



**KINGDOM HOLDING COMPANY**

**(A Saudi Joint Stock Company)**

**Consolidated Financial  
Statements (audited)**

**For the year ended**

**December 31, 2015 and Independent Auditors report**

**KINGDOM HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Page</b>
Independent auditors' report	2
Consolidated balance sheet	3
Consolidated income statement	4
Consolidated statement of cash flows	5
Consolidated statement of changes in equity	6
Notes to the consolidated financial statements	7 - 30



## **INDEPENDENT AUDITORS' REPORT**

February 23, 2016

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 (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and the consolidated statements of income, cash flows and changes in equity for the year then ended, and the notes from (1) to (33) which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. 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 Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Unqualified opinion**

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-Laws with respect to the preparation and presentation of consolidated financial statements.

**PricewaterhouseCoopers**

By:

Omar M. Al Sagga  
License Number 369

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

		<b>As at December 31,</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances	3	2,633,813	1,144,434
Held for trading investments	4	1,982,094	1,369,853
Accounts receivable	5	498,833	556,105
Other assets	6	568,752	569,531
Net assets held for sale	8	246,748	180,111
		<u>5,930,240</u>	<u>3,820,034</u>
<b>Non-current assets</b>			
Available for sale investments	9	11,080,326	15,119,121
Investments in associates and joint venture, net	10	16,384,596	17,551,341
Investments in real estate	11	2,087,005	2,180,458
Property and equipment, net	12	5,421,698	5,816,014
Intangible assets, net	13	1,719,419	1,808,116
Other long term assets	14	373,575	427,196
		<u>37,066,619</u>	<u>42,902,246</u>
<b>Total assets</b>		<u>42,996,859</u>	<u>46,722,280</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank borrowings and term loans	15	1,899,365	1,565,701
Accounts payable	16	110,150	186,750
Accrued expenses and other liabilities	17	787,341	810,720
Dividend payable	32	163,985	-
		<u>2,960,841</u>	<u>2,563,171</u>
<b>Non-current liabilities</b>			
Bank borrowings and term loans	15	10,575,428	10,999,007
Other long term liabilities	19	328,191	387,426
		<u>10,903,619</u>	<u>11,386,433</u>
<b>Total liabilities</b>		<u>13,864,460</u>	<u>13,949,604</u>
<b>Equity</b>			
Equity attributable to shareholders of the Company:			
Share capital	20	37,058,823	37,058,823
Statutory reserve		548,081	477,367
Retained earnings		1,533,580	1,553,093
Unrealized loss from available for sale investments	9	(10,126,110)	(6,695,427)
Foreign currency translation adjustments and other		(422,287)	(137,867)
<b>Total shareholders' equity</b>		<u>28,592,087</u>	<u>32,255,989</u>
Minority interests	21	540,312	516,687
<b>Total equity</b>		<u>29,132,399</u>	<u>32,772,676</u>
<b>Total liabilities and equity</b>		<u>42,996,859</u>	<u>46,722,280</u>
<b>Contingencies and commitments</b>	26,27		

The notes on pages 7 to 30 form an integral part of these consolidated financial statements.

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

		<b>Year ended December 31,</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>			
Hotels and other operating revenues		<b>1,879,750</b>	<b>2,128,506</b>
Sales of real estate	11	<b>133,600</b>	<b>-</b>
Dividends income	22	<b>122,374</b>	<b>116,445</b>
Income (loss) from associates and joint venture, net	10	<b>299,067</b>	<b>(73,701)</b>
Income from and gain on investments and others, net	23 (a)	<b>937,002</b>	<b>1,188,286</b>
Other revenues	23 (b)	<b>120,310</b>	<b>38,346</b>
<b>Total revenues</b>		<b>3,492,103</b>	<b>3,397,882</b>
<b>Costs and expenses</b>			
Hotels and other operating costs		<b>(1,253,840)</b>	<b>(1,399,089)</b>
Cost of real estate	11	<b>(133,600)</b>	<b>-</b>
General and administrative	24	<b>(405,522)</b>	<b>(435,911)</b>
<b>Total costs and expenses</b>		<b>(1,792,962)</b>	<b>(1,835,000)</b>
<b>Gross profit</b>		<b>1,699,141</b>	<b>1,562,882</b>
Depreciation	12	<b>(179,064)</b>	<b>(225,914)</b>
Provision for impairment	25	<b>(370,000)</b>	<b>-</b>
<b>Income from main operations</b>		<b>1,150,077</b>	<b>1,336,968</b>
Finance charges, net		<b>(332,963)</b>	<b>(367,293)</b>
<b>Income before minority interests, zakat and tax</b>		<b>817,114</b>	<b>969,675</b>
Minority interests' share of income	21	<b>(37,199)</b>	<b>(11,710)</b>
<b>Income before zakat and tax</b>		<b>779,915</b>	<b>957,965</b>
Zakat and tax	18	<b>(72,773)</b>	<b>(88,896)</b>
<b>Net income for the year</b>		<b>707,142</b>	<b>869,069</b>
<b>Earnings per share (Saudi Riyals) from:</b>	31		
• Income from operations		<b>0.31</b>	<b>0.36</b>
• Net income for the year		<b>0.19</b>	<b>0.23</b>

The notes on pages 7 to 30 form an integral part of these consolidated financial statements.

