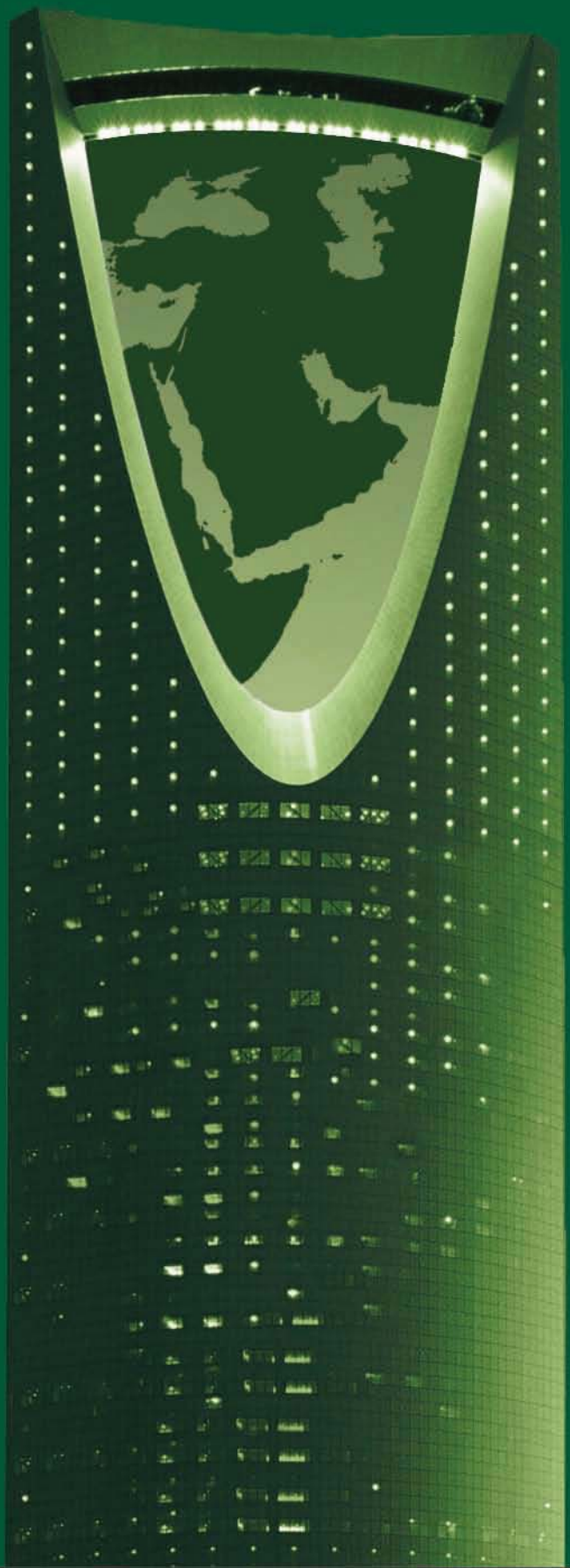


2009

ANNUAL REPORT





Global Vision

*In the Name of Allah,
the Merciful, the Compassionate*



The Custodian of the Two Holy Mosques
King Abdullah Bin Abdulaziz Al Saud




His Royal Highness Prince
Sultan Bin Abdulaziz Al Saud

The Crown Prince, Deputy Premier and Minister of
Defense and Aviation and Inspector General

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A collection of decorative squares in various shades of green and grey, arranged in a scattered pattern across the page. Some squares are solid, while others are semi-transparent, creating a layered effect.

"When we do something, we do it spectacularly well or we just don't do it"

(Alwaleed Bin Talal Bin Abdulaziz Alsaud)

In the name of God Almighty,

Dear Shareholders,

It is no doubt that last year was exceptional for all institutions around the world. It was a year full of challenges and initiatives, a year where most plans and strategies were revised and modified and business activities intensified to exit the aftermath of the world financial crisis and curb its repercussions and start anew on a path of growth and profitability.

The Kingdom Holding Company wasn't protected against the implications of the world economic slowdown. However, with the help of God Almighty, the experience of the Company's Management, the flexibility of its strategy and the potential of the holding and its strong financial positioning, we took several initiatives and faced the challenges with determination and willpower. We could hence stand up tall and determined and resume our journey to the future full of strength and confidence.

At the end of 2008, when our business started to experience the effects of the world economic recession; we aligned our management approach accordingly. Our efforts deployed in the last 40 days of the year was a direct contributor to the exceptional results registered in 2009 despite the deteriorating economic situation prevailing then. In 2009, we initiated our activities on a recovery mode to turn it into a growth mode at the end of the second quarter, backed up with the great dynamism and vitality spread throughout the Company.

2009 was a year full of business and activities as we took several adjustment measures, restructured and reallocated our assets and invested in other assets. We delivered solid net profits amounting to SR 402.6 Million in 2009. Our financial achievements were possible thanks to the exceptional efforts deployed by the Company's Management: we promised our shareholders and we delivered on our promise. We have hopes that the Company's results will keep on growing because our local, regional and international investments are strong and promising, the Company's vision is also clear and accurate and our Company's executives are committed to achieving the planned financial results and the objectives set for the Holding's investment strategy. The immediate actions we took to face the crisis were behind the results registered in 2009. These results reflect a number of key strategic initiatives that we had implemented during the past few years and that were designed to support our vision of becoming a premier investment Company set for growth. The progress we made in diversifying our Company investments, coupled with our highly flexible and cost-effective business approach, and access to liquidity, contributed to our success.

The Company's Liquidity

We continuously remain focused on the position of our liquidity. At the end of 2009, the available liquidity reached SR 2,233 Million, including cash on hand and borrowing capacity under our revolving credit facility, registering an 18% increase compared to 2008.

A Seasoned Team

The Kingdom Holding Company prides itself with a highly seasoned team encompassing a number of extremely experienced staff members through their commitment in various economic sectors. I personally have experienced several cyclical trough and peaks taking up the challenge during the 30 years I have worked for the Company. Our performance-driven culture thrives on responding quickly and managing effectively in a wide variety of operating environments. We are firm adept at assessing markets, taking appropriate actions in response to changes in economic conditions, and building competitive strength. We responded quickly to the abrupt decline in demand in the upscale hospitality sector by implementing effective management measures while staying focused on our long-term vision.

Future Outlook

At the Kingdom Holding Company, we take our strength from achievements made during the previous years and we relentlessly strive to maintain our performance and leadership. As we adjust our forecast, we are striving to maintain our operational excellence and market leadership positions. We will continue to strengthen the competitiveness of our businesses by reducing costs and enhancing our processes. We are leveraging resources throughout the Company to build our competitive positions and are launching a variety of initiatives to strengthen our financial and operational positions. And we are fully confident and determined to overcome any obstacles encountered and continue our mission.

As I write this letter, the economic outlook continues to be uncertain yet promising. Our Kingdom's economy stands strong backed by the Government's commitment to spending on developing the infrastructure along with the expected birth of the Mortgage Law that will positively impact our real estate projects in Jeddah and Riyadh. Should we go back in time, KHC had demonstrated its stay power and strengthened its competitive position during economic slumber cycles, by taking advantage of investment opportunities such as undervalued acquisitions and organic growth. We keep on adopting our long-term investment strategy while closely monitoring opportunities and economic markets. We will continue to respond quickly as market conditions change.

On a final note, I would like to thank all our employees for their loyalty and support during these difficult times. Challenges arise during crises, but you were all up to our expectations. I would also like to thank the Board of Directors for their endless commitment to the Kingdom Holding Company. We are fortunate to have an extremely capable Board of Directors comprising highly-qualified people whose considerable insight and expertise have been tremendous assets to the Company. I would also like to extend my thanks to our shareholders for the trust and confidence they placed in their strong institution. It is my promise that together we will grow further and achieve higher returns and greater results.



Alwaleed Bin Talal Bin Abdulaziz Alsaud
Chairman

His Royal Highness
Prince Alwaleed Bin Talal Bin
Abdulaziz Alsaud





Mr. PJ Shoucair

Eng. Talal Ibrahim Almainan

HRH Prince Alwaleed Bin Talal
Bin Abdulaziz Alsaud

Eng. Ahmed Reda
Halawani

Mr. Shadi S. Sanbar

HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud
Chairman

Eng. Talal Ibrahim Almainan
Executive Director for Development and Domestic Investments
Talal Al-Maiman is a member of KHC's Board. He received his B.Sc. in Electrical Engineering from the University of Evansville in the U.S.A and MBA from university of Liverpool and holds a Certificate from an Executive Management Program at Harvard Business School. He has been Director of Domestic Investments since 1996, overseeing all of KHC's development projects, as well as all of its private and public investments in Saudi Arabia. He is also a board member of the National Industrialization Company (Tasnee), Herfy Food Services and Savola Group.

Mr. PJ Shoucair
Executive Director for International Investments
PJ Shoucair is a member of KHC's Board. He holds a Master's degree from the University of Southern California. He has been Prince Alwaleed's and KHC's international investment advisor since 1996. He is responsible for direct investments and capital market activities and the hotel group. Prior to joining KHC, Mr. Shoucair was a management consultant in Saudi Arabia.

Eng. Ahmed Reda Halawani
Executive Director for Private Equity
Ahmed Halawani is a member of KHC's Board. He holds a B.Sc. in Electrical Engineering, and an M.B.A. from Georgetown University in the U.S.A. Prior to joining KHC as Executive Director for Private Equity, he spent ten years as the CEO of Al Azizia Commercial Investment Company, a KHC associated company and a leading Saudi investment firm. He also worked in Washington DC with the private sector development division of the World Bank and at Procter & Gamble.

Mr. Shadi S. Sanbar
Chief Financial Officer
Shadi Sanbar was appointed as KHC's Chief Financial Officer in April 2007. Since 2005, he has been reporting to Prince Alwaleed as special advisor. He holds a B.A. from the University of California in Los Angeles, and an M.B.A. from the University of Oklahoma. He is also a U.S. CPA. Mr. Sanbar began his career in 1973 with Arthur Andersen in Los Angeles, becoming a partner there in 1984 and heading its worldwide entertainment industry practice. He transferred to Andersen's Riyadh office in 1994 and was appointed two years later as Managing Partner for the Assurance and Business Advisory for Andersen's Middle East practice. In 2002, Andersen merged with Ernst & Young where Mr. Sanbar continued to work on large company audits and special examinations. He is currently a member of the Board of Directors of the NASDAQ Dubai and has been serving as Chairman of its Audit and Risk Management Committee since 2005.

