



KINGDOM HOLDING COMPANY

(A Saudi Joint Stock Company)

**Interim Condensed Consolidated Financial
Statements**

**For the three-month period ended
March 31, 2017 (unaudited)**

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Interim condensed consolidated financial statements for the three months period ended 31 March 2017
(Unaudited)

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KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Safahudeen Al Ayoubi Road
P O Box 92876
Riyadh 11683
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com.sa

Licence No. 48/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT ON REVIEW OF **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

To: **The Shareholders**
Kingdom Holding Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2017 interim condensed consolidated financial statements of Kingdom Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2017;
- the condensed consolidated statement of profit or loss for the three months period ended 31 March 2017;
- the condensed consolidated statement of comprehensive income for the three months period ended 31 March 2017;
- the condensed consolidated statement of changes in equity for the three months period ended 31 March 2017;
- the condensed consolidated statement of cash flows for the three months period ended 31 March 2017; and
- the notes to the interim condensed consolidated financial statements.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2017 interim condensed consolidated financial statements of Kingdom Holding Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No.: 348

Riyadh on: 11 Shaban 1438H
Corresponding to: 7 May 2017



KINGDOM HOLDING COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31-Mar-17	As at 31-Dec-16	As at 1-Jan-16
		SAR '000	SAR '000	SAR '000
ASSETS				
Current assets				
Cash and cash equivalents		4,768,490	4,337,052	2,633,813
Investments at fair value through profit or loss	9	140,272	605,663	4,427,491
Accounts receivable and other current assets		1,063,227	988,676	873,921
Due from related parties		90,000	90,824	92,109
Assets held for sale		—	--	246,748
Total current assets		6,061,989	6,022,215	8,274,082
Non-current assets				
Investments at fair value through profit or loss	9	399,850	399,850	399,850
Investments at fair value through other comprehensive income	9	9,270,239	8,973,216	8,235,079
Equity-accounted investees	11	14,104,585	14,123,741	16,401,258
Investment properties		2,044,379	2,094,448	2,087,005
Property, plant and equipment		7,940,396	7,946,435	5,442,668
Intangible assets and goodwill		1,695,490	1,692,970	1,719,419
Deferred tax assets		38,688	26,481	25,446
Other long term assets		442,478	444,943	348,129
Total non-current assets		35,936,105	35,702,084	34,658,854
Total assets		41,998,094	41,724,299	42,932,936
LIABILITIES				
Current liabilities				
Borrowings	12	517,623	512,534	1,899,365
Accounts payable, accrued expenses and other current liabilities		461,646	496,866	520,093
Zakat and income tax payable		176,302	161,621	106,161
Due to related parties		211,882	207,336	169,682
Dividends payable		--	--	163,985
Total current liabilities		1,367,453	1,378,357	2,859,286
Non-current liabilities				
Borrowings	12	10,496,122	10,621,807	10,575,428
Deferred tax liabilities		233,904	223,578	228,867
Employee benefit obligations		160,369	160,313	95,189
Other long term liabilities		11,659	16,202	10,480
Total non-current liabilities		10,902,054	11,021,900	10,909,964
Total liabilities		12,269,507	12,400,257	13,769,250
Net assets		29,728,587	29,324,042	29,163,686
EQUITY				
Share capital	15	37,058,823	37,058,823	37,058,823
Statutory reserve		599,069	599,069	548,081
Retained earnings		1,399,902	1,270,814	2,327,718
Unrealised loss on investments at fair value through other comprehensive income		(9,880,801)	(10,177,824)	(10,892,025)
Other reserves	16	(548,382)	(517,729)	(423,510)
Equity attributable to shareholders of the Company		28,628,611	28,233,153	28,619,087
Non-controlling interests		1,099,976	1,090,889	544,599
TOTAL EQUITY		29,728,587	29,324,042	29,163,686

The notes on pages 9 to 33 form an integral part of these interim condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	31 Mar 2017 SAR '000	31 Mar 2016 SAR '000
Revenues			
Hotels and other operating revenues		387,787	462,923
Dividend income		19,511	21,564
Income from and gain on investments	10.2	254,614	151,499
Other revenues		--	4,490
Total revenues		661,912	640,476
 Hotels and other operating costs		 (307,121)	 (366,006)
Gross profit		354,791	274,470
 General, administrative and marketing expenses		 (64,189)	 (58,922)
Share of results from equity-accounted investees	11	(6,568)	13,568
Others, net		(26,111)	--
Income from operations		257,923	229,116
 Financial charges, net		 (105,529)	 (86,248)
Profit before zakat and income tax		152,394	142,868
 Zakat and income tax		 (23,155)	 (15,235)
Profit for the period		129,239	127,633
 Profit for the period attributable to:			
- Owners of the Company		129,088	114,523
- Non-controlling interests		151	13,110
		129,239	127,633
 Basic and diluted earnings per share (Saudi Riyals)		 0.03	 0.03

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	31 Mar 2017 SAR '000	31 Mar 2016 SAR '000
Profit for the period		129,239	127,633
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Investments at fair value through other comprehensive income – net changes in fair value	10.1	297,023	(1,553,264)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share in other comprehensive income of equity-accounted investees	16	54,653	--
Exchange differences on translation of foreign operations and others	16	(83,083)	33,303
Total comprehensive income / (loss) for the period		397,832	(1,392,328)
Total comprehensive income / (loss) for the period attributable to:			
- Owners of the Company		395,458	(1,405,438)
- Non-controlling interests		2,374	13,110
		397,832	(1,392,328)

The notes on pages 9 to 33 form an integral part of these interim condensed consolidated financial statements.

KINGDOM HOLDING COMPANY
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Interim condensed consolidated financial statements for the three months period ended 31 March 2017 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SAR '000	Share capital	Statutory reserve	Retained earnings	Unrealised loss on investments at fair value through other comprehensive income	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2017	37,058,823	599,069	1,270,814	(10,177,824)	(517,729)	28,233,153	1,090,889	29,324,042
Profit for the period	--	--	129,088	--	--	129,088	151	129,239
Movement in unrealised loss on investments at fair value through other comprehensive income	--	--	--	297,023	--	297,023	--	297,023
Share of other comprehensive income of equity-accounted investees	--	--	--	--	54,653	54,653	--	54,653
Exchange differences on translation of foreign operations and others	--	--	--	--	(85,306)	(85,306)	2,223	(83,083)
Total comprehensive income for the period	--	--	129,088	297,023	(30,653)	395,458	2,374	397,832
Change in non-controlling interests	--	--	--	--	--	--	6,713	6,713
Balance at 31 March 2017	37,058,823	599,069	1,399,902	(9,880,801)	(548,382)	28,628,611	1,099,976	29,728,587

The notes on pages 9 to 33 form an integral part of these interim condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

