

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

INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS (Unaudited)  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS  
ENDED SEPTEMBER 30, 2012 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, 2012**

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**INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT**

October 22, 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 September 30, 2012 and the related consolidated income statement for the three-month and nine-month periods then ended, and the interim consolidated statements of cash flows and changes in equity for the nine-month period ended September 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**

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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)

		<b>September 30,</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,193,229	1,012,471
Held for trading investments	3	874,369	239,210
Accounts receivable and other assets		760,084	1,369,363
Net assets held for sale	15	308,393	139,500
		<u>3,136,075</u>	<u>2,760,544</u>
<b>Non-current assets</b>			
Available for sale investments	3	9,718,079	7,670,398
Investments in associates	4	17,673,223	17,304,118
Investments in real estate	5	1,794,010	1,876,867
Property and equipment, net		6,679,844	7,843,848
Intangible assets	6	1,578,359	1,626,475
Other long term assets		397,860	107,217
		<u>37,841,375</u>	<u>36,428,923</u>
<b>Total assets</b>		<u>40,977,450</u>	<u>39,189,467</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank borrowings and term loans	7	1,592,925	755,240
Accounts payable, accruals and other liabilities		653,295	1,117,622
Dividends payable	8	137,581	137,581
		<u>2,383,801</u>	<u>2,010,443</u>
<b>Non-current liabilities</b>			
Term loans	7	10,550,807	11,428,375
Other long term liabilities		411,023	702,231
		<u>10,961,830</u>	<u>12,130,606</u>
<b>Total liabilities</b>		<u>13,345,631</u>	<u>14,141,049</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		1,170,079	1,099,072
Unrealized loss from available for sale investments	3	(11,320,119)	(13,695,336)
Foreign currency translation adjustments and others		(38,217)	(116,018)
<b>Total shareholders' equity</b>		<u>27,116,072</u>	<u>24,528,086</u>
Minority interests		515,747	520,332
<b>Total equity</b>		<u>27,631,819</u>	<u>25,048,418</u>
<b>Total liabilities and equity</b>		<u>40,977,450</u>	<u>39,189,467</u>

**Contingencies**

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The notes on pages 7 to 16 form an integral part of these interim consolidated financial statements.

**KINGDOM HOLDING COMPANY**  
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**Consolidated income statement (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

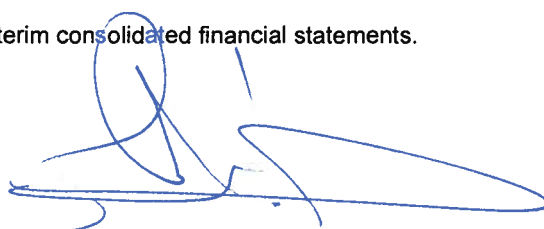
	Note	Three-month periods ended September 30,		Nine-month periods ended September 30,	
		2012	2011	2012	2011
<b>Revenues</b>					
Hotels and other operating revenues		482,042	515,033	1,453,009	1,604,008
Sale of real estate	5	250,000	-	700,000	250,000
Dividends income		19,049	21,739	92,520	70,788
Loss from associates, net	4	(16,685)	(71,458)	(106,264)	(164,154)
Income from and gain on investments and others	9	97,255	356,509	396,524	611,880
Other		1,096	11,333	15,841	93,945
<b>Total revenues</b>		<b>832,757</b>	<b>833,156</b>	<b>2,551,630</b>	<b>2,466,467</b>
<b>Costs and expenses</b>					
Hotels and other operating costs		(329,668)	(347,988)	(1,004,949)	(1,089,656)
Cost of real estate	5	(106,278)	-	(472,680)	(160,483)
General and administrative		(111,707)	(125,739)	(275,781)	(345,678)
<b>Total costs and expenses</b>		<b>(547,653)</b>	<b>(473,727)</b>	<b>(1,753,410)</b>	<b>(1,595,817)</b>
<b>Gross profit</b>		<b>285,104</b>	<b>359,429</b>	<b>798,220</b>	<b>870,650</b>
Depreciation and amortization		(47,334)	(54,964)	(157,470)	(175,795)
Reversal of impairment losses	10	80,000	-	186,000	96,300
<b>Income from operations</b>		<b>317,770</b>	<b>304,465</b>	<b>826,750</b>	<b>791,155</b>
Finance charges, net		(84,984)	(93,675)	(294,647)	(292,979)
<b>Income before minority interest, zakat and tax</b>		<b>232,786</b>	<b>210,790</b>	<b>532,103</b>	<b>498,176</b>
Minority interests		8,362	5,169	20,210	4,159
<b>Income before zakat and tax</b>		<b>241,148</b>	<b>215,959</b>	<b>552,313</b>	<b>502,335</b>
Zakat and tax	11	(23,388)	(18,280)	(54,839)	(50,538)
<b>Net income for the period</b>		<b>217,760</b>	<b>197,679</b>	<b>497,474</b>	<b>451,797</b>
<b>Earnings per share (Saudi Riyals):</b>	13				
▪ Income from operations		0.08	0.08	0.22	0.21
▪ Net income for the period		0.06	0.05	0.13	0.12