Mr. Taher Mohammed Omar Agueel

Independent Board Member

Mr. Taher Aqil, a Saudi citizen, is a member of the Company's Board of Directors. He was born in 1959. He holds bachelor and master's degrees in industrial engineering from the University of Texas, USA (having received his master's degree in 1984). He is currently Executive member, Board of Directors & Financial Advisor of National Air Services Ltd. Co. (NAS). He has in the past assumed many positions, including two years as Managing Director of Financial Services Co. (Deutsche Al-Azizia), head of the compound financing sector in the National Commercial Bank as well as many other key positions in Saudi Industrial Investment Fund. Mr. Taher is a member of the industrial committee of the Commercial & Industrial Chamber in Jeddah, and Board member of the Gulf General Cooperative Insurance Company.

Dr. Ibrahim Hassan Al Madhoun

Independent Board Member

Dr. Ibrahim Al Madhoun, a Saudi citizen, is a member of the Company's Board of Directors, and president of the audit committee. He was born in 1949. In 1981, he gained a PhD in Civil Engineering from Arizona University, USA, and in 1975 he gained a Master's degree in Civil Engineering from King Fahed University for Petroleum and Minerals. Before being appointed to the Company's Board of Directors, he held several positions between 1992 and 2006 he was a general director of Savola Group, a legal administrator, a public affairs and public relations official, light foods sector manager and a deputy executive chairman for investments in Savola Group from 1992 to 2006. Moreover between 1981 and 1992, he worked as an Assistant Professor in the Department of Civil Engineering, King Abdul Aziz University and as Vice Dean of the Faculty of Engineering, and Project Management General Supervisor. Currently, Dr. Al Madhoun assumes positions on the boards of directors of the following Saudi companies: Red Sea for Housing Services Co., Arabian Shield Cooperative Insurance Company, and Fetaihi Holding Group.

Eng. Ammar Abdulwahid Faleh Alkhudairy

Independent Board Member

Eng. Ammar Al-Khudairi, a Saudi citizen, is a member of the Company's Board of Directors. He was born in 1963. In 1983 he earned a Bachelor's Degree in Engineering and in 1984 he gained a master's degree from George Washington University, USA. Since 2004, he has been an executive director of Gulf Finance Commercial Investment Limited. Prior to that, he assumed the positions of regional director of the central region of the Saudi Fransi Bank (2001 to 2004), regional director of

the Kingdom of Saudi Arabia in the Gulf International Bank (2000 to 2001), companies lending & financing director in the Central Region (1995 to 1999). In addition, he has been a member of the board of directors of many companies: Savola group - listed company, Arabian Shield Cooperative Insurance Company - listed company, Al-Tayyar Travel Group - closed company, Al-Ruowad Schools Company - closed company, Morgan Stanley KSA - closed company, Affia Company - closed company, Gulf Insulation Group - closed company, and Chairman of Herfy Food Services - listed company,

Dr. Khaled Abdullah Al Souhem

Independent Board Member

Dr. Khaled Al Souhem, a Saudi citizen, is a member of the Company's Board of Directors. He was born in 1959. In 1996, he gained a PhD in human resources administration from the University of Wales (Cardiff), UK. He also received a higher Diploma in Social Sciences from the same University in 1993, as well as a Bachelor's degree in Communications from King Saud University, Saudi Arabia, in 1986. Before becoming a member of the Board of Directors of the Company, Dr. Al Souhem held several executive functions at the Saudi Telecom Co. namely, General Manager of Recruitment and Personnel Staffing and Planning. He is currently the General Manager of HR development at Saudi Telecom Co. Prior to this period, Dr. Al Souhem worked at KHC for 4 years as an assistant executive manager for Human Resources and Administrative Affairs. Dr. Al Souhem is enrolled in several specialized trainings in various managerial and financial fields especially in HR, training, project management, business strategies, and decision making from worldwide development houses. He is also member in several professional organizations such as the Saudi Organization for Management and the Arab Association for Human Resources and the American Association for Human Resources.

Mr. Saleh Ali Al Sagri

Independent Board Member

Mr. Saleh Ali Al Sagri, a Saudi citizen, is a member of the Company's Board of Directors. He was born in 1953. In 1974, he received his Bachelor's degree in Business Administration from Manchester University in the United Kingdom. Mr. Al Sagri is the founder, chairman of the board and executive chairman of Safari Co., a private company that has been operating in the field of trade, contracting works and maintenance for 23 years. Previously, he spent 11 years working as an executive director of Al Sagri Trade Establishment. Mr. Al Sagri is also chairman of the board of Mediterranean Insurance & Reinsurance Co. (MEDGULF).



Kingdom Holding Company Board Members, the five Independent Board Members and CFO

Independent Board Members (from right to left):
Mr. Taher Mohammad Omar Agueel
Dr. Ibrahim Hassan Al Madhoun

Eng. Ammar Abdulwahid Faleh Alkhudairy
Dr. Khaled Abdullah Al Souhem
Mr. Saleh Ali Al Sagri

The Board of Directors' Report to the Shareholders of the Kingdom Holding Company for the financial year ended 31 December 2009

Introductory Note

The Board of Directors of the Kingdom Holding Company is pleased to submit hereinafter to the Company's shareholders the 2009 Annual Report that details the Company's performance and achievements during the financial year ended 31 December 2009, highlighting the main sectors and their various activities. The Annual Report includes also the Company's final Audited Statements for the financial year ended 2009 along with the Notes to the Financial Statements that are considered part of the Financial Statements, the Auditors' Report and the Board of Directors' Report for the financial year 2009.

Consolidated revenues for the financial year ended 31 December 2009 amounted to SR 4,521 million compared to SR 6,158 million for the year ended 31 December 2008. Consolidated net income for the year 2009 amounted to SR 403 million compared to the Consolidated Net Loss for the year 2008 amounting to SR 29,911 million. Accordingly, the profit per share reached SR 0.06 for the year ended 31 December 2009 compared to a SR 4.75 Loss per Share for the year ended 31 December 2008.

The Board of Directors would like to reassure the shareholders that the Company has overcome the aftermath of the world crisis and has carried on with making profits. All this is attributable to the Company's investment policy adopted 30 years ago and that focuses on promising local, regional and worldwide investments. The Board is sure that the financial results of KHC will keep on reaping good profits thanks to the Company's clear vision, and its ability to seize the right opportunities. The Company also prides itself on having a group of seasoned executive managers totally aware of the objectives and requirements set for the coming period. The Board would also like to extend its thanks and gratitude to His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz, Chairman of the Board, for his endless support represented by the shares of the Citigroup granted from his part.

The Board also recommended in its session held on 25/ Muharram/1431 H. (11/January/2010) to decrease the Company's capital from SR 63,000 million to around SR 37,059 million and use the year's reserve balance amounting to SR 3,131 million in an attempt to waive all the effects of the world crisis.

In conclusion, the Board of Directors extends its thanks to the Company's shareholders for their support and trust; it declared that given the Company's previous situation, all members have relinquished their rights to any compensations and rewards they are entitled to against their membership to the Board or any other trip and transportation allowances for the year 2009.

Company's Plans, Important Decisions and Future Outlook

At the end of the year, the Board of Directors recommended to decrease the Company's capital by an amount reaching SR 25,941 million and use the general reserve balance amounting to SR 3,131 million in order to compensate for the Company's accumulated losses. Hence the Company's capital will decrease from SR 63,000 million to SR 37,059 million. This decision was approved by the Markets Financial Committee on 19/Muharram/1431 H i.e. 5/January/2010, and the Company's extraordinary assembly held on 26 Safar 1431 H. , i.e. 10 February 2010.

Concerning the future's investment plans, the Company intends to target through its investments a restricted number of growing key sectors and to look for new means to create added value through its relationships with companies having portfolios in the following fields:

- **Real Estate:** The Company is pursuing its 2 huge projects Kingdom City/Riyadh and Kingdom City/Jeddah. The Kingdom City/Riyadh is a typical city within a city. The project is located in north eastern Riyadh on the Dammam Road. It includes luxurious residential areas, luxurious markets, trade offices area, a health and sports club, an equestrian club, playing grounds, learning areas, and parks, as per the most modern standards and all environmentally friendly. Kingdom City/Jeddah is located in Charm Obhur, on the Red Sea coast and is dominated by a rising 1000-meter height tower set to be the highest tower in the world. It is a unique modern landmark and the lighthouse from where rises the kingdom of humanity to the world. This huge project includes residential units, commercial units, an international hotel, business offices, educational centers, a diplomatic area, commercial centers, entertainment and tourist facilities, and water sports activities, all within a whole modern city located in a strategic future location set to be an attraction for business and tourism. It will be a substitute for the downtown and at the same time an area for living or working or both together in the Kingdom's most populated areas. Both projects were inaugurated by the Custodian of The Two Holy Mosques, King Abdullah Bin Abdul Aziz during the exhibition of the major development projects "Towards the First World" that took place in the holy city of Mecca.

- **Hotels and hotel management companies:** Despite the repercussions of the world crisis on the luxurious Hotel sector, the Company shall continuously seek to enhance its investment portfolio in the hotels sector through building on the administrative skills and the good reputation of its subsidiaries and affiliates and the attributes of each of its hotels. The Company plans to continue adding other hotels under its management in accordance with the prevailing local markets conditions, in an attempt to increase the returns of these hotels and their market value.
- **Other investments:** In addition to real estate and hotels, the Company will continue looking for profitable investment opportunities in other sectors.

Major Events of 2009 by Sector:

Real Estate and Regional and Local Investments

- The Company has invested in a recently established company under the name of "Jeddah Economic Company - Limited" by offering a land of a book value amounting to SR 1,832 million. The Jeddah Economic Company - Limited will carry out the development of the Kingdom City and the Kingdom Tower in Jeddah. The share of KHC in the new company's capital amounts to 40%. It is worth noting that the Jeddah Economic Company - Limited has entered into contract with EMAAR real estate to provide project development services.
- During this year, the Company sold one land plot in Jeddah and another one in Riyadh not in relation with the Company's disclosed projects and realized net profits of SR 355 million.

Hotels and Hotel Management Companies

- Through its subsidiaries Fairmont Raffles, Four Seasons and Movenpick, the Company pursued its expansion policy by opening several hotels this year.
- During the year ended 31 December 2009, the Company sold its shares in the Four Seasons de Bergues - Geneva and realized a net profit of SR 120 million.

Equity:

- The Company was granted a donation from the Chairman of the Board, His Royal Highness Alwaleed Bin Talal Bin Abdulaziz for the value of 180 million shares from his private shares in the

Citigroup with a value of SR 2,24 billion. The interest reaped for the Company's portfolio will reach SR 675 million against every raise registered for one (1) dollar of the Citi share price.

Profit Distribution Policy

Distribution of profits on Shareholders is governed by certain rules and regulations stated upon by the Company's Bylaws whereby the Company shall transfer 10% of its net profits after the deduction of Zakat. This amount is dedicated to the statutory reserve and the Ordinary General Assembly may stop this transfer when it reaches half of the Company's paid up capital.

