

# SUCCESS THROUGH PLANNING



ANNUAL REPORT  
2014

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







The Custodian of the Two Holy Mosques

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**King Salman Bin Abdulaziz Al Saud**



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## CHAIRMAN'S STATEMENT



In the Name of Allah, the Most Gracious, the Most Merciful

**Dear Shareholders,**

On behalf of the Board of Directors, it gives me great pleasure to present Kingdom Holding Company's annual report and audited financial statements for the year ended December 31, 2014.

2014 was a year of excellence and success through realized achievements. This was achieved through the grace of Allah and the dedication of all Kingdom Holding Company employees in all departments including planning, investments, and project and business development. This year's success is a continuation of our aspirations year after year. The financial results presented today reflect the Company's continued success in implementing its investment strategy and demonstrate the constant dedication and effort of the management team in developing the business. The report also outlines the Company's intention to continue driving investment towards key sectors where our expertise can realize promising growth.

On the 23<sup>rd</sup> of February 2014, Kingdom Holding Company's Board of Directors announced the distribution of quarterly cash dividends from retained profits by 1.25% (5% for the whole year) of the under par value of shares at the rate of 12.5 Halalas/quarter per issued share i.e. SR 0.5 for the entire year, including a total of SR 163.9 Million per quarter, bringing the total dividend for the full year at SR 655.9 Million.

We have been able to reach new heights as we journey towards the top of the world by announcing in 2014 that the construction of the Kingdom Tower in Jeddah, the tallest in the world, was moving at an accelerated pace. The progress has reached the sixth floor, and the height of the tower is over 1,000 meters, and is built on an area of 85,000 square meters, at a total cost of SR 4.6 Billion, according to the proposed work schedule. Please note that the work on the deep foundations and the large concrete base of the tower is completed.

On May 22, 2014 the trade in the shares of the Chinese e-commerce giant, Jingdong Company (JD.com) in which Kingdom Holding Company owns an equally combined stake, started in the US NASDAQ market. Jingdong Company (JD.com) has put forward 93.7 million shares worth \$19/share for a total offering of \$1.78 Billion, thus the joint investment has achieved great success by raising the value of investment by 130% on the first day of trading. We would also like to announce that the annual sales of the Jingdong Company (JD.com), have reached SR 63 Billion (\$16.7 Billion) during the first quarter of the year. The acquisition of this company's shares in 2013 was part of Kingdom Holding Company diversity and global investment strategy.

In mid-June, Kingdom Holding Company signed a memorandum of understanding to create an investment tool jointly managed by CDCIC and Kingdom Holding Company. This tool will be used to develop Saudi projects with the participation of French and technological companies and to capitalize on their experience with Caisse des Dépôts International Capital – CDC International Capital - CDCIC.

Kingdom Holding Company also announced its investment in Rizvi Opportunistic Equity Fund III. This investment was based on the success of a prior cooperation relationship which led to the Twitter investment.

In addition, a memorandum of understanding was signed on Monday, June 30, 2014, to strengthen the management framework of private and direct joint investments in Africa between Kingdom Holding Company and Bainbridge Investments Middle East, a global leader in the management of multi-investment assets. Its regional headquarters is located in Bahrain and operates in the Middle East, North Africa and Turkey regions.

By the end of 2014, Kingdom Holding Company announced its consolidated financial results where the consolidated net income for twelve months ended December 31, 2014 reached SR 869.1 million compared to the net income of SR 742.5 million for the same period in 2013, representing an increase of 17.05%.

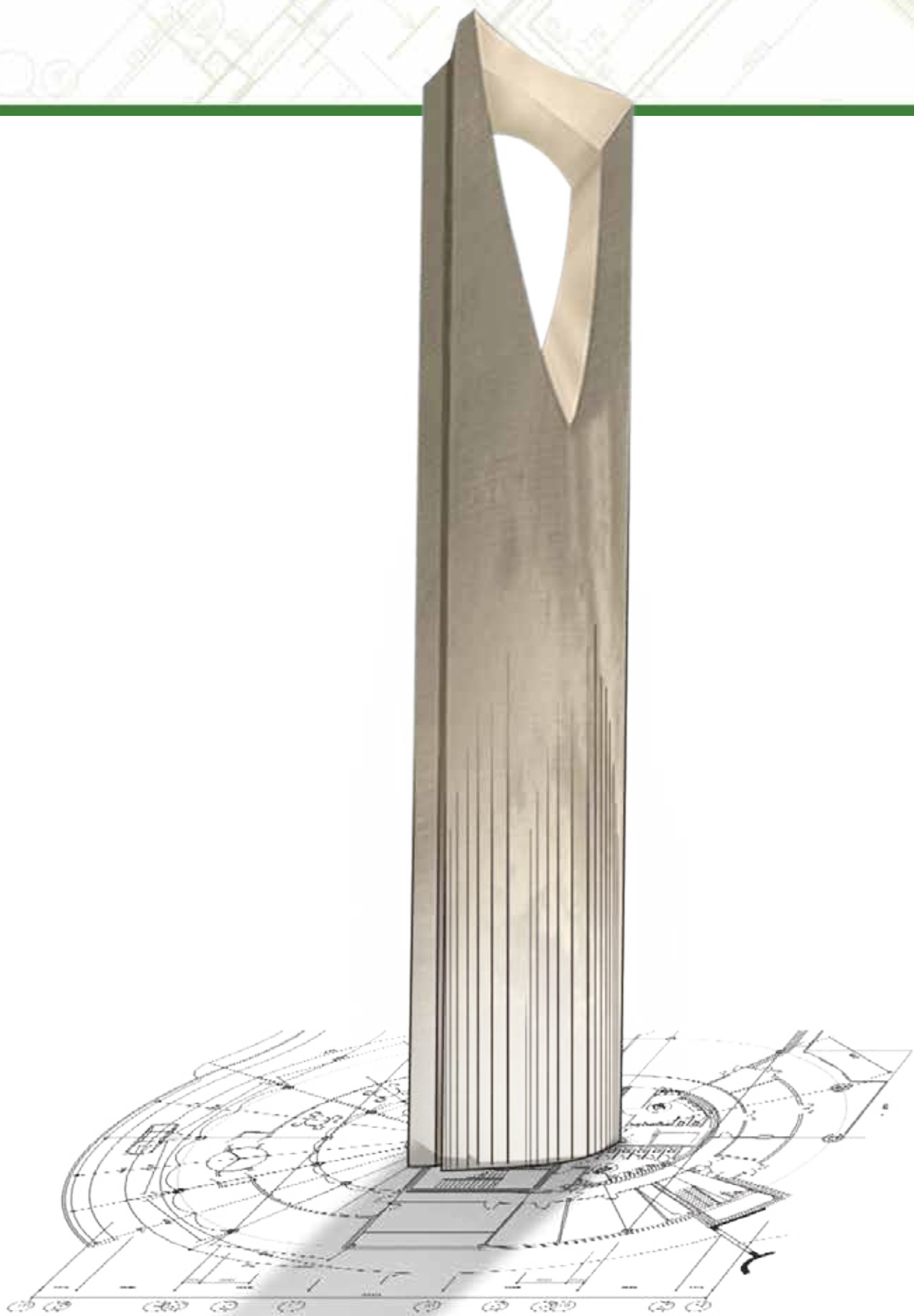
This annual report is a transparent presentation of the Company's activities, operations and businesses during 2014. It details the success and prosperity we have achieved over the year and which we are confident we will continue to achieve in the future. The report also demonstrates that the past, current and future achievements of Kingdom Holding Company remain consistent with our long-term investment objectives. With our proven capabilities and the dedication of the Company's board and executives, we are devoting our efforts, resources and expertise toward greater success and achievement as one of the most successful and diversified investment firms in Saudi Arabia, the Arab Gulf Region and across the globe.

On a final note, I would like to express my thanks and appreciation to you, our valued shareholders, for your continued confidence and support. Thanks are also due to the Company's Board of Directors and executives for their ongoing efforts. I look forward to another year of further growth and sustained profitability - God willing.



