

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

**INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS (Unaudited)  
FOR THE THREE-MONTH AND SIX-MONTH PERIODS  
ENDED JUNE 30, 2012 AND INDEPENDENT  
ACCOUNTANTS' LIMITED REVIEW REPORT**

**KINGDOM HOLDING COMPANY  
(A Saudi Joint Stock Company)  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012**

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**INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT**

July 21, 2012

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

**Scope of review**

We have reviewed the accompanying consolidated balance sheet of Kingdom Holding Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively the "Group") as of June 30, 2012 and the related consolidated income statement for the three-month and six-month periods then ended, and the interim consolidated statements of cash flows and changes in equity for the six-month period ended June 30, 2012, 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 information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is 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 of the Group for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group.

**PricewaterhouseCoopers**

By: 

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**KINGDOM HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated balance sheet (unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	June 30,	
		2012	2011
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,403,662	1,536,107
Held for trading investments		558,000	232,648
Accounts receivable and other assets		770,482	1,147,482
Net assets held for sale		-	235,100
		<u>2,732,144</u>	<u>3,151,337</u>
<b>Non-current assets</b>			
Available for sale investments	3	8,960,108	10,223,699
Investments in associates	4	17,602,615	16,957,190
Investments in real estate		1,895,113	1,698,223
Property and equipment, net		7,365,774	7,920,671
Intangible assets	5	1,581,827	1,643,144
Other long term assets		167,048	132,936
		<u>37,572,485</u>	<u>38,575,863</u>
<b>Total assets</b>		<u>40,304,629</u>	<u>41,727,200</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank borrowings and term loans	6	1,107,612	584,303
Accounts payable, accruals and other liabilities		829,040	1,066,345
Dividends payable		275,162	275,162
		<u>2,211,814</u>	<u>1,925,810</u>
<b>Non-current liabilities</b>			
Term loans	6	11,259,391	11,670,185
Other long term liabilities		433,368	696,477
		<u>11,692,759</u>	<u>12,366,662</u>
<b>Total liabilities</b>		<u>13,904,573</u>	<u>14,292,472</u>
<b>Equity</b>			
Equity attributable to shareholders of the Company:			
Share capital		37,058,823	37,058,823
Statutory reserve		245,506	181,545
Retained earnings		952,319	901,393
Unrealized loss from available for sale investments	3	(12,297,204)	(11,142,035)
Foreign currency translation adjustments and others		(91,874)	(94,542)
<b>Total shareholders' equity</b>		<u>25,867,570</u>	<u>26,905,184</u>
Minority interests		532,486	529,544
<b>Total equity</b>		<u>26,400,056</u>	<u>27,434,728</u>
<b>Total liabilities and equity</b>		<u>40,304,629</u>	<u>41,727,200</u>

**Contingencies**

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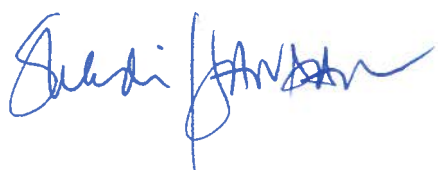
The notes on pages 7 to 15 form an integral part of these interim consolidated financial statements.




**KINGDOM HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated income statement (unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month periods ended June 30,		Six-month periods ended June 30,	
		2012	2011	2012	2011
<b>Revenues</b>					
Hotels and other operating revenues		486,968	541,824	970,967	1,088,975
Sale of real estate	11	-	-	450,000	250,000
Dividends income		54,422	31,572	73,471	49,049
Loss from associates, net	4	(17,339)	(13,177)	(89,579)	(92,696)
Income from and gain on investments and others	8	136,739	196,128	299,269	255,371
Other		(2,562)	62,157	14,745	82,612
<b>Total revenues</b>		<b>658,228</b>	<b>818,504</b>	<b>1,718,873</b>	<b>1,633,311</b>
<b>Costs and expenses</b>					
Hotels and other operating costs		(342,805)	(385,986)	(675,281)	(741,668)
Cost of real estate		-	-	(366,402)	(160,483)
General and administrative		(77,095)	(90,925)	(164,074)	(212,240)
<b>Total costs and expenses</b>		<b>(419,900)</b>	<b>(476,911)</b>	<b>(1,205,757)</b>	<b>(1,114,391)</b>
<b>Gross profit</b>		<b>238,328</b>	<b>341,593</b>	<b>513,116</b>	<b>518,920</b>
Depreciation and amortization		(53,459)	(58,090)	(110,136)	(120,831)
Reversal of impairment loss	9	106,000	2,500	106,000	96,300
<b>Income from operations</b>		<b>290,869</b>	<b>286,003</b>	<b>508,980</b>	<b>494,389</b>
Finance charges, net		(101,370)	(102,534)	(209,663)	(207,003)
<b>Income before minority interest, zakat and tax</b>		<b>189,499</b>	<b>183,469</b>	<b>299,317</b>	<b>287,386</b>
Minority interests		7,682	8,686	11,848	(1,010)
<b>Income before zakat and tax</b>		<b>197,181</b>	<b>192,155</b>	<b>311,165</b>	<b>286,376</b>
Zakat and tax	10	(18,268)	(28,681)	(31,451)	(32,258)
<b>Net income for the period</b>		<b>178,913</b>	<b>163,474</b>	<b>279,714</b>	<b>254,118</b>
<b>Earnings per share (Saudi Riyals):</b>					
▪ Income from operations	12	0.08	0.08	0.14	0.13
▪ Net income for the period		0.05	0.04	0.08	0.07