SAR '000	Share capital	Statutory reserve	Retained earnings	Unrealised loss on investments at fair value through other comprehensive income	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2016	37,058,823	548,081	2,327,718	(10,892,025)	(423,510)	28,619,087	544,599	29,163,686
Profit for the period	--	--	114,523	--	--	114,523	13,110	127,633
Movement in unrealised loss on investments at fair value through other comprehensive income	--	--	--	(1,553,264)	--	(1,553,264)	--	(1,553,264)
Exchange differences on translation of foreign operations and others	--	--	--	--	33,303	33,303	--	33,303
Total comprehensive income for the period	--	--	114,523	(1,553,264)	33,303	(1,405,438)	13,110	(1,392,328)
Change in non-controlling interests	--	--	--	--	--	--	20,759	20,759
Transactions with owners in their capacity as owners:								
Dividends provided for or paid	--	--	(655,941)	--	--	(655,941)	--	(655,941)
Balance at 31 March 2016	37,058,823	548,081	1,786,300	(12,445,289)	(390,207)	26,557,708	578,468	27,136,176

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 March 2017 SAR '000	31 March 2016 SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax		152,394	142,868
Adjustments for:			
Depreciation and amortisation		60,120	45,048
Gain on sale of investments at fair value through profit or loss	10	(234,827)	(51,016)
Unrealised gain on revaluation of investments at fair value through profit or loss	10	(19,787)	(100,483)
Share of results from equity-accounted investees	11	6,568	(13,568)
Dividend income		(19,511)	(21,564)
Financial charges, net		105,529	86,248
		50,486	87,533
Changes in operating assets and liabilities			
Accounts receivable and other current assets		(74,551)	(310,177)
Due from related parties		824	97,228
Employee benefit obligations		56	3,311
Accounts payable, accrued expenses and other current liabilities		(42,111)	(110,461)
Due to related parties		4,546	--
Sale of investments at fair value through profit or loss		720,005	1,411,272
Cash generated from operations		659,255	1,178,706
Zakat and income tax paid		(8,299)	(8,403)
Net cash generated from operating activities		650,956	1,170,303
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equity-accounted investees		--	(97,354)
Purchase of investments at fair value through other comprehensive income		--	(3,994)
Purchase of investment property		--	(29)
Payments for property, plant and equipment, net		(24,430)	(10,695)
Other long term assets		2,465	1,702
Other long term liabilities		(4,543)	(3,783)
Dividends received		19,511	21,564
Net cash used in investing activities		(6,997)	(92,589)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(98,638)	(86,248)
Proceeds from borrowings		459,466	24,000
Repayments of borrowings		(580,062)	(1,054,548)
Transactions with non-controlling interests		6,713	--
Dividends paid to shareholders		--	(327,970)
Net cash used in financing activities		(212,521)	(1,444,766)
Net increase / (decrease) in cash and cash equivalents		431,438	(367,052)
Cash and cash equivalents at 1 January		4,337,052	2,633,813
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		4,768,490	2,266,761
Non-cash transactions:			
Movement in investments at fair value through other comprehensive income	10	297,023	(1,553,264)
Exchange differences on translation of foreign operations	16	(85,306)	33,303

The notes on pages 9 to 33 form an integral part of these interim condensed consolidated financial statements.

KINGDOM HOLDING COMPANY
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Notes to the interim condensed consolidated financial statements for the three months period ended 31 March 2017
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1 CORPORATE INFORMATION

Kingdom Holding Company (the "Company" or "KHC") 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 28 May 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 JSC.

The Company and its subsidiaries (the "Group") carry out its activities through the entities listed below. The principal activities of the Group 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, investment and establishment of other companies.

The shares of the Company commenced trading on the Saudi Stock Exchange on 28 July 2007 after approval by the Capital Market Authority.

The Company's head office is located in Riyadh at the following address:

Kingdom Holding Company
66th Floor, Kingdom Centre
P.O. Box 1, Riyadh 11321
Kingdom of Saudi Arabia

These interim condensed consolidated financial statements (the "consolidated financial statements") were authorized for issue by the Company's Board of Directors on 7 May 2017.

a) Kingdom 5-KR-11 Limited (KR-11)

KR-11 is a limited liability company incorporated in the Cayman Islands. The company's principal activity represents investments in international quoted securities, through its wholly owned subsidiaries.

b) Kingdom 5-KR-100 Limited (KR-100)

KR-100 is a limited liability company incorporated in the Cayman Islands. The company's principal activity represents ownership and management of funds, through its equity-accounted investees.

c) Kingdom 5-KR-132 Limited (KR-132)

KR-132 is a limited liability company incorporated in the Cayman Islands. The company's principal activity includes holding investments in the following subsidiaries and equity-accounted investees that own and manage properties and hotels:

	Effective Ownership Percentage	
	31-Mar-17	31-Mar-16
<u>Subsidiaries</u>		
Kingdom Hotel Investments (KHI) - Cayman Islands	100.0	100.0
Kingdom 5 KR 35 Group (George V) - France (Direct and indirect ownership through KHI)	100.0	100.0
<u>Equity-accounted investees</u>		
Fairmont Raffles Holdings International (FRHI) - Canada	—	35.4
Four Seasons Holding Inc. (FSH Inc.) - Canada	47.5	47.5
Mövenpick Hotels and Resorts AG (Mövenpick) - Switzerland	33.3	33.3
Sahara Plaza LLC - United States of America	25.0	25.0
Accor S.A.	5.8	—

d) Kingdom 5-KR-114 Limited (KR-114)

KR-114 is a limited liability company incorporated in the Cayman Islands. The company's principal activity represents ownership in Breezeroud Limited which became a subsidiary on 12 July 2016.

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Notes to the interim condensed consolidated financial statements for the three months period ended 31 March 2017
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1 CORPORATE INFORMATION (Continued)

e) Local and regional subsidiaries

The Company also has ownership in the following local and regional subsidiaries and equity-accounted investees:

	Effective Ownership Percentage	
	31-Mar-17	31-Mar-16
<u>Subsidiaries</u>		
Kingdom Schools Company Limited (The School) - Saudi Arabia	47.0	47.0
Fashion Village Trading Company Limited (SAKS) - Saudi Arabia	71.8	71.8
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	74.0	74.0
Consulting Clinic SAL (Clinic) - Lebanon	50.4	50.4
Kingdom Agriculture Development Company (KADCO) - Egypt*	—	100.0
Kingdom Real Estate Development Company (KRED) - Saudi Arabia	100.0	100.0
<u>Equity-accounted investees</u>		
National Air Services (NAS) - Saudi Arabia	34.1	34.1
Jeddah Economic Company (JEC) - Saudi Arabia	33.4	33.4
Real Estate Investment Company (REIC) - Saudi Arabia	38.9	38.9
Trade Centre Company Limited (TCCL) - Saudi Arabia	36.0	36.0

* KADCO has been disposed of during the period. Sale proceeds approximate to historical cost and carrying amount as of the date of disposal. Hence, no gain or loss has been recorded in the books.

