

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED
MARCH 31, 2013 AND LIMITED REVIEW REPORT**



KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

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LIMITED REVIEW REPORT

April 21, 2013

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 (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2013 and the interim consolidated statements of income, cash flows and changes in equity for the three-month period then ended, 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 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 of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review 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 Saudi Arabia.

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

		March 31,	
	Note	2013	2012
Assets			
Current assets			
Cash and cash equivalents		1,039,645	952,416
Held for trading investments		783,300	406,678
Accounts receivable and other assets		1,318,413	1,604,657
Net assets held for sale		180,111	140,185
		<u>3,321,469</u>	<u>3,103,936</u>
Non-current assets			
Available for sale investments	3	12,435,537	10,078,075
Investments in associates	4	17,804,867	17,016,883
Investments in real estate	5	1,695,624	1,765,170
Property and equipment, net		6,561,222	7,609,460
Intangible assets	6	1,670,260	1,756,065
Other long term assets		396,806	85,719
		<u>40,564,316</u>	<u>38,311,372</u>
Total assets		<u>43,885,785</u>	<u>41,415,308</u>
Liabilities			
Current liabilities			
Bank borrowings and term loans	7	1,801,443	648,402
Accounts payable, accruals and other liabilities		768,182	971,220
Dividends payable		412,743	412,743
		<u>2,982,368</u>	<u>2,032,365</u>
Non-current liabilities			
Term loans	7	10,860,119	11,869,963
Other long term liabilities		411,851	407,481
		<u>11,271,970</u>	<u>12,277,444</u>
Total liabilities		<u>14,254,338</u>	<u>14,309,809</u>
Equity			
Equity attributable to shareholders of the Company:			
Share capital		37,058,823	37,058,823
Statutory reserve		316,213	245,506
Retained earnings		868,736	773,406
Unrealized loss from available for sale investments	3	(8,946,203)	(11,359,675)
Foreign currency translation adjustments and other		(99,271)	(58,724)
Total shareholders' equity		<u>29,198,298</u>	<u>26,659,336</u>
Minority interests		433,149	446,163
Total equity		<u>29,631,447</u>	<u>27,105,499</u>
Total liabilities and equity		<u>43,885,785</u>	<u>41,415,308</u>

Contingencies

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

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

	Note	Three-month periods ended March 31,	
		2013	2012
Revenues			
Hotels and other operating revenues		496,181	483,999
Sales of real estate	5,12	-	450,000
Dividends income		19,049	19,049
Loss from associates, net	4	(73,260)	(72,240)
Income from and gain on investments and others	9	216,166	162,530
Other		7,025	17,307
Total revenues		<u>665,161</u>	<u>1,060,645</u>
Costs and expenses			
Hotels and other operating costs		(330,775)	(332,476)
Cost of real estate	5	-	(366,402)
General and administrative		(109,293)	(86,979)
Total costs and expenses		<u>(440,068)</u>	<u>(785,857)</u>
Gross profit		225,093	274,788
Depreciation and amortization		(56,861)	(56,677)
Reversal of impairment loss	10	24,700	-
Income from operations		<u>192,932</u>	<u>218,111</u>
Finance charges, net		(72,057)	(108,293)
Income before minority interests, zakat and tax		<u>120,875</u>	<u>109,818</u>
Minority interests		5,489	4,166
Income before zakat and tax		<u>126,364</u>	<u>113,984</u>
Zakat and tax	11	(16,276)	(13,183)
Net income for the period		<u>110,088</u>	<u>100,801</u>
Earnings per share (Saudi Riyals):			
▪ Income from operations	13	<u>0.05</u>	0.06
▪ Net income for the period		<u>0.03</u>	0.03

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

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

	Note	Three-month periods ended March 31,	
		2013	2012
Cash flow from operating activities			
Income before zakat and tax		126,364	113,984
<u>Adjustments for non-cash items</u>			
Depreciation and amortization		56,861	56,677
Loss from associates, net	4	73,260	72,240
Income from and gain on investments and other, net	9	(216,166)	(162,530)
Reversal of impairment loss	10	(24,700)	-
Loss applicable to minority interests		5,489	4,166
Foreign exchange gain		(31,405)	-
<u>Changes in working capital</u>			
Accounts receivable and other assets		(141,090)	27,366
Movement in investment in real estate, net		(9,117)	(308,584)
Other long term assets		11,440	(34,963)
Accounts payable, accruals and other liabilities		87,019	2,986
Other long term liabilities		(15,498)	(70,774)
Zakat and tax paid		-	(11,183)
Net cash utilized in operating activities		<u>(77,543)</u>	<u>(310,615)</u>
Cash flow from investing activities			
Proceeds from sale of held for trading investments		401,074	75,566
Acquisition of available for sale investments		(468,750)	-
Additions to associates		(33,750)	-
Dividends from associates		-	23,923
Property and equipment, net		(9,184)	(109,757)
Net cash utilized in investing activities		<u>(110,610)</u>	<u>(10,268)</u>
Cash flow from financing activities			
Loans and bank borrowings, net	7	572,154	195,392
Dividends paid	8	(137,581)	(137,581)
Changes in minority interests		(11,827)	(51,884)
Net cash generated from financing activities		<u>422,746</u>	<u>5,927</u>
Net change in cash and cash equivalents		234,593	(314,956)
Cash and cash equivalents at beginning of period		805,052	1,267,372
Cash and cash equivalents at end of period		<u>1,039,645</u>	<u>952,416</u>
Supplemental schedule of non-cash information			
Receivable against sale of land to associate	12	-	450,000
Decrease in unrealized loss from available for sale investments	3	<u>1,379,120</u>	<u>1,706,937</u>
Transfer of available for sale investment to held for trading investment	3	<u>125,208</u>	<u>110,953</u>