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

		Year ended December 31,	
	Note	2015	2014
<b>Cash flow from operating activities</b>			
Income before zakat and tax		779,915	957,965
<u>Adjustments for non-cash items</u>			
Depreciation	12	179,064	225,914
(Income)/loss from associates, net	10	(299,067)	73,701
Income from and gain on investments and others, net	23(a)	(937,002)	(1,188,286)
Provision for impairment loss	25	370,000	-
Foreign exchange gain		-	(33,414)
Provision for doubtful debts	5	57,892	55,542
Provision for inventory obsolescence/(reversal)		2,955	(281)
Amortization of transaction costs	15	21,502	34,582
Provision for end of service benefits		9,621	9,917
Financial charges		332,963	400,707
Income attributable to minority interest	21	37,199	11,710
<u>Changes in working capital</u>			
Accounts receivable and other assets		(20,892)	(83,622)
Movement in held for trading investments		1,823,727	725,114
Movement in investment in real estate, net		7,817	(91)
Other long term assets		25,771	(86,049)
Accounts payable, accrued expenses and other liabilities		(122,249)	62,144
Other long term liabilities		(48,966)	(28,487)
Zakat and tax paid		(72,368)	(128,300)
End of service benefits paid		(4,520)	(5,588)
Financial charges paid		(347,725)	(374,518)
<b>Net cash generated from operating activities</b>		<b>1,795,637</b>	<b>628,660</b>
<b>Cash flow from investing activities</b>			
Acquisition of available for sale investments	9	(929,116)	-
Additions to associates	10	(79,228)	(32,727)
Capital repayment and dividends from associates	10	119,925	67,578
Proceeds from disposal of investments in associates		953,359	-
Proceeds from disposal of property and equipment		156,146	350,267
Purchase of property and equipment	12	(104,699)	(77,731)
<b>Net cash generated from investing activities</b>		<b>116,387</b>	<b>307,387</b>
<b>Cash flow from financing activities</b>			
Bank borrowings and term loans, net	15	69,311	(142,495)
Dividend paid	32	(491,956)	(655,941)
Movement in restricted cash		(40,429)	(13,783)
<b>Net cash utilized in financing activities</b>		<b>(463,074)</b>	<b>(812,219)</b>
<b>Net change in cash and cash equivalents</b>		<b>1,448,950</b>	<b>123,828</b>
Cash and cash equivalents at beginning of the year		1,073,614	949,786
<b>Cash and cash equivalents at end of the year</b>	3	<b>2,522,564</b>	<b>1,073,614</b>
<b>Supplemental schedule of non-cash information</b>			
(Increase)/decrease in unrealized loss from available for sale investments, net	9	(3,430,683)	332,618
Cost of available for sale investments transferred (to)/from held for trading investments, net	9	(1,537,228)	540,005
Share in associates' foreign currency translation adjustments and other	10	250,508	-

The notes on pages 7 to 30 form an integral part of these consolidated financial statements.

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

	Note	Shareholders' equity					Minority interests	Total equity
		Share capital	Statutory reserve	Retained earnings	Unrealized loss from available for sale investments	Foreign currency translation adjustments and other		
January 1, 2015		37,058,823	477,367	1,553,093	(6,695,427)	(137,867)	516,687	32,772,676
Net income for the year		-	-	707,142	-	-	37,199	744,341
Transfer to statutory reserve		-	70,714	(70,714)	-	-	-	-
Dividends	32	-	-	(655,941)	-	-	-	(655,941)
Net movement during the year		-	-	-	(3,430,683)	(284,420)	(13,574)	(3,728,677)
December 31, 2015		37,058,823	548,081	1,533,580	(10,126,110)	(422,287)	540,312	29,132,399
January 1, 2014		37,058,823	390,460	1,426,872	(7,028,045)	(241,839)	374,000	31,980,271
Net income for the year		-	-	869,069	-	-	11,710	880,779
Transfer to statutory reserve		-	86,907	(86,907)	-	-	-	-
Dividends	32	-	-	(655,941)	-	-	-	(655,941)
Net movement during the year		-	-	-	332,618	103,972	130,977	567,567
December 31, 2014		37,058,823	477,367	1,553,093	(6,695,427)	(137,867)	516,687	32,772,676

The notes on pages 7 to 30 form an integral part of these consolidated financial statements.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****1 General information**

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

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

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

During the year ended December 31, 2015, the Group signed an agreement with AccorHotels ("Accor") to dispose its entire share in Fairmont Raffles Holdings International, an investment in associate, against cash, transfer of certain assets, newly issued shares in Accor and Board representation. This transaction is subject to approval of Accor shareholders and regulatory approvals of the relevant antitrust authorities, which as of December 31, 2015 have not taken place. The transaction is expected to be finalized by Q2 of 2016, subject to the pre-conditions mentioned above, at which point the price of shares and assets exchanged will be finalized. Until such time, the financial impact of the transaction cannot be determined.

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 properties and hotels:

**Subsidiaries**

	<b>Effective Ownership Percentage</b>	
	<b>2015</b>	<b>2014</b>
Kingdom Hotel Investments (KHI) - Cayman Islands	100	100
Kingdom 5 KR 35 Group (George V) - France (Direct and indirect ownership through KHI)	100	100



**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****Associates**

	<b>Effective Ownership Percentage</b>	
	<b>2015</b>	<b>2014</b>
Fairmont Raffles Holdings International (FRHI) - Canada	35.2	35.2
Four Seasons Holding Inc. (FSH Inc.) - Canada	47.5	47.5
Mövenpick Hotels and Resorts AG (Mövenpick) - Switzerland	33.3	33.3
Breezeroad Limited (Savoy) - United Kingdom	50.0	50.0
Fairmont Hotel Company - San Francisco, L.P.	-	28.0
Sahara Plaza LLC - United States of America	25.0	25.0

During the year ended December 31, 2015, the Group sold its investment in Fairmont Hotel Company - San Francisco, L.P. (Note 10).

**d) Local and regional subsidiaries**

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

**Subsidiaries**

	<b>Effective Ownership Percentage</b>	
	<b>2015</b>	<b>2014</b>
Kingdom Schools Company Limited (The School) - Saudi Arabia	47.0	47.0
Fashion Village Trading Company Limited (SAKS) - Saudi Arabia	71.8	71.8
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	74.0	74.0
Consulting Clinic SAL (Clinic) - Lebanon	50.4	50.4
Kingdom Agriculture Development Company (KADCO) - Egypt	100.0	100.0
Kingdom Real Estate Development Company (KRED) - Saudi Arabia	100.0	100.0

**Associates**

	<b>Effective Ownership Percentage</b>	
	<b>2015</b>	<b>2014</b>
National Air Services (NAS) - Saudi Arabia	34.08	32.84
Jeddah Economic Company (JEC) - Saudi Arabia	33.35	33.35
Real Estate Investment Company (REIC) - Saudi Arabia	38.9	38.9
Saudi Research and Marketing Group (SRMG) - Saudi Arabia	-	29.9
Trade Centre Company Limited (TCCL) - Saudi Arabia	36.0	36.0

During the year ended December 31, 2015, the Group sold its entire ownership in SRMG (Note 10).

