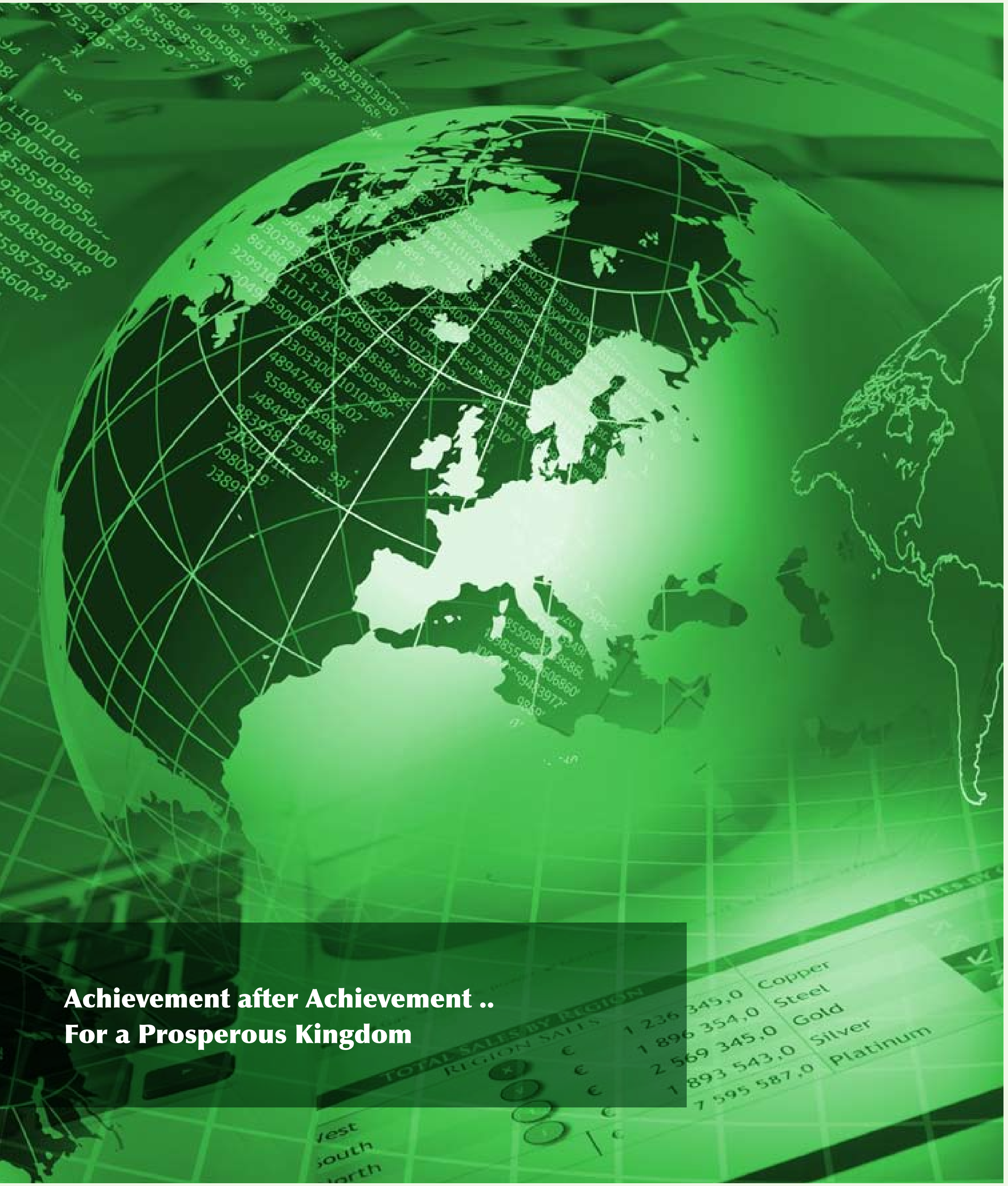
2012

YEAR OF ACHIEVEMENTS

annual report

In the Name of Allah,
the Merciful, the Compassionate

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



Achievement after Achievement ..
For a Prosperous Kingdom

Contents

CHAIRMAN'S STATEMENT

His Royal Highness Prince
Alwaleed Bin Talal Bin Abdulaziz Alsaud

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 the Kingdom Holding Company's annual report and audited financial statements for the year ended December 31, 2012.