The principal activities and the various segments of the Group are described in Note 8.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These Interim Condensed Consolidated Financial Statements ("Financial Statements") have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). These are the Group's first International Financial Reporting Standard ("IFRS") Interim Condensed Consolidated Financial Statements for part of the period covered by the first IFRS annual Financial Statements and IFRS 1 First-time Adoption of International Financial Reporting Standards, as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, has been applied. These Financial Statements do not include all of information required for full set of annual Financial Statements prepared under IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group for the comparative periods presented is provided in note 5, 6 and 7. These notes include reconciliations required under IFRS 1 First-time Adoption of International Financial Reporting Standards.

As part of its transition to IFRS, the Group elected to early apply IFRS 9 Financial Instruments (IFRS 9). The IFRS accounting policies adopted by the Group are listed in note 4.

2.2 Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivatives) that are measured at fair value and included in fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) and other long term financial assets. Further, the employee benefit obligations have been calculated using the projected unit credit method (PUCM) and actuarial assumptions.

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions have been reviewed on an ongoing basis. Revisions to accounting estimates have been recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period include:

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Notes to the interim condensed consolidated financial statements for the three months period ended 31 March 2017
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3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (Continued)

3.1 Impairment test of non-financial assets

Judgment is required in assessing whether certain factors would be considered as an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment and, accordingly, whether impairment testing is required. When impairment testing is required, discounted cash flow models are used to determine the recoverable amount of respective assets. When market transactions for comparable assets are available, these are considered in determine the recoverable amount of assets. Significant assumptions used in preparing discounted cash flow models include growth rates, expected future cash flows, operating costs, capital expenditures, and discount rates. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statement of profit or loss and the resulting carrying values of assets.

3.2 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3.3 Measurement of financial assets

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, including unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

3.4 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for uncertain liabilities involve management's best estimate whether cash outflows are probable.

3.5 Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful life of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

3.6 Assumptions for employee benefit obligations

Employee benefits represent obligations that will be settled in the future and require assumptions to project obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. The Group's management uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits incurred costs.

3.7 Zakat

In calculating the zakat expense for the current period, the Group has adjusted its net income and applied certain deduction to its zakat base to calculate the zakat expense. The Group's management made its best estimates for those assumptions.

3.8 Income tax

For subsidiaries incorporated and operating outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Standards issued but not yet effective:

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2018 and 1 January 2019 have not been early adopted in the preparation of the Group's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018.

IFRS 16 – Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace IAS 17 – 'Leases' and IFRIC 4 – 'Whether an arrangement contains a lease'. IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases. Lessor accounting remains substantially the same as in IAS 17.

The effective date for adoption is annual periods beginning on or after 1 January 2019.

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below:

4.2 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Business Combination

All business combinations are accounted for using the acquisition method. In the application of acquisition method, the acquiree's identifiable assets (including intangible assets not previously recognised), liabilities and contingent liabilities are recognised at their acquisition date fair value. If the acquisition is for less than 100% of the acquiree, there is a non-controlling interest. The non-controlling interest represents the equity in a subsidiary that is not attributable, directly or indirectly to the parent. The Group measures the non-controlling interest at proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill is the difference between the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. The Group recognises its share of goodwill based on the percentage of ownership. Goodwill should be allocated to each cash generating unit or group of cash generating units which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is recognised as an asset and tested annually for impairment, or more frequently if there is an indication of impairment. Testing for impairment involves comparing the recoverable amount of a cash generating unit with the carrying amount. Any identified impairment loss is first allocated to the goodwill and the remaining impairment loss is allocated to the cash generating unit and to other assets of the unit on a pro rata basis.

Common control transactions

A business combination acquired under common control may be accounted for using predecessor values.

4.4 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each respective entity operates (the "functional currency"). The consolidated financial statements are presented in Saudi Riyals ("SR"), which is also the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the Group's consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

(iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each consolidated statement of profit or loss and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations (including goodwill) and of borrowings and other financial instruments designated as hedges of such investments (if any), are recognised in consolidated statement of comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of profit or loss, as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. Thus, they will be expressed in the functional currency of the foreign operation and will be translated at the closing rate.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in consolidated statement of profit or loss or consolidated statement of comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Classification of financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at fair value through profit or loss.

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated statement of profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

Subsequent measurement

After initial recognition, financial assets and financial liabilities are measured in accordance with their classification.

Investment in equity instruments

After initial recognition, the Group measures all equity instruments at fair value. Where the Group has elected to present fair value gains and losses on equity instruments in consolidated statement of comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated statement of profit or loss. Dividends from such investments continue to be recognised in consolidated statement of profit or loss as revenues when the Group's right to receive payments is established. Changes in the fair value of equity instruments at fair value through profit or loss are recognised under revenue in the consolidated statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value in consolidated statement of comprehensive income.

De-recognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset have expired, or it transfers substantially all the risks and rewards of ownership of the financial asset.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities are derecognised when the obligations specified in the contract are discharged, cancelled or expired. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The Group recognises a loss allowance for expected credit losses on a financial asset (trade receivables, lease receivables, contract assets, etc.). At each reporting date, the Group recognises in consolidated statement of profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Group recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

4.6 Property, plant and equipment

Initial recognition

Property, plant and equipment "PPE" is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the PPE will flow to the Group, and the cost of the asset can be measured reliably. PPE is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period incurred. In the event that PPE is suspended or ceased, the Group continues to expense any related borrowing costs.

When parts of PPE are significant in cost in comparison to the total cost of the item and such parts have a useful life different than other parts, the Group recognises such parts as individual assets and depreciates them accordingly.

Subsequent measurement

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Depreciation is calculated on a straight line basis over the below useful lives and is recognised in consolidated statement of profit or loss:

	Number of years
Buildings	5 to 100 years
Equipment	5 to 13 years
Furniture and fixtures	4 to 20 years
Others	4 to 14 years

Land and assets under construction that are not ready for intended use are not depreciated.

Impairment

At each year end, the Group assess whether there is any indication that an asset is impaired. If such an indication exists, an estimate of the asset's recoverable amount is made. If the recoverable amount is below the asset's carrying amount, the asset is written down to its recoverable amount.

De-recognition

PPE is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from de-recognition of an item of PPE is included in the consolidated statement of profit or loss at the time the item is derecognised.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

4.8 Equity-accounted investees

Equity-accounted investees consist of investments in associate companies. An associate is an entity in which the investor has significant influence, but which is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not to joint control those policies.

Equity-accounted investees are accounted for using the equity method unless they meet the criteria to be classified as 'held for sale'. Under the equity method, the investment in the associate is initially carried at cost. The carrying amount is adjusted to recognise the investor's share of the profit or loss and other comprehensive income of the associate after the date of acquisition.