The profit distribution policy is subject to the Company's financial status, the market situation and the economic situation in general in addition to other factors mainly, the analysis of investment needs, reinvestment needs, monetary and capital needs, business expectations and the effect of those profits to be distributed on the Company in addition to other regulatory considerations.

Moreover, the Company doesn't provide any guarantees that the profits will effectively be paid or as to the amount to be paid in any given year. The shareholders will have the right to get the announced profits by the Company.

Meetings of the Board of Directors:

The Board of Directors held 6 meetings this year. The number of meetings attended by each member is detailed below:

Member Name	No. of Meetings Attended
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	6
Eng. Talal Ibrahim Almainan	6
Mr. PJ Shoucair	6
Eng. Ahmed Reda Halawani	6
Mr. Saleh Ali Al Sagri	5
Dr. Ibrahim Hassan Al Madhoun	2
Eng. Ammar Abdulwahid Faleh Alkhudairy	6
Mr. Taher Mohammed Omar Agueel	5
Dr. Khaled Abdullah Al Souhem	6

The total remuneration received by 5 of the senior executives, including the Executive Chairman and the CFO, for the financial year 2009, reached SR 18,257,818.

Shares owned by Board of Directors, senior executives, their spouses and minor children and stakeholders:

Name	Number of shares	
	2009	2008
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	5,985,000,000	5,922,000,000
Eng. Talal Ibrahim Almainan	1,000,000	-
Mr. PJ Shoucair	1,000,000	-
Eng. Ahmed Reda Halawani	1,000,000	-
Mr. Saleh Ali Al Sagri (Maarej company for real estate investment)	50,000,000	59,024,796
Dr. Ibrahim Hassan Al Madhoun	1,000	1,000
Eng. Ammar Abdulwahed Faleh Alkhudairy	1,000	-
Mr. Taher Mohammad Omar Agueel	1,000	-
Dr. Khaled Abdullah Al Souhem	1,000	-
Shadi S. Sanbar (CFO)	1,000,000	-
Kingdom Trading*	-	31,500,000
Kingdom Trading and Commercial Investment LTD*	-	31,500,000

* Ownership was transferred to His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud

Committees:

Investment Committee

The committee held 9 meetings during the year and is comprised of the following members:

Name	Title
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Head of the Committee
Eng. Talal Ibrahim Almainan	Member
Mr. PJ Shoucair	Member
Eng. Ahmed Reda Halawani	Member
Mr. Shadi S. Sanbar	Member

Audit Committee

The committee held 3 meetings during the year and is comprised of the following members:

Name	Title
Dr. Ibrahim Hassan Al Madhoun	Head of the Committee
Eng. Ammar Abdulwahid Faleh Alkhudairy	Member
Mr. Taher Mohammad Omar Agueel	Member

This year, the Committee entered into contract with a leading professional internal audit firm. The firm's scope of business included the evaluation of risks and management procedures, internal audit on the Company's

transactions along with the submission of notes and recommendations. It is worth noting that external auditors audit the effectiveness of the internal audit system in order to protect the Company's assets, the assessment of business risks, and measurement of the performance effectiveness as a part of its auditing of the Company's financial statements. No weaknesses were detected in the Company's internal audit system.

Nomination and Compensation Committee

The committee held 2 meetings during the year and is comprised of the following members:

Name	Title
Dr. Khaled Abdullah Al Souhem	Head of the Committee
Eng. Ammar Abdulwahid Faleh Alkhudairy	Member
Dr. Ibrahim Hassan Al Madhoun	Member

Social Responsibility

Through its local subsidiaries (Trade Center Company, Kingdom Hospital and Kingdom Schools), the Company has effectively supported human and philanthropic initiatives in the Saudi society, through organization of exhibitions, implementation of awareness programs, support of charity societies and grant of scholarships.

Declarations of the Board of Directors for Corporate Governance Requirements:

According to the regulations issued by the Capital Market Authority concerning the registration and inclusion system and the corporate governance regulations regarding the necessity of stating in the Board of Directors' Annual Report all the items required according to the annual report form, we confirm that the management has stated all applicable requirements, and the Board of Directors declares that the following matters are not applicable to the Company, and undertakes to declare such matters whenever applied by the Company or upon occurrence:

- No agreement or cession, assigning profits or any other substantial interest, has been contracted with any of the shareholders or any of the Company's executives, employees or subsidiaries.
- The Company did not receive any notifications from its shareholders regarding any change in their ownership percentage during the year 2009.
- There is currently no stock option scheme and there are no convertible bonds available for any party whatsoever.
- It does not have any preferred shares or shares enjoying vote priority– whether for the shareholders, members of the Board of Directors or its affiliates. All the Company's shares are ordinary shares of equal nominal value, voting rights and other rights according to the regulations.
- The Company or any of its subsidiaries did not redeem, purchase or cancel any of the redeemable bonds and the remaining securities amount.
- No contract, having the Company as a party, was concluded, nor any contract where there is or was a substantial interest for any of the members of the Company's Board of Directors, the Chairman, the CFO or any person related to any of the afore-mentioned. It is noteworthy that His Royal Highness Prince Alwaleed Bin Talal, Chairman of the Board, did not receive any allowance for the year 2009 in return for his membership in the Company's Board of Directors. The senior management members are committed to the Company by way of work contracts expiring three years from the contract signing date, renewable by mutual agreement.
- The Board of Directors declares that all its members have declined accepting any remunerations and compensations due to them for their membership in the Board of Directors as well as all travel allowances or expenses, transportation and other allowances for the year 2009.
- No any other investments or provisions for the Company's employees were created other than end of service provisions.

In the year 2008, the Company developed the required by-laws to match the corporate governance regulations issued by the Capital Market Authority (CMA); the aforementioned by-laws were ratified by the Board of Directors and the General Assembly during 2009:

- Board of Directors responsibilities
- Discloser and Transparency
- Conflict of interests' control.
- Shareholders rights and General Assembly.
- Regulation of Audit Committee.
- Regulation of Nomination and Remuneration Committee.

The Company would like also to confirm that it has complied with all corporate governance regulations issued by the CMA, except for:

B6- Voting Rights	
1- Does the company's articles of incorporation show that the voting means on the choice of the Board members in the general assembly is a cumulative voting?	The voting for choosing the Board members as per the company's articles of incorporation is done in the traditional way in accordance with company's articles of incorporation.
C 15) Roles and responsibilities of the nomination and remuneration Committee:	
1-Has the Committee made recommendations to the Board of Directors regarding nomination for board membership in accordance with the applicable policies and standards? Has the Committee taken into account not to nominate any person who is convicted of any crime that affects honesty and honor?	Due to the change in the Company's status from limited liability company to join-stock company, the board members were appointed by the top management after obtaining the approval of the competent official authorities, in accordance with the Saudi Companies Act.

Accounting Records, Internal Control System, Activity continuance and External Auditor's Report:

The external auditor's report includes the following note: "We draw your attention to Note 9 (b.3) to the consolidated financial statements pertaining to the transfer of certain available for sale investments from the principal shareholder to the Company, and the impact of such a transaction on the carrying value of the Company's investments.

The Board of Directors declares that the Company's consolidated financial statements as at 31 December 2009 have been carried out pursuant to the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and fairly present the financial position of the Company, that are in accordance with SOCPA, and that the Company has all necessary resources and potential to pursue its activities in the future.

The Board of Directors confirms that the internal control system was established based on valid principles and has been effectively carried out. No substantial weaknesses were detected in the Company's internal control system.

In conclusion, His Royal Highness, Chairman of the Board, and all the Board members would like to extend their thanks and gratitude to the Custodian of The Two Holy Mosques, His Royal Highness the Crown Prince and the honorable government for all their care, concern and ongoing support for the welfare and safety of the country and its citizens. They would also like to extend their thanks to the Company's shareholders for their precious trust and constant support, hoping for further exceptional achievements in the future. The Board of Directors would like to seize this opportunity to express its utmost gratitude and appreciation to all the employees in the Company's departments and subsidiaries for their extensive efforts during the year 2009 and looking forward to further prosperity and progress in the years to come.

God Bless

Kingdom Holding Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL
STATEMENTS
31 DECEMBER 2009

ERNST & YOUNG

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**AUDITORS' REPORT
TO THE SHAREHOLDERS OF KINGDOM HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of audit

We have audited the accompanying consolidated balance sheet of Kingdom Holding Company, a Saudi Joint Stock Company (the Company) and its subsidiaries (the Group) as at 31 December 2009, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2009 and the consolidated results of its operations and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as these affect the preparation and presentation of the financial statements.

Emphasis of a matter

Without qualifying our opinion, we draw attention to Note 9 (b.3) to the consolidated financial statements pertaining to the transfer of certain available for sale investments from the principal shareholder to the Company, and the impact of such a transaction on the carrying value of the Company's investments.

for Ernst & Young


Fahad M. Al Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 9 Rabi Awal 1431H
(23 February 2010)

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Sami E. Farah 168
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Abdulaziz Alshubaili 339
Ahmed I. Reda 356

	Note	2009 SR'000	2008 SR'000
ASSETS			
Current assets:			
Cash and cash equivalents	4	2,233,402	1,892,544
Accounts receivable	5	627,967	564,879
Prepayments and other assets	6	844,221	856,342
Net assets held for sale	8	297,800	214,133
Total current assets		4,003,390	3,527,898
Non-current assets:			
Available for sale investments	9	8,255,560	9,213,249
Investments in associates	10	11,758,635	10,311,433
Investments in real estate	11	1,315,662	4,194,878
Property and equipment	12	11,788,526	11,130,967
Intangible assets	13	11,864,747	11,561,797
Other long term assets	14	1,003,567	774,607
Total non-current assets		45,986,697	47,186,931
Total assets		49,990,087	50,714,829
LIABILITIES AND EQUITY			
Liabilities:			
Current liabilities:			
Bank borrowings	15	648,111	400,632
Accounts payable	16	534,873	550,547
Accrued expenses and other liabilities	17	1,063,298	1,522,692
Total current liabilities		2,246,282	2,473,871
Non-current liabilities:			
Loans and bank borrowings	15	13,454,389	15,000,362
Due to principal shareholder	19	-	2,212,547
Other long term liabilities	20	2,263,172	2,078,758
Total non-current liabilities		15,717,561	19,291,667
Total liabilities		17,963,843	21,765,538
Equity:			
Shareholders' equity:			
Share capital	21,32	63,000,000	63,000,000
Statutory reserve		121,020	121,020
General reserve	32	3,131,106	3,131,106
Accumulated losses	32	(28,419,405)	(28,821,995)
Unrealized loss from available for sale investments	9	(13,243,735)	(15,695,927)
Foreign currency translation adjustments and other		(9,691)	(119,423)
Total shareholders' equity		24,579,295	21,614,781
Minority interests	22	7,446,949	7,334,510
Total equity		32,026,244	28,949,291
Total liabilities and equity		49,990,087	50,714,829