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

These financial statements were authorized for issue by the Company's Board of Directors on February 21, 2016.

**2 Summary of significant accounting policies**

A summary of principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**2.1 Basis of preparation**

The accompanying consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of held for trading, available for sale investments and derivative financial instruments to fair value, on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

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

**Notes to the consolidated financial statements for the year ended December 31, 2015**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

The consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries (the "Group"). A subsidiary is a company in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts a practical control. A subsidiary company is consolidated from the date on which the Group obtains a practical control until the date such control ceases, unless the subsidiary is in reorganization, in which case the subsidiary is not consolidated. Significant balances and transactions, including unrealized gains or losses on transactions, between the Group companies have been eliminated in the consolidated financial statements. Accounting policies of the subsidiaries have been changed, where necessary, to conform with the Group's accounting policies.

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.

## **2.2 Critical accounting estimates and judgments**

The preparation of consolidated financial statements in conformity with promulgated generally accepted accounting principles requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **(a) Impairment of trade receivables**

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due and historical recovery rates.

### **(b) Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11 (a). The recoverable amounts of cash-generating units have been determined based on appropriate valuation techniques. These calculations require the use of estimates which are disclosed in Note 13.

### **(c) Estimated impairment of available for sale investments**

The Group determines that available for sale equity financial assets are impaired when there has been a significant and prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires significant judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry sector performance, changes in technology, and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

### **(d) Estimated useful life of property and equipment**

Management assesses useful lives and residual value of property and equipment on intended use of assets and the economic lives of the assets. Subsequent changes in circumstances such as technological advances could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual value and useful lives of major property and equipment and determined that no adjustment is necessary.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****(e) Estimated impairment of investment in associates**

The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The recoverable values are determined based on value-in-use calculations. These calculations require the use of estimates.

**2.3 Cash and cash equivalents**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, cash on hand, short-term deposits with an original maturity of up to three months, less restricted cash for specified purposes.

**2.4 Accounts receivable**

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

**2.5 Inventories**

Inventories are carried at the lower of cost and market value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Appropriate provision is made for obsolete and redundant inventory.

**2.6 Assets held for sale**

The Group considers properties to be assets held for sale when management approves and commits to a formal plan to actively market a property or group of properties for sale and it is probable that the sale will occur within twelve months of the balance sheet date. Upon designation of an asset held for sale, the Group records the carrying value of each property or group of properties at the lower of its carrying value or its estimated fair value, less estimated cost to sell. Assets once classified as held for sale are not depreciated or amortized.

**2.7 Investments****(a) Held for trading investments**

Held for trading investments in readily marketable securities, which are purchased or are intended for trading purposes, are stated at market value and included under current assets. Changes in market value are credited or charged to the consolidated income statement.

**(b) Investment in available for sale investments**

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity are classified as available for sale. Such investments are included in non-current assets unless management has expressed intention of holding the investment for less than twelve months from the balance sheet date, in which case they are included in current assets. After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are re-measured at fair value as follows:

- (i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. Where fair values cannot be reliably estimated, the Group records such investments at cost less impairment, if any.

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

**Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Unrealized gains/losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired. When designation of investments is changed to held for trading, the related unrealized gain/losses on these investments are recycled from equity and recognized in the consolidated income statement.

**(c) Associates and joint ventures**

Associates and joint ventures 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 and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any. Under the equity method, investments in associates and joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures. The consolidated income statement reflects the Group's share in the results of associates and joint ventures and the Group's share of post-acquisition movements in reserves, if any, is recognized in equity. When the Group's share of losses in an associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates and joint ventures are recognized in the consolidated income statement.

**(d) Investments in real estate**

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

**2.8 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 income statement.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****2.9 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is considered the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. Amortization expense is reported in the consolidated income statement.

**2.10 Property and equipment**

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the consolidated income statement. 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 following estimated useful lives of the assets:

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

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

**2.11 Impairment****(a) Tangibles and intangible assets**

At each reporting period, the Group reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amounts are determined on the basis of value-in-use calculations. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****(b) Financial assets**

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

- (i) For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the consolidated income statement; and
- (ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

For impairment of available for sale investments, the unrealized gain or loss previously reported in shareholders' equity is included in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on equity investments classified as available for sale and goodwill are not reversible.

**2.12 Loans and bank borrowings**

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the consolidated income statement.

**2.13 Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, irrespective of date of billing.

**2.14 Provisions**

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

**2.15 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 determined by an actuary 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.

In certain jurisdictions, the Group participates in various defined contribution pension schemes in accordance with the local conditions and practices in the countries in which the subsidiaries operate. The amount charged to the consolidated income statement in respect of pension costs is the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the consolidated balance sheet.

**2.16 Employees' termination benefits**

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the consolidated income statement. The liability is calculated; at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

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

**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile.

**2.17 Statutory reserve**

In accordance with the Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income (after absorbing accumulated deficit) in each year to a statutory reserve until such reserve equals to one half of the share capital. This reserve is not available for distribution to the shareholders of the Company.

**2.18 Revenue**

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

Revenue from real estate leasing operations is recognized on accrual basis, effectively over the term of the lease.

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

Dividend income is recognized when the right to receive the dividend is established. Commission income is recognized as the commission accrues.

**2.19 Expenses**

Operating costs of the Group are reported as hotels and other operating costs. Other expenses, including selling and marketing expenses which are not material, 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.

**2.20 Zakat, taxes and withholding taxes**

**(a) Zakat and income taxes**

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the minority interest. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the consolidated income statement.

**(b) 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.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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

**(c) Withholding tax**

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

**2.21 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 income statement on a straight-line basis over the lease term.