Carrying amount of the investment is reduced by the amount of distributions received. Profits and losses resulting from upstream and downstream transactions are eliminated to the extent of the investor's interest in the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Group. Adjustments have been made to align the accounting policies with the Group.

Investments in equity-accounted investees are classified as non-current assets in the consolidated statement of financial position. On acquisition of the investment in an associate, any excess of the cost of the investment over the share of net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill. The goodwill is included within the carrying amount of the investment. Investments in equity-accounted investees are tested for impairment in accordance with IAS 36, 'Impairment of assets', as single assets if there are impairment indicators.

In the case that the share of the associate's losses exceeds the carrying amount of the investment, the carrying amount of the investment is reduced to nil. Recognition of further losses is discontinued, unless the Group has a legal/constructive obligation to fund the associate or the Group has guaranteed to support the associate or joint venture. Investment in equity-accounted investees is derecognised when all risks and rewards associated with the ownership are transferred.

Upon the loss of significant influence over the associate, the Group re-measures the investment at its fair value. The difference between the carrying amount of the associate and the fair value of the remaining investment is recognised in consolidated statement of profit or loss.

Where the Group acquires an additional interest in an associate without changing the status of the investment, it determines the goodwill at each stage which will involve calculating fair value of the consideration and fair value of share of net assets.

Where the Group acquires a controlling interest in an associate, it re-measures the previously held interest in the associate to fair value. The resulting gain/loss on re-measurement is recognised in consolidated statement of profit or loss, and recycles items of other comprehensive income, if any. Goodwill is determined as the fair value of consideration plus fair value of non-controlling interest and fair value of previously held interest, less fair value of net assets.

4.9 Investment properties

Investment properties are recognised and measured initially at the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised. Cost is the purchase price, including directly attributable expenditures, such as legal fees and borrowing costs. The Group follows the "cost model" of accounting for investment property as applied for property, plant, and equipment.

Investment properties are derecognised when, they have been disposed of, it has been permanently withdrawn from use and no future economic benefits are expected to arise from its disposal, or transferred to property, plant and equipment. Any gains or losses on disposals are recognised in the consolidated statement of profit or loss.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are instead tested annually for impairment. Assets subject to amortization/depreciation are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit). Non-financial assets other than goodwill that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into consideration normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and
- then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.11 Inventories

Inventories are initially recognised at cost or net realisable value ("NRV"), if lower than the cost. The cost includes import duties, non-refundable taxes, transport and handling costs and any other directly attributable costs less trade discounts, rebates and similar items.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost for items that are not interchangeable or that have been segregated for specific contracts is determined on an individual-item basis. The cost of other items of inventory used is assigned by weighted average cost formula.

4.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

4.13 Fair value measurement

The Group measures its financial instruments at fair value at reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and income tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the consolidated statement of profit or loss, net of reimbursements.

4.15 Employee benefits and post-employment benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligation

The Group operates a post-employment benefit scheme plans driven by the labour laws of the countries in which the Group entities operate.

The post-employment benefits plans are not funded. Valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of profit or loss while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the consolidated statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the consolidated statement of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit or loss as past service costs.

4.16 Revenue recognition

Revenue is recognised to the extent that a probable economic benefit will flow to the Group and can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rental income

Rental income from operating leases of investment properties including apartments, offices, villas, mall spaces, etc., is recognised on a straight line basis over the term of the lease taking into consideration any incentives given.

Revenue from sale

Revenue from the sale of food, beverages, apartments, offices, villas, other investment properties, and equity investments is recognised when it meets the following criteria:

- Significant risks and rewards of ownership are transferred;
- Managerial involvement usually associated with ownership or control is given up;
- It is probable that economic benefits will flow to the Group; and
- The amount of revenue and costs can be measured reliably.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rendering services

Revenue from rendering of education, health care and other services including services in connection with hotel operations of hotel business is recognised when the outcome of the transaction can be estimated reliably. The outcome is reliable when the amount of revenue can be measured reliably, and it is probable that economic benefits will flow to the Group.

Interest and Dividend income

Interest income is recognised using the effective interest rate method on accrual basis. Dividends are recognised when the right to receive payment is established.

Revenue from long term contracts

Revenue from long term contracts of rendering of services is recognised with reference to stage of completion of the transaction. The outcome of such transactions is considered reliable when the amount of revenue can be measured reliably, it is probable that economic benefits will flow to the Group, the stage of completion can be measured reliably, and the costs incurred and cost to complete can be reassured reliably.

4.17 Borrowing costs

Finance cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds. General and specific finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalisation.

Other finance costs are expensed in the period in which they are incurred.

4.18 Zakat and income tax

Zakat

Zakat is provided in accordance with the Regulations of the General Authority of Zakat & Tax ("GAZT") in the Kingdom of Saudi Arabia and on accruals basis. The zakat expense is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in the consolidated statement of comprehensive income or equity. In this case, the tax is also recognised in the consolidated statement of comprehensive income or equity, respectively.

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities. The current income tax charge is calculated on the basis of the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries, equity-accounted investees and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and equity-accounted investees except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Withholding tax

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4.19 Dividends

Dividend payable is recognised for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. As per the corporate laws in the Kingdom of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

4.20 Earnings per share

The Group presents basic and diluted, if any, earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to common shareholder of the Group by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if any. Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

4.21 Statutory reserve

In accordance with the Company's by-laws, the Group must set aside 10% of its annual consolidated net income as a statutory reserve until it reaches 50% of the share capital. The reserve is not available for distribution. The reserve allocation is computed on an annual basis.

4.22 Leases

Finance leases:

Leases of assets where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating leases:

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease. Where the group is a lessor the payments/rentals received are normally credited to the consolidated statement of profit or loss on a straight-line basis over the term of the lease. The term of the lease includes the period under the lease arrangement and any rent free period given.

4.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM").

Reportable segments are disclosed separately at least where, total revenue is more than 10% of the total revenue of the Group, or absolute amount of profit or loss is more than 10% of combined reported profit of all segments (excluding loss making segments) and combined reported loss of all segments (excluding profit making segments), or total assets are more than 10% of total assets of KHC.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.24 Foreign currencies

KHC translates the results and financial position of foreign operations whose functional currency is not the currency of a hyperinflationary economy into a different presentation currency using the following procedures:

- assets and liabilities for each consolidated statement of financial position presented (including comparatives) are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income (including comparatives) are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in consolidated statement of comprehensive income.

KHC translates the results and financial position of foreign operations whose functional currency is the currency of a hyperinflationary economy into a different presentation currency using the following procedures:

- all amounts (assets, liabilities, equity items, income and expenses, including comparatives) are translated at the closing rate at the date of the most recent consolidated statement of financial position, except that when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts are those that were presented as current year amounts in the relevant prior year financial statements (not adjusted for subsequent changes in the price level or subsequent changes in exchange).
- When the economy ceases to be hyperinflationary and the entity no longer restates its financial statements, it uses the historical costs to translate the presentation currency amounts restated to the price level at the date the entity ceased restating its financial statements.