**Alwaleed Bin Talal Bin Abdulaziz Alsaud**  
Chairman






## ABOUT KINGDOM HOLDING COMPANY

Founded in 1980, Kingdom Holding Company (KHC) is a publicly traded company which was listed on Tadawul (the Saudi Stock Exchange) in 2007. KHC is one of the world's most successful and diversified business organizations, highly respected in the field of investments and recognized as an elite player in the Arabian Gulf region, and internationally. The Company is recognized as one of the largest foreign investors in the United States. KHC's portfolio has its major interests in investment categories ranging from luxury hotels, management hotel companies and real estate. KHC also has investments in media and publishing, as well as in entertainment. In addition it has stakes in finance and investment services, social media and technology, as well as in the consumer and retail sectors and in petrochemicals. Moreover, the Company has investments in education, health care, aviation and agriculture. In addition, KHC has investment presence in emerging markets such as Africa.

[www.kingdom.com.sa](http://www.kingdom.com.sa)

 @Kingdom\_KHC



**HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud**

Chairman



**Eng. Talal Ibrahim Almainan**

Executive Director for Development and Domestic Investments

Eng. Talal Almainan 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), National Air Services Co. (NAS) and Saudi Research and marketing Group.

## MANAGEMENT & BOARD OF DIRECTORS



**Dr. Adel Alsayed**

Executive Director for International and Private Equity

Dr. Adel Alsayed has more than 25 years of experience in financial advisory, asset management and private equity investments. His last position was the CEO of United Gulf Investment Corporation (UGIC) a Bahrain-listed Company focused on promoting and investing in industrial projects in the Gulf region. He previously worked for Kuwait-based Gulf Investment Corporation (GIC), which is one of the largest and oldest private equity players in the region owned by the GCC countries, where he was responsible for all business development activities in the six GCC countries, and he played a key role in managing and exiting all of GIC's direct investments in Saudi Arabia.

He worked as a Senior Financial Analyst with the Middle East and North Africa Department of the World Bank in Washington DC between 1992 - 1994; as the Deputy General Manager with Rana Investment Company in Saudi Arabia; and with Saudi American Bank (Samba) as Head of the "Corporate Finance & Equity Advisory" Department between 1996 - 2000. Between 2000 and 2004 he was the Co-Head of the Middle East Department at Bahrain International Bank in Manama, Bahrain responsible for direct investments in the region.

Dr. Alsayed started his career as a Civil Engineer with the Royal Commission for Jubail & Yanbu in Saudi Arabia in 1982. He holds (i) BSc. in Civil Engineering, University of Petroleum & Minerals, Saudi Arabia; (ii) MSc. in Engineering Management, Milwaukee School of Engineering, Wisconsin, USA; and (iii) PhD. in Finance, George Washington University, Washington, DC., USA.

In addition, Dr. Alsayed served as a Board member in "Gulf Ferro Alloys Co. (Sabayek) in Jubail, Saudi Arabia ; and is currently a Board member in "A. H . Alsayed & Sons Co."; and the Tadawul listed "Buruj Cooperative insurance Co." in Riyadh, Saudi Arabia.



**Mr. Sarmad Nabil Zok**

Executive Director for Hotel Investments

Mr. Zok is Chairman of and Chief Executive Officer of Kingdom Hotel Investments (KHI), the leading international hotel and resort acquisition and development Company focused on high growth emerging markets. The Company has ownership interests in 22 properties in 15 countries. Mr. Zok founded KHI in 2001 and led the company's US\$1.6bn Initial Public Offering in 2006. In 2010, KHI was taken private and thus became 100% owned by KHC.

Additionally, Mr. Zok is a Board Director of Kingdom Holding Company (KHC) and a member of the company's Investment Committee where he is responsible for KHC's global hotel portfolio. This includes interests in management companies such as Four Seasons Hotels & Resorts, Fairmont Raffles Hotels International and Mövenpick Hotels and Resorts AG, as well as international real estate such as the George V in Paris, the Savoy in London and the Plaza in New York. Mr. Zok is also a member of the Board of Directors of Four Seasons Hotels & Resorts, Fairmont Raffles Hotels International and Mövenpick Hotels and Resorts AG.

Previously, Mr. Zok headed Forte PLC's development effort in emerging markets and worked at HVS International, a leading hotel consulting and valuation firm, covering European markets. Prior to this Mr. Zok gained operational experience with Hilton International.

Mr. Zok holds a Bachelor of Science in Hotel Management from the University of Surrey and a Masters of Arts in Property Valuation and Law from City University Business School in London. He is fluent in English, French and Arabic.



**Mr. Shadi S. Sanbar**

Non Executive Board Member

Mr. 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. 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. Mr. Sanbar is also a member of the Board of Directors of Four Seasons Hotels & Resorts and Fairmont Raffles Hotels. Mr. Sanbar joined the Board in June 2012.

**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).

**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. 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.





#### **Eng. Taher Mohammed Omar Agueel**

Non Executive Board Member

Eng. Taher Agueel, 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. Eng. 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 and Meryl Lynch KSA.



#### **Eng. Rasha El-Hoshan**

Independent Board Member

Eng. Rasha El-Hoshan joined Kingdom Holding Company in January 2012 as an independent board member and a member in KHC's audit committee. Eng. Rasha El-Hoshan is the General Manager of El-Hoshan Furniture, she is also an executive committee member and a board member of El-Hoshan Group.

Eng. Rasha holds an M.S in interior design from Pratt Institute in New York and received her Bachelors degree in Political Science - Middle East from The American University in Washington, DC.



#### **Mr. Mohamed Mahmoud Fahmy**

CFO

Mohamed Mahmoud Fahmy is highly accomplished with 18 years of progressive track record of achievements in leading initiatives that enhance financial performance and productivity. Mohamed began his career in Cairo in Corporate Banking in 1995 with Commercial International Bank. After receiving the Chase Manhattan Bank's Credit Training Program, he graduated as a Senior Credit Analyst where he worked for 2 years in the corporate banking department.

In 1998, Mohamed moved on to work in Investment Banking for a combined period of 10 years working for major Egyptian / international institutions such as Flemings CIIC, EFG Hermes and Doha bank. In 2005 Mohamed became the Head of Investment Banking for Calyon in Egypt where he launched Calyon's investment banking operations and worked on various mergers and acquisitions of local/regional companies.

Over his 10 years as an investment banker Mohamed worked on various capital market and M&A transactions worth over US\$4 billion. During this period Mohamed completed Calyon's formal investment banking training course. His career moves progressed further when he joined Palm Hills Developments as CFO where he assisted in negotiating the sale of a 10% stake in the company to Goldman Sachs resulting in a US\$ 120 million deal and raising a total of LE 1.3 billion syndicated debt and equity financing for the company. He also was instrumental in the process of taking the company public raising US\$320 million in equity and listing the company both on the Egyptian and London stock exchanges. Following Palm Hills, Mohamed joined as Group CFO for Hassan Allam Holding and Pioneers Holdings.

Among his academic achievements, which included an MSc. in International Securities Investment & Banking from Reading University in England, Mohamed was awarded the Chevening scholarship offered by the British Council in Egypt to study towards a Master's degree in England as well as receiving a Fulbright Scholarship to complete the Program on Investment Appraisal and Management from Harvard University.

# The Board of Directors' Report

## To the Shareholders of Kingdom Holding Company (KHC) for the financial year ended 31 December 2014

### Introductory Note

The Board of Directors of Kingdom Holding Company is pleased to submit hereinafter to the Company's shareholders the 2014 Annual Report that details the Company's performance and achievements during the financial year ended 31 December 2014, highlighting the main sectors and their various activities. The Annual Report includes also the Company's final Audited Statements for the financial year ended 2014 along with the Notes to the Financial Statements that are considered part of the Financial Statements and the Auditors' Report.

The Board of Directors extends its thanks to the Company's shareholders for their support and trust; It declared that 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 2014.

### Company's Main Activities

The Company's objectives tackle the following activities:

- A) General contracting for buildings (construction, rehabilitation, destruction, and restoration). General contracting of activities covering roads, water, sewage; electrical, mechanical, and industrial activities. Other activities related to maritime, dams, well digging. Operation and maintenance for buildings, airports, factories, power plants, water desalination, water and gas pumping; phone networks, hospitals and medical Centres.
- B) General trading of all types, including as an example retail and wholesale trading of:
  - a- Construction material including ready mix concrete
  - b- Food products
  - c- Agricultural produce
  - d- Metals and petrol products
  - e- Ready to wear and shoes for men, women and children. Fabric, perfumes, natural beauty products, makeup and related products traditional jewelry
  - f- Computers, computer programs and accessories
  - g- All kinds of goods of any nature
- C) Transport and storage including trading in all transportation means from planes to boats.
- D) Establishing, owning, and investing in hotels and resorts.
- E) Educational services (private schools – private educational centres – private research centres and training centres).
- F) Medical services (private hospitals – private dispensaries – testing and ultrasound laboratories).
- G) Commercial agencies, distribution and brokerage (in other than money exchange and real estate), shipping services, import – export services for others.
- H) Acquiring lands for constructing residential, administrative and commercial buildings and then invest them for selling, renting for the company's interest.