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

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

	Note	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			
January 1, 2013		37,058,823	316,213	1,308,972	(10,325,323)	(168,322)	28,190,363	439,487	28,629,850	
Net income for the period		-	-	110,088	-	-	110,088	(5,489)	104,599	
Dividends	8	-	-	(550,324)	-	-	(550,324)	-	(550,324)	
Net movement during the period		-	-	-	1,379,120	69,051	1,448,171	(849)	1,447,322	
March 31, 2013		37,058,823	316,213	868,736	(8,946,203)	(99,271)	29,198,298	433,149	29,631,447	
January 1, 2012		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		-	-	100,801	-	-	100,801	(4,166)	96,635	
Dividends	8	-	-	(550,324)	-	-	(550,324)	-	(550,324)	
Net movement during the period		-	-	-	1,706,937	(44,375)	1,662,562	(43,552)	1,619,010	
March 31, 2012		37,058,823	245,506	773,406	(11,359,675)	(58,724)	26,659,336	446,163	27,105,499	

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 three-month period ended March 31, 2013 (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 April 21, 2013.

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, 2012.

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 have 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, 2012. 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 period presented.

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

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.

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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, 2012.

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 occur 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. Where fair values cannot be reliably estimated, the Group records such investments at cost.

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.

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.

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

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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 when the risks and rewards of ownership are transferred to the buyer, which is deemed to take place when legal title transfers to the buyer. However, in certain circumstances equitable interest in the land may vest with the buyer before legal title passes and therefore risks and rewards of ownership are transferred at that stage. In such cases, provided that the Group has no further substantive act to complete in connection with the sale of land, revenue is recognized when equitable interest in the land passes to the buyer.

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.

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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 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:

	March 31, 2013	March 31, 2012
International	11,657,021	8,699,830
Local and regional	778,516	1,378,245
	<u>12,435,537</u>	<u>10,078,075</u>

(b) The movement in available for sale investments for the period ended March 31 is set out below:

	2013	2012
Cost:		
At the beginning of the period net of impairment charge	21,038,198	21,548,703
Transfer to held for trading investments	(125,208)	(110,953)
Additions during the period	468,750	-
At the end of the period	<u>21,381,740</u>	<u>21,437,750</u>
Unrealized loss:		
At the beginning of the period	(10,325,323)	(13,066,612)
Decrease in unrealized loss during the period, net	1,484,612	1,814,706
Unrealized gain related to investments transferred to held for trading investments (Note 9)	(105,492)	(107,769)
At the end of the period	<u>(8,946,203)</u>	<u>(11,359,675)</u>
Net carrying amount	<u>12,435,537</u>	<u>10,078,075</u>

Certain available for sale investments are used as collateral against bank borrowings and term loans of the Company and its subsidiaries (Note 7).

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 March 31 is as follows:

	2013	2012
At the beginning of the period	17,762,235	17,203,912
Addition during the period	33,750	-
Share in loss, net	(73,260)	(72,240)
Other movements	82,142	(114,789)
At the end of the period	<u>17,804,867</u>	<u>17,016,883</u>

5 Investments in real estate

	March 31, 2013	March 31, 2012
Investments in land and related infrastructure costs - Saudi Arabia	1,572,902	1,622,366
Properties under construction and other	<u>122,722</u>	<u>142,804</u>
	<u>1,695,624</u>	<u>1,765,170</u>

During the three-month period ended March 31, 2012, the Group completed the sale of certain parcels of land in Riyadh aggregating Saudi Riyals 450 million and realized a gain of Saudi Riyals 83.6 million.