The notes on pages 7 to 16 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	Nine-month periods ended September 30,	
		2012	2011
<b>Cash flow from operating activities</b>			
Income before zakat and tax		552,313	502,335
<u>Adjustments for non-cash items</u>			
Depreciation and amortization		157,470	175,795
Loss from associates, net	4	106,264	164,154
Income from and gain on investments and others, net	9	(396,524)	(611,880)
Reversal of impairment loss	10	(186,000)	(96,300)
Loss applicable to minority interest		20,210	4,159
<u>Changes in working capital</u>			
Accounts receivable and other assets		254,913	(504,115)
Movement in investment in real estate, net		3,403	(253,875)
Other long term assets		(366,798)	21,053
Accounts payable, accruals and other liabilities		37,963	718,672
Other long term liabilities		(22,319)	26,296
Zakat and tax paid		(11,848)	(15,893)
Net cash generated from operating activities		149,047	130,401
<b>Cash flow from investing activities</b>			
Purchase of held for trading investments		-	(148,754)
Proceeds from sale of held for trading investments		129,887	-
Additions to associates		(258,364)	-
Reclassification of subsidiary, net of cash		-	(245,137)
Dividends from associates		26,289	95,436
Property and equipment, net		127,590	(21,190)
Intangible assets		-	(26,659)
Net cash generated from/(utilized in) investing activities		25,402	(346,304)
<b>Cash flow from financing activities</b>			
Loans and bank borrowings, net	7	162,495	338,338
Dividend paid	8	(412,743)	(412,743)
Changes in minority interests		1,656	4,174
Net cash utilized in financing activities		(248,592)	(70,231)
<b>Net change in cash and cash equivalents</b>			
		(74,143)	(286,134)
Cash and cash equivalents at beginning of period		1,267,372	1,298,605
<b>Cash and cash equivalents at end of period</b>		<b>1,193,229</b>	<b>1,012,471</b>
<b>Supplemental schedule of non-cash information</b>			
Net assets related to subsidiary classified as associate		-	1,240,775
Increase/(decrease) in unrealized loss from available for sale investments	3	(2,052,890)	2,425,416
Transfer of available for sale investment to/(from) held for trading investment and additions	3	816,902	77,066
Reclassification of assets held for sale to investments in real estate		18,750	-
Reclassification of assets held for sale to investments in associates		157,500	-

The notes on pages 7 to 16 form an integral part of these interim consolidated financial statements.