An exceptional year for Kingdom Holding Company, 2012 has realized remarkable achievements within its folds thanks to Almighty Allah first and foremost, and to the efforts of our teams in various departments; planning, investment as well as project and business development. Our financial results witnessed a leap compared to the year 2011; total profits have exceeded all expectations despite the economic stagnation that plagued the world's largest economies and impacted their financial markets and investments.

Surpassing obstacles and challenges, our Company has embraced a constructive investment strategy, resulting from thorough studies and profound analyses, to proceed with its decisions and take shrewd and balanced steps. This included selling equity and assets in several companies and business sectors owned by the Company and which resulted in significant gains. On the other hand, we have purchased equity and shares in companies and business sectors experiencing rapid growth with long-term outlook; this was made possible through the presence of solid investment contracts conveying effectiveness, growth potential and a future increase in value which will work for the absolute benefit of Kingdom Holding Company.

Founded on the geographical and business diversification of investments, our vision's success became evident in the consolidated financial results for the year ended December 31, 2012. The consolidated net income reached SR 707 million; an increase of 10.5% over last year's, leading to better Company performance and an increase in share price during 2012, one of the highest in the Kingdom of Saudi Arabia and a manifestation of the overall market confidence in the Company's sustained ability to deliver and realize substantial value to its shareholders.

Through these achievements, our Company continues to uphold its ranking as one of the most successful and diversified investment organizations worldwide, and is amongst one of the select leading companies in Saudi Arabia, the Arabian Gulf, and internationally. Praise and gratitude to God and with our genuine efforts, we have implemented an investment portfolio that focuses on key economic sectors of core value and considerable growth potential including landmark hotel properties and hotel management companies, banking and financial services, real estate, technology and media, manufacturing, aviation and agriculture.

On a final note, I would like to express my thanks and appreciation to our esteemed shareholders for their unmatched trust and utmost support. Through adhering to courageous wisdom in our path, we promise to dedicate our efforts to preserve our Company's interests, nurture our investments, and achieve all set goals by increasing our gains and sustaining our leadership, God willing.

Alwaleed Bin Talal Bin Abdulaziz Alsaud
Chairman

MANAGEMENT & BOARD OF DIRECTORS

HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud
Chairman

Eng. Talal Ibrahim Almaiman
Executive Director for Development and Domestic Investments

Talal Almaiman 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 l996, 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).

Eng. Ahmed Reda Halawani
Executive Director for International and Private Equity

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

Mr. 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
Executive Director for Finance and Administration

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.

MANAGEMENT & BOARD OF DIRECTORS

HRH Prince
Alwaleed Bin Talal Bin Abdulaziz Alsaud

Eng. Talal Ibrahim Almaiman

Mr. Saleh Ali Al Sagri

Eng. Ahmed Reda Halawani

Mr. Shadi S. Sanbar

Dr. Khaled Abdullah Al Souhem

Mr. Sarmad Nabil Zok

Eng. Rasha El-Hoshan

Mr. Taher Mohammed Omar Agueel

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.

Mr. Taher Mohammed Omar Agueel
Non Executive Board Member

Mr. 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. Mr. Taher is a member of the industrial committee of the Commercial & Industrial Chamber in Jeddah, and Board member of the Gulf General Cooperative Insurance Company.

Eng. Rasha El-Hoshan
Independent Board Member

Engineer 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.

The Board of Directors' Report

To the Shareholders of the Kingdom Holding Company (KHC) for the financial year ended 31 December 2012

Introductory Note

The Board of Directors of Kingdom Holding Company is pleased to submit hereinafter to the Company's shareholders the 2012 Annual Report that details the Company's performance and achievements during the financial year ended 31 December 2012, highlighting the main sectors and their various activities. The Annual Report includes also the Company's final Audited Statements for the financial year ended 2012 along with the Notes to the Financial Statements that are considered part of the Financial Statements and the Auditors' Report.

Consolidated revenues for the financial year ended 31 December 2012 amounted to SR 3,477 million compared to SR 3,202 million for the year ended 31 December 2011. Consolidated net income for the year 2012 amounted to SR 707 million compared to the Consolidated Net income for the year 2011 amounting to SR 640 million. Accordingly, the profit per share reached SR 0.19 for the year ended 31 December 2012 compared to SR 0.17 profit for the year ended 31 December 2011.

During the past year, Kingdom Holding Company took wise decisions and steps that included the selling of shares and assets in various companies and industries it owns with high returns; those returns were invested in sectors that are highly profitable with high growth potential.