**2.22 Segmental reporting****(a) Business segment**

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

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

**(b) Geographical segment**

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

**2.23 Foreign currency translations**

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

At the subsidiary level, transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

At the consolidation level, financial statements of foreign subsidiaries, not operating in a hyper-inflationary economy, are translated into the Group's presentation currency using the exchange rate at each balance sheet date for assets and liabilities, and the average exchange rate for each period for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of equity.

When the economy of a country in which the Group operates is deemed hyper-inflationary, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the consolidated balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the year end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position for the year is included in finance costs or income in the consolidated income statement.



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

**Notes to the consolidated financial statements for the year ended December 31, 2015**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

The Group has operations in Syria. As per the information provided by the International Monetary Fund (IMF), the cumulative three year inflation rate for Syria exceeded 100 percent as of December 31, 2015, this, combined with other indicators, resulted in Syria being declared as a hyper-inflationary economy.

The main implications of above application are as follows:

- Adjustment of the historical cost of the entity's non-monetary assets and liabilities and the various items of equity from their date of acquisition or inclusion in the Group consolidated balance sheet to the end of year ended December 31, 2015 to reflect the changes in purchasing power of the currency caused by inflation.
- Adjustment of the consolidated income statement of the entity for the current period to reflect the financial gain/loss caused by the impact of inflation during the year on net monetary liabilities/assets (loss/gain of purchasing power).
- The various components of the financial statements of the entity have been adjusted for the inflation index since their generation.
- The results and financial position of the entity are translated into Saudi Riyals at the closing exchange rate at the date of that balance sheet.
- The cumulative impact of the accounting restatement to adjust for the effects of hyperinflation for the entity for periods upto January 1, 2014 is reflected in 'Foreign currency translation adjustments and other' in the consolidated statement of changes in equity.

The main effects on the Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the year ended December 31, 2015, are as follows:

**December 31, 2015**

Increase in non-current assets with a corresponding change in equity Saudi Riyals 27.7 million

Management applied the general price index (GPI) of 751 as at December 31, 2015 to adjust their consolidated financial statements.

## **2.24 Dividends**

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

## **2.25 Derivative financial instruments**

Derivative financial instruments are recorded at fair value initially and at each reporting date. Changes in the fair value of derivative financial instruments that do not qualify for cash flow hedge accounting are recognized in the consolidated income statement as they arise and the resulting positive or negative fair values are reported under current assets and liabilities, respectively, in the consolidated balance sheet.

## **3 Cash and cash equivalents**

	2015	2014
Cash and bank balances	1,136,107	811,566
Short term deposits	1,497,706	332,868
Total cash and bank balances	2,633,813	1,144,434
Less: Restricted cash	(111,249)	(70,820)
Cash and cash equivalents	2,522,564	1,073,614

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.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****4 Held for trading investments**

Held for trading investments consist of the internationally quoted securities. The movement in held for trading investments is set out below:

	2015	2014
January 1	1,369,853	1,555,686
Transfer from available for sale investments (Note 9)	2,693,469	1,578,421
Transfer to available for sale investments (Note 9)	-	(1,290,319)
Additions	-	119,023
Disposal	(1,712,339)	(828,882)
Changes in fair value (Note 23)	(368,889)	235,924
December 31	1,982,094	1,369,853

**5 Accounts receivable**

	2015	2014
Trade receivables	632,239	632,223
Less: provision for doubtful debts	(133,406)	(76,118)
	498,833	556,105

Movements in the provision for doubtful debts are as follows:

	2015	2014
January 1	76,118	21,027
Charge for the year (Note 24)	57,892	55,542
Amounts written off and others	(604)	(451)
December 31	133,406	76,118

Trade receivables include Saudi Riyals 216 million (2014: Saudi Riyals 270 million) resulting from the sale of a parcel of land during the last quarter of 2012 by one of the Group's subsidiary, KRED. This receivable has been pledged as collateral against a loan obtained during the year ended December 31, 2013 by KRED.

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

**6 Other assets**

	2015	2014
Due from affiliates	193,664	209,055
Inventories	97,044	120,487
Investment in real estate – current portion (Note 11)	108,680	89,278
Advances to suppliers	19,027	40,468
Prepaid expenses	28,558	24,262
Value Added Tax claims receivable	37,420	1,391
Other	84,359	84,590
	568,752	569,531

Inventories are stated net of provision for obsolescence of Saudi Riyals 7 million (2014: Saudi Riyals 4 million).

During the year ended December 31, 2015, the Group recorded an impairment provision amounting to Saudi Riyals 13.1 million against other assets of one of its subsidiaries.

**KINGDOM HOLDING COMPANY**

(A Saudi Joint Stock Company)

**Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**7 Related party matters**

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

Related party	Nature of transaction	Amounts of transactions	
		2015	2014
Associate	Sale of land	133,600	-

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

**8 Net assets held for sale**

The Group has approved and committed to a formal plan to actively market a hotel property for sale. Accordingly, the Group has classified the following assets and liabilities of the property as held for sale:

	2015	2014
Current assets	70,229	30,975
Property and equipment	695,512	649,386
	<u>765,741</u>	<u>680,361</u>
Current and other liabilities	<u>(518,993)</u>	<u>(500,250)</u>
Net balance	<u>246,748</u>	<u>180,111</u>

**9 Available for sale investments**

(a) Available for sale investments as at December 31 consist of the following:

	2015	2014
International	10,592,890	13,958,863
Local and regional	487,436	1,160,258
	<u>11,080,326</u>	<u>15,119,121</u>

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

	2015	2014
Cost, net of impairment charge:		
January 1	21,814,548	21,274,543
Additions during the year	929,116	-
Transfer to held for trading investments (Note 4)	(1,537,228)	(750,314)
Transfer from held for trading investments (Note 4)	-	1,290,319
December 31	<u>21,206,436</u>	<u>21,814,548</u>
Unrealized loss, net of impairment charge:		
January 1	(6,695,427)	(7,028,045)
Decrease (increase) in unrealized loss during the year	(2,274,442)	1,160,725
Unrealized gain related to investments transferred to held for trading investments (Note 4)	(1,156,241)	(828,107)
December 31	<u>(10,126,110)</u>	<u>(6,695,427)</u>
Net carrying amount	<u>11,080,326</u>	<u>15,119,121</u>

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

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

As of December 31, 2015, the Company has performed an assessment to determine whether the decline in value of its available for sale investments is temporary or non-temporary. Based on this assessment, management has concluded that such a decline is considered to be temporary. In reaching to this conclusion, management has considered several factors, including; the financial performance of the investee, the fair value of the investment and information from financial analysts about the forecasted market price.