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)**  
**Consolidated cash flow statement (unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Six-month periods ended June 30,	
		2012	2011
<b>Cash flow from operating activities</b>			
Income before zakat and tax		311,165	286,376
<u>Adjustments for non-cash items</u>			
Depreciation and amortization		110,136	120,831
Loss from associates, net	4	89,579	92,696
Income from and gain on investments and other, net	8	(299,268)	(255,371)
Reversal of impairment loss	9	(106,000)	(96,300)
(Loss)/income applicable to minority interests		(11,848)	1,010
<u>Changes in working capital</u>			
Accounts receivable and other assets		460,597	(215,688)
Other long term assets		(116,292)	(4,666)
Accounts payable, accruals and other liabilities		(187,808)	218,098
Other long term liabilities		(27,137)	2,182
Zakat and tax paid		(11,848)	(15,893)
Net cash generated from operating activities		<u>211,276</u>	<u>133,275</u>
<b>Cash flow from investing activities</b>			
Movement in held for trading investment		-	(104,052)
Proceeds from sale of held for trading investments		129,887	-
Reclassification of additional ownership in a subsidiary		-	(245,137)
Proceeds from sale of net assets held for sale		41,250	-
Additions to associates		(304,321)	-
Dividends from associates		26,289	-
Additions to investments in real estate, net	11	(223,435)	(75,231)
Proceeds from disposal of real estate		125,736	-
Property and equipment, net		310,287	(21,190)
Intangible assets		-	(26,659)
Net cash generated from/(utilized in) investing activities		<u>105,693</u>	<u>(472,269)</u>
<b>Cash flow from financing activities</b>			
Loans and bank borrowings, net	6	44,030	844,335
Dividends paid		(275,162)	(275,162)
Changes in minority interests		50,453	7,323
Net cash (utilized in)/generated from financing activities		<u>(180,679)</u>	<u>576,496</u>
<b>Net change in cash and cash equivalents</b>			
		136,290	237,502
Cash and cash equivalents at beginning of period		1,267,372	1,298,605
<b>Cash and cash equivalents at end of period</b>		<u>1,403,662</u>	<u>1,536,107</u>
<b>Supplemental schedule of non-cash information</b>			
Decrease in unrealized loss from available for sale investments	3	969,550	127,885
Transfer of available for sale investment to held for trading investment	3	491,533	77,066
Reclassification of assets held for sale to investments in real estate		18,750	95,600
Reclassification of assets held for sale to investments in associates		157,500	-
Net assets related to subsidiary classified as associate		-	1,240,775

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)**

**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	Retained earnings	Unrealized loss from available for sale investments	Foreign currency translation adjustments and other	Total		
	<b>Note</b>								
<b>January 1, 2012</b>		37,058,823	245,506	1,222,929	(13,066,612)	(14,349)	25,446,297	493,881	25,940,178
Net income for the period		-	-	279,714	-	-	279,714	(11,848)	267,866
Dividends	7	-	-	(550,324)	-	-	(550,324)	-	(550,324)
Net movement during the period		-	-	-	769,408	(77,525)	691,883	50,453	742,336
<b>June 30, 2012</b>		<b>37,058,823</b>	<b>245,506</b>	<b>952,319</b>	<b>(12,297,204)</b>	<b>(91,874)</b>	<b>25,867,570</b>	<b>532,486</b>	<b>26,400,056</b>
<b>January 1, 2011</b>		37,058,823	181,545	1,197,599	(11,269,920)	(86,636)	27,081,411	1,315,287	28,396,698
Net income for the period		-	-	254,118	-	-	254,118	(1,010)	253,108
Dividends	7	-	-	(550,324)	-	-	(550,324)	-	(550,324)
Net movement during the period		-	-	-	127,885	(7,906)	119,979	(784,733)	(664,754)
<b>June 30, 2011</b>		<b>37,058,823</b>	<b>181,545</b>	<b>901,393</b>	<b>(11,142,035)</b>	<b>(94,542)</b>	<b>26,905,184</b>	<b>529,544</b>	<b>27,434,728</b>

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 six-month period ended June 30, 2012 (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 Jumad 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.