KHC recognises any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

4.25 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the consolidated statement of profit or loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity-accounted.

5 FIRST TIME ADOPTION OF IFRS

For the years up to and including the year ended 31 December 2016, the Group prepared its consolidated financial statements in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia. From 1 January 2017 onward, the Group will prepare its consolidated financial statements in accordance with IFRS.

Accordingly, the Group has prepared an opening consolidated statement of financial position as at 1 January 2016, the Group's date of transition to IFRS. The Group will prepare its first set of financial statements which comply with IFRS applicable for year ending on 31 December 2017, together with the comparative period.

The consolidated financial statement has been prepared in accordance with the accounting policies described in note 4, except for certain optional exemptions adopted by the Group in preparing these consolidated financial statements in accordance with IFRS 1 – first time adoption of International Financial Reporting Standards from full retrospective application of IFRS. The exemptions used in preparing the financial statements are as follows:

- Designation of previously recognised financial asset as fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI).
- Prospective application of effects of changes in foreign exchange rates (related to foreign operations adjustments and goodwill).

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6 IFRS 1 RECONCILIATIONS

6.1 RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 1 January 2016	Notes	SOCPA 31-Dec-15 SAR '000	Adjustments SAR '000	IFRS 1-Jan-16 SAR '000
ASSETS				
Current assets				
Cash and cash equivalents		2,633,813	—	2,633,813
Investments at FVTPL	7.1.1	1,982,094	2,445,397	4,427,491
Trade and other receivables		498,833	—	498,833
Prepayments and other current assets		375,088	—	375,088
Due from related parties		92,109	—	92,109
Assets held for sale		246,748	—	246,748
Total current assets		5,828,685	2,445,397	8,274,082
Non-current assets				
Investments at FVTPL	7.1.1	—	399,850	399,850
Investments at FVTOCI	7.1.1	11,080,326	(2,845,247)	8,235,079
Equity-accounted investees	7.8.2	16,384,596	16,662	16,401,258
Investment properties		2,087,005	—	2,087,005
Property, plant and equipment	7.7.2	5,421,698	20,970	5,442,668
Intangible assets and goodwill		1,719,419	—	1,719,419
Deferred tax assets		25,446	—	25,446
Other long term assets		348,129	—	348,129
Total non-current assets		37,066,619	(2,407,765)	34,658,854
Total assets		42,895,304	37,632	42,932,936
LIABILITIES				
Current liabilities				
Borrowings		1,899,365	—	1,899,365
Trade and other payables		110,150	—	110,150
Zakat and income tax payable		106,161	—	106,161
Due to related Parties		169,682	—	169,682
Dividends payable		163,985	—	163,985
Other current liabilities		409,943	—	409,943
Total current liabilities		2,859,286	—	2,859,286
Non-current liabilities				
Borrowings		10,575,428	—	10,575,428
Deferred tax liabilities		228,867	—	228,867
Employee benefit obligations	7.3.2	88,844	6,345	95,189
Other long term liabilities		10,480	—	10,480
Total non-current liabilities		10,903,619	6,345	10,909,964
Total liabilities		13,762,905	6,345	13,769,250
Net assets		29,132,399	31,287	29,163,686
EQUITY				
Share capital		37,058,823	—	37,058,823
Statutory reserve		548,081	—	548,081
Retained earnings	7.8.1	1,533,580	794,138	2,327,718
Unrealised loss on investments at FVTOCI	7.1.2	(10,126,110)	(765,915)	(10,892,025)
Other reserves	7.4.5	(422,287)	(1,223)	(423,510)
Equity attributable to shareholders		28,592,087	27,000	28,619,087
Non-controlling interests	7.3.4, 7.7.4	540,312	4,287	544,599
TOTAL EQUITY		29,132,399	31,287	29,163,686

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As at 31 December 2016	Notes	SOCPA 31-Dec-16 SAR '000	Adjustments SAR '000	IFRS 31-Dec-16 SAR '000
ASSETS				
Current assets				
Cash and cash equivalents		4,337,052	—	4,337,052
Investments at FVTPL	7.1.3	144,809	460,854	605,663
Trade and other receivables		545,168	—	545,168
Prepayments and other current assets		443,508	—	443,508
Due from related parties		90,824	—	90,824
Total current assets		5,561,361	460,854	6,022,215
Non-current assets				
Investments at FVTPL	7.1.3	—	399,850	399,850
Investments at FVTOCI	7.1.3	9,833,920	(860,704)	8,973,216
Equity-accounted investees	7.8.2	14,192,081	(68,340)	14,123,741
Investment properties		2,094,448	—	2,094,448
Property, plant and equipment	7.7.6	7,925,862	20,573	7,946,435
Intangible assets and goodwill	7.2.1	1,710,371	(17,401)	1,692,970
Deferred tax assets		26,481	—	26,481
Other long term assets		444,943	—	444,943
Total non-current assets		36,228,106	(526,022)	35,702,084
Total assets		41,789,467	(65,168)	41,724,299
LIABILITIES				
Current liabilities				
Borrowings		512,534	—	512,534
Trade and other payables		143,365	—	143,365
Zakat and income tax payable		161,621	—	161,621
Due to related Parties		207,336	—	207,336
Other current liabilities		353,501	—	353,501
Total current liabilities		1,378,357	—	1,378,357
Non-current liabilities				
Borrowings		10,621,807	—	10,621,807
Deferred tax liabilities		223,578	—	223,578
Employee benefit obligations	7.3.7	123,740	36,573	160,313
Other long term liabilities		16,202	—	16,202
Total non-current liabilities		10,985,327	36,573	11,021,900
Total liabilities		12,363,684	36,573	12,400,257
Net assets		29,425,783	(101,741)	29,324,042
EQUITY				
Share capital		37,058,823	—	37,058,823
Statutory reserve	7.6	599,069	—	599,069
Retained earnings	7.8.1	1,336,528	(65,714)	1,270,814
Unrealised loss on investments at FVTOCI	7.1.4	(10,237,238)	59,414	(10,177,824)
Other reserves	7.8.3	(426,563)	(91,166)	(517,729)
Equity attributable to shareholders of the Company		28,330,619	(97,466)	28,233,153
Non-controlling interests	7.3.8, 7.7.8	1,095,164	(4,275)	1,090,889
TOTAL EQUITY		29,425,783	(101,741)	29,324,042

While preparing the above reconciliation between SOCPA and IFRS balances, some of the balances shown under SOCPA column are disaggregated in accordance with the notes in the previously issued SOCPA financial statements. Further, title of some of the captions have been renamed in accordance with IFRS and may not match with the previously issued financial statements prepared under SOCPA.

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6.2 RECONCILIATION OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2016.