### Overview of Subsidiaries

The Company carries over its activities through the below listed subsidiaries:

#### **A- Kingdom Company 5 - KR - 11 Ltd. (KR-11)**

KR-11 is a limited liability company established and operating in the Cayman Islands. The Company's main activity includes investments in international quoted securities through its wholly owned subsidiaries.

#### **B- Kingdom Company 5 - KR - 100 Ltd. (KR-100)**

KR-100 is a limited liability company incorporated in the Cayman Islands. The Company's main activity includes the ownership and management of funds through its associates.

### C- Kingdom Company 5 - KR - 132 Ltd. (KR-132)

KR-132 is a limited liability company established and operating in the Cayman Islands. The Company's main activities include the ownership of investments in the subsidiaries and sister companies below mentioned and that operate in the hotel sector.

Company Name	Effective % of Ownership	
	2014	2013
<b>Kingdom 5 - KR – 35 Group (George V)</b> A limited liability company incorporated in the Cayman Islands. It owns George V Hotel in France. (a direct and indirect ownership with Kingdom Hotel Investments Company)	100	100
<b>Kingdom Hotels Company Toronto Ltd. (Toronto)</b> A limited liability company that owns a 100% stake in the Four Seasons Hotel Toronto - Canada	100	100
<b>Kingdom Hotel Investments (KHI)</b> The company was established in the Cayman Islands in May 2000, as limited liability company with the purpose to acquire and develop high-standard hotels in various parts of the world. The company carries out its hotel activities in 4 geographical areas: the Middle East, Africa, Asia, and Europe. The company doesn't manage directly any of the hotels; the Four Seasons Hotels and Resorts, Fairmont Hotels and Resorts, and the Mövenpick Hotels and Resorts have been chosen to manage directly those hotels on behalf of the company.	100	100

### Kingdom Holding Company owns shares in the following local and foreign subsidiaries

Company Name	Effective % of Ownership	
	2014	2013
<b>Kingdom Schools Company Ltd. (the Schools) – Saudi Arabia</b> Kingdom Schools Company started its operations in 2000 in Riyadh, as limited liability company. It owns and manages Kingdom's schools.	47	47
<b>Kingdom Company for Real Estate Development – Saudi Arabia</b> Established in 2012, as limited liability company and running the "Kingdom City" project – East Riyadh	100	100
<b>Fashion Village Trading Company Ltd. – Saudi Arabia</b> A limited liability company that manages retail shops in Riyadh and Jeddah which showcase top international brands.	71.8	71.8
<b>Medical Services Projects Company Ltd.(Hospital) – Saudi Arabia</b> A limited liability company that owns and manages Kingdom's Hospital and the Consulting Clinics in Riyadh.	74	74
<b>Consulting Clinics SAL – Beirut – (Clinic) – Lebanon</b> Established in Lebanon as a limited liability company	50.4	50.4
<b>Kingdom Agriculture Development Company (KADCO) – Egypt</b> Established in 1997 as a joint stock company with a capital of USD 55 million divided into 55,000 shares for land rehabilitation and for setting agricultural, animal, poultry and fish projects in Egypt.	100	100
<b>Kingdom Africa Investments Management Company</b> A limited liability company specialized in direct investments. It is registered in the Republic of Mauritius and is responsible for managing the Company's investment funds in Africa.	100	100

## The Board of Directors' Report To the Shareholders of (KHC)

### Overview of Associate Companies:

Kingdom Holding Company owns shares in the following international Associate Companies:

Company Name	Effective % of Ownership	
	2014	2013
<b>Fairmont Raffles Holdings International (FRHI) Canada</b> Owned via Kingdom Company 5 – KR – 132 Ltd. (KR-132) in the Cayman Islands. Fairmont Raffles is a leading international company that owns a group of hotels around the world and operates under the umbrella of Fairmont Raffles Swiss hotel. The company also runs and manages private high-end housing units.	35.2	35.2
<b>Four Seasons Hotels Holding Inc. (FSH Inc.) – Canada</b> Owned via Kingdom Company 5 – KR – 132 Ltd. (KR-132) in the Cayman islands. Four Seasons is a leading international company that owns a group of hotels around the world and operates under the umbrella of Four Seasons hotels. The company also runs and manages private high-end housing units.	47.5	47.5
<b>Mövenpick Hotels and Resorts AG (Mövenpick) – Switzerland -</b> Owned via Kingdom Company 5 – KR – 132 Ltd. (KR-132) in the Cayman islands. The Mövenpick is a leading international company that owns a group of hotels around the world and operates under the umbrella of Mövenpick hotel. The company also runs and manages private high-end housing units.	33.3	33.3
<b>Breezeroad Ltd.(Savoy) – United Kingdom</b> Owned via Kingdom Company 5 – KR – 132 Ltd. (KR-132) in the Cayman islands. It owns the historic landmark, the Savoy Hotel in London that is managed by the Fairmont company.	50	50
<b>Kingdom XXII (USA) Ltd. (Plaza) USA</b> Owned via Kingdom Company 5 – KR – 132 Ltd. (KR-132) in the Cayman islands. It owns the historic landmark, the Plaza in New York that is managed by the Fairmont company.	25	25
<b>Fairmont Hotel – San Francisco</b> Owned through Kingdom Company 5 - KR - 132 Ltd. (KR-132) in the Cayman islands and owns the Fairmont Hotel in San Francisco.	28	28
<b>Pan Commonwealth African Partners Ltd.</b> <b>Pan African Investment Partners Ltd. 1 and 2</b> Funds for asset management in Africa and registered in the Mauritius islands.	100 100	100 100

**Kingdom Holding Company owns shares in the following local and regional associate companies:**

Company Name	Effective % of Ownership	
	2014	2013
<b>Real Estate Investment Company (Compound) – Saudi Arabic</b> Established in 1997. It owns and manages a luxurious residential compound in a distinct location in Riyadh.	38.9	38.9
<b>Trade Centre Company Ltd. (Kingdom Centre) – Saudi Arabia</b> The company that owns Kingdom Centre in Riyadh which is considered one of the most prominent modern landmarks in Saudi Arabia.	36	36
<b>Jeddah Economic Company Ltd. - Saudi Arabia</b> Established in 2008. It owns and manages the Jeddah City project.	33.35	33.35
<b>National Airway Services (NAS) – Saudi Arabia</b> It owns and manages the economic airline license in Saudi Arabia.	32.8	32.8
<b>Saudi Research and Marketing Group (SRMG) – Saudi Arabia</b> SRMG is a publicly listed company on the Saudi stock market. It publishes a number of daily and weekly newspapers and magazines.	29.9	29.9

### Company's Plans and Future Outlook

The Company intends to continue targeting its investments towards the existing sectors namely, real estate, through the 2 projects it is pursuing Kingdom City/Riyadh and Kingdom City/Jeddah; hotels through the enhancement of its investment portfolio in the hotels sector by building on the administrative skills and the good reputation of its subsidiaries and affiliates and the attributes of each of its hotels. In addition to real estate and hotels, the Company will continue looking for profitable investment opportunities in other sectors locally, regionally and internationally.

### 2014 Major Highlights

#### Real Estate Sector, Local and Regional Investments

- Jeddah economic company (a subsidiary) owner of Kingdom City/Jeddah appointed the Finish Company Koni to execute the transportation activities inside Kingdom tower noting that these lifts can reach more than 12.5 meters in one second.
- Completion of the foundation works of Kingdom Tower in Jeddah by Saudi Power.
- The Jeddah Economic Company Board of Directors held a press conference on the site of the Jeddah Kingdom tower. His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud disclosed that the construction of the highest tower in the world is going extremely fast whereby the sixth floor will be completed end of 2014.
- Kingdom hospital was granted accreditation from JCI, in the presence of HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud. HRH the Prince inaugurated also Kingdom's IVF Centre.