These interim consolidated financial statements were authorized for issue by the Company's Board of Directors on July 21, 2012.

**2 Summary of significant accounting policies**

A 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, 2011.

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 consolidated balance sheet and 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, 2011. 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.



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## **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.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2011.

## **2.3 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 carrying 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. Assets once classified as held for sale are not depreciated or amortized.

## **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 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. When designation of investments is changed to held for trading, the related unrealized gain/losses on these investments are recycled from equity and recognized in the consolidated income statement.

### **(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 consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The 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.

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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 consolidated income statement.

(d) Investments in real estate

Real estate investments that are being developed 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 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 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.

## **2.6 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 are impaired. 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 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 consolidated income statement. Impairment is determined as follows:

- (i) For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the 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 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

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consolidated income statement. Impairment losses recognized on equity investments classified as available for sale and goodwill are not reversible.

## **2.7 Loans and bank borrowings**

Bank borrowings and term loans 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 income statement over the period of the loan using the effective interest method. Loans are classified as current liabilities unless the Group has an 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 consolidated income statement when incurred.

## **2.8 Revenue**

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, effectively 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 is recognized when the right to receive the dividends is established. Commission income is recognized as the commission accrues.

## **2.9 Segmental reporting**

### **(a) Business segment**

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

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

### **(b) Geographical segment**

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

## **2.10 Foreign currency translations**

The interim consolidated financial statements are presented in Saudi Riyals, which is the Company's functional and Group's 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 consolidated income statement.

At the consolidation level, financial statements of foreign subsidiaries are translated into the Group's presentation currency 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

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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.

**3 Available for sale investments**

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

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
International	<b>8,174,160</b>	8,754,735
Local and regional	<b>785,948</b>	1,468,964
	<b><u>8,960,108</u></b>	<u>10,223,699</u>

(b) The movement in available for sale investments for the period ended June 30 is set out below:

	<b>2012</b>	<b>2011</b>
Cost:		
At the beginning of the period, net of impairment charge	<b>21,548,703</b>	21,442,800
Transfer to held for trading investments	<b>(291,391)</b>	(77,066)
At the end of the period	<b><u>21,257,312</u></b>	<u>21,365,734</u>
Unrealized loss:		
At the beginning of the period	<b>(13,066,612)</b>	(11,269,920)
Transfer to held for trading investments	<b>(200,142)</b>	-
Decrease in unrealized loss during the period, net	<b>969,550</b>	127,885
At the end of the period	<b><u>(12,297,204)</u></b>	<u>(11,142,035)</u>
Net carrying amount	<b><u>8,960,108</u></b>	<u>10,223,699</u>

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, 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 Group'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.

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**4 Investments in associates**

The movement in investments in associates for the period ended June 30 is as follows:

	<b>2012</b>	<b>2011</b>
At the beginning of the period	<b>17,203,912</b>	16,690,681
Share in loss, net	<b>(89,579)</b>	(92,696)
Other movements	<b>488,282</b>	359,205
At the end of the period	<b>17,602,615</b>	16,957,190

During the period ended June 30, 2012, management changed its intention to sell the Fairmont San Francisco Hotel which was previously classified as asset held for sale, The Company has sold portion of its share resulting in a dilution of its ownership from 50% to 28%. Accordingly, this investment has been classified from assets held for sale to investments in associates at fair value resulting in a gain of Saudi Riyals 36.1 million (Note 8).

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 exercised control over TCCL. Accordingly, this investment was reclassified to investments in associates at its fair value resulting in a gain of Saudi Riyals 171 million (Note 8).

**5 Intangible assets**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Goodwill	<b>1,514,351</b>	1,575,600
Other intangible assets	<b>67,476</b>	67,544
	<b>1,581,827</b>	1,643,144

Other intangible assets principally include brand names and management contracts that relate to subsidiaries that operate hotel properties. Such intangibles have definite lives and are amortized over their economic useful lives. Amortization expense is reported in the consolidated income statement.

**6 Bank borrowings and term loans**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<u>Current</u>		
Short-term loans	<b>63,124</b>	30,420
Revolving credit facilities	<b>11,646</b>	39,769
	<b>74,770</b>	70,189
Current portion of term loans	<b>1,032,842</b>	514,114
	<b>1,107,612</b>	584,303
<u>Non-current</u>		
Term loans	<b>11,259,391</b>	11,670,185
	<b>12,367,003</b>	12,254,488

Bank borrowings and term loans are obtained from various financial institutions and are principally secured by registered mortgage and liens over several properties, deed of support, order notes, promissory notes and pledge of certain shares that are held under available for sale investments. They carry borrowing costs at normal commercial rates.