Management will continue to monitor and review its available for sale investments and assess the impact of changes in the factors referred to above to determine the need for any further impairment.

**10 Investments in associates and joint venture, net**

(a) The movement in investments in associates and joint venture for the year ended December 31 is as follows:

	2015	2014
January 1	17,551,341	17,665,996
Additions during the year	79,228	32,727
Capital repayment and dividends from associates	(119,925)	(67,578)
Disposals during the year	(1,159,752)	-
Share in income (losses), net	299,067	(73,701)
Share in foreign currency translation adjustments and other	(250,508)	-
Other movements	(14,855)	(6,103)
December 31	16,384,596	17,551,341

(b) Details of investments in associates and joint venture at December 31 are summarized as follows:

	2015		2014	
	Effective percentage Ownership	Amount	Effective percentage Ownership	Amount
<b>Associates of the Company:</b>				
Fairmont Raffles Holdings International (FRHI) - Canada	35.2	5,344,924	35.2	5,355,918
Four Seasons Holding Inc. - Canada	47.5	4,351,742	47.5	4,396,407
Jeddah Economic Company - Saudi Arabia	33.35	2,813,984	33.35	2,813,679
National Air Services - Saudi Arabia	34.08	1,869,323	32.84	1,665,274
Saudi Research and Marketing Group - Saudi Arabia	-	-	29.9	1,081,098
Trade Centre Company Limited (TCCL) - Saudi Arabia	36.0	592,050	36.0	560,507
Mövenpick Hotels and Resorts AG - Switzerland	33.3	548,529	33.3	542,515
Real Estate Investment Company (REIC) - Saudi Arabia	38.9	324,637	38.9	306,453
Sahara Plaza LLC - United States of America	25.0	228,439	25.0	257,884
Breezeroad Limited (Savoy) - United Kingdom	50.0	190,671	50.0	256,086
Fairmont Hotel Company San Francisco	-	-	28.0	96,298
Others	30.0-35.0	44,608	30.0-35.0	50,299
<b>Associate and joint venture of subsidiaries</b>				
Four Seasons - Anahita Hotel Limited - Joint venture	-	-	50%	91,794
Mövenpick El - Gouna - Egypt - Associate	29%	75,689	29%	77,129
		16,384,596		17,551,341

During the year ended December 31, 2015, the Group sold its investments in Saudi Research and Marketing Group and Fairmont Hotel Company San Francisco. In addition, the Group also sold its investment in Four Seasons - Anahita Hotel Limited, realizing a gain of Saudi Riyals 38.6 million (Note 23(a)).

**KINGDOM HOLDING COMPANY**
**(A Saudi Joint Stock Company)**
**Notes to the consolidated financial statements for the year ended December 31, 2015**
**(All amounts in Saudi Riyals thousands unless otherwise stated)**
**11 Investments in real estate**

	2015	2014
Investments in land and related infrastructure costs - Saudi Arabia	2,028,949	2,142,103
Properties under construction	147,986	108,883
Others	18,750	18,750
	<u>2,195,685</u>	<u>2,269,736</u>
Less: current portion (Note 6)	<u>(108,680)</u>	<u>(89,278)</u>
	<u>2,087,005</u>	<u>2,180,458</u>

During the year ended December 31, 2015, the Group sold land to Trade Center Company Limited, an associated company, at no gain or loss (2014: Nil).

**12 Property and equipment, net**

	Land	Buildings and leasehold improvements	Equipment	Furniture and fixtures	Construction work in progress and others	Total 2015
<b>Cost</b>						
January 1	1,715,152	4,412,078	398,710	804,835	41,532	7,372,307
Additions	-	7,196	21,129	15,464	60,910	104,699
Disposals and others	(20,528)	(270,245)	(64,655)	(7,154)	(59,199)	(421,781)
December 31	<u>1,694,624</u>	<u>4,149,029</u>	<u>355,184</u>	<u>813,145</u>	<u>43,243</u>	<u>7,055,225</u>
<b>Accumulated depreciation</b>						
January 1	-	860,991	242,672	411,586	41,044	1,556,293
Charge for the year	-	75,190	25,632	43,735	34,507	179,064
Disposals and others	-	(34,485)	(25,588)	(6,535)	(35,222)	(101,830)
December 31	<u>-</u>	<u>901,696</u>	<u>242,716</u>	<u>448,786</u>	<u>40,329</u>	<u>1,633,527</u>
<b>Net book value at December 31, 2015</b>	<u>1,694,624</u>	<u>3,247,333</u>	<u>112,468</u>	<u>364,359</u>	<u>2,914</u>	<u>5,421,698</u>

	Land	Buildings and leasehold improvements	Equipment	Furniture and fixtures	Construction work in progress and others	Total 2014
<b>Cost</b>						
January 1	1,755,362	4,578,520	389,034	839,520	18,806	7,581,242
Additions	-	18,835	19,988	13,974	24,934	77,731
Disposals and others	(40,210)	(185,277)	(10,312)	(48,659)	(2,208)	(286,666)
December 31	<u>1,715,152</u>	<u>4,412,078</u>	<u>398,710</u>	<u>804,835</u>	<u>41,532</u>	<u>7,372,307</u>
<b>Accumulated depreciation</b>						
January 1	-	787,505	219,074	406,605	17,417	1,430,601
Charge for the year	-	102,793	32,019	48,691	42,411	225,914
Disposals and others	-	(29,307)	(8,421)	(43,710)	(18,784)	(100,222)
December 31	<u>-</u>	<u>860,991</u>	<u>242,672</u>	<u>411,586</u>	<u>41,044</u>	<u>1,556,293</u>
<b>Net book value at December 31, 2014</b>	<u>1,715,152</u>	<u>3,551,087</u>	<u>156,038</u>	<u>393,249</u>	<u>488</u>	<u>5,816,014</u>

Certain land and buildings are pledged as collateral against term loans as explained in Note 15.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

During the year ended December 31, 2015, the Group recorded an impairment provision amounting to Saudi Riyals 84 million against land, building and leasehold improvements, equipment, furniture and fixtures and capital work in progress and others of one of its subsidiaries amounting to Saudi Riyals 10 million, Saudi Riyals 5 million, Saudi Riyals 11 million, Saudi Riyals 1 million and Saudi Riyals 57 million, respectively. This has been presented within "Disposal and others" above.