	Note	2009 SR'000	2008 SR'000
REVENUES:			
Hotels and other operating revenues		4,031,597	4,770,824
Dividends income	23	278,880	971,928
(Loss) / income from associates, net	10	(40,899)	204,994
Other		251,703	210,845
Total revenues		4,521,281	6,158,591
COSTS AND EXPENSES:			
Hotels and other operating costs		(2,787,211)	(3,159,171)
General and administrative expenses	24	(569,350)	(845,182)
Total costs and expenses		(3,356,561)	(4,004,353)
GROSS PROFIT		1,164,720	2,154,238
Depreciation and amortization	12,13	(431,150)	(460,746)
Finance charges, net	15	(417,479)	(719,674)
Gain / (loss) on disposal of investments, net	25	232,910	(15,236,401)
INCOME (LOSS) FROM OPERATIONS		549,001	(14,262,583)
Decline other than temporary in value of available for sale investments	9	-	(12,256,000)
Impairment of intangibles and others	10,11,13	-	(3,000,000)
INCOME (LOSS) BEFORE MINORITY INTERESTS, ZAKAT AND TAX		549,001	(29,518,583)
Minority interests	22	(132,469)	(58,511)
INCOME (LOSS) BEFORE ZAKAT AND TAX		416,532	(29,577,094)
Zakat and tax	18	(13,942)	(334,086)
NET INCOME (LOSS) FOR THE YEAR		402,590	(29,911,180)
Earnings (loss) per share for the year (SR)	31		
<i>Attributable to:</i>			
Income (loss) from operations		0.09	(2.26)
Net income (loss) for the year		0.06	(4.75)

	2009 SR'000	2008 SR'000
Operating Activities:		
Income (loss) before zakat and tax	416,532	(29,577,094)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	431,150	460,746
Loss / (income) from associates, net	40,899	(204,994)
Decline other than temporary in value of available for sale investments	-	12,256,000
Impairment of intangibles and others	-	3,000,000
(Gain) / loss on disposal of investments, net	(232,910)	15,236,401
	655,671	1,171,059
Changes in operating assets and liabilities		
Accounts receivable and other assets	(50,967)	(20,064)
Other long term assets	(56,586)	(419,480)
Accounts payable and other liabilities	(453,068)	60,562
Other long term liabilities	294,146	(185,996)
Cash from operations	389,196	606,081
Zakat and tax paid	(35,942)	(273,086)
Net cash from operating activities	353,254	332,995
Investing Activities:		
Net assets held for sale	143,508	79,610
Acquisition of available for sale investments	(30,967)	(1,681,137)
Proceeds from sale of available for sale investments	2,834,938	3,786,121
Acquisition of investments in associates	(250,318)	(1,968,568)
Dividends from associates	238,924	170,912
Proceeds from sale of investments in associates	599,533	-
Additions to investments in real estate	(93,216)	(157,688)
Proceeds from sale of investments in real estate	1,494,463	-
Property and equipment, net	(1,247,709)	175,227
Intangible assets	(302,950)	(391,331)
Net cash from investing activities	3,386,206	13,146
Financing Activities:		
Loans and bank borrowings, net	(1,298,494)	(2,730,071)
Due to principal shareholder	(2,212,547)	2,212,547
Minority interests, net	112,439	(245,415)
Net cash used in financing activities	(3,398,602)	(762,939)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	340,858	(416,798)
Cash and cash equivalents at the beginning of the year	1,892,544	2,309,342
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 4)	2,233,402	1,892,544
Non cash transactions:		
Unrealized gain / (loss) from available for sale investments (note 9 (b))	217,942	(11,650,997)
Transfer of investments in real estate to an associate (note 10 (a.1))	1,832,687	-
Transfer of available for sale investments by the principal shareholder (note 9 (b.3))	2,234,250	-

All amounts in SR'000								
	Shareholders' equity						Minority interests	Total equity
	Share capital	Statutory reserve	General Reserve	(Accumulated losses) retained Earnings	Unrealized loss from available for sale investments	Foreign currency translation adjustments and other	Total	
Balance at 31 December 2007	63,000,000	121,020	3,131,106	1,089,185	(16,300,930)	181,046	51,221,427	8,184,768
Net loss for the year	-	-	-	(29,911,180)	-	-	(29,911,180)	58,511
Net movement during the year	-	-	-	-	605,003	(300,469)	304,534	(908,769)
Balance at 31 December 2008	63,000,000	121,020	3,131,106	(28,821,995)	(15,695,927)	(119,423)	21,614,781	7,334,510
Net income for the year	-	-	-	402,590	-	-	402,590	132,469
Net movement during the year	-	-	-	-	2,452,192	109,732	2,561,924	(20,030)
Balance at 31 December 2009	63,000,000	121,020	3,131,106	(28,419,405)	(13,243,735)	(9,691)	24,579,295	7,446,949

1 ACTIVITIES

Kingdom Holding Company (the Company) is a Saudi Joint Stock Company operating in the Kingdom of Saudi Arabia. The Company was previously formed as a limited liability company and operated under commercial registration numbered 1010142022 dated 11 Muharram 1417H (corresponding to 28 May 1996). The Minister of Commerce and Industry has approved, pursuant to resolution number 128/S dated 18 Jumada Awal 1428H (corresponding to 4 June 2007), the conversion of the Company into a Joint Stock Company.

The objectives of the Company are hotel management and operation, general contracting, operation and maintenance, wholesale and retail trading of construction materials, foodstuff, agriculture products and metals for non-construction and petroleum products, trading of transportation equipment, advertising, commercial services, education, medical services, commercial agencies and investment and establishment of other companies.

As approved by the Capital Market Authority, the shares of the Company commenced trading on the Saudi Stock Exchange on 28 July 2007.

The Company and its subsidiaries (the Group) carry out its activities through the following entities:

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 associates.

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 associates that own and manage chain of hotels:

Subsidiaries	Ownership Percentage (%)
Kingdom 5 KR 35 Group (George V) – France *	88.5
Fairmont Raffles Holdings International (FRHI) - Canada *	58.3
Kingdom Hotel Investments (KHI) - Cayman Islands	54.1

Associates	Ownership Percentage (%)
Four Seasons Holding Inc. (FSH Inc.) – Canada	47.5
Mövenpick Hotels and Resorts AG (Mövenpick) – Switzerland *	33.3
Breezeroad Limited (Savoy) - United Kingdom	50.0
Kingdom XXII (USA) Limited (Plaza) - United States of America	
• Hotel	50.0
• Condominium	25.0

* Direct and indirect ownership through KHI.

1 ACTIVITIES (continued)

d) **Local and regional subsidiaries**

The Company has also ownership in the following local and regional subsidiaries and associates:

Subsidiaries	Ownership Percentage (%)
Kingdom Schools Company Limited (The School) – Saudi Arabia	47.0
Real Estate Investment Company (REIC) – Saudi Arabia	38.9
Fashion Village Trading Company Limited (SAKS) – Saudi Arabia	71.8
Medical Services Projects Company Limited (MSPC) – Saudi Arabia	74.0
Trade Centre Company Limited (TCCL) – Saudi Arabia	36.0
Consulting Clinic SAL (Clinic) – Lebanon	50.4
Kingdom Agriculture Development Company (KADCO) – Egypt	100.0

Associates	Ownership Percentage (%)
National Air Services – Saudi Arabia	37.0
Jeddah Economic Company – Saudi Arabia	40.0
Saudi Research and Marketing Group – Saudi Arabia	29.9

The principal activities of the Group are described in Note 30.

2 BASIS OF PRESENTATION

The first statutory consolidated financial statements of the Company, after its conversion into a Saudi joint stock company, have been prepared for the period from 4 June 2007 (date of incorporation) to 31 December 2008. However, the comparative figures included in the accompanying consolidated financial statements cover the year from 1 January to 31 December 2008. Such presentation is more informative and provides the users of these consolidated financial statements a better understanding of the Group's continuing activities and the related comparative information.

Following are selected financial information from the consolidated statement of income of the Group for the period from 4 June 2007 to 31 December 2008:

	Period from 4 June 2007 to 31 December 2008 SR'000
Total revenues	9,600,312
Total costs and expenses	(6,217,474)
Gross profit	3,382,838
Loss from operations	(13,605,344)
Impairment of assets	(15,256,000)
Loss before minority interests, zakat and tax	(28,861,344)
Net loss for the period	(29,429,518)
Loss per share for the period (SR):	
Attributable to:	
Loss from operations	(2.16)
Net loss for the period	(4.67)

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention as modified to include the measurement at fair value of available-for-sale investments.

Basis of consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company and its subsidiaries. All intra-group balances, transactions, income and expenses are eliminated in full. A subsidiary is a company in which the Company has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts a practical control. A subsidiary company is consolidated from the date on which the Company obtains a practical control until the date such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement, consolidated balance sheet and within consolidated statement of changes in equity separately from shareholders' equity.

Use of estimates

The preparation of consolidated financial statements by the management requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of bank balances, cash on hand, and short-term deposits with an original maturity of three months or less.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimated allowance for doubtful accounts is made when collection of the invoiced amount is no longer probable. Bad debts are written-off when incurred.

Inventories

Inventories are stated at the lower of cost and market value. Cost is determined based on a weighted average basis. Appropriate provision is made for obsolete and redundant inventory.

Assets held for sale

The Group considers properties to be assets held for sale when management approves and commits to a formal plan to actively market a property or group of properties for sale and it is probable that the sale will close within twelve months of the balance sheet. Upon designation of an asset held for sale, the Group records the carrying value of each property or group of properties at the lower of its carrying value or its estimated fair value, less estimated cost to sell.

Investments

Available for sale investments

Available for sale (AFS) investments include equity securities which are neither classified as held for trading nor held to maturity. After initial measurement, AFS investments are subsequently measured at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired. The loss arising from impairment of such investments are recognized in the consolidated statement of income and removed from the equity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Investments in associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Under the equity method, investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The consolidated statement of income reflects the Group's share in the results of operations of associates.

Investments in real estate

Real estates that are being developed for future purposes are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete, redevelopment and selling expenses. Real estates are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investments in real estate are recognized in the consolidated statement of income in the year of retirement or disposal.

Business combination and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or group of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Where goodwill forms part of a cash-generating unit (or group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold the difference between the selling price and the net assets plus cumulative transaction difference and goodwill is recognized in the consolidated statement of income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is considered the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and construction work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Expenditures for repair and maintenance are charged to the consolidated statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

Impairment

Tangible and intangible assets

At each fiscal year end, the Group reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised in the consolidated statement of income.

Financial assets

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

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

Loans and bank borrowings

Loans and bank borrowings are recognized initially at fair value, net of transaction costs incurred; and any differences between the proceeds (net of transaction costs) and the redemption value are recognized in the consolidated statement of income over the period of the loan using the effective interest method. Loans are classified as current liabilities unless the Group has the right and intention to defer settlement of the liability for at least twelve months after the balance sheet date.