# The Board of Directors' Report To the Shareholders of (KHC)

## Hotels and Hotel Management Companies:

- George V hotel was granted for the 11<sup>th</sup> consecutive time title of "Best City Hotel Worldwide for 2014" by the Gallivanter's Guide.
- Kingdom hotel investments (a subsidiary company) sold its share in the Mövenpick hotel Bur Dubai for SR 360 million.
- Katara Hospitality, owned by the Qatari government acquired a 50% share of the Savoy Fairmont hotel in a deal with Lloyds Banking Group; the most famous London hotel is now equally owned between the Qatari government and KHC.

## Private and International Investment Sector

- Public offering of JD.com shares in the New York Nasdaq market and the rise of the KHC investment at the closing of the first day by a rate of 130%.
- In June, KHC signed a memorandum of understanding for setting up an investment tool jointly operated by Caisse des Dépôts International Capital (CDCIC) and KHC in a strive to develop Saudi projects in partnership with French companies with the aim to capitalize on their experience in technology.
- KHC announced its investment in Rizvi Opportunistic Equity Fund III. HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud commented that "the fund is expected to reach USD 400 million" and it will stress on technology and its application.
- KHC signed a memorandum of understanding with Bainebridge Investments Middle East aimed at managing direct private investments in Africa in an answer to the needs of investors to invest in fast growing economies in Africa.
- The investment committee approved the decision to restructure Euro Disney announced in the last quarter of 2014. Hence, KHC preserved its share of 10%.

## Dividends Distribution Policy

Dividends Distribution to Shareholders is governed by certain rules and regulations stated upon by the Company's Bylaws whereby the Company is required to transfer 10% of its net profits after the deduction of Zakat to the statutory reserve. The Assembly General Meeting may stop this transfer when it reaches 50% of the Company's paid up capital.

The dividends distribution policy is decided based on the Company's financial performance, market and economic conditions in general, in addition to other factors including the needs of prospective investment opportunities, reinvestment, cash flow and capital requirements, business expectations and the effect of those dividends to be distributed on the Company amongst other factors including regulatory considerations.

Moreover, the Board of Directors ratified in its meeting held on Sunday 23 February 2014 the distribution of quarterly cash dividends from the profits by 1.25% (5% for all the year) from the shares nominal value namely 12.5 Halalas / quarter for each share totaling SR 0.50 for the whole year i.e. SR 163.9 million for each quarter with the total private distribution for the whole year SR 655.9 million. The Chairman of the Board, HRH Prince Alwaleed Bin Talal Bin Abdulaziz had relinquished 37 Halalas / share totaling SR 1,197 million from his share of the proposed cash distribution of the year 8.5 Halalas / share equivalent to SR 299,2 million from his share of the quarterly profits.

Dividends Entitlement for the payments were as follows:

- First payment: Dividends entitlement for shareholders registered in the Company records at the end of the Ordinary General Assembly dated 31 March 2014. It was disbursed 2 weeks later.
- Second payment: Dividends entitlement for shareholders registered in the Company records at the end of 30 June 2014. It was disbursed 2 weeks later.
- Third payment: Dividends entitlement for shareholders registered in the Company records at the end of 30 September 2014. It was disbursed 2 weeks later.
- Fourth payment: Dividends entitlement for shareholders registered in the Company records at the end of 31 December 2014. It was disbursed 2 weeks later.

It is to be noted that the shareholders approved the above decision during the sixth Ordinary Assembly General Meeting dated 31 March 2014.

### **Social Responsibility**

Through its local subsidiaries (Trade Centre 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.

### **Shareholders' Assemblies**

#### **Assembly General Meeting**

Kingdom Holding Company held its Assembly General Meeting at 4:00 p.m. on Tuesday 31 March 2014 at the Four Seasons Hotel presided by the Chairman of the Board HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud. The Assembly General Meeting adopted the following agenda by majority of votes:

1. Approve the Board of Directors' Report for year ending 31 December 2013.
2. Ratify the Balance Sheet, the Income statement and the Auditors' report for the fiscal year ending 31 December 2013.
3. Discharge the members of the Board of Directors from their functions for the period from 1 January 2013 till 31 December 2013.
4. Select Messrs Price Water House Cooper as the company's auditors among the candidates proposed by the Audit Committee to review the Company's financials for the year 2014 and the quarterly balance sheet.
5. Approve the distributed dividends for the year 2013 amounting at SR 550.3 million.
6. Approve the Board of Directors' decision to distribute quarterly dividends to shareholders.
7. Approve the Board of Directors decision related to the appointment of Dr. Adel Alsayed as an executive member to the Board of Directors for direct and international investments effective 15 January 2014.
8. Adopt the company's own governance system.

## The Board of Directors' Report To the Shareholders of (KHC)

### Board of Directors' Meetings

The Board of Directors held 7 meetings this year. The number of meetings attended by each member is detailed below:

Member Name	Membership Type	Meeting Date							Remarks
		20/1	22/2	31/3	20/4	20/7	29/10	15/12	
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Non Executive	✓	✓	✓	✓	✓	✓	✓	
Eng. Talal Ibrahim Almainan	Executive	✓	✓	✓	✓	✓	✓	✓	
Dr. Adel Ali Alsayed	Executive	✓	✓	✓	✓	✓	✓	✓	
Mr. Sarmad Nabil Zok	Executive	✓	✓	✓	✓	✓	✓	✓	
Mr. Saleh Ali Al Sagri	Independent	✓	✓	✓	✓	✓	✓	×	
Eng. Taher Mohammed Omar Agueel	Non Executive	✓	✓	✓	✓	✓	✓	✓	
Dr. Khaled Abdullah Al Souhem	Independent	✓	✓	✓	✓	✓	✓	✓	
Eng. Rasha Amer El-Hoshan	Independent	✓	✓	✓	✓	✓	✓	✓	
Mr. Shadi S. Sanbar	Non Executive	✓	✓	✓	✓	✓	✓	✓	

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

Name	Membership Type	Companies where Board Members are Members	Number of shares	
			2014	2013
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Chairman of the Board	Non Executive	3,520,588,235	3,520,588,235
Eng. Talal Ibrahim Almainan	Executive Board Member for Development and Domestic Investments	- Board member of the National Industrialization Company - Board member of the National Air Services Company (NAS) - Saudi Group for Research and Marketing	5,554,938	5,554,938
Mr. Sarmad Nabil Zok	Executive Board Member for Hotel Investments	None	1,000	1,000
Mr. Shadi S. Sanbar	Non Executive	None	5,277,646	5,277,646
Eng. Rasha Amer El-Hoshan	Independent	None	1,000	1,000
Mr. Saleh Ali Al Sagri	Independent	Chairman for the Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (MEDGULF)	2,225,000	5,553,465
Eng. Taher Mohammed Omar Agueel	Non Executive	Board Member of Meryl Lynch company KSA Board member of the Arabian National Cooperative Insurance Company	1,000	1,000
Dr. Adel Ali Alsayed	Executive	-Board member of Bruges company for cooperative insurance -board member of Ali Hassan el Sayed and sons company	1,000	1,000
Dr. Khaled Abdullah Al Souhem	Independent	None	1,000	1,000

### Compensations and remunerations granted to the Board of Directors members, senior executives including the CFO

	Board of Directors		4 Senior Executives including the CFO
	Non Executive Board Members	Executive Board Members	
Salaries	-	-	3,009,438
Remunerations	-	-	1,356,250
Compensation	-	-	4,992,188
Compensation for Assemblies attendance	-	-	-

#### Board Committees:

##### Investment Committee

The committee carries the overall control of the company's investments. It is entrusted with the adoption of the major investment decisions on behalf of the Board of Directors (the Board of Directors shall ratify such decision at a later stage) and review the performance and acquisition of investments.