**13 Intangible assets, net**

Intangible assets comprise the following:

	2015	2014
Goodwill	1,661,883	1,750,971
Other intangible assets	57,536	57,145
	<u>1,719,419</u>	<u>1,808,116</u>

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:

	2015	2014
January 1	1,750,971	1,802,252
Currency translation adjustments and others	(31,552)	(51,281)
December 31	<u>1,719,419</u>	<u>1,750,971</u>

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

**Impairment:****i. Impairment test**

Goodwill is allocated to the Group's cash-generating units identified which is based on the business segments. The Group has tested separately recognised goodwill for impairment.

**ii. Basis of determining recoverable amounts****Hotels**

The recoverable amount has been determined based on value-in-use, using either discounted cash flow analysis, or based on expert valuation reports. The cash flow projections are based on financial budgets that are approved by management. The discount rates and terminal capitalization rate ranged between 7% to 13% and 4.5% to 10%, respectively, depending on the geographical territories in which the hotels are located.

Management has adopted a 4 to 5 years period to assess its value-in-use.

**Retail**

The recoverable value has been determined based on value-in-use using discounted cash flow analysis. The key assumptions used include a risk adjusted discount rate, growth rates based on management's expectation for market development and historical earnings.

**Others**

Goodwill allocated to the School cash-generating unit amounts to Saudi Riyals 8.9 million (2014: Saudi Riyals 8.9 million) and management is of the opinion that this goodwill is not impaired.

**KINGDOM HOLDING COMPANY**

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

**14 Other long term assets**

	2015	2014
Long term advances	319,193	327,609
Deferred tax asset (Note 18(c))	25,446	25,478
Value Added Tax claims receivable	25,315	30,339
Refundable deposits	615	707
Others	3,006	43,063
	<b>373,575</b>	<b>427,196</b>

During the year ended December 31, 2015, the Group recorded an impairment provision amounting to Saudi Riyals 27.4 million against long term advances of one of its subsidiaries.

**15 Bank borrowings and term loans**

The movement in the bank borrowings and term loans is as follows:

	2015	2014
January 1	12,618,541	12,968,772
Additions	2,669,770	2,697,903
Repayments	(2,584,416)	(2,813,952)
Foreign currency translation adjustments	(180,728)	(234,182)
December 31	<b>12,523,167</b>	<b>12,618,541</b>
Unamortized transaction costs:		
January 1	(53,833)	(61,969)
Addition	(16,043)	(26,446)
Amortization	21,502	34,582
December 31	<b>(48,374)</b>	<b>(53,833)</b>
Net carrying amount	<b>12,474,793</b>	<b>12,564,708</b>

The above outstanding balance is presented as follows:

	2015	2014
<u>Current</u>		
Short-term loans	33,482	322,922
Revolving credit facilities	230,020	-
	<b>263,502</b>	<b>322,922</b>
Current portion of term loans	<b>1,635,863</b>	<b>1,242,779</b>
	<b>1,899,365</b>	<b>1,565,701</b>
<u>Non-current</u>		
Term loans, including long-term revolving facilities	<b>10,575,428</b>	<b>10,999,007</b>
	<b>12,474,793</b>	<b>12,564,708</b>

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

	2015	2014
Kingdom Holding Company (KHC)	5,088,972	5,040,227
Kingdom 5-KR-11 Ltd.	4,678,026	4,400,596
Kingdom 5-KR-35 Group (George V)	1,407,687	1,567,242
Kingdom Hotel Investments (KHI)	1,049,348	1,147,136
Others	250,760	409,507
	<b>12,474,793</b>	<b>12,564,708</b>

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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

**Kingdom Holding Company (KHC)**

KHC loans of Saudi Riyals 5,089 million as of December 31, 2015 (2014: Saudi Riyals 5,040 million) were obtained from commercial banks and consist of several facilities including syndicated loans and revolving credit facilities. KHC loans carry borrowing costs 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 aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period up to 5 years. Loan agreements principally include financial covenants with respect to maintaining certain equity balance, interest coverage ratio and loan to market value of collateral ratio.

The carrying values of the borrowings are denominated in following currencies:

	2015 In millions	2014 In millions
Saudi Riyals	2,239	2,824
US dollars	2,850	2,216
	<u>5,089</u>	<u>5,040</u>

**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 and other investments.

The aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period of 5 years. These loans are denominated in US dollars.

**Kingdom 5-KR-35 Group (George V)**

The loans of Saudi Riyals 1,408 million as of December 31, 2015 (2014: Saudi Riyals 1,567 million) are secured by a pledge over George V hotel property. 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 rates (based mainly on LIBOR three month rate) and are due to mature by 2020. These loans are primarily denominated in Euro.

**Kingdom Hotel Investments (KHI)**

KHI loans of Saudi Riyals 1,049 million as of December 31, 2015 (2014: Saudi Riyals 1,147 million) have different maturities within the next ten years and carry floating interest rates. These rates are calculated on base rate plus a spread for the currency of the loans. The facilities are secured through registered mortgages and liens 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.

The carrying values of the borrowings are denominated in following currencies:

	2015 In millions	2014 In millions
US dollars	682	904
Morocco Dirham	208	243
UAE Dirhams	159	-
	<u>1,049</u>	<u>1,147</u>

**Other loans**

Other loans represent various loan facilities obtained by certain other 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 and other assets. The aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period of 5 years. These loans are primarily denominated in Saudi Riyals.