Loans and bank borrowings (continued)

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets. All other borrowing costs are recognized as an expense in the consolidated statement of income when incurred.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has an obligation, legal or constructive arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Pension and other post employment benefits

Certain companies within the Group operate defined benefit pension plans and other post retirement plans, primarily life insurance and health care coverage, for certain grades of employees. Pension benefits are based principally on years of service and compensation rates near retirement. The cost of these benefit plans is actuarially determined using the projected benefit method pro-rated based on the employees' terms of service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

Employees' terminal benefits

Provision is made for amounts payable under the Labor Laws in the respective countries in which they operate, applicable to employees' accumulated periods of service at the balance sheet date.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income (after deducting losses of brought forward) in each year until it has built up a reserve equal to one half of the capital. This reserve is not available for distribution. In view of the accumulated losses, no such transfer has been made this year.

Revenue recognition

Hotel revenues are recognized when services are performed or when food and beverages are sold. Other revenues are recognized when services are provided and ultimate collection is reasonably assured. Management fees and other revenues from managed properties are recognized when performance conditions have been met, in accordance with the terms specified in the related management contracts.

Revenue from real estate leasing operations is recognized on accrual basis, rateably over the term of the lease. Revenue from sale of real estate is recognized upon the execution of sale contract and the delivery of the real estate, whichever comes last.

Dividends income from available for sale investments is recognized when the right to receive the dividends is established. Commission income is recognized as the commission accrues.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Operating costs of the Group are reported as hotels and other operating costs. Other expenses, including selling and marketing expenses, are classified as general and administration expenses. Development costs are capitalized only when economic feasibility of the project has been demonstrated. In the absence of economic feasibility, such cost is expensed when incurred.

Zakat and income tax**Zakat**

Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income.

Income tax

Subsidiaries operating outside the Kingdom of Saudi Arabia are subject to the income tax regulations of the countries in which they operate. The provision, if any, is charged to the consolidated statement of income.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for all temporary differences at the current rates of taxation applicable in the relevant jurisdiction. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Segmental reporting

A segment is a distinguishable component of the Group's that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Foreign currencies

The consolidated financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. Each subsidiary in the Group determines its own functional currency, and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statements of income.

Financial statements of foreign subsidiaries are translated into the presentation currency of the Company (Saudi Riyals) using the exchange rate at each balance sheet date for assets and liabilities, and the average exchange rate for each period for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**Fair values**

For investments traded in organized markets, fair value is determined by reference to quoted market prices. For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

4 CASH AND CASH EQUIVALENTS

	2009 SR'000	2008 SR'000
Bank balances and cash	972,086	1,204,698
Short term deposits	1,261,316	687,846
	2,233,402	1,892,544

Short term deposits are made for different periods (between one day and three months) depending on the cash requirements of the Company and its subsidiaries, and earn interest at floating rates.

5 ACCOUNTS RECEIVABLE

	2009 SR'000	2008 SR'000
Trade receivables	690,120	620,737
Less: Allowance for doubtful accounts	(62,153)	(55,858)
	627,967	564,879

As at 31 December 2009, trade receivables amounting to SR 62 million (2008: SR 56 million) were impaired. Movements in the allowance for doubtful accounts were as follows:

	2009 SR'000	2008 SR'000
At the beginning of the year	55,858	53,075
Charge for the year	12,480	39,143
Amounts written off	(6,185)	(36,360)
At the end of the year	62,153	55,858

5 ACCOUNTS RECEIVABLE (continued)

As at 31 December, the aging of unimpaired trade receivables is as follows:

SR'000	Total	Not past due	Past due (but not impaired)				
			< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
2009	627,967	312,513	68,058	59,463	24,855	9,809	153,269
2008	564,879	259,236	65,747	46,092	39,438	12,743	141,623

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over trade receivables and the vast majority is, therefore, unsecured.

6 PREPAYMENTS AND OTHER ASSETS

	2009 SR'000	2008 SR'000
Due from affiliates (note 7)	194,859	292,116
Prepaid expenses	174,439	251,262
Inventories	113,222	148,701
VAT receivables	106,212	45,085
Advances to suppliers	78,413	48,275
Margin deposits	19,554	18,070
Other	157,522	52,833
	844,221	856,342

7 RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the year:

Related party	Nature of transaction	Amounts of transactions SR'000	
		2009	2008
Affiliates	Revenues	56,625	131,477
	Operating costs	448,783	414,248

Amounts due from / to affiliates are shown in Notes 6 and 17, respectively.

For significant transactions between the Company and its principal shareholder, please refer to Notes 9 (b.3) and 19.

8 NET ASSETS HELD FOR SALE

The Company's management and the management of a subsidiary, Fairmont Raffles Holdings International (FRHI), approved and committed to a formal plan to actively market certain identified assets and hotel properties, presented below, for sale.

The Group has classified the following assets and related liabilities as held for sale:

	2009 SR'000	2008 SR'000
Current assets	48,232	47,740
Property and equipment	427,690	266,439
Other assets	370,140	457,590
	846,062	771,769
Current and other liabilities	(548,262)	(557,636)
Net balance	297,800	214,133

During 2009, the Group disposed of certain assets held for sale, resulting in a gain of SR 68 million (2008: SR 72 million) (note 25).

During 2008, FRHI reclassified certain property and equipment (note 12) along with other related assets to 'assets held for sale'.

9 AVAILABLE FOR SALE INVESTMENTS

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

	2009 SR'000	2008 SR'000
Quoted:		
Local and regional	1,019,656	4,064,713
International	7,235,904	5,110,441
	8,255,560	9,175,154
Unquoted:		
Local and regional	-	38,095
	8,255,560	9,213,249

9 AVAILABLE FOR SALE INVESTMENTS (continued)

(b) The movement in available for sale investments is set out below:

	2009			2008
	Quoted SR'000	Unquoted SR'000	Total SR'000	Total SR'000
<i>Cost:</i>				
At the beginning of the year	24,871,081	38,095	24,909,176	55,121,845
Disposals, net (b.1)	(3,371,786)	(38,095)	(3,409,881)	(17,413,579)
Decline other than temporary (b.2)	-	-	-	(12,256,000)
Transfers	-	-	-	(543,090)
At the end of the year	21,499,295	-	21,499,295	24,909,176
<i>Unrealized loss:</i>				
At the beginning of the year	(15,695,927)	-	(15,695,927)	(16,300,930)
Change during the year, net	217,942	-	217,942	(11,650,997)
Decline other than temporary (b.2)	-	-	-	12,256,000
Transfer from principal shareholder (b.3)	2,234,250	-	2,234,250	-
At the end of the year	(13,243,735)	-	(13,243,735)	(15,695,927)
<i>Net carrying amounts:</i>				
At 31 December 2009	8,255,560	-	8,255,560	
At 31 December 2008	9,175,154	38,095		9,213,249

(b.1) During the current year, the Group disposed of certain AFS investments and incurred a net loss of SR 606 million (2008: loss of SR 15,366 million) (note 25).

(b.2) For the year ended 31 December 2008, the Group recorded a decline other than temporary in the value of its available for sale investments of SR 12,256 million, as a result of its impairment review (2009: Nil).

(b.3) At the end of December 2009, the principal shareholder transferred certain available for sale investments - which had a market value of SR 2,234 million - to the Company at no consideration (no cost to the Company). As a result, the average cost of these available for sale investments was reduced and the variance between the cost of these investments and their market price was significantly narrowed.

In assessing the impairment of available for sale investments, the Company has considered the above transaction, in addition to other factors that relate to the performance and fair value of these investments. Management will continue to review its available for sale investments and assess the impact of changes in the factors mentioned above on the impairment of these investments, if any.

(c) The changes in market value of AFS investments as of 31 December 2009 and 31 December 2008 (net of decline other than temporary) were approximately SR 13,244 million and SR 15,696 million, respectively, and have been reported as "unrealized loss from available for sale investments" in the shareholders' equity.

(d) Certain available for sale investments are used as a collateral against loans and bank borrowings of the Company and its subsidiaries (note 15).

10 INVESTMENTS IN ASSOCIATES

(a) Following is the movement of investments in associates during the year ended 31 December:

	2009 SR'000	2008 SR'000
At the beginning of the year	10,311,433	8,465,693
Additions during the year (a.1)	2,083,005	2,677,330
Share in results of associates, net	(40,899)	204,994
Dividends received	(238,924)	(170,912)
Disposals and others (a.2)	(355,980)	(165,672)
Impairment of associates (note 13)	-	(700,000)
At the end of the year	11,758,635	10,311,433

(a.1) *Year ended 31 December 2009*

The Company invested in a newly established company; Jeddah Economic Company (JEC), through a contribution of certain land with a carrying value of SR 1,833 million (Note 11). JEC will be engaged in the development of large real estate projects in Jeddah, Kingdom of Saudi Arabia. The Company has an ownership of 40% in JEC.

Year ended 31 December 2008

The Company completed the legal formalities for the acquisition of 37% of National Air Services (NAS) – Saudi Arabia. NAS is engaged in the sale and lease of aircraft fractional shares, management and maintenance of aircraft, as well as operation of a low-cost airline.

The Company acquired further 3.5 million shares of Saudi Research and Marketing Group (a Saudi Joint Stock Company - SRMG) from its principal shareholder based on the market price of SRMG at the date of acquisition. The aggregate ownership of the Company in SRMG is 29.9%.

(a.2) *Year ended 31 December 2009*

The Group disposed of certain investments in associates, resulting in a gain of SR 244 million (2008: Nil) (note 25).

10 INVESTMENTS IN ASSOCIATES (continued)

(b) Details of investments in associates are summarized as follows:

	2009		2008	
	% Ownership	Amount SR'000	% Ownership	Amount SR'000
Associates of the Company:				
Four Seasons Holding Inc. – Canada	47.5%	4,401,088	47.5%	4,484,073
National Air Services – Saudi Arabia	37.0%	1,917,612	37.0%	2,102,282
Jeddah Economic Company – Saudi Arabia (note 11)	40.0%	1,832,687	-	-
Saudi Research and Marketing Group – Saudi Arabia	29.9%	1,579,700	29.9%	1,612,752
Mövenpick Hotels & Resorts AG - Switzerland	33.3%	432,849	33.3%	432,495
Breezeroad Limited (Savoy) – United Kingdom	50.0%	322,829	50.0%	207,370
Kingdom XXII (USA) Limited (Plaza) – United States of America	25.0-50.0%	179,086	25.0-50.0%	195,416
Others (refer to a.2)	Various	204,472	Various	102,372
Associates of Subsidiaries:				
Novapark Cairo Co. – Egypt	43.0%	402,945	43.0%	386,181
Manoir Richelieu Limited Partnership - Canada	25.0%	137,250	25.0%	142,875
Alexandria Saudi Co. for Touristic Projects – Egypt (refer to a.2)	-	-	39.0%	136,470
Others (refer to a.2)	Various	348,117	Various	509,147
		11,758,635		10,311,433

11 INVESTMENTS IN REAL ESTATE

	2009 SR'000	2008 SR'000
Investments in land – Saudi Arabia	1,270,241	3,956,480
Other investments	45,421	238,398
	1,315,662	4,194,878

During the current year, the Company sold certain real estate in the Kingdom of Saudi Arabia and realized a gain of SR 355 million (note 25) and transferred parcels of land to Jeddah Economic Company, an associate, as a capital contribution (note 10 (a.1)).