The Company will continue its search within all sectors for profitable investment opportunities; locally, regionally and internationally.

In conclusion, 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 2012.

Company's Main Activities

The Company's objectives are general contracting, operation and maintenance, retail and wholesale trading of construction, agricultural and food products, trading services, buying of lands to develop real estate projects for the purpose of renting or selling.

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 principal 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 principal 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 principal activity includes holding investments in the following subsidiaries and associates that own and manage hotels:

Company Name	% of Ownership	
	2012	2011
Kingdom 5 - KR – 35 Group (George V) – France A limited liability company incorporated in the Cayman Islands. It owns the George V Hotel in France. (direct and indirect ownership with Kingdom Hotel Investments Company)	100	100
Kingdom Hotels Company Toronto Ltd. (Toronto) The Company owns 100% of the Four Seasons Hotel in Toronto - Canada	100	100
Kingdom Hotel Investments (KHI) The company was established in the Cayman Islands in May 2000 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	% of Ownership	
	2012	2011
Kingdom Schools Company Ltd. (the Schools) – Saudi Arabia Kingdom Schools Company started its operations in 2000 in Riyadh. It owns and manages the Kingdom's schools	47	47
Kingdom Company for Real Estate Development – Saudi Arabia Established in 2012 and managing "Kingdom City" project in East Riyadh	100	-----
Fashion Village Trading Company Ltd. – Saudi Arabia The company manages retail shops in Riyadh and Jeddah, which showcase top international brands.	71.8	71.8
Medical Services Projects Company Ltd. (Hospital) – Saudi Arabia The company owns and manages Kingdom Hospital and the Consulting Clinics in Riyadh.	74	74
Consulting Clinics SAL – Beirut (Clinic) – Lebanon	50.4	50.4
Kingdom Agriculture Development Company (KADCO) – Egypt Established in 1997 for land rehabilitation and for development of agricultural projects in Egypt.	100	100

Overview of Associate Companies:

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

Company Name	% of Ownership	
	2012	2011
Fairmont Raffles Holdings International (FRHI) - Canada – FRHI is 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 operates and manages private high-end housing units.	35.2	35.2

The Board of Directors' Report

Four Seasons Holding Inc. (FSH Inc.) – Canada FSH is 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 and Resorts. The company also runs and manages private high-end housing units.	47.5	47.5
Mövenpick Hotels and Resorts AG (Mövenpick) – Switzerland Owned via Kingdom Company 5 – KR – 132 ltd (KR-132) in the Cayman islands. 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
Breezeroad Ltd. (Savoy) – United Kingdom Breezeroad Ltd is 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
Kingdom XXII (USA) Ltd. (Plaza) USA Owned via Kingdom Company 5 – KR – 132 ltd (KR-132) in the Cayman islands. - Hotel - Condominium - Commercial shops, restaurant and banquet venues It owns the historic landmark, the Plaza in New York, which is managed by the Fairmont company.	 25 25 25	 50 25 -
Fairmont Hotel – San Francisco Owned through Kingdom Company 5 - KR - 132 ltd (KR-132) in the Cayman islands. It owns the Fairmont Hotel in San Francisco	28	50
Kingdom Africa Investment Management Company A management company specialized in direct investments and responsible for managing the Company's investment funds in Africa	50	50
Pan Commonwealth African Partners Ltd. **Pan African Investment Partners Ltd. 1 and 2** Funds for asset management in Africa	30 30	30 30

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

Company Name	% of Ownership	
	2012	2011
Real Estate Investment Company (Compound) – Saudi Arabia Established in 1997. It owns and manages a luxurious residential compound in a distinct location in Riyadh.	38.9	38.9
Trade Centre Company Ltd. (Kingdom Centre) – Saudi Arabia The company that owns Kingdom Centre in Riyadh, which is considered one of the most prominent modern landmarks in Saudi Arabia.	36	36
Jeddah Economic Company Ltd. – Saudi Arabia Established in 2008. It owns and manages the Jeddah City project in Jeddah.	33.35	33.35
National Airway Services (NAS) – Saudi Arabia NAS owns and manages an economic airline license in the KSA.	32.3	35.8
Saudi Research and Marketing Group (SRMG) – Saudi Arabia 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

Meeting of the Partners of the Jeddah Project that includes the highest tower in the world

The Board of Directors' Report

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/Jeddah and Kingdom City/Riyadh; 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.