**KINGDOM HOLDING COMPANY**

(A Saudi Joint Stock Company)

**Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**16 Accounts payable**

	2015	2014
Trade payables	74,769	172,663
Other payables	35,381	14,087
	<u>110,150</u>	<u>186,750</u>

**17 Accrued expenses and other liabilities**

	2015	2014
Due to affiliates	257,251	297,108
Employees related accruals	259,635	251,789
Zakat (Note 18 (a))	62,675	61,212
Income taxes (Note 18 (b))	43,486	44,544
Financial charges	19,467	34,229
Unearned revenue	19,441	31,467
Deposits from customers	92,251	734
Other	33,135	89,637
	<u>787,341</u>	<u>810,720</u>

**18 Zakat and tax**

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

	Note	2015	2014
Zakat provision	18(a)	16,860	19,758
Income tax provision		32,499	66,425
Withholding tax on foreign dividends		23,414	2,713
		<u>72,773</u>	<u>88,896</u>

**(a) Zakat and tax**

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

	Note	2015	2014
January 1		61,212	85,099
Zakat provision		16,860	19,758
Paid during the year		<u>(15,397)</u>	<u>(43,645)</u>
December 31	17	<u>62,675</u>	<u>61,212</u>

Zakat for the year represents the amount due on the Company and its local subsidiaries. The significant components of zakat base under zakat and income tax regulations are principally comprised of equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less deductions for the net book value of long-term assets and certain other items. The differences between the financial and adjusted net income are mainly due to provisions and other items which are not allowed in the calculation of adjusted net income subject to zakat. The Company's subsidiaries that are incorporated outside the Kingdom of Saudi Arabia are subject to related tax laws of the country of operations. Foreign dividends are subject to withholding taxes.

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

**Notes to the consolidated financial statements for the year ended December 31, 2015**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**Status of final assessments**

The Company has received final assessments from the Department of Zakat and Income Tax ("DZIT") up to year 2006. During 2012, the Company received assessment from the DZIT for the years 2007 to 2010 resulting in additional zakat assessment. Management seriously contested the matters included in the assessment and filed an appeal providing its detailed arguments against the assessment. During the year ended December 31, 2015, the Company received an adjusted zakat assessment, thereby significantly reducing the zakat liability and giving the Company the right to appeal within sixty days. Management has filed an appeal against the adjusted zakat assessment and continues to seriously contest the matters included in the adjusted assessment. Management believes that the eventual outcome will not result in any additional significant liability.

The Company has filed its zakat returns till the year ended December 31, 2014 with the DZIT.

**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 approximately Saudi Riyals 43.5 million and Saudi Riyals 44.5 million as at December 31, 2015 and 2014, respectively (Note 17).

**c) Deferred tax**

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

	2015	2014
<u>Deferred tax liabilities</u> (Note 19)		
Property, equipment and intangible assets	26,731	72,285
Others	202,136	192,751
	<u>228,867</u>	<u>265,036</u>
<u>Deferred tax assets</u> (Note 14)		
Provisions	(25,446)	(25,478)
	<u>203,421</u>	<u>239,558</u>

**19 Other long term liabilities**

	2015	2014
Deferred taxes (Note 18 (c))	228,867	265,036
Post employment benefits	88,844	102,876
Retention payable	-	18,438
Other	10,480	1,076
	<u>328,191</u>	<u>387,426</u>

Included within others are two derivative agreements (Interest rate swap and interest rate cap) with a fair value of Saudi Riyals 8.3 million entered into by one of the Group's subsidiary. The notional amount and maturity of these derivatives is Euro 262.5 million (Saudi Riyals 1,075 million) and 2020, respectively.

**20 Share capital**

The share capital at December 31, 2015 and 2014 consists of 3,706 million shares of Saudi Riyals 10 each.

**KINGDOM HOLDING COMPANY**

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

**21 Minority interests**

This balance represents the share of the minority stakeholders in the following consolidated companies:

Name of the entity	2015		2014	
	Total minority interests	Share in net loss (income)	Total minority interests	Share in net loss (income)
Kingdom Hotel Investments	397,863	(2,302)	399,500	2,622
Kingdom Schools Company Limited	42,550	(8,085)	34,465	(5,172)
Medical Services Projects Company Limited	27,751	(27,812)	9,574	(9,911)
Consulting Clinic SAL	24,535	-	24,535	-
Fashion Village Trading Company Limited	1,713	1,000	2,713	751
Goodwill	45,900	-	45,900	-
	<b>540,312</b>	<b>(37,199)</b>	<b>516,687</b>	<b>(11,710)</b>

**22 Dividends income**

	2015	2014
International	78,047	53,933
Local and regional	44,327	62,512
	<b>122,374</b>	<b>116,445</b>

**23 Income from and gain on investments and others, net and Other revenues**

a) Income from and gain on investments and others for the year ended December 31 comprise of:

	2015	2014
Change in market value of held for trading investments, net	787,051	1,064,031
Others, net	149,951	124,255
	<b>937,002</b>	<b>1,188,286</b>

During the year ended December 31, 2015, the Group designated certain investment securities to held for trading, which were previously classified as available for sale. As a result, the unrealized gain on these investments amounting to Saudi Riyals 1,156 million (2014: Saudi Riyals 828.1 million) has been recycled from equity and recognized in the consolidated income statement (Note 9). The value of existing held for trading investments decreased at December 31, 2015 resulting in an unrealized loss of Saudi Riyals 368.9 million (2014: Gain of Saudi Riyals 235.9 million) (Note 4).