The committee held 3 meetings during the year. The committee 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. Sarmad Nabil Zok	Member
Mr. Mohammed Fahmi Suleiman	Member
Dr. Adel Ali Alsayed	Member

##### Audit Committee

The Committee carries on the supervision of the evaluation of risks and management procedures, internal audit on the Company's transactions along with the submission of notes and recommendations. The committee also audits and confirms the company's financial statements and determines the policies for compliance with procedures and policies and examination of the internal audit procedures. The committee held 7 meetings during the year. The committee is comprised of the following members:

Name	Title
Eng. Taher Mohammed Omar Agueel	Head of the Committee
Eng. Rasha Amer El-Hoshan	Member
Dr. Khaled Abdullah Al Souhem	Member

This year, the Committee through its activities and meetings with the auditors, could test the efficiency of the internal audit system in protecting the company's assets, evaluating business risks and assessing performance effectiveness as part of its auditing of the Company's financial statements. No weaknesses were detected in the Company's internal audit system.

## The Board of Directors' Report To the Shareholders of (KHC)

### Nomination and Compensation Committee

The Committee is responsible for nominating the Board members and assisting the Board in setting the plans and policies related to the compensations and review them and ratify them. The committee held 2 meetings during the year. The committee is comprised of the following members:

Name	Title
Dr. Khaled Abdullah Al Souhem	Head of the Committee
Eng. Taher Mohammed Omar Agueel	Member
Mr. Saleh Ali Al Sagri	Member

### 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, the Board of Directors declares that the following:

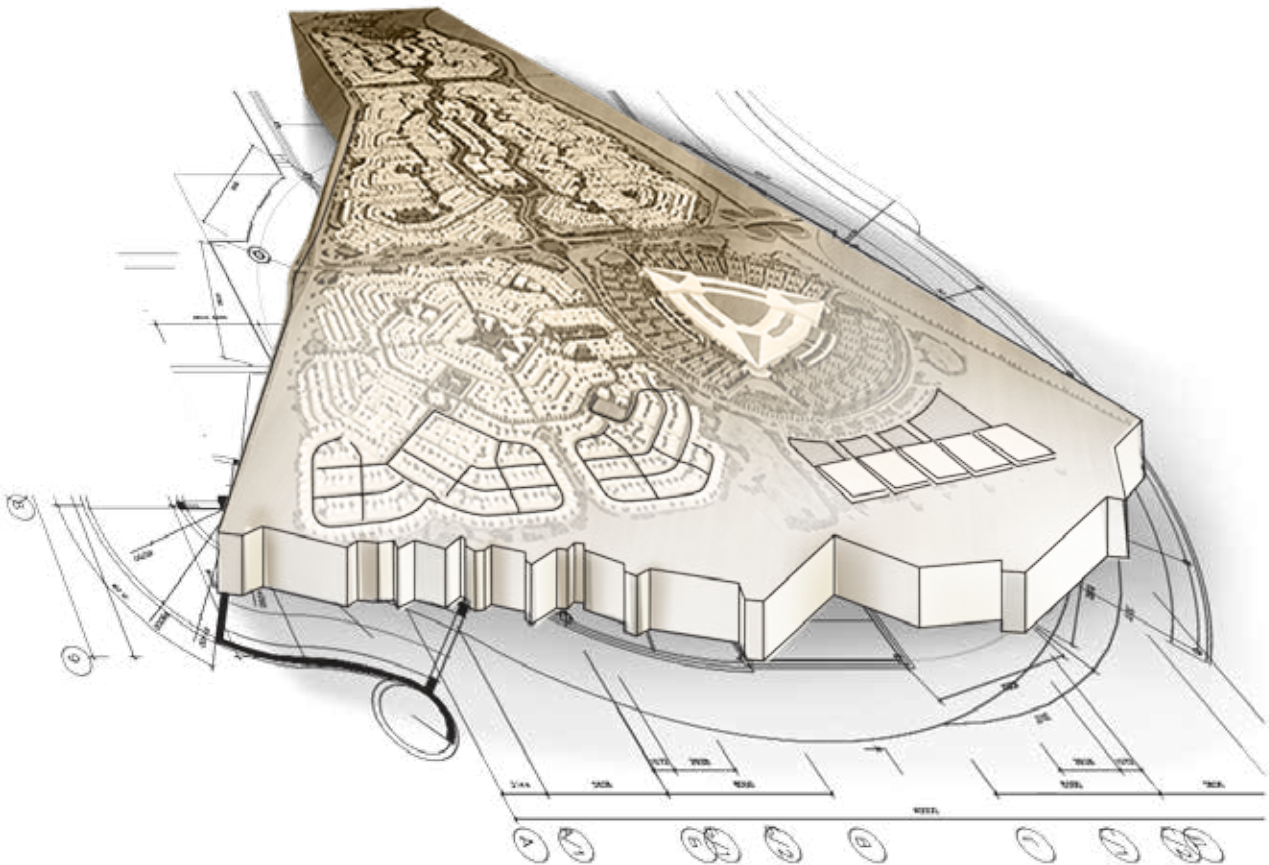
- The Company did not receive any notifications from its shareholders regarding any change in their ownership percentage during the year 2014.
- There is currently no stock option scheme and there are no convertible bonds available for any party whatsoever.
- No return, purchase, or cancellation from the Company's side or any of its subsidiaries of any debt instruments and other financial notes.
- 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.
- 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.
- 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 2014.
- His Royal Highness Prince Alwaleed Bin Talal, Chairman of the Board, ceded his 8.50 Halalas for each share he owns for quarterly profits as per 34 Halalas for each share he owns in cash distributions suggested for the entire year amounting at 299.2 Million Riyals per quarter and 1197 Million Riyals for the entire year.
- No any other investments or provisions for the Company's employees were created other than end of service provisions.
- The Company's consolidated financial statements as at 31 December 2014 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. It is to be noted that the report of the Certified Public Accountant didn't include any reservations with regards to the annual financial statements.
- The company's accounting books were duly prepared.



- There is no doubt related to the capability of the company in carrying on with its activities.
- The internal control policy was duly established and efficiently implemented.
- The company wasn't subject to any sanctions or provisional seizure from the financial market committee or any other judicial, regulatory or supervisory party.
- The company would like to confirm that it complied with all the requirements of the Corporate Governance regulations issued by the Market.

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 2014, 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

FOR THE YEAR ENDED DECEMBER 31, 2014  
AND INDEPENDENT AUDITORS' REPORT



## **INDEPENDENT AUDITORS' REPORT**

February 23, 2015

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, 2014 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, 2014 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

## CONSOLIDATED BALANCE SHEET

(All amounts in Saudi Riyals thousands unless otherwise stated)

		As at December 31,	
	Note	2014	2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	1,144,434	1,006,823
Held for trading investments	4	1,369,853	1,555,686
Accounts receivable	5	556,105	520,885
Other assets	6	569,531	576,390
Net assets held for sale	8	180,111	180,111
		<u>3,820,034</u>	<u>3,839,895</u>
<b>Non-current assets</b>			
Available for sale investments	9	15,119,121	14,246,498
Investments in associates and joint venture, net	10	17,551,341	17,665,996
Investments in real estate	11	2,180,458	2,142,357
Property and equipment, net	12	5,816,014	6,150,641
Intangible assets, net	13	1,808,116	1,860,665
Other long term assets	14	427,196	341,147
		<u>42,902,246</u>	<u>42,407,304</u>
<b>Total assets</b>		<b>46,722,280</b>	<b>46,247,199</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank borrowings and term loans	15	1,565,701	773,302
Accounts payable	16	186,750	206,824
Accrued expenses and other liabilities	17	810,720	741,717
		<u>2,563,171</u>	<u>1,721,843</u>
<b>Non-current liabilities</b>			
Bank borrowings and term loans	15	10,999,007	12,133,501
Other long term liabilities	19	387,426	411,584
		<u>11,386,433</u>	<u>12,545,085</u>
<b>Total liabilities</b>		<b>13,949,604</b>	<b>14,266,928</b>
<b>Equity</b>			
<b>Equity attributable to shareholders of the Company:</b>			
Share capital	20	37,058,823	37,058,823
Statutory reserve		477,367	390,460
Retained earnings		1,553,093	1,426,872
Unrealized loss from available for sale investments	9	(6,695,427)	(7,028,045)
Foreign currency translation adjustments and other		(137,867)	(241,839)
<b>Total shareholders' equity</b>		<b>32,255,989</b>	<b>31,606,271</b>
Minority interests	21	516,687	374,000
<b>Total equity</b>		<b>32,772,676</b>	<b>31,980,271</b>
<b>Total liabilities and equity</b>		<b>46,722,280</b>	<b>46,247,199</b>
<b>Contingencies and commitments</b>	26,27		