**KINGDOM HOLDING COMPANY**  
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**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>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	-	-	497,474	-	-	497,474	(20,210)	477,264
Dividends	-	-	(550,324)	-	-	(550,324)	-	(550,324)
Net movement during the period	-	-	-	1,746,493	(23,868)	1,722,625	42,076	1,764,701
<b>September 30, 2012</b>	<b>37,058,823</b>	<b>245,506</b>	<b>1,170,079</b>	<b>(11,320,119)</b>	<b>(38,217)</b>	<b>27,116,072</b>	<b>515,747</b>	<b>27,631,819</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	-	-	451,797	-	-	451,797	(4,159)	447,638
Dividends	-	-	(550,324)	-	-	(550,324)	-	(550,324)
Net movement during the period	-	-	-	(2,425,416)	(29,382)	(2,454,798)	(790,796)	(3,245,594)
<b>September 30, 2011</b>	<b>37,058,823</b>	<b>181,545</b>	<b>1,099,072</b>	<b>(13,695,336)</b>	<b>(116,018)</b>	<b>24,528,086</b>	<b>520,332</b>	<b>25,048,418</b>

The notes on pages 7 to 16 form an integral part of these interim consolidated financial statements.

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**Notes to the interim consolidated financial statements**  
**For the nine-month period ended September 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 14.

These interim consolidated financial statements were authorized for issue by the Company's Board of Directors on October 22, 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, as modified by revaluation of held for trading and available-for-sale investments to fair value, on the accrual basis of accounting 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 judgments 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. Amortization expense is reported in the consolidated income statement.

## **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>September 30, 2012</b>	<b>September 30, 2011</b>
International	<b>8,947,646</b>	6,447,199
Local and regional	<b>770,433</b>	1,223,199
	<b>9,718,079</b>	<b>7,670,398</b>

(b) The movement in available for sale investments for the nine-month period ended September 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>(510,505)</b>	<b>(77,066)</b>
At the end of the period	<b>21,038,198</b>	<b>21,365,734</b>
Unrealized loss:		
At the beginning of the period	<b>(13,066,612)</b>	(11,269,920)
Transfer to held for trading investment	<b>(306,397)</b>	-
(Increase)/decrease in unrealized loss during the period, net	<b>2,052,890</b>	<b>(2,425,416)</b>
At the end of the period	<b>(11,320,119)</b>	<b>(13,695,336)</b>
Net carrying amount	<b>9,718,079</b>	<b>7,670,398</b>

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 nine-month period ended September 30 is as follows:

	2012	2011
At the beginning of the period	17,203,912	16,690,681
Share in loss, net	(106,264)	(164,154)
Other additions and movements	575,575	777,591
At the end of the period	<u>17,673,223</u>	<u>17,304,118</u>

During the period ended September 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 9).

During the period ended September 30, 2011, the shareholders restructured the ownership of Jeddah Economic Company (JEC), an associated company, 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 Group share was diluted to 33.35% resulting in a gain of Saudi Riyals 363.5 million which was recognized during 2011 (Note 9).

**5 Investments in real estate**

	September 30, 2012	September 30, 2011
Investments in land and related infrastructure costs - Saudi Arabia	1,152,709	1,254,520
Properties under construction and other	641,301	622,347
	<u>1,794,010</u>	<u>1,876,867</u>

During the nine-month period ended September 30, 2012, the Group completed the sale of certain parcels of land in the Kingdom of Saudi Arabia and realized a gain of Saudi Riyals 227.3 million (2011: Saudi Riyals 89.6 million).

**6 Intangible assets**

	September 30, 2012	September 30, 2011
Goodwill	1,518,658	1,575,600
Other intangible assets	59,701	50,875
	<u>1,578,359</u>	<u>1,626,475</u>

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.

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**7 Bank borrowings and term loans**

	September 30, 2012	September 30, 2011
<u>Current</u>		
Short-term loans	61,014	76,753
Revolving credit facilities	111,646	1,155
	<u>172,660</u>	<u>77,908</u>
Current portion of term loans	1,420,265	677,332
	<u>1,592,925</u>	<u>755,240</u>
<u>Non-current</u>		
Term loans	10,550,807	11,428,375
	<u>12,143,732</u>	<u>12,183,615</u>

Details of bank borrowings and term loans by subsidiary are as follows:

	September 30, 2011	September 30, 2010
Kingdom Holding Company (KHC)	5,200,067	4,789,838
Kingdom 5-KR-11 Limited (KR-11)	3,187,397	3,253,793
Kingdom Hotel Investments (KHI)	1,854,956	2,146,699
Kingdom 5-KR-35 (George V)	1,702,132	1,831,544
Others	199,180	161,741
	<u>12,143,732</u>	<u>12,183,615</u>

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.