Others, net for the year, mainly represents gain from sale of held for trading investments amounting to Saudi Riyals 91.5 million. Also see Note 10(b). Others, net for the year ended December 31, 2014 mainly represents gain from sale of held for trading investments amounting to Saudi Riyals 19.3 million and gain from sale of a hotel property amounting to Saudi Riyals 109 million.

b) Other revenues

KHC led a group of investors in making an investment in available for sale assets. During the year ended December 31, 2015, KHC received a success fee from the co-investors amounting to Saudi Riyals 75 million in accordance with the investment agreement.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****24 General and administrative expenses**

	2015	2014
Employee costs	141,230	187,404
Professional fees	80,015	74,552
Provision for doubtful receivables (Note 5)	57,892	55,542
Repairs and maintenance	33,071	33,906
Utilities and office expenses	35,566	25,946
Selling and marketing expenses	21,470	19,986
Insurance	2,570	2,618
Other	33,708	35,957
	<b>405,522</b>	<b>435,911</b>

**25 Provision for impairment**

During the year ended December 31, 2015, the Company reviewed the carrying value of certain investments. This resulted in a net decrease in the carrying value amounting to Saudi Riyals 370 million (2014: Nil).

**26 Commitments****(a) Capital commitments**

The Group has on-going activities to construct and renovate hotels, and these developments are at various stages of completion. The total outstanding capital commitments relating to such developments as of December 31, 2015 amounted to Saudi Riyals 49.4 million.

At December 31, 2015, the Group has outstanding letters of credits amounting to Saudi Riyals 4.1 million issued in the normal course of business.

**(b) Operating lease commitments**

The Group has various commitments under operating leases for offices and business premises. Future minimum annual payments under these leases are as follows:

	2015	2014
Within one year	7,515	8,807
1 to 5 years	29,588	33,020
	<b>37,103</b>	<b>41,827</b>

**27 Contingencies**

The Group is a defendant in various legal claims arising in the normal course of business. Provision has been established for certain claims, based on the information presently available. Management believes that the existing liabilities provided for such claims are adequate. Any additional liabilities including any potential zakat and tax assessments (Note 18) 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.

At December 31, 2015, the Group has outstanding guarantee amounting to Saudi Riyals 7.7 million issued in the normal course of business.

**28 Financial instruments and risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

Risk management is carried out by senior management under policies approved by the board of directors. The most important types of risk are credit risk, currency risk, price risk and fair value and cash flow interest rate risks.

Financial instruments carried on the consolidated balance sheet principally include cash and cash equivalents, investments, receivables and certain other assets, bank borrowings and term loans, payables and certain other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

**Fair value and cash flow interest rate risk**

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including loans and bank borrowings and time deposits which are at floating rates of interest.

**Equity price risk**

Equity price risk is the risk that the fair value of equity securities 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 and held for trading are subject to price risk as its underlying investments are equity instruments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio to the extent possible.

**Credit risk**

Credit risk is the risk that one party to a financial instrument 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 consolidated balance sheet:

	Note	2015	2014
Bank balances and short term deposits	3	2,633,813	1,144,434
Accounts receivable	5	498,833	556,105
Other current assets (Due from affiliates)	6	193,664	209,055
Other long term assets (Refundable deposits)	14	615	707
		<u>3,326,925</u>	<u>1,910,301</u>

**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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed banking facilities to meet any future commitments. 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.

**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.

**KINGDOM HOLDING COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2015**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

**29 Fair values**

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. As the Group's financial instruments are compiled under the historical cost convention, except for available for sale and held for trading investments which are carried at fair values, differences can arise between the book values and fair value estimates.

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:

Equity

*International* - The principal activity includes investments in international quoted securities.

*Domestic and Regional* - The principal activity includes investments in securities quoted on the Saudi stock exchange, the regional stock exchanges and investments in associates - other than real estate.

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

Hotels

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

Real Estate and Domestic

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

*Domestic* - The principal activity includes investments in local entities.

a) 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 and domestic segment comprises of significant concentration of properties in the Kingdom of Saudi Arabia.

**KINGDOM HOLDING COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

- b) Selected financial information as of and for the year ended December 31, summarized by the above business segments, was as follows:

December 31, 2015	Equity	Hotels	Real Estate and Domestic	Total
Total revenues	1,338,303	1,314,742	839,058	3,492,103
Income from associates and joint venture, net	135,765	105,281	58,021	299,067
Gross profit/(loss)	1,488,299	232,679	(21,837)	1,699,141
Finance charges, net	(215,020)	(99,209)	(18,734)	(332,963)
Net income	610,546	88,177	8,419	707,142
Investments in associates and joint venture, net	1,913,931	10,739,994	3,730,671	16,384,596
Property and equipment, net	-	4,888,035	533,663	5,421,698
Total assets	18,132,511	18,081,997	6,782,351	42,996,859
Total liabilities	10,224,434	3,108,320	531,706	13,864,460

  

December 31, 2014	Equity	Hotels	Real Estate and Domestic	Total
Total revenues	1,024,164	1,722,159	651,559	3,397,882
(Loss)/income from associates and joint venture, net	(169,699)	55,595	40,403	(73,701)
Gross profit	915,790	530,189	116,903	1,562,882
Finance charges, net	(214,187)	(134,155)	(18,951)	(367,293)
Net income	654,605	168,969	45,495	869,069
Investments in associates and joint venture, net	2,796,671	11,074,031	3,680,639	17,551,341
Property and equipment, net	56,614	5,215,081	544,319	5,816,014
Total assets	21,346,933	18,419,053	6,956,294	46,722,280
Total liabilities	9,822,372	3,424,542	702,690	13,949,604

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

**31 Earnings per share**

Earnings per share for the years ended December 31, 2015 and 2014 has been computed by dividing the income from operations and net income for each of the year by the number of shares outstanding during such year of 3,706 million shares.

**32 Dividends declaration**

The General Assembly of the Company, in its annual meeting held on Jamada Al Akhira 10, 1436H (corresponding to March 30, 2015), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million for the year as recommended by the Company's Board of Directors. The cash distributions have to be made to all shareholders on record as of the dates approved in the General Assembly meeting. The first, second and third dividend distributions were made to all shareholders on record as of the date approved in the General Assembly meeting. The fourth dividend distribution was made subsequent to the year-end.

The General Assembly of the Company, in its annual meeting held on Jumad Awwal 30, 1435H (corresponding to March 31, 2014), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million.

**33 Comparative figures**

Certain amounts in the accompanying 2014 consolidated financial statements have been reclassified to conform with the current year presentation.