		SOCPA	Reclassifications*	Adjustment	IFRS
	Notes	31-Mar-16			31-Mar-16
		SAR '000	SAR '000	SAR '000	SAR '000
Revenues					
Hotels and other operating revenues		462,923	--	--	462,923
Dividend income		21,564	--	--	21,564
Income from equity-accounted investees and joint venture, net		17,468	(17,468)	--	--
Income from and gain on investments and other revenues, net	7.1.5	136,955	--	14,544	151,499
Others		4,490	--	-	4,490
Total revenues		643,400	(17,468)	14,544	640,476
Costs and expenses					
Hotels and other operating costs	7.7.10	(320,958)	(44,877)	(171)	(366,006)
General and administrative expenses		(58,922)	58,922	--	--
Total costs and expenses		(379,880)	14,045	(171)	(366,006)
Gross profit		263,520	(3,423)	14,373	274,470
General, administration and other expenses		--	(58,922)	--	(58,922)
Depreciation		(44,877)	44,877	--	--
Share of results from equity-accounted investees	7.4.2, 7.7.9	--	17,468	(3,900)	13,568
Income from main operations		218,643	--	10,473	229,116
Financial charges, net		(86,248)	--	--	(86,248)
Profit before non-controlling interests, zakat and income tax		132,395	--	10,473	142,868
Non-controlling interests		(13,191)	13,191	--	--
Profit before zakat and income tax		119,204	13,191	10,473	142,868
Zakat and income tax		(15,235)	--	--	(15,235)
Net profit for the period		103,969	13,191	10,473	127,633
Profit for the period attributable to:					
- Owners of the parent		103,969	--	10,554	114,523
-Non-controlling interests	7.7.11	-	13,191	(81)	13,110
		103,969	13,191	10,473	127,633
Earnings per share (Saudi Riyals):					
- Income from main operations		0.06			0.06
- Net income for the year		0.03			0.03

* These reclassifications have been made to achieve better presentation of consolidated statement of profit or loss in accordance with IFRS. These do not represent transition adjustments to IFRS.

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Group reconciliation of condensed consolidated statement of comprehensive income for the period ended 31 March 2016.

6.3 RECONCILIATION OF CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016

	Notes	SOCPA 31-Mar-16 SAR '000	Adjustment SAR '000	IFRS 31-Mar-16 SAR '000
Net profit for the period		103,969	10,554	114,523
Non-controlling interests		13,191	(81)	13,110
Profit for the period		117,160	10,473	127,633
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Investments at fair value through other comprehensive income – net changes in fair value	10.1	--	(1,553,264)	(1,553,264)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations		--	33,303	33,303
Other comprehensive income for the period, net of zakat and tax		--	(1,519,961)	(1,519,961)
Total comprehensive income for the period		117,160	(1,509,488)	(1,392,328)
Total comprehensive income for the period is attributable to:				
- Owners of the parent		103,969	(1,509,407)	(1,405,438)
- Non-controlling interests		13,191	(81)	13,110

7 NOTES TO THE RECONCILIATIONS

7.1 Application of IFRS 9 (Financial Instruments) - classification of equity shares:

KHC adopted IFRS 9 on transition to IFRS. At the date of transition KHC held shares as Held for trading (HFT) and Available for sale (AFS). IFRS 9 allows KHC to designate its share portfolio at the date of transition as fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI) on an instrument by instrument basis.

The adjustment reflects transfer of three investments in equity shares from fair value through other comprehensive income (AFS as per SOCPA) to fair value through profit or loss. One of the investments at the date of transition was held by KR11 as both Held for trading (FVTPL as per IFRS 9) and available for sale (FVTOCI as per IFRS 9). KR 11 transferred all of such equity share to FVTPL to be designated as such. Other two investments were held as AFS only and are partly transferred to FVTPL to be designated as such.

7.1.1 Classification of available for sale equity shares amounting to SAR 2,845 million from Available for Sale "AFS" to FVTPL (SAR 400 million to non-current and SAR 2,445 million to current).

7.1.2 Classification of net unrealised gains relating to available for sale shares amounting to SAR 765.9 million from other comprehensive income reserve to retained earnings.

7.1.3 Classification of available for sale equity shares amounting to SAR 860.7 million from Available for Sale "AFS" to FVTPL (SAR 400 million to non-current and SAR 460.7 million to current).

7.1.4 Classification of net unrealised losses relating to available for sale amounting to SAR 59.4 million from other comprehensive income reserve to retained earnings.

7.1.5 Net gain amounting to SAR 14.5 million for the three months period ended 31 March 2016. This is a result of reclassification of equity shares on the date of transition from Available for sale ("AFS") to FVTPL (7.1.1).

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7 NOTES TO THE RECONCILIATIONS (Continued)

7.2 Exchange difference on translation of foreign operations and goodwill:

7.2.1 IFRS requires goodwill related to foreign operations to be retranslated. Goodwill of a foreign subsidiary of KHC has to be retranslated to the reporting currency (SAR) at each reporting date. The functional currency of the subsidiary is Euro (having functional currency different to presentation currency) and the retranslation loss of SAR 17,401 million related to goodwill as at 31 Dec 2016.

7.2.2 KHC has carried investments in foreign equity-accounted investees at historic cost. Under IFRS these investments are required to be retranslated at closing rate (as net investment in foreign operations). The retranslation resulted in a loss of SAR 30,531 million related to overseas equity-accounted investees of KHC.

7.3 Actuarial valuation:

Employee benefit obligations for companies incorporated in the Kingdom of Saudi Arabia is calculated in accordance with Saudi labour law. Under IAS-19 'Employee Benefits' post-employment benefits are classified as a defined benefit plan and are required to be calculated using the projected unit credit method "PUCM". PUCM involves an actuarial valuation. KHC has undertaken actuarial valuations for its group companies as at 1 January 2016 and 31 December 2016 which resulted in an increase in the liabilities, see details below:

Reference	Adjustments – 1 Jan 2016	Amounts SAR '000
7.3.1	Investment in associate (credit)	892
7.3.2	EOSB liability (credit)	6,345
7.3.3	Retained earnings (debit)	6,458
7.3.4	Non-controlling interest (debit)	779
Reference	Adjustments – 31 Dec 2016	
7.3.5	Investment in associate (credit)	1,814
7.3.6	Retained earnings (debit)	15,667
7.3.7	EOSB liability (credit)	36,573
7.3.8	Non-controlling interest (debit)	9,276
7.3.9	Other comprehensive income / Other reserves (debit)	13,943
7.3.10	Other reserve –share in equity-accounted investees (credit)	499

The effects of actuarial valuations for the three months period ended 31 March 2016 are not materially different from the carrying amount and therefore, no adjustments are recorded for the period.