During the nine-month period ended September 30, 2012, the Group obtained bank borrowings and term loans of Saudi Riyals 162 million, net (2011: Saudi Riyals 338 million).

**8 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, second and third dividend distributions were made to all shareholders on record as of the dates approved in the General Assembly meeting.

**9 Income from and gain/(loss) on investments and others**

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Change in market value of held for trading investments and others	97,255	(38,140)	235,730	13,390
Gain on investments in associates (Note 4)	-	331,679	36,065	534,600
Others, net	-	62,970	124,729	63,890
	<u>97,255</u>	<u>356,509</u>	<u>396,524</u>	<u>611,880</u>

During the nine-month period ended September 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

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investments amounting to Saudi Riyals 306.4 million has been recycled from equity and recognized in the consolidated income statement (Note 3). During the nine-months period ended September 30, 2012, the value of certain securities declined resulting in an unrealized loss of Saudi Riyals 70.7 million.

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

For the period ended September 30, 2011 gain on investment in associates includes Saudi Riyals 363.5 million relating to JEC transaction (Note 4).

**10 Reversal of impairment losses**

During the period ended September 30, 2012, the Company reviewed the carrying value of certain assets held for sale and certain other investments based on an updated valuation and analysis of the current fair value of these investments. This resulted in an increase in the carrying value of Saudi Riyals 186 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.

**11 Zakat and tax matters**

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

	<b>Three-month periods ended September 30,</b>		<b>Nine-month periods ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Zakat provisions	<b>5,192</b>	5,070	<b>13,791</b>	12,954
Income tax provision, net	<b>12,480</b>	13,210	<b>29,182</b>	33,585
Withholding tax on foreign dividends	<b>5,716</b>	-	<b>11,866</b>	3,999
	<b>23,388</b>	18,280	<b>54,839</b>	50,538

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 Related party matters**

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

<b>Nature of transaction</b>		<b>Amounts of transactions</b>	
		<b>2012</b>	<b>2011</b>
Principal shareholder	Purchase of land	<b>431,018</b>	-
Associate	Sale of land	<b>450,000</b>	-

The shareholders in the annual General Assembly meeting held on March 27, 2012 (corresponding to Jumad Al-Awwal 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 (Note 5).

**13 Earnings per share**

Earnings per share for the periods ended September 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 periods of 3,706 million shares.

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**14 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 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.

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
<b>2012</b>				
Total assets	15,788,056	19,034,667	6,154,727	40,977,450
Total liabilities	7,945,936	5,050,235	349,460	13,345,631
Revenues:				
For the three-month period ended September 30	132,646	406,970	293,141	832,757
For the nine-month period ended September 30	329,184	1,104,304	1,118,142	2,551,630
Net income/(loss):				
For the three-month period ended September 30	123,107	(56,545)	151,198	217,760
For the nine-month period ended September 30	250,049	(52,847)	300,272	497,474
<b>2011</b>				
Total assets	16,407,881	18,379,499	4,402,087	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

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.



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**15 Net assets held-for-sale**

The major classes of assets and liabilities of hotel properties classified as held for sale at September 30 are as follows:

	<b>2012</b>	<b>2011</b>
Current assets	<b>204,082</b>	24,122
Property and equipment	<b>835,379</b>	7,935
Other assets	<b>31,725</b>	175,083
	<b>1,071,186</b>	207,140
Current and other liabilities	<b>762,793</b>	67,640
<b>Net balance</b>	<b>308,393</b>	139,500

**16 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.

**17 Subsequent event**

Subsequent to the period ended September 30, 2012, the Group completed the sale of the hotel property in Makati City, Philippines which was classified as net asset held for sale at September 30, 2012 (Note 15).

**18 Comparatives figures**

Certain reclassifications have been made to the 2011 interim consolidated financial statements to conform with the current period presentation.