

Bank borrowings and term loans are obtained from various financial institutions and are 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 months period ended 30 September 2010, the Group obtained bank borrowings and term loans of SR 1,231 million, net (30 September 2009: repaid SR 2,137 million, net).

8 DUE TO PRINCIPAL SHAREHOLDER

This balance represented a loan provided by the principal shareholder to the Company at the end of 2008, that carried interest at normal commercial rates, in addition to certain personally owned quoted investment securities that were transferred by the principal shareholder to the Company at market value. The balance was fully settled at the end of 2009.

9 ABSORPTION OF LOSSES AND REDUCTION IN SHARE CAPITAL

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

10 INCOME ON INVESTMENTS, NET

	<i>Three months period ended</i>		<i>Nine months period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gain on investments in associates (note 5)	270,063	-	405,963	243,553
Loss on disposal of available for sale investments (note 4)	-	-	-	(605,910)
Gain on sale of investments in real estate *	-	-	-	354,718
Others **	-	74,925	(65,634)	241,674
	<u>270,063</u>	<u>74,925</u>	<u>340,329</u>	<u>234,035</u>

\* During the nine months period ended 30 September 2009, the Company sold certain real estate in the Kingdom of Saudi Arabia and realized a gain of SR 355 million.

\*\* Others include certain costs of SR 31 million, incurred by the Group during the current period in connection with the acquisition of additional shares in KHI (note 1).

# Kingdom Holding Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED) (continued) 30 September 2010

### 11 ZAKAT AND TAX

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

	<i>Three months period ended</i>		<i>Nine months period ended</i>	
	<i>SR'000</i>		<i>SR'000</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Zakat provision	1,512	2,178	8,044	6,312
Income tax provision	13,650	43,624	36,178	49,075
Withholding tax on foreign dividends	4,745	3,796	9,555	9,219
	<u>19,907</u>	<u>49,598</u>	<u>53,777</u>	<u>64,606</u>

Zakat for the period represents the Zakat due on the Company and its local subsidiaries. The Group'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 attributable to income from operations and net income for the period is calculated by dividing income from operations and net income for the period, respectively, by the number of shares outstanding of 3,706 million as at 30 September 2010.

The earnings per share for the comparative period of 2009 has been adjusted to reflect the effect of the capital reduction, retrospectively (note 9).

### 13 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 operation.

### 14 SEGMENT INFORMATION

The Group's primary activities are organized 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 within 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.

Prior period amounts reflect the consolidation of certain subsidiaries that were reclassified to associates during the current period (note 5).

Kingdom Holding Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –

(UNAUDITED) (continued)

30 September 2010

14 SEGMENT INFORMATION (continued)

**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.

The total assets and liabilities as at 30 September 2010 and 30 September 2009, total revenues and net income (loss) for the three and nine months period then ended, by segment, are as follows:

2010	Segment			
	Equity	Hotels	Real Estate and Domestic	Total
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
Total revenues:				
For the three months ended 30 September	29,928	383,950	141,978	555,856
For the nine months ended 30 September	38,784	1,489,336	888,525	2,416,645
Net income (loss):				
For the three months ended 30 September	(89,362)	262,621	(13,247)	160,012
For the nine months ended 30 September	(230,986)	59,360	542,287	370,661

SR '000'

2009	Segment			
	Equity	Hotels	Real Estate and Domestic	Total
Total assets	10,956,118	32,108,176	5,948,075	49,012,369
Total liabilities	6,757,950	11,726,904	821,445	19,306,299
Total revenues:				
For the three months ended 30 September	93,999	899,929	103,350	1,097,278
For the nine months ended 30 September	304,394	2,456,682	476,973	3,238,049
Net income (loss):				
For the three months ended 30 September	107,658	(7,769)	4,948	104,837
For the nine months ended 30 September	(301,085)	153,800	394,350	247,065

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15 COMPARATIVE FIGURES

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

In addition, prior period amounts reflect the consolidation of certain subsidiaries that were reclassified to associates during the current period (note 5).