During the current year, the Group capitalized borrowing costs of SR 69 million (2008: SR 157 million) that were incurred in connection to the development of its real estate projects.

At the end of the year, the Group reviewed the carrying amounts of its investments in real estate to determine whether there was any indication that those assets have suffered an impairment loss. No such indication existed, accordingly, the Group did not record any impairment loss during the year (2008: SR 674 million).

12 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	20 to 50 years 2 to 25 years	Furniture and fixtures Others	2 to 25 years 4 to 10 years
Buildings			
Equipment			

	Land (b) SR'000	Buildings (b) SR'000	Equipment SR'000	Furniture & fixtures SR'000	Others SR'000	Total 2009 SR'000	Total 2008 SR'000
Cost:							
At the beginning of the year	3,258,184	7,028,809	639,275	1,548,235	585,743	13,060,246	10,674,868
Additions	33,360	101,123	83,098	115,208	712,050	1,044,839	438,687
Disposals	-	(4,331)	(2,042)	(24,478)	(8,335)	(39,186)	(292,237)
Reclassification / transfers (a)	38,556	435,682	(103,822)	94,573	(364,255)	100,734	2,238,928
At the end of the year	3,330,100	7,561,283	616,509	1,733,538	925,203	14,166,633	13,060,246
Depreciation:							
At the beginning of the year	-	942,397	273,681	698,367	14,834	1,929,279	1,276,486
Charge for the year	-	170,952	55,122	144,062	26,662	396,798	447,993
Disposals	-	(2,863)	(1,694)	(23,602)	(2,501)	(30,660)	(23,927)
Reclassification / transfers (a)	-	28,015	19,108	37,192	(1,625)	82,690	228,727
At the end of the year	-	1,138,501	346,217	856,019	37,370	2,378,107	1,929,279
<i>Net book amounts:</i>							
At 31 December 2009	3,330,100	6,422,782	270,292	877,519	887,833	11,788,526	
At 31 December 2008	3,258,184	6,086,412	365,594	849,868	570,909		11,130,967

(a) Reclassification included certain property and equipment either reclassified to / from assets held for sale by a subsidiary during 2008 (note 8).

(b) Certain land and buildings are pledged as collateral against loans as explained in Note 15.

13 INTANGIBLE ASSETS

Intangible assets comprise the following:

	2009 SR'000	2008 SR'000
Goodwill (a)	7,904,877	7,901,881
Management contracts (b)	1,243,431	1,027,875
Brand names and others (b)	2,716,439	2,632,041
	11,864,747	11,561,797

- (a) Goodwill represents the excess of consideration paid by the Group over its interest in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities. Most of the goodwill balance shown above resulted from the Group's acquisition of major subsidiaries in the hotel business.

Movement in goodwill during the year is set out below:

	2009 SR'000	2008 SR'000
At the beginning of the year	7,901,881	9,279,054
Impairment during the year (c)	-	(826,000)
Share of minority interest in impairment of goodwill	-	(604,708)
Other	2,996	53,535
	7,904,877	7,901,881

- (b) Management contracts and brand names relate to subsidiaries that are in the hotel business. Such intangibles have definite lives and are amortized over their useful economic lives. Amortization expense has been reported in the consolidated statement of income.

- (c) Impairment:

i. Impairment test

Impairment test is carried out annually by management of the Group for their subsidiaries and associates. For the purposes of impairment testing, each subsidiary and associate (that owns a Hotel or Hotel-brand) was considered as a single cash generating unit (CGU).

At 31 December 2009, management has performed a detailed business review to determine recoverable amounts of goodwill for subsidiaries and associates. Recoverable amounts were based on the value-in-use calculations. For associates, the entire carrying amount of the investment in an associate was tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

As a result of the impairment testing of goodwill and associates for 2009, no impairment loss has been determined by the Group. However, for 2008, amounts of SR 826 million and SR 700 million (note 10) were recorded as impairment relating to goodwill for subsidiaries and associates, respectively.

13 INTANGIBLE ASSETS (continued)**ii. Basis of determining recoverable amounts**

As mentioned above, the Group has determined the recoverable amounts based on the value-in-use, which is computed according to discounted cash flows (DCF) for a projected period that ranges between five to ten years, in line with industry standards. Cash flow projections were based on budgets approved by management and projections beyond the budgets are extrapolated using estimated growth rates. In management's opinion, the growth rates used in the cash flow projections do not exceed the long-term average growth rates for the Hotel segment in which the Group operates.

These projections are based on the past experience of management, which has been able to forecast DCF over longer periods. Discount rates used by management to discount the projections range between 8% to 12%, which reflect specific risks relating to the Hotel industry.

The value in use calculation is most sensitive to changes in the following key assumptions:

- Growth rates
- Working capital and capital expenditures
- Discount rates
- Terminal value calculation

14 OTHER LONG TERM ASSETS

	2009 SR'000	2008 SR'000
Long term advances (a)	459,000	193,625
Deposits for post employment benefits	111,750	133,500
Refundable assets	103,616	223,358
Advances to contractors	101,653	67,928
Others	227,548	156,196
	1,003,567	774,607

- (a) Long term advances represent funds provided by certain subsidiaries to their affiliates to finance their working capital requirements.

15 LOANS AND BANK BORROWINGS

The following is a summary of loans and bank borrowings at 31 December:

	2009 SR'000	2008 SR'000
CURRENT		
Banks overdraft	67,271	65,009
Short term loans	27,160	24,404
Current portion of term loans	553,680	311,219
	648,111	400,632
NON – CURRENT		
Term loans *	13,454,389	15,000,362
	14,102,500	15,400,994
Details of loans and bank borrowings by entity are as follows:		
Kingdom Holding Company (KHC)	4,688,805	5,286,150
Fairmont Raffles Holdings International (FRHI)	3,442,875	3,648,375
Kingdom Hotel Investments (KHI)	1,981,698	1,520,675
Kingdom 5-KR-35 Group (George V)	1,904,772	1,908,958
Kingdom 5-KR-11 Ltd.	1,566,281	2,433,866
Trade Centre Company Limited (TCCL)	233,877	269,877
Others	284,192	333,093
	14,102,500	15,400,994

* The balance of term loans as at 31 December 2009 is reported net of certain cash collateral of SR 110 million (2008: SR 3,018 million), as the Group has a legally enforceable right to set off the borrowings and cash collateral and the management intends to settle these amounts on a net basis.

Following is a brief summary of the Group's main loans:

Kingdom Holding Company (KHC)

KHC loans of SR 4,689 million were obtained from commercial banks and consist of several facilities including a syndicated loan and a revolving facility. During the current year, KHC has obtained a new loan of SR 1,888 million and settled loans of SR 2,485 million. KHC loans carry borrowing cost based on Saudi Inter Bank Offered Rate (SIBOR) and London Inter Bank Offered Rate (LIBOR) plus a spread and are secured against certain investments by the Company.

The loan agreements contain covenants which, among other things, require that certain financial ratios and equity balance be maintained.

Fairmont Raffles Holdings International (FRHI)

FRHI has facilities from various banks. The annual weighted average interest rate as at 31 December 2009 was 2.3% (2008: 2.45%). These facilities are secured by certain assets and contain certain covenants with respect to debt level, interest coverage and repayment of debt from the proceeds of asset sales. As at 31 December 2009, the balance included SR 2,161 million (2008: SR 2,061 million) denominated in US Dollar, SR 937 million (2008: SR 1,019 million) denominated in Singapore Dollar and the remaining denominated in other foreign currencies.

15 LOANS AND BANK BORROWINGS (continued)

Kingdom Hotel Investments (KHI)

The loans of SR 1,982 million have different maturities within the next eleven years period and carry floating interest rate. This rate is calculated on base rate plus a spread for the currency of the loans. The facilities are secured through registered mortgage and lien over several properties, deed of support and order notes. Loan agreements include certain financial covenants with respect to debt service ratio and interest coverage ratio. As at 31 December 2009, loans of SR 936 million (2008: SR 833 million) are denominated in US Dollar, SR 250 million (2008: SR 80 million) are denominated in Morocco Dirham, SR 93 million (2008: SR 181 million) are denominated in Euro and the remaining balance is denominated in different currencies.

Kingdom 5-KR-35 Group (George V)

The loans of SR 1,905 million as of 31 December 2009 (2008: SR 1,909 million) are secured by a pledge over buildings. The loan agreements include certain financial covenants, such as debt service coverage ratio, assets value coverage ratio and maintenance of security deposit. The loans carry floating interest rate (based mainly on Libor three months rate) and mature in 2012.

Kingdom 5-KR-11 Ltd. (KR 11)

KR 11 loans carry floating interest rates, which are calculated on a base rate plus a spread based on the currency of the loan. The facilities are secured by certain available for sale investments. Consistent with the practice in prior years, the management will continue to rollover these facilities at least for the next twelve months.

Trade Centre Company Limited (TCCL)

TCCL arranged a syndicated loan amounting to SR 400 million with a local bank, to partly finance the Kingdom Centre Project. The unpaid loan balance amounted to SR 234 million as at 31 December 2009 (2008: SR 270 million) is secured by various order notes from the partners of TCCL. The loan carries a commission rate calculated at SIBOR plus commission margin and will be fully repaid by 31 December 2013.

Other loans

Other loans represent various loan facilities obtained by certain subsidiaries of the Group. These facilities carry interest calculated on floating base rate plus a spread based on the currency of the loan. The facilities are secured against mortgage of properties, business interruption insurance and assignment of contract proceeds.