2012 Highlights

Real Estate Sector, Local and Regional Investments

- Signing two (2) contracts for selling 2 parts of Kingdom City project in East Riyadh dedicated for development by other developers for the value of SR 250 and SR 300 million to the Subul Development Company. Kingdom Holding Company yielded a profit of SR 328.7 million from both contracts.

- Kingdom Holding Company purchased Kingdom Oasis project and land estimated at 3.86 million square meters for a total amount of SR 431 million. The land is located next to the Kingdom City project in East Riyadh owned by the Chairman of the Board HRH Prince Alwaleed Bin Talal Bin Abdulaziz; the price invested in the purchase of the land is equivalent to its market price during the year 2007, an estimate of SR 90 /meter in addition to some development expenses disbursed for the project.

- Trade Center Company Ltd did an expansion for Kingdom Centre by SR 43.8 million whereby the estimated total surface of the new expansion reached 13,550 square meters including 26 commercial stores, 10 kiosks, a kids' playground and 27 restaurants.

- Jeddah Economic Company was granted the final license to build the highest tower in the world reaching more than 1,000 meters within the Jeddah project. The works on the Kingdom Tower started effectively on January 1st 2012 as part of phase 1 of the Kingdom City in Northern Jeddah over a surface of 5.3 million square meter overlooking the Red Sea and Obhur Creek.

- Expansion works in the new sections of Kingdom Hospital were completed. The works involve the third and fourth floors of the building, doubling the Hospital capacity. Moreover, Kingdom Hospital, unveils its SR 550 Million expansion plan on its recently acquired 85,000 square meters adjacent plot of land south of the hospital. The new expansion will encompass an inpatient tower, an outpatient treatment pavilion, and a day surgery center. This expansion comes in line with the expected increase of demand for health care in Saudi Arabia in the next 2 decades.

Jeddah Tower - the Highest Tower in the World

- Signing of the agreement with Saudi Telecom Company (STC) to provide Telecom Infrastructure for the 16 million square meter Kingdom Riyadh Land. The project includes a smart fiber-optic network to provide the project with an integrated information technology solution for all communications and services. The agreement is the foundation for establishing a smart city based on information and communication technology with a goal to provide outstanding level of services in the region. The infrastructure will be developed according to the highest international standards, including interactive e-services for all project elements such as safety and security, road traffic, monitoring facilities and other services.

- Jeddah Economic Company awarded the piling contract of Kingdom Tower in Jeddah to the German company Saudi Bauer under the supervision of Saudi Bin Laden Group for the value of SR 153 million. Saudi Bin Laden Group is the main contractor of the project for a total cost of SR 4.6 Billion.

Hotels and Hotel Management Companies:

- Kingdom Holding Company sold the old Four Seasons Hotel in Toronto for more than Canadian Dollar 142 million c/v SR 535 million realizing a profit of SR 30 million.
- Kingdom Holding Company sold a portion of the shares it owns in Fairmont San Francisco Hotel, decreasing its ownership from 50% to 28%. This investment was re-classified from assets-held-for-sale into fair value investments in associate companies resulting in SR 36.1 million profits. Fairmont Hotels & Resorts will continue to manage the hotel.
- Kingdom Hotel Investment, a wholly owned subsidiary of Kingdom Holding Company sold its interest in the Mövenpick Resort & Spa Karon Beach Phuket in Thailand to TA Global for USD 90 million c/v SR 337.5 million with net profit from the deal amounting to SR 75.4 million.
- The Kingdom Holding Company set up a renovation plan for the wholly owned Four Seasons George V Hotel in Paris. The plan includes 244 rooms and private suites for an approximate value of SR 115 million to be financed by the hotels cash flow.
- Kingdom Hotel Investment Company, a wholly owned subsidiary of Kingdom Holding Company sold its shares in the Fairmont Raffles Hotel, in Manila - Philippines for the amount of SR 218 million.
- Completion of the purchase of the Four Seasons Hotel in Toronto, Canada for USD 200 million c/v SR 750 million. This deal was financed by a real estate loan for the value of USD 130 million. The remaining USD 70 million was financed from the company's own resources. The hotel offers 259 spacious luxury hotel guest rooms, including 42 suites, in Toronto's luxurious Yorkville neighborhood.
- Kingdom Holding Company completed a SR 2.1 billion deal with Sahara India Company whereby the Sahara Company will own 75% of the shares in the Plaza Hotel - New York while KHC retaining a 25% equity ownership of all properties that include the hotel, condominium, commercial shops, ballrooms and restaurants. The company realized SR 123.4 million in profits from this deal.