## CONSOLIDATED INCOME STATEMENT

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2014	2013
<b>Revenues</b>			
Hotels and other operating revenues		<b>2,128,506</b>	2,008,768
Sales of real estate	11	-	198,206
Dividends income	22	<b>116,445</b>	109,988
Loss from associates and joint venture, net	10	<b>(73,701)</b>	(182,970)
Income from and gain on investments and others, net	23	<b>1,188,286</b>	965,812
Other		<b>38,346</b>	32,975
Total revenues		<b>3,397,882</b>	3,132,779
<b>Costs and expenses</b>			
Hotels and other operating costs		<b>(1,399,089)</b>	(1,321,387)
Cost of real estate	11	-	(10,000)
General and administrative	24	<b>(435,911)</b>	(454,879)
Total costs and expenses		<b>(1,835,000)</b>	(1,786,266)
<b>Gross profit</b>		<b>1,562,882</b>	1,346,513
Depreciation	12	<b>(225,914)</b>	(235,673)
Reversal of impairment loss, net	25	-	151,300
Income from operations		<b>1,336,968</b>	1,262,140
Finance charges, net		<b>(367,293)</b>	(418,326)
<b>Income before minority interests, zakat and tax</b>		<b>969,675</b>	843,814
Minority interests' share of (income) loss	21	<b>(11,710)</b>	16,034
Income before zakat and tax		<b>957,965</b>	859,848
Zakat and tax	18	<b>(88,896)</b>	(117,377)
<b>Net income for the year</b>		<b>869,069</b>	742,471
<b>Earnings per share (Saudi Riyals) from:</b>	31		
• Income from operations		<b>0.36</b>	0.34
• Net income for the year		<b>0.23</b>	0.20



## CONSOLIDATED CASH FLOW STATEMENT

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2014	2013
<b>Cash flow from operating activities</b>			
Income before zakat and tax		957,965	859,848
<b>Adjustments for non-cash items</b>			
Depreciation	12	225,914	235,673
Loss from associates, net	10	73,701	182,970
Income from and gain on investments and others, net	23	(1,188,286)	(965,812)
Reversal of impairment loss	25	-	(151,300)
Foreign exchange (gain)/loss		(33,414)	6,522
Provision for doubtful debts	5	55,542	4,717
<b>Changes in working capital</b>			
Accounts receivable and other assets		(83,903)	(11,427)
Movement in held for trading investments	4	725,114	401,030
Movement in investment in real estate, net		(91)	(455,850)
Other long term assets		(86,049)	67,099
Accounts payable, accrued expenses and other liabilities		88,333	228,028
Other long term liabilities		(24,158)	(15,765)
Zakat and tax paid		(128,300)	(61,751)
Net cash generated from operating activities		582,368	323,982
<b>Cash flow from investing activities</b>			
Acquisition of available for sale investments	9	-	(468,750)
Proceeds from sale of available for sale investments	9	-	92,554
Additions to associates	10	(32,727)	(93,461)
Capital repayment and dividends from associates	10	67,578	111,848
Proceeds from disposal of property and equipment		363,030	201,750
Purchase of property and equipment	12	(77,731)	(108,552)
Net cash generated from/(utilized in) investing activities		320,150	(264,611)
<b>Cash flow from financing activities</b>			
Bank borrowings and term loans, net	15	(116,049)	758,211
Dividend paid	32	(655,941)	(550,324)
Changes in minority interests		7,083	(65,487)
Net cash (utilized in)/generated from financing activities		(764,907)	142,400
<b>Net change in cash and cash equivalents</b>		137,611	201,771
Cash and cash equivalents at beginning of year		1,006,823	805,052
<b>Cash and cash equivalents at end of year</b>	3	1,144,434	1,006,823
<b>Supplemental schedule of non-cash information</b>			
Decrease in unrealized loss from available for sale investments, net	9	332,618	3,323,610
Transfer from/(to) held for trading investments, net	9	540,005	(166,183)

## 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	Total		
<b>January 1, 2014</b>		37,058,823	390,460	1,426,872	(7,028,045)	(241,839)	<b>31,606,271</b>	<b>374,000</b>	<b>31,980,271</b>
Net income for the year		-	-	869,069	-	-	<b>869,069</b>	11,710	<b>880,779</b>
Transfer to statutory reserve		-	86,907	(86,907)	-	-	-	-	-
Dividends	32	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Net movement during the year		-	-	-	332,618	103,972	<b>436,590</b>	130,977	<b>567,567</b>
<b>December 31, 2014</b>		<b>37,058,823</b>	<b>477,367</b>	<b>1,553,093</b>	<b>(6,695,427)</b>	<b>(137,867)</b>	<b>32,255,989</b>	<b>516,687</b>	<b>32,772,676</b>
<b>January 1, 2013</b>		37,058,823	316,213	1,308,972	(10,325,323)	(168,322)	28,190,363	439,487	28,629,850
Net income for the year		-	-	742,471	-	-	742,471	(16,034)	726,437
Transfer to statutory reserve		-	74,247	(74,247)	-	-	-	-	-
Dividends	32	-	-	(550,324)	-	-	(550,324)	-	(550,324)
Net movement during the year		-	-	-	3,297,278	(73,517)	3,223,761	(49,453)	3,174,308
<b>December 31, 2013</b>		<b>37,058,823</b>	<b>390,460</b>	<b>1,426,872</b>	<b>(7,028,045)</b>	<b>(241,839)</b>	<b>31,606,271</b>	<b>374,000</b>	<b>31,980,271</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

(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.

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	Effective Ownership Percentage	
	2014	2013
Kingdom Hotel Investments (KHI) - Cayman Islands	100	100
Kingdom 5 KR 35 Group (George V) - France (Direct and indirect ownership through KHI)	100	100
Associates	Effective Ownership Percentage	
	2014	2013
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 (Direct and indirect ownership through KHI)	33.3	33.3
Breezeroad Limited (Savoy) - United Kingdom	50.0	50.0
Fairmont Hotel Company - San Francisco, L.P.	28.0	28.0
Sahara Plaza LLC - United States of America	25.0	25.0

d) **Local and regional subsidiaries**

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

Subsidiaries	Effective Ownership Percentage	
	2014	2013
Kingdom Schools Company Limited (The School) - Saudi Arabia	<b>47.0</b>	47.0
Fashion Village Trading Company Limited (SAKS) - Saudi Arabia	<b>71.8</b>	71.8
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	<b>74.0</b>	74.0
Consulting Clinic SAL (Clinic) - Lebanon	<b>50.4</b>	50.4
Kingdom Agriculture Development Company (KADCO) - Egypt	<b>100.0</b>	100.0
Kingdom Real Estate Development Company (KRED) - Saudi Arabia	<b>100.0</b>	100.0

Associates	Effective Ownership Percentage	
	2014	2013
National Air Services (NAS) - Saudi Arabia	<b>32.84</b>	32.84
Jeddah Economic Company (JEC) - Saudi Arabia	<b>33.35</b>	33.35
Real Estate Investment Company (REIC) - Saudi Arabia	<b>38.9</b>	38.9
Saudi Research and Marketing Group (SRMG) - Saudi Arabia	<b>29.9</b>	29.9
Trade Centre Company Limited (TCCL) - Saudi Arabia	<b>36.0</b>	36.0

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 22, 2015.

## 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 and available for sale investments to fair value, on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

The 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

## 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, and short-term deposits with an original maturity of three months or less.



## 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 consolidated 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 consolidated balance sheet date, in which case they are included in current assets. After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are re-measured at fair value as follows:

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

Unrealized gains/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.

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## (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.

## 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
<b>Buildings</b>	<b>20 to 50 years</b>
<b>Equipment</b>	<b>2 to 20 years</b>
<b>Furniture and fixtures</b>	<b>2 to 20 years</b>
<b>Others</b>	<b>4 to 10 years</b>

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 fiscal year end, the Group reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication

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exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amounts are determined on the basis of value-in-use calculations. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

## (b) Financial assets

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

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

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

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

## 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.

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.

Dividends income is recognized when the right to receive the dividends is established. Commission income is recognized as the commission accrues.



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## 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.

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.

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, 2014, 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, 2014 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).