16 ACCOUNTS PAYABLE

	2009 SR'000	2008 SR'000
Trade payables	482,948	505,951
Other payables	51,925	44,596
	534,873	550,547

17 ACCRUED EXPENSES AND OTHER LIABILITIES

	2009 SR'000	2008 SR'000
Employees related accruals	374,133	429,658
Income taxes payable (note 18 (b))	191,210	205,097
Finance costs payable	116,418	315,838
Deposits from customers	113,359	109,608
Zakat (note 18 (a))	50,151	31,552
Unearned revenue	41,407	46,418
Due to affiliates (note 7)	19,564	103,601
Other	157,056	280,920
	1,063,298	1,522,692

18 ZAKAT AND TAX

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

	2009 SR'000	2008 SR'000
Zakat credits, net	(20,548)	-
Income tax provision	25,271	91,311
Withholding tax on foreign dividends	9,219	242,775
	13,942	334,086

(a) Zakat

The Zakat obligations for the year represent the Zakat due on the Company and the local subsidiaries. The movement in Zakat provision for the year ended 31 December is as follows:

	2009 SR'000	2008 SR'000
At the beginning of the year	31,552	39,069
Zakat credits, net	(20,548)	-
Reclassification during the year	39,147	-
Paid during the year	-	(7,517)
At end of the year (note 17)	50,151	31,552

Zakat assessments in respect of the Company's position have been agreed with the Department of Zakat and Income Tax (DZIT) up to 2002. The returns for the years 2003 through 2006 have been submitted by the Company but not yet finalized by the DZIT. The returns for the years 2007 and 2008 are in the process of being filed.

18 ZAKAT AND TAX (continued)

The provision is based on the following:

	2009 SR'000	2008 SR'000
Equity	37,430,131	67,341,311
Opening allowances and other adjustments	(31,934,668)	19,488,412
Book value of long term assets	(11,788,526)	(76,554,797)
	(6,293,063)	10,274,926
Zakatable income / (adjusted loss) for the year	445,441	(14,262,583)
Zakat base	(5,847,622)	(3,987,657)
Zakat due	11,136	-

The differences between the financial and the Zakatable results are mainly due to provisions which are not allowed in the calculation of Zakatable income/adjusted loss.

b) Income tax

The Group's subsidiaries which are incorporated outside the Kingdom of Saudi Arabia are subject to tax laws of the country of incorporation. The income tax payable was SR 191 million and SR 205 million as at 31 December 2009 and 2008 respectively (note 17).

c) Deferred tax

Deferred tax liabilities and assets at 31 December relate to the following subsidiaries:

	2009				2008
	FRHI	George V	KHI	Total	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
<i>Deferred tax liabilities:</i>					
Property, equipment and intangible assets	1,248,000	244,365	86,935	1,579,300	1,511,190
Others	255,750	69,098	96,351	421,199	236,295
Gross deferred tax liabilities	1,503,750	313,463	183,286	2,000,499	1,747,485
<i>Deferred tax assets:</i>					
Tax losses carried forward	(206,625)	-	(39,728)	(246,353)	(112,862)
Provisions	(14,625)	(1,559)	(12,960)	(29,144)	(13,115)
Others	(144,000)	(12,040)	-	(156,040)	(116,308)
Gross deferred tax assets	(365,250)	(13,599)	(52,688)	(431,537)	(242,285)
<i>2009 - Net deferred tax liability (note 20)</i>	1,138,500	299,864	130,598	1,568,962	
<i>2008 - Net deferred tax liability (note 20)</i>	1,163,624	210,203	131,373		1,505,200

19 DUE TO PRINCIPAL SHAREHOLDER

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

20 OTHER LONG TERM LIABILITIES

	2009 SR'000	2008 SR'000
Deferred taxes (note 18 (c))	1,568,962	1,505,200
Post employment benefits	351,842	301,136
Retention payable	158,461	164,034
Deferred workers' compensation	104,125	75,375
Other	79,782	33,013
	2,263,172	2,078,758

21 SHARE CAPITAL

The share capital of the Company for 2009 and 2008 consists of 6,300 million shares of SR 10 each. (Please refer to Note 32).

22 MINORITY INTERESTS

This balance represents the share of the minority shareholders/partners in the following consolidated companies:

Name of the entity	2009		2008	
	Total minority interests SR'000	Share in net income (loss) SR'000	Total minority interests SR'000	Share in net income (loss) SR'000
Fairmont Raffles Holdings Int'l	3,328,685	14,380	3,216,636	66,202
Kingdom Hotel Investments	3,012,574	(103,751)	3,079,001	(58,811)
Real Estate Investment Company	176,269	(13,336)	163,749	(10,203)
Trade Center Company Limited	755,308	(66,021)	693,723	(60,897)
Others	174,113	36,259	181,401	5,198
	7,446,949	(132,469)	7,334,510	(58,511)

Total minority interests includes goodwill relating to minority interests, aggregating SR 2,341 million (2008: SR 2,341 million).

23 DIVIDENDS INCOME

	2009 SR'000	2008 SR'000
International	212,706	827,128
Local and regional	66,174	144,800
	278,880	971,928

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 SR'000	2008 SR'000
Employee costs	205,095	271,801
Development costs written off	-	99,065
Professional fees	94,798	81,731
Selling and marketing expenses	30,132	80,121
Repairs and maintenance	68,904	42,549
Utilities and office expenses	32,700	35,247
Insurance	7,524	9,558
Other	130,197	225,110
	569,350	845,182

25 GAIN (LOSS) ON DISPOSAL OF INVESTMENTS, NET

	2009 SR'000	2008 SR'000
Loss on available for sale investments (note 9)	(605,910)	(15,366,110)
Gain on investments in real estate (note 11)	354,718	-
Gain on investments in associates (note 10)	243,553	-
Gain on assets held for sale (note 8)	68,175	72,193
Other gains	172,374	57,516
	232,910	(15,236,401)

26 COMMITMENTS**a. Capital commitments**

The Group has on-going projects to construct, operate and renovate hotels, and these projects are at various stages of completion. The total outstanding capital commitments as of 31 December 2009 amounted to SR 822 million (2008: SR 757 million).

b. Operating lease commitments

The Group has various commitments under operating leases. Future minimum annual payments under these leases are as follows:

	2009 SR'000	2008 SR'000
Within one year	305,183	263,816
Later than one year but not later than 5 years	701,822	676,934
Thereafter	1,043,625	684,375
	2,050,630	1,625,125

27 CONTINGENCIES

The Company and its subsidiaries are 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 tax assessments that may result in connection with other claims are not expected to have a material effect on the Group's financial position or results of operation.

In the normal course of business, the Group may provide debt guarantees, indemnification for the act of directors and officers, indemnification in the event of business dispositions and certain other indemnification to counter parties that would require the Group to perform for such parties or to compensate them. The terms and conditions of such arrangements vary based on contract. No material liabilities and outstanding amounts are expected from these arrangements.

28 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including loans and bank borrowings and bank balances.

The sensitivity of the income/expense is the effect of the assumed changes in interest rates on the Group's net results for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009 and 2008. The following table demonstrates the sensitivity of the income/expense based on reasonably possible changes in interest rates, with all other variables held constant:

	Loans and bank borrowings		Time deposits	
	Increase/decrease in basis points	Effect on net results for the year SR'000	Increase/decrease in basis points	Effect on net results for the year SR'000
2009	+100	(137,700)	+100	11,144
	-100	137,700	-100	(11,144)
2008	+100	(151,333)	+100	18,326
	-100	151,333	-100	(18,326)

Equity price risk

Equity price risk is the risk that the fair value of equities may decrease as the result of changes in the levels of equity indices and the value of individual equities. The Group's available for sale investments are subject to price risk as its underlying investments are equity instruments. The effect on the total equity (as a result of a change in fair value of equity instruments) due to reasonable possible positive changes in equity indices, with all other variables held constant is as follows:

28 RISK MANAGEMENT (continued)

	2009		2008	
	Change in equity indices	Effect on equity SR'000	Change in equity indices	Effect on equity SR'000
Dow Jones Industrial Average / NASDAQ Composite	1%	153,172	1%	81,169
	5%	765,860	5%	405,845
	10%	1,531,720	10%	811,690
Tadawul All Share Index	1%	10,928	1%	37,262
	5%	54,640	5%	186,310
	10%	109,280	10%	372,620
Other	1%	5,244	1%	1,485
	5%	26,220	5%	7,425
	10%	52,440	10%	14,850

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The table below shows the maximum exposure to credit risk for the significant components of the balance sheet:

	2009 SR'000	2008 SR'000
Bank balances and short term deposits	2,229,041	1,888,049
Accounts receivable	627,967	564,879
Other current assets	450,347	456,379
Other long term assets	901,915	408,068
	4,209,270	3,317,375

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid around 30 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

28 RISK MANAGEMENT (continued)**Liquidity risk (continued)**

The table below summarises the maturities of the Group's financial liabilities at 31 December 2009 and 2008, based on expected payment dates:

31 December 2009	Less than 3 months SR'000	3 to 12 months SR'000	1 to 5 years SR'000	> 5 years SR'000	Total SR'000
Accounts payable, accrued expenses and other liabilities	787,150	811,021	-	-	1,598,171
Other long term liabilities	-	-	694,210	-	694,210
Loans and bank borrowings:					
KHC	-	-	4,688,805	-	4,688,805
FRHI	14,250	42,000	3,386,625	-	3,442,875
KHI	29,675	128,301	1,190,137	633,585	1,981,698
George V	20,719	75,843	1,474,069	334,141	1,904,772
Kingdom 5-KR-11 Ltd.	-	175,700	1,390,581	-	1,566,281
TCCL	1,352	46,248	186,277	-	233,877
Others	11,864	102,159	166,819	3,350	284,192
Total Loans and bank borrowings:	77,860	570,251	12,483,313	971,076	14,102,500
Total	865,010	1,381,272	13,177,523	971,076	16,394,881

31 December 2008	Less than 3 months SR'000	3 to 12 months SR'000	1 to 5 years SR'000	> 5 years SR'000	Total SR'000
Accounts payable, accrued expenses and other liabilities	518,295	1,554,944	-	-	2,073,239
Other long term liabilities	-	-	2,786,105	-	2,786,105
Loans and bank borrowings	38,683	653,432	13,933,101	775,778	15,400,994
Total	556,978	2,208,376	16,719,206	775,778	20,260,338

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group monitors the fluctuation in currency exchange rates and manages its effect on the consolidated financial statements accordingly.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities.

The Group's financial assets consist of cash and cash equivalents, investments, receivables and other assets. The financial liabilities consist of bank borrowings, term loans, payables and other liabilities.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The Group estimates the fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is necessary to develop these estimates. Accordingly, estimates of fair values are not necessarily an indicative of what the Group could realize in a current market exchange. The use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The Group has determined that the fair values of their financial instruments at year end approximate their carrying amounts.

30 SEGMENT INFORMATION

The Group's primary operations are organized into the following three segments, as follows:

Equity:

International - Includes investments in internationally quoted securities.

Domestic and Regional - Includes investments in securities quoted on the Saudi and regional stock exchanges.

Private equity - Includes investments in private equities, managed funds and other entities existing within the the Group.

Hotels:

The principal activity of this segment includes investments in subsidiaries and associates that manage and own hotels.

Real Estate and Domestic:

Real Estate - Includes ownership and development of real estate projects.