International and Private Investments Sector

- Twitter Company reaped positive results after gaining a market share in internet advertising market. Twitter is planning on listing its shares during the first quarter of 2014.
- Profits amounting to SR 20 Million were realized from IPO listing and trading in international equity markets.
- Kingdom Holding Company worked on restructuring Kingdom Zephyr Africa Management Company specialized in managing the company's investment funds in Africa; Hence, the Company's name was changed to become Kingdom Africa Investment Management Company.
- The restructuring of the National Aviation Services Company (NAS) was completed. The company is

expected to start making profits during the year 2013. The NAS Board of Directors agreed on taking the necessary measures to move from a closed joint stock company to a publicly listed company.

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 (AGM) 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 and 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 Wednesday 22 February 2012 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 for a total of SR 137.6 million for each quarter with the total private distribution for the whole year amounting to SR 550.3 million. The Chairman of the Board, HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud has relinquished his 9,25 Halalas for each share he owns of the quarterly profits amounting to 37 Halalas per share from his part of the cash distributions proposed for the whole year amounting to SR 325.6 million per quarter and SR 1,302.4 million for the entire year.

Dividends Entitlements for the payments were as follows:

- First payment: Dividends entitlement for shareholders registered in the Company records at the end of the Assembly General Meeting (AGM) on 27 March 2012. It was disbursed 2 weeks later.
- Second payment: Dividends entitlement for shareholders registered in the Company records at the end of 27 June 2012. It was disbursed 2 weeks later.
- Third payment: Dividends entitlement for shareholders registered in the Company records at the end of 30 September 2012. It was disbursed 2 weeks later.
- Fourth payment: Dividends entitlement for shareholders registered in the Company records at the end of 31 December 2012. It was disbursed 2 weeks later.

It is to be noted that the shareholders approved the above decision during the fourth Assembly General Meeting (AGM) dated 27 March 2012.

Social Responsibility

The Company, through its local subsidiaries (Trade Centre Company, Kingdom Hospital and Kingdom Schools), 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

Fourth Assembly General Meeting (AGM)

Kingdom Holding Company held its fourth Assembly General Meeting (AGM) at 4:00 p.m. on Tuesday 27 March 2012 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 content of the Board of Directors' Report for year ending 31/12/2011.
2. Ratify the Balance Sheet, the Income statement and the Auditors' report for the fiscal year ending 31/12/2011.
3. Discharge the members of the Board of Directors from their functions for the period from 1/1/2011 till 31/12/2011.
4. Select Ms 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 2012 and the quarterly financial statements.
5. Approve the recommendation of the Board of Directors for purchasing the Kingdom Oasis project and land with a surface of 3.8 million square meters for an approximate value of SR 431 million. The land is located next to the Kingdom Project – East Riyadh and is owned by the Chairman of the Board HRH Prince Alwaleed Bin Talal Bin Abdulaziz.
6. Approve the distributed dividends for the year 2011 amounting to SR 550.3 million.
7. Approve the Board of Directors' decision to distribute quarterly dividends to shareholders.
8. Approve the Board of Directors decision related to the appointment of Engineer Rasha El-Hoshan as a member to the Board of Directors in replacement of member Ammar Abdulwahed Al-Khudairi.
9. Elect the members of the Board of Directors for the following session from 5/6/2012 for 3 years. The following members were elected:
   - HRH Prince Alwaleed Bin Talal Bin Abdulaziz
   - Eng. Talal Ibrahim Almaiman
   - Eng. Ahmed Reda Halawani
   - Mr. Sarmad Nabil Zok
   - Mr. Shadi S. Sanbar
   - Mr. Saleh Ali Al Sagri
   - Mr. Taher Mohammed Agueel
   - Dr. Khaled Abdullah Al Souhem
   - Eng. Rasha Amer El-Hoshan

Second Extraordinary Assembly General Meeting

Kingdom Holding Company held its second Extraordinary Assembly General Meeting after completion of the works of the ordinary Assembly General Meeting held at 4:00 p.m. on Tuesday 27 March 2012 at the Four Seasons Hotel. The following agenda was adopted by majority of votes:

1- Amend article 8 of the Company's bylaws whereby a clause (B) is added to the article, currently including clause A, related to