7.4 IFRS conversion adjustment for equity-accounted investees ("Associates"):

IFRS conversion adjustment of associate 1:

The IFRS conversion of one of the equity-accounted investee lead to an adjustment of capitalised ineligible cost. These costs were SAR 32 million as at 1 January 2016 and SAR 50 million as at 31 December 2016. KHC's share in the associate is 33.35%.

7.4.1 KHC's share of ineligible cost adjustment at 1 January 2016: SAR (10.672) million

7.4.2 KHC's share of ineligible cost during 31 March 2016: SAR (4.169) million.

7.4.3 KHC's share in total ineligible costs adjusted: SAR (27.347) million.

IFRS conversion adjustments of associate 2:

The IFRS conversion of one of the equity-accounted investee lead to adjustments amounting to SAR 74,061 million as at 1 January 2016. KHC's share in these adjustments is SAR 24,680 million (retained earnings: SAR 23,457 million and other comprehensive income: SAR 1,223 million). KHC's share in IFRS conversion adjustment of the associate for the year ended 2016 is SAR 8,697 million (retained earnings: SAR 6,927 million and other comprehensive income: SAR 1.77 million).

7.4.4 KHC's share in the adjustment to retained earnings as at 1 January 2016: SAR (23.457) million.

7.4.5 KHC's share in the adjustment related to other comprehensive income: SAR (1.223) million.

7.4.6 Adjusted investment in the associate: SAR (24.68) million as at 1 January 2016.

7.4.7 KHC's share in the adjustment related to retained earnings as at 31 December 2016: SAR (30.384) million.

7.4.8 KHC's share in the adjustment related to other comprehensive income as at 31 December 2016: SAR (2.993) million.

7.4.9 Adjusted investment in the associate: SAR (33.378) million as at 31 December 2016.

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7 NOTES TO THE RECONCILIATIONS (Continued)

7.5 Share in other comprehensive income of equity-accounted investees:

The adjustments reflect share in other comprehensive income of equity-accounted investee (which was previously not recorded under SOCPA).

7.5.1 Adjustment to investment in equity-accounted investees for recognition of other comprehensive income and adjusted income of equity-accounted investees: SAR (26.796) million.

7.5.2 Adjustment to recognise share in other comprehensive income of equity-accounted investees: SAR (26.796) million.

7.6 Statutory reserve:

Transition to IFRS has not resulted in a change in the Company's statutory reserve.

7.7 Componentisation:

The Group carried out componentisation upon adoption of IFRS the impact of componentisation for the Group is as follows:

As at 1 January 2016		
Reference	Adjustments	Amounts SAR '000
7.7.1	Investment in equity-accounted investees (debit)	52,906
7.7.2	Property plant and equipment (debit)	20,970
7.7.3	Retained earnings (credit)	68,810
7.7.4	Non-controlling interest (credit)	5,066

As at 31 December 2016		
Reference	Adjustments	Amounts SAR '000
7.7.5	Investment in associate (debit)	51,526
7.7.6	Property plant and equipment (debit)	20,573
7.7.7	Retained earnings (credit)	67,098
7.7.8	Non-controlling interest (credit)	5,001

For period ended 31 Mar 2016		
Reference	Adjustments	Amounts SAR '000
7.7.9	Share in income of equity-accounted investees (credit)	269
7.7.10	Hotel and other operating costs (debit)	171
7.7.11	Profit attributable to non-controlling interest (credit)	(81)

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7 NOTES TO THE RECONCILIATIONS (Continued)

7.8 Summary of reconciliation adjustments:

7.8.1 Reconciliation of retained earnings (SAR '000).

Reference	SOCPA (31-Dec-15) – 1,533,580	Reference	SOCPA (31-Dec-16) – 1,336,528
7.1.2	765,915	7.1.4	(59,414)
7.3.3	(6,458)	7.3.6	(15,667)
7.4.4	(23,457)	7.4.3	(27,347)
7.7.3	68,810	7.4.7	(30,384)
7.4.1	(10,672)	7.7.7	67,098
	794,138		(65,714)
	IFRS (1-Jan-16) - 2,327,718		IFRS (31-Dec-16) - 1,270,814

7.8.2 Reconciliation of investments in equity-accounted investees (SAR '000).

Reference	SOCPA (31-Dec-15) – 16,384,596	Reference	SOCPA (31-Dec-16) – 14,192,081
7.3.1	(892)	7.5.1	(26,796)
7.4.1	(10,672)	7.3.5	(1,814)
7.4.6	(24,680)	7.4.3	(27,347)
7.7.1	52,906	7.4.9	(33,378)
		7.2.2	(30,531)
		7.7.5	51,526
	16,662		(68,340)
	IFRS (1-Jan-16) - 16,401,258		IFRS (31-Dec-16) - 14,123,741

7.8.3 Reconciliation of other reserves (SAR '000).

Reference	SOCPA (31-Dec-16) – (426,563)
7.4.8	(2,993)
7.5.2	(26,796)
7.3.10	499
7.2.1	(17,401)
7.3.9	(13,943)
7.2.2	(30,531)
	(91,165)
	IFRS (31-Dec-16) – (517,728)

7.9 Transition implications to the cash flows

Changes to consolidated statement of cash flows relate to disaggregation of financial statement line items seeking fairer presentation under IFRS for the consolidated statement of financial position and consolidated statement of comprehensive income which were presented as cumulative values under SOCPA. As a result of this, further financial statement line items have been added to the current consolidated statement of cash flows prepared under SOCPA.

7.10 Other adjustments:

Adjustments 7.2, 7.5 and 7.7 represent other adjustments identified during the IFRS transition process.

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8 SEGMENT INFORMATION

The Group manages its operations by business segments. Management treats the operations of these segments separately for the purposes of monitoring, decision making and performance assessment.

Description of segments and principal activities

The Group's primary operations are organised into the following segments:

Equity Investments	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 equity-accounted investees 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 equity-accounted investees that are in the business of managing and owning hotel properties and related activities.
Real estate	The principal activity includes investments in activities relating to ownership and development of land and real estate projects.
Health Care	The principal activity includes hospital, pharmacy and consulting clinics.
All other segments	The principal activities include operations of Kingdom School and other trading activities carried by the Group such as Fashion Village Trading Company.

SAR '000	Equity Investments	Hotels	Real Estate	Health Care	All other segments	Total
2017						
Total revenue	274,125	279,172	-	83,380	25,235	661,912
Net profit / (loss)	125,755	(10,198)	6,244	5,000	2,438	129,239
Total assets	19,385,537	15,567,554	6,235,038	484,876	325,089	41,998,094
Total liabilities	7,197,507	4,605,765	18,967	225,716	221,552	12,269,507
2016						
Total revenue	173,063	316,211	-	112,166	39,036	640,476
Net profit / (loss)	118,335	(26,409)	4,561	25,035	6,111	127,633
Total assets	19,004,869	15,684,039	6,231,034	489,212	315,145	41,724,299
Total liabilities	7,455,568	4,473,225	19,834	235,052	216,578	12,400,257

The management believes that the inter-segment revenues for the Group are insignificant and therefore have not been disclosed.