Domestic investments - Includes investments in local subsidiaries and associates.

a) The Group's main financial information by business segment, are as follows:

31 December 2009	Equity SR'000	Hotels SR'000	Real Estate and Domestic SR'000	Total SR'000
Total revenues	455,316	3,476,576	589,389	4,521,281
Gross profit	396,813	559,260	208,647	1,164,720
Net (loss) income	(163,512)	172,281	393,821	402,590
Property and equipment, net	46,826	10,371,317	1,370,383	11,788,526
Total assets	12,613,408	31,427,866	5,948,813	49,990,087
Total liabilities	6,559,653	10,688,941	715,249	17,963,843

30 SEGMENT INFORMATION (continued)

<i>31 December 2008</i>	<i>Equity SR'000</i>	<i>Hotels SR'000</i>	<i>Real Estate and Domestic SR'000</i>	<i>Total SR'000</i>
Total revenues	1,300,334	4,206,935	651,322	6,158,591
Gross profit	1,233,086	709,295	211,857	2,154,238
Decline other than temporary in available for sale investments	(12,256,000)	-	-	(12,256,000)
Impairment of intangibles and others	(500,000)	(1,825,866)	(674,134)	(3,000,000)
Net loss	(27,039,858)	(2,329,736)	(541,586)	(29,911,180)
Property and equipment, net	43,942	9,123,097	1,963,928	11,130,967
Total assets	13,714,268	30,360,019	6,640,542	50,714,829
Total liabilities	10,721,489	10,264,931	779,118	21,765,538

b) As set out in Note 1 to the consolidated financial statements, the Group has diversified investments in various segments, concentrated geographically as follows:

- The activities of the equity segment are mainly concentrated in the United States of America and the Middle East.
- The Hotels segment comprises of various 'brands' which are spread in most parts of the world, but mainly in Europe, North America, the Middle East and Asia.
- The Real Estate comprises of significant concentration of properties in the Kingdom of Saudi Arabia.

31 EARNINGS (LOSS) PER SHARE

Earnings (loss) per share attributable to income / loss from operations and net income / loss for the year is calculated by dividing income / loss from operations and net income / loss for the year, respectively, by the number of shares outstanding of 6,300 million (2008: 6,300 million).

32 SUBSEQUENT EVENTS

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

The table below shows the effect of the approved capital reduction on the shareholders' equity accounts, based on the balances as at 31 December 2009:

	<i>Balances as at 31 December 2009 SR '000</i>	<i>Effect of capital reduction SR '000</i>	<i>Balances after capital reduction SR '000</i>
Shareholders' equity:			
Share capital	63,000,000	(25,941,177)	37,058,823
Statutory reserve	121,020	-	121,020
General reserve	3,131,106	(3,131,106)	-
(Accumulated losses) / retained earnings	(28,419,405)	29,072,283	652,878
Unrealized loss from available for sale investments	(13,243,735)	-	(13,243,735)
Foreign currency translation adjustments and other	(9,691)	-	(9,691)
Total shareholders' equity	24,579,295	-	24,579,295

33 COMPARATIVE FIGURES

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



مستشفى المملكة

تأسس مستشفى المملكة شمال الرياض عام ١٩٩٩م ليكون صرحاً طبياً مميزاً. وهو مجهز بأحدث المعدات الطبية والأنظمة الإلكترونية المتطورة، ويعمل فيه فريق من نخبة الأطباء في جميع الاختصاصات، ويضم ١٢٦ سريراً. ويقدم خدمات صحية شاملة للأطفال والبالغين على حد سواء، وذلك في إطار هادئ ومريح وفخم للغاية. وهناك أيضاً "العيادات الاستشارية" وهي وحدة طبية تابعة لمستشفى المملكة وتقع على طريق الملك فهد.

Kingdom Hospital

Kingdom Hospital was established in Northern Riyadh, in 2000, as a premium healthcare provider for the region.

Kingdom Hospital operates as a modern, high quality, 126-bed hospital facility. It features an inpatient surgical service with five operating theatres, a day surgery unit, delivery suites, 24-hour emergency services with critical care for adults (ICU) and neonates (NICU), outpatient clinical services, pharmacy outlet and various ancillary services. The Riyadh Consulting Clinics, established in 1986, is a multi-specialty medical unit owned by Kingdom Hospital and located on King Fahad road.



Al Mamlaka Shopping Mall

Al Mamlaka shopping mall is an essential part of Kingdom Centre. It includes 161 stores and a total leasable area of 38,543 square metres over three levels. Its anchor tenants are Debenhams with 8,364 square metres, and SAKS Fifth Avenue with 5,273 square metres. The mall is targeted toward younger and more affluent shoppers, housing stores that represent a number of international luxury brands. The third floor of the mall is for women only.



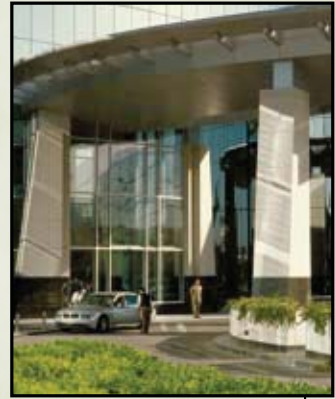
سوق المملكة التجاري

يُشكل سوق المملكة التجاري جزءاً أساسياً من مركز المملكة. ويُعتبر أفخم مركز للتسوق في الرياض - حيث يحتضن باقة مختارة من أفخم المحلات موزعة على ثلاثة أدوار، وهي توفر أحدث ابتكارات الموضة ومستحضرات التجميل والأجهزة الإلكترونية والمأكولات من أرقى العلامات التجارية.

كما يضم السوق قسماً مخصصاً للسيدات في الدور الثالث يُعرف بـ "مملكة المرأة" (وهي سابقة في المملكة) حيث تتوفر أجواء مثالية ومريحة تراعي خصوصية المرأة السعودية.

مركز المملكة

يعتبر مركز المملكة المُعلّم الحضاري الرئيسي للمملكة العربية السعودية والأكثر شهرة وتألّقاً، وهو يقع في منطقة راقية وسط مدينة الرياض. ويضم المركز سوق المملكة التجاري (أفخم مركز للتسوق في الرياض) وبرجاً للمكاتب بارتفاع ٣٠٠ متر، ومساحة معدة للتأجير تزيد عن ٦٣,٠٠٠ متر مربع، وفندق فورسيزونز الرياض. بالإضافة إلى أكبر الشركات العالمية العاملة في المملكة العربية السعودية.



Kingdom Centre

The Kingdom Centre was completed in 2002, in central Riyadh, as an iconic building and one of Saudi Arabia's most identifiable landmarks. The Centre comprises the three-level Al Mamlaka shopping mall - considered to be one of Riyadh's most prestigious shopping malls - and a 300 metre office tower. Kingdom Centre has over 65,000 square metres of leasable space covering 30 occupied floors, including four service floors, two mezzanine floors and a sky bridge. It also houses the Four Seasons, Riyadh, hotel.

1998

1999

2000

2001

2001

2002

2002

مدينة المملكة

مدينة المملكة عبارة عن مجمع سكني راق بمواصفات عالمية. وهي تحتل موقعاً متميزاً وسط مدينة الرياض وتوفر للعائلات الساكنة في ربوعها بيئة طبيعية هادئة ونقية وأسلوب حياة حديث وعصري قائم على خدمات متكاملة ومرافق حياتية وثقافية وترفيهية فخمة لا مثيل لها. وقد تأسست مدينة المملكة في العام ١٩٩٨م، كما اشتهرت بكونها أفضل مجمع سكني في المملكة العربية السعودية.



Kingdom City

Kingdom City was established in 1997. It is a quality Western-style residential compound ideally situated in Riyadh. The city comprises 362 residential units and a total area of 721 thousand square metres. The accommodation ranges from luxury four bedroom villas, with private pools, to studios and guest-houses. Amenities include restaurants, pools, sports and other recreational areas, supermarkets, shops, a business centre, a medical clinic and a school.

مدارس المملكة

أنشئت مدارس المملكة في العام ٢٠٠٠م في حي الربيع شمال مدينة الرياض، وهي توفر بيئة مدرسية وتربوية مثالية، كما تتسع لعدد ٤٠٠٠ طالب وطالبة - من رياض الأطفال حتى الثالث الثانوي - معززة بإمكانات فنية وتقنية غير مسبوقة ومستوى أكاديمي رفيع ومناهج تدريس متوافقة مع الأفضل عالمياً وحاصلة على اعتراف اللجنة الدولية الإقليمية CITA. يتولى الإدارة والتعليم جهاز إداري متخصص وفريق من نخبة المدرسين ذوي الكفاءات العالية والخبرات الواسعة الذين يسهمون في إعداد أجيال رائدة لمستقبل واعد.

Kingdom Schools

The Kingdom Schools Company opened for business in the year 2000. Its goal is to provide an individualized educational experience targeted at upper to middle class segments of Riyadh's population. Kingdom Schools is accredited by CITA and operates a private group of elementary, intermediate and high schools, as well as a kindergarten for girls and boys in Riyadh. The schools have facilities to accommodate up to 4,000 students. Kingdom Schools employs over 300 teachers providing one of the highest ratios of teachers to students among private schools in Riyadh.



ساكس السعودية

يُعد ساكس السعودية أول محل لشركة ساكس خارج الولايات المتحدة الأمريكية في العالم. وقد تم افتتاحه بنجاح في الرياض عام ٢٠٠١م في مركز المملكة. ويتكون محل ساكس من دورين، واحد مخصص للرجال وآخر للنساء حيث تتوفر مجوهرات وأكسسوارات ومستحضرات التجميل لأبرز الماركات العالمية. كما تم افتتاح الفرع الثاني في بداية عام ٢٠٠٩م في مدينة جدة على طريق الملك عبد العزيز.

SAKS Saudi Arabia

The first SAKS retail store outside the United States was launched in Riyadh, during 2001, in the Al Mamlaka shopping mall at Kingdom Centre. It occupies two levels of the shopping centre. The first floor offers world-renowned brands of handbags, jewellery, men's accessories, fragrances and cosmetics while the second level is reserved for women only. In 2009 an additional store was opened in Jeddah.



فندق فور سيزونز الرياض

يُعتبر فندق فورسيزونز الرياض أبرز معالم الضيافة العالمية المستوى في عاصمة المملكة. وهو يوفر أقصى درجات الراحة وأرقى معايير الرفاهية والخدمة الشخصية غير المسبوق. ويتميز الفندق بموقعه ضمن مركز المملكة، ووسط منطقة راقية تزخر بالأنشطة والمرافق التجارية والثقافية والترفيهية المتنوعة.

Four Seasons Hotel – Riyadh

The Four Seasons, Riyadh, is considered one of the top global standard icons of hospitality, service and luxury. Located within the distinctive profile of the prestigious Kingdom Centre, it is close to the key sites for business, arts, culture and shopping. The hotel provides the highest standards of quality, comfort and luxury with unprecedented personal services.

Wealth of Investments

ثروة من الاستثمارات