6 Intangible assets

	March 31, 2013	March 31, 2012
Goodwill	1,611,057	1,688,590
Other intangible assets	<u>59,203</u>	<u>67,475</u>
	<u>1,670,260</u>	<u>1,756,065</u>

Other intangible assets principally include brand names and management contracts that relate to subsidiaries that operate hotel properties. Such contracts have definite lives and are amortized over their useful economic lives.

7 Bank borrowings and term loans

	March 31, 2013	March 31, 2012
<u>Current</u>		
Short-term loans	79,114	70,504
Revolving credit facilities	-	11,646
	<u>79,114</u>	<u>82,150</u>
Current portion of term loans	<u>1,722,329</u>	<u>566,252</u>
	<u>1,801,443</u>	<u>648,402</u>
<u>Non-current</u>		
Term loans, including long term revolving facilities	<u>10,860,119</u>	<u>11,869,963</u>
	<u>12,661,562</u>	<u>12,518,365</u>

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

	March 31, 2013	March 31, 2012
Kingdom Holding Company (KHC)	5,863,521	5,312,001
Kingdom 5-KR-11 Limited (KR-11)	3,187,397	3,115,763
Kingdom Hotel Investments (KHI)	1,735,900	2,152,738
Kingdom 5-KR-35 (George V)	1,684,469	1,780,794
Others	190,275	157,069
	<u>12,661,562</u>	<u>12,518,365</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 three-month period ended March 31, 2013, the Group had net inflow of bank borrowings and term loans of Saudi Riyals 572 million, net (2012: Saudi Riyals 195 million).

8 Dividends

The General Assembly of the Company, in its annual meeting held on Jumad Awwal 14, 1434H (corresponding to March 26, 2013), 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 dividends distribution was made to all shareholders on record as of the dates approved in the General Assembly meeting.

9 Income from and gain on investments and others

	Three-month periods ended March 31,	
	2013	2012
Change in market value of held for trading investments	159,492	132,394
Others, net	56,674	30,136
	<u>216,166</u>	<u>162,530</u>

During the three-month period ended March 31, 2013, 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 105.4 million (2012: Saudi Riyals 107.8 million) has been recycled from equity and recognized in the consolidated income statement (Note 3). During the three-month period ended March 31, 2013, the value of certain securities appreciated resulting in an unrealized gain of Saudi Riyals 54.1 million (2012: Saudi Riyals 24.5 million).

Others, net for the period ended March 31, 2013 and 2012 represents gain from sale of held for trading investments and hotel properties, respectively.

10 Reversal of impairment losses

During the period ended March 31, 2013, 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 24.7 million (2012: NIL). Accordingly, such increase was recorded as a reversal of impairment loss, which was initially recorded in prior years' against these investments.

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11 Zakat and tax matters

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

	Three-month periods ended March 31,	
	2013	2012
Zakat provisions, net	4,015	3,771
Income tax provision, net	6,546	3,697
Withholding tax on foreign dividends	5,715	5,715
	16,276	13,183

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.

Status of final assessments

The Company has received final assessments from the Department of Zakat and Income Tax ("DZIT") up to year 2002. During 2012, the Company received assessment from the DZIT for the years 2003 to 2010 resulting in additional zakat assessment. Management has seriously contested the matters included in the assessment and has filed an appeal providing its detailed arguments against the assessment.

12 Related party matters

The following are the details of significant related party transactions during the period ended March 31:

	<i>Nature of transaction</i>	<i>Amounts of transactions</i>	
		2013	2012
Principal shareholder	Purchase of land (i)	-	431,019
Associates	Sale of land (ii)	-	450,000

(i) 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.

(ii) During the three-month period ended March 31, 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 March 31, 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.

13 Earnings per share

Earnings per share for the three-month periods ended March 31, 2013 and 2012 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.

14 Segment information

The Group's primary activities are categorized into the three segments:

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.

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

Hotels

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

Real Estate and Domestic

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

Domestic - The principal activity includes investments in local entities.

- a) Selected financial information as of and for the period ended March 31, summarized by the above business segments, was as follows:

	Equity	Hotels	Real estate and domestic	Total
2013				
Total assets	18,681,704	18,806,946	6,397,135	43,885,785
Total liabilities	9,655,575	4,226,264	372,499	14,254,338
Total revenues	200,231	323,725	141,205	665,161
Total net income/(loss)	147,766	(44,490)	6,812	110,088
2012				
Total assets	14,045,551	19,850,528	7,519,229	41,415,308
Total liabilities	9,031,577	5,040,294	237,938	14,309,809
Total revenues	165,793	302,462	592,390	1,060,645
Total net income/(loss)	42,831	(52,412)	110,382	100,801

Equity segment includes finance charges and general and administrative expenses related to the Company and 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.

15 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.

16. Comparatives figures

Certain reclassifications have been made to the 2012 interim consolidated financial statements to conform with the current period presentation.