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9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under IFRS. An explanation of each level follows underneath the table.

The following table presents the group's financial assets measured and recognised at fair value:

SAR '000	Level 1	Level 2	Level 3	Total
As at 31 Mar 2017				
Financial assets				
<i>Investments at FVTPL:</i>				
- US listed securities (current)	140,272	-	-	140,272
- Others (non-current)	-	-	399,850	399,850
	140,272	-	399,850	540,122
<i>Investments at FVTOCI (non-current):</i>				
- US listed securities	8,478,023	-	-	8,478,023
- Middle East	747,156	-	-	747,156
- Others	-	-	45,060	45,060
	9,225,179	-	45,060	9,270,239
Total financial assets at fair value	9,365,451	-	444,910	9,810,361
As at 31 Dec 2016				
Financial assets				
<i>Investments at FVTPL:</i>				
- US listed securities (current)	268,449	-	-	268,449
- Euro listed securities (current)	337,214	-	-	337,214
- Others (non-current)	-	-	399,850	399,850
	605,663	-	399,850	1,005,513
<i>Investments at FVTOCI (non-current):</i>				
- US listed securities	8,185,390	-	-	8,185,390
- Middle East	742,766	-	-	742,766
- Others	-	-	45,060	45,060
	8,928,156	-	45,060	8,973,216
Total financial assets at fair value	9,533,819	-	444,910	9,978,729

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices, rates or dealer quotes for similar instruments; and
- the discounted cash flow analysis.

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9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(iii) Fair value measurement - Unquoted equity investment (level 3):

The fair value has been estimated by applying an internal valuation technique. The fair value measurement is based on significant inputs that are not observable in the market. The fair value is estimated to approximately equate the carrying amount.

(iv) Valuation process

The finance department of the group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting periods.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by an international audit rating agency.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

Furthermore, the management also takes in to account recent transaction price for same equity instruments when determining the fair value.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and during the half-yearly valuation discussions between the CFO, AC and the valuation team. As part of these discussions the team presents a report that explains the reason for the fair value movements.

(v) Fair value of other financial instruments (unrecognised)

The group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates (mostly due to frequent re-pricing) or the instruments are short-term in nature.

10 INVESTMENTS

10.1 Movement in investments at FVTOCI, amounting to unrealised gain of SAR 297 million (2016: loss of SAR 1,553 million), represents change in fair value and is recording in consolidated statement of comprehensive income.

10.2 Gain on investments at FVTPL comprises of:

	31-Mar-17 — SAR '000 —	31-Mar-16
Gain on sale of investments at FVTPL*	234,827	51,016
Unrealised gain on revaluation of investments at FVTPL	19,787	100,483
	<u>254,614</u>	<u>151,499</u>

* Carrying amount of investments amounts to SAR 485.2 million.

11 EQUITY-ACCOUNTED INVESTEEES

	31-Mar-17 — SAR '000 —	31-Dec-16
At beginning of the period	14,123,741	16,401,258
Additions during the period	-	3,295,275
Capital repayment and dividends	-	(117,562)
Disposals during the period	(5,949)	(5,303,478)
Share of results from equity-accounted investees	(6,568)	130,412
Transfer to consolidated subsidiary	-	(185,831)
Share in other comprehensive income	54,653	(28,067)
Unrealised exchange loss on retranslation of equity-accounted investees	(61,292)	(30,531)
Other	-	(37,735)
At end of the period	<u>14,104,585</u>	<u>14,123,741</u>

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12 BORROWINGS

	31-Mar-17 — SAR '000 —	31-Dec-16
Kingdom Holding Company (KHC)	4,129,789	4,280,089
Kingdom 5-KR-11 Limited (KR11)	3,049,737	3,049,144
Kingdom KR-114 Limited (Savoy)	1,465,753	1,445,744
Kingdom 5-KR-35 Group (George V)	1,389,032	1,430,233
Kingdom Hotel Investments (KHI)	853,535	867,693
Others	125,899	61,438
	11,013,745	11,134,341

The above outstanding balance is presented as follows:

	31-Mar-17 — SAR '000 —	31-Dec-16
<u>Current</u>		
Short-term loans	29,406	30,654
	29,406	30,654
Current portion of term loans	488,217	481,880
	517,623	512,534
<u>Non-current</u>		
Term loans, including long-term revolving facilities	10,496,122	10,621,807

13 CONTINGENCIES AND COMMITMENTS

The Group is a defendant in various legal claims arising in the normal course of business. Provision has been established for certain claims, based on the information presently available. Management believes that the existing liabilities provided for such claims are adequate. Any additional liabilities including any potential zakat and tax assessments that may result in connection with other claims are not expected to have a material effect on the Group's condensed consolidated statement of financial position or condensed consolidated statement of profit or loss.

There have been no significant change in capital and operating lease commitments during the period.

14 RELATED PARTY TRANSACTIONS

The Company entered into various transactions with related parties at mutually agreed terms. These transactions, individually or in aggregate, are not material to the interim condensed consolidated financial statements. Below are the major transactions entered in with related parties:

	31-Mar-17 — SAR '000 —	31-Mar-16
Revenue earned by TCCL from rental of premises (offices, apartment and shops) to KHC group companies	2,365	1,717
Revenue earned by REIC from rental of villas and housing units to KHC group companies	818	1,312
Finance cost on loan from REIC	91	91
Transactions of KHI with equity-accounted investees	7,125	10,411

15 SHARE CAPITAL

The share capital as at 31 March 2017, 31 December 2016 and 1 January 2016 consists of 3,706 million authorized and issued shares at par value of SAR 10 each.

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16 OTHER RESERVES

SAR '000	Share in other comprehensive income of equity-accounted investees	Exchange differences on translation of foreign operations including equity-accounted investees	Re-measurements of employee benefit obligations	Total
At 1 Jan 2016	(1,223)	(422,287)	-	(423,510)
Share in other comprehensive income	(26,796)	-	-	(26,796)
Actuarial losses on employee benefit obligations during the year	(1,271)	-	(13,943)	(15,214)
Unrealised exchange loss for the period on retranslation of foreign operations	-	(52,209)	-	(52,209)
At 31 Dec 2016	(29,290)	(474,496)	(13,943)	(517,729)
Share in other comprehensive income	54,653	-	-	54,653
Unrealised exchange loss for the period on retranslation of foreign operations	-	(85,306)	-	(85,306)
At 31 Mar 2017	25,363	(559,802)	(13,943)	(548,382)

17 SUBSEQUENT EVENTS

The Board of Directors on 11th April 2017 exercised its authority, provided by the shareholders of the Company, to approve the dividends of SAR 655.9 million for the year ended 31 December 2016. These interim condensed consolidated financial statements do not reflect the impact of these dividends.