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- 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 2013 comparative amounts of the Group interim consolidated financial statements for the entities were not restated.
- 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, 2014, are as follows:

	December 31, 2014
Increase in non-current assets with a corresponding change in equity	Saudi Riyals 306 million

Management applied the general price index (GPI) of 416.6 as at December 31, 2014 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.

## 3 Cash and cash equivalents

	2014	2013
Bank balances and cash	811,566	965,938
Short term deposits	332,868	40,885
	1,144,434	1,006,823

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.

## 4 Held for trading investments

(a) Held for trading investments consist of the following quoted securities:

	2014	2013
International	1,369,853	785,186
Local	-	770,500
	1,369,853	1,555,686

(b) The movement in held for trading investments is set out below:

	2014	2013
January 1	1,555,686	843,000
Transfer from available for sale investments (Note 9)	1,578,421	1,422,557
Transfer to available for sale investments (Note 9)	(1,290,319)	(551,974)
Additions	119,023	-
Disposal	(828,882)	(344,400)
Changes in fair value (Note 23)	235,924	186,503
December 31	1,369,853	1,555,686

## 5 Accounts receivable

	2014	2013
Trade receivables	632,223	541,912
Less: provision for doubtful debts	(76,118)	(21,027)
	556,105	520,885

Movements in the provision for doubtful debts are as follows:

	2014	2013
January 1	21,027	20,454
Charge for the year (Note 24)	55,542	4,717
Amounts written off and others	(451)	(4,144)
December 31	76,118	21,027

Trade receivables include Saudi Riyals 270 million (2013: 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

	2014	2013
Due from affiliates	209,055	168,957
Inventories	120,487	125,217
Investment in real estate – current portion (Note 11)	89,278	118,881
Advances to suppliers	40,468	28,057
Prepaid expenses	24,262	23,839
Value Added Tax claims receivable	1,391	11,762
Other	84,590	99,677
	569,531	576,390

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### 7 Related party matters

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

Related party	Nature of transaction	Amounts of transactions	
		2014	2013
Associates	Revenues	-	9,281
	Costs and expenses	79,699	63,674

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:

	2014	2013
Current assets	30,975	30,975
Property and equipment	649,386	649,386
	680,361	680,361
Current and other liabilities	(500,250)	(500,250)
Net balance	180,111	180,111

### 9 Available for sale investments

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

	2014	2013
International	13,958,863	13,556,414
Local and regional	1,160,258	690,084
	15,119,121	14,246,498



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

	2014	2013
Cost, net of impairment charge:		
January 1	<b>21,274,543</b>	21,038,198
Additions during the year	-	468,750
Transfer to held for trading investments (Note 4)	<b>(750,314)</b>	(718,157)
Transfer from held for trading investments (Note 4)	<b>1,290,319</b>	551,974
Disposals during the year	-	(66,222)
December 31	<b>21,814,548</b>	21,274,543
Unrealized loss, net of impairment charge:		
January 1	<b>(7,028,045)</b>	(10,325,323)
Decrease in unrealized loss during the year	<b>1,160,725</b>	4,028,010
Unrealized gain related to investments transferred to held for trading investments (Note 4)	<b>(828,107)</b>	(704,400)
Disposals during the year	-	(26,332)
December 31	<b>(6,695,427)</b>	(7,028,045)
Net carrying amount	<b>15,119,121</b>	14,246,498

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

As of December 31, 2014, 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:

	2014	2013
January 1	<b>17,665,996</b>	17,581,910
Additions during the year	<b>32,727</b>	93,461
Share in losses, net	<b>(73,701)</b>	(182,970)
Capital repayment and dividends from associates	<b>(67,578)</b>	(111,848)
Other movements	<b>(6,103)</b>	285,443
December 31	<b>17,551,341</b>	17,665,996

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

	2014		2013	
	Effective percentage Ownership	Amount	Effective percentage Ownership	Amount
<b>Associates of the Company:</b>				
Fairmont Raffles Holdings International (FRHI) - Canada	35.2%	5,355,918	35.2%	5,349,167
Four Seasons Holding Inc. - Canada	47.5%	4,396,407	47.5%	4,255,851
Jeddah Economic Company - Saudi Arabia	33.35%	2,813,679	33.35%	2,832,791
National Air Services - Saudi Arabia	32.84%	1,665,274	32.84%	1,788,276
Saudi Research and Marketing Group - Saudi Arabia	29.9%	1,081,098	29.9%	1,101,544
Trade Centre Company Limited (TCCL) - Saudi Arabia	36.0%	560,507	36.0%	522,093
Mövenpick Hotels and Resorts AG - Switzerland	33.3%	542,515	33.3%	531,640
Real Estate Investment Company (REIC) - Saudi Arabia	38.9%	306,453	38.9%	284,993
Sahara Plaza LLC - United States of America	25.0%	257,884	25.0%	282,666
Breezeroad Limited (Savoy) - United Kingdom	50.0%	256,086	50.0%	335,286
Fairmont Hotel San Francisco	28.0%	96,298	28.0%	103,500
Others	30.0-35.0%	50,299	30.0-35.0%	110,632
<b>Associate and joint venture of subsidiaries</b>				
Four Seasons – Anahita Hotel Limited – Joint venture	50%	91,794	50%	91,360
Mövenpick El - Gouna – Egypt - Associate	29%	77,129	29%	76,197
		<b>17,551,341</b>		<b>17,665,996</b>

### 11 Investments in real estate

	2014	2013
Investments in land and related infrastructure costs - Saudi Arabia	2,142,103	2,045,896
Properties under construction	108,883	196,592
Others	18,750	18,750
	<b>2,269,736</b>	<b>2,261,238</b>
Less: current portion (Note 6)	(89,278)	(118,881)
	<b>2,180,458</b>	<b>2,142,357</b>

During the year ended December 31, 2013, the Group completed the sale of land in Riyadh aggregating Saudi Riyals 198.2 million and realized a gain of Saudi Riyals 188.2 million.

The Group capitalized borrowing costs of Saudi Riyals 20 million (2013: Saudi Riyals 20 million) that were incurred in connection with the development of its real estate projects.

## 12 Property and equipment, net

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

	Land	Buildings and leasehold improvements	Equipment	Furniture and fixtures	Construction work in progress and others	Total 2013
<b>Cost</b>						
January 1	1,777,771	4,776,334	392,774	891,492	21,339	7,859,710
Additions	-	56,988	11,936	16,916	22,712	108,552
Disposals and others	(22,409)	(254,802)	(15,676)	(68,888)	(25,245)	(387,020)
December 31	1,755,362	4,578,520	389,034	839,520	18,806	7,581,242
<b>Accumulated depreciation</b>						
January 1	-	712,738	186,672	366,072	4,473	1,269,955
Charge for the year	-	103,789	40,723	53,242	37,919	235,673
Disposals and others	-	(29,022)	(8,321)	(12,709)	(24,975)	(75,027)
December 31	-	787,505	219,074	406,605	17,417	1,430,601
<b>Net book value at December 31, 2013</b>	<b>1,755,362</b>	<b>3,791,015</b>	<b>169,960</b>	<b>432,915</b>	<b>1,389</b>	<b>6,150,641</b>

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

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### 13 Intangible assets, net

Intangible assets comprise the following:

	2014	2013
Goodwill	1,750,971	1,802,252
Other intangible assets	57,145	58,413
	1,808,116	1,860,665

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:

	2014	2013
January 1	1,802,252	1,798,637
Currency translation adjustments and others	(51,281)	3,615
December 31	1,750,971	1,802,252

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 7.5% to 13% and 7% to 10.5%, 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 except for four hotels in the Middle East and Africa where 6 year cash flow projections have been used.

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. During the year ended December 31, 2013, management determined that the carrying value of the retail cash-generating unit exceeded the recoverable value by Saudi Riyals 20 million. This decline, considered permanent in nature, was recognised as an impairment loss in the consolidated income statement (Note 25).

## Others

Goodwill allocated to the School cash-generating unit amounts to Saudi Riyals 8.9 million (2013: Saudi Riyals 8.9 million) and management is of the opinion that this goodwill is not impaired.