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During the six-month period ended June 30, 2012, the Group obtained bank borrowings and term loans of Saudi Riyals 44 million, net (2011: Saudi Riyals 844 million).

**7 Dividends**

The General Assembly of the Company, in its annual meeting which was held on Jumad Awwal 4, 1433H (corresponding to March 27, 2012) approved quarterly cash dividends distribution totaling to Saudi Riyals 550.3 million for the year, as recommended by the Company's board of directors.

The cash distributions have to be made to all shareholders on record as of the dates approved in the General Assembly meeting.

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

**8 Income from and gain on investments and others**

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2012	2011	2012	2011
Change in market value of held for trading investments and others	6,080	24,113	138,474	51,530
Gain on investments in associates (Note 4)	36,065	171,095	36,065	202,921
Others, net	94,594	920	124,729	920
	<b>136,739</b>	<b>196,128</b>	<b>299,268</b>	<b>255,371</b>

During the six-month period ended June 30, 2012, the Group designated certain investment securities to held for trading, which were previously classified as available for sale. As a result, the unrealized gain on these investments amounting to Saudi Riyals 200.1 million has been recycled from equity and recognized in the consolidated income statement (Note 3). During the six-months period ended June 30, 2012, the value of certain securities declined resulting in an unrealized loss of Saudi Riyals 61.7 million.

Others, net for the period ended June 30, 2012 include gain from sale of hotel properties amounting to Saudi Riyals 105.5 million.

**9 Reversal of impairment losses**

During the period ended June 30, 2012, the Company reviewed the carrying value of certain assets held for sale and certain other investments based on an updated valuation of the current fair value of these investments. This resulted in an increase in the carrying value of Saudi Riyals 106 million (2011: Saudi Riyals 96.3 million). Accordingly, such increase was recorded as a reversal of impairment loss, which was initially recorded in prior years' against these investments.

**10 Zakat and tax matters**

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2012	2011	2012	2011
Zakat provisions	4,828	3,380	8,599	7,884
Income tax provision, net	13,005	25,301	16,702	20,375
Withholding tax on foreign dividends	435	-	6,150	3,999
	<b>18,268</b>	<b>28,681</b>	<b>31,451</b>	<b>32,258</b>

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.

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**11 Related party matters**

The following are the details of significant related party transactions during the period ended June 30:

		<i>Nature of transaction</i>		<i>Amounts of transactions</i>	
				2012	2011
Principal shareholder	Purchase of land			431,019	-
Associate	Sale of land			450,000	-

The shareholders in the annual General Assembly meeting held on March 27, 2012 (corresponding to Jumad Al-Akhira 4, 1433H) approved the purchase of land from the principal shareholder amounting to Saudi Riyals 431 million as recommended by the Company's board of directors.

During the six-month period ended June 30, 2012, the Company sold a portion of land to Trade Centre Company Limited (TCCL), an associate. This land was acquired from the principal shareholder during the period ended June 30, 2012 at a cost of Saudi Riyals 319.3 million. The Company recognized a gain of Saudi Riyals 83.6 million on this transaction, which represents portion of the gain attributable to the equity of the other shareholders in TCCL.

**12 Earnings per share**

Earnings per share for the six-month periods ended June 30, 2012 and 2011 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 period of 3,706 million shares.

**13 Segment information**

The Group's primary activities are categorized into six 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.

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- a) Selected financial information as of and for the period ended June 30, summarized by the above business segments, is as follows:

	Equity	Hotels	Real estate and domestic	Total
<b>2012</b>				
Total assets	15,152,563	19,271,088	5,880,978	<b>40,304,629</b>
Total liabilities	8,693,464	4,857,708	353,401	<b>13,904,573</b>
Revenues:				
For the three-month period ended June 30	30,745	394,872	232,611	<b>658,228</b>
For the six-month period ended June 30	196,538	697,334	825,001	<b>1,718,873</b>
Net income/(loss):				
For the three-month period ended June 30	84,111	56,110	38,692	<b>178,913</b>
For the six-month period ended June 30	126,942	3,698	149,074	<b>279,714</b>
<b>2011</b>				
Total assets	15,781,375	20,286,776	5,659,049	<b>41,727,200</b>
Total liabilities	8,705,803	5,386,944	199,725	<b>14,292,472</b>
Revenues:				
For the three-month period ended June 30	109,523	406,066	302,915	<b>818,504</b>
For the six-month period ended June 30	204,701	778,379	650,231	<b>1,633,311</b>
Net income/(loss):				
For the three-month period ended June 30	27,701	(76,143)	211,916	<b>163,474</b>
For the six-month period ended June 30	33,806	(97,500)	317,812	<b>254,118</b>

Equity segment includes finance charges and general and administrative expenses related to the Company and its subsidiary, Kingdom 5-KR-11 Limited (KR-11).

- 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 2011 interim consolidated financial statements to conform with the current period presentation.