### 14 Other long term assets

	2014	2013
Long term advances	327,609	219,638
Deferred tax asset (Note 18(c))	25,478	57,098
Refundable deposits	707	645
Others	73,402	63,766
	427,196	341,147

### 15 Bank borrowings and term loans

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

	2014	2013
January 1	12,968,772	12,120,813
Additions	2,697,903	3,627,515
Repayments	(2,813,952)	(2,869,304)
Foreign currency translation adjustments	(234,182)	89,748
	12,618,541	12,968,772
Less: Unamortized transaction costs	(53,833)	(61,969)
December 31	12,564,708	12,906,803

The above outstanding balance is presented as follows:

	2014	2013
Current		
Short-term loans	322,922	260,474
Current portion of term loans	1,242,779	512,828
	1,565,701	773,302
Non-current		
Term loans, including long-term revolving facilities	10,999,007	12,133,501
	12,564,708	12,906,803

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

	2014	2013
Kingdom Holding Company (KHC)	5,040,227	4,782,259
Kingdom 5-KR-11 Ltd.	4,400,596	4,480,566
Kingdom 5-KR-35 Group (George V)	1,567,242	1,795,531
Kingdom Hotel Investments (KHI)	1,147,136	1,481,853
Others	409,507	366,594
	12,564,708	12,906,803



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

### Kingdom Holding Company (KHC)

KHC loans of Saudi Riyals 5,040 million as of December 31, 2014 (2013: Saudi Riyals 4,782 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 4 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:

	2014	2013
	In millions	In millions
Saudi Riyals	2,824	3,290
US Dollars	2,216	952
Euro	-	540
	5,040	4,782

### 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 2 years. These loans are denominated in US Dollars.

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

The loans of Saudi Riyals 1,567 million as of December 31, 2014 (2013: Saudi Riyals 1,796 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 2016. These loans are primarily denominated in Euro.

### Kingdom Hotel Investments (KHI)

KHI loans of Saudi Riyals 1,147 million as of December 31, 2014 (2013: Saudi Riyals 1,482 million) have different maturities within the next eight 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:

	2014	2013
	In millions	In millions
US Dollars	904	961
Morocco Dirham	243	283
UAE Dirham	-	238
	1,147	1,482

### 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 6 years. These loans are primarily denominated in Saudi Riyals.

### 16 Accounts payable

	2014	2013
Trade payables	172,663	197,626
Other payables	14,087	9,198
	186,750	206,824

### 17 Accrued expenses and other liabilities

	2014	2013
Due to affiliates	297,108	211,797
Employees related accruals	251,789	168,859
Zakat (Note 18 (a))	61,212	85,099
Income taxes (Note 18 (b))	44,544	60,061
Financial charges	34,229	41,454
Unearned revenue	31,467	20,488
Deposits from customers	734	81,401
Other	89,637	72,558
	810,720	741,717

### 18 Zakat and tax

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

	Note	2014	2013
Zakat provision	18(a)	19,758	44,083
Income tax provision		66,425	66,569
Withholding tax on foreign dividends		2,713	6,725
		88,896	117,377

#### (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	2014	2013
January 1		85,099	45,895
Zakat provision		19,758	44,083
Paid during the year		(43,645)	(4,879)
December 31	17	61,212	85,099

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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.

## Status of final assessments

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

## 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 44.5 million and Saudi Riyals 60 million as at December 31, 2014 and 2013, respectively (Note 17).

## c) Deferred tax

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

	2014	2013
Deferred tax liabilities (Note 19)		
Property, equipment and intangible assets	72,285	103,023
Others	192,751	219,559
	<u>265,036</u>	<u>322,582</u>
Deferred tax assets (Note 14)		
Provisions	(25,478)	(57,098)
	<u>239,558</u>	<u>265,484</u>

## 19 Other long term liabilities

	2014	2013
Deferred taxes (Note 18 (c))	265,036	322,582
Post employment benefits	102,876	85,127
Retention payable	18,438	-
Other	1,076	3,875
	<u>387,426</u>	<u>411,584</u>

## 20 Share capital

The share capital at December 31, 2014 and 2013 consists of 3,706 million shares of Saudi Riyals 10 each.

## 21 Minority interests

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

Name of the entity	2014		2013	
	Total minority interests	Share in net (income) /loss	Total minority interests	Share in net loss
Kingdom Hotel Investments	<b>399,500</b>	<b>2,622</b>	316,708	15,721
Others	<b>117,187</b>	<b>(14,332)</b>	57,292	313
	<b>516,687</b>	<b>(11,710)</b>	374,000	16,034

Total minority interests include goodwill of Saudi Riyals 45 million (2013: Saudi Riyals 45 million).

## 22 Dividends income

	2014	2013
International	<b>53,933</b>	22,056
Local and regional	<b>62,512</b>	87,932
	<b>116,445</b>	109,988

## 23 Income from and gain on investments and others, net

	2014	2013
Change in market value of held for trading investments, net	<b>1,064,031</b>	890,859
Others, net	<b>124,255</b>	74,953
	<b>1,188,286</b>	965,812

During the year ended December 31, 2014, 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 828.1 million (2013: Saudi Riyals 704.4 million) has been recycled from equity and recognized in the consolidated income statement (Note 9). The fair value of existing held for trading investments increased at December 31, 2014 resulting in an unrealized gain of Saudi Riyals 235.9 million (2013: Saudi Riyals 186.5 million) (Note 4).

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. Others, net for the year ended December 31, 2013 mainly represents gain on disposal of held for trading investments and available for sale investments amounting to Saudi Riyals 56.6 million and Saudi Riyals 26.4 million, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24 General and administrative expenses

	2014	2013
Employee costs	187,404	176,990
Professional fees	74,552	105,639
Provision for doubtful receivables (Note 5)	55,542	4,717
Repairs and maintenance	33,906	29,846
Utilities and office expenses	25,946	23,284
Selling and marketing expenses	19,986	15,028
Insurance	2,618	5,569
Other	35,957	93,806
	435,911	454,879

### 25 Reversal of impairment losses, net

During the year ended December 31, 2013, the Company reviewed the carrying value of certain investments based on an updated valuation. This resulted in a net increase in the carrying value of Saudi Riyals 151.3 million. Accordingly such increase, net of impairment charge of Saudi Riyals 20 million (See Note 13), was recorded as a reversal of impairment loss, which was initially recorded in prior years against these investments. No such reversals were made during the year ended December 31, 2014.

### 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, 2014 amounted to Saudi Riyals 4 million (2013: Saudi Riyals 4 million).

#### (b) Operating lease commitments

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

	2014	2013
Within one year	8,807	19,401
1 to 5 years	33,020	27,833
	41,827	47,234

### 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, 2014, the Group has outstanding letters of guarantee amounting to Saudi Riyals 4.6 million (2013: Saudi Riyals 11.6 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.

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	2014	2013
Bank balances and short term deposits	3	1,144,434	1,006,823
Accounts receivable	5	556,105	520,885
Other current assets (Due from affiliates and others)	6	293,645	268,634
Other long term assets (Refundable deposits and others)	14	74,109	64,411
		2,068,293	1,860,753

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 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

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.

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

December 31, 2014	Equity	Hotels	Real Estate and Domestic	Total
Total revenues	1,024,164	1,722,159	651,559	3,397,882
Gross profit	915,790	530,189	116,903	1,562,882
Net income	654,605	168,969	45,495	869,069
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

December 31, 2013	Equity	Hotels	Real Estate and Domestic	Total
Total revenues	847,660	1,520,133	764,986	3,132,779
Gross profit	756,307	385,056	205,150	1,346,513
Net income	582,510	21,336	138,625	742,471
Property and equipment, net	55,952	5,538,212	556,477	6,150,641
Total assets	20,799,578	18,596,017	6,851,604	46,247,199
Total liabilities	9,465,912	4,113,833	687,183	14,266,928

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, 2014 and 2013 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 Jumad Awwal 30, 1435H (corresponding to March 31, 2014), 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, third and fourth dividend distributions were made to all shareholders on record as of the date approved in the General Assembly meeting.

The General Assembly of the Company, in its annual meeting held on Jumad Awwal 14, 1434H (corresponding to March 26, 2013), approved quarterly cash dividends distribution totaling to Saudi Riyals 550.3 million for the year ended December 31, 2013 and this amount was distributed during 2013.

### 33 Comparative figures

Certain amounts in the accompanying 2013 consolidated financial statements have been reclassified to conform with the current year presentation. These principally represent presentation of the prepaid loan fee related to the long-term borrowings which has now been reclassified from other assets and presented as net against bank borrowings and term loans (Note 15).



# Sustained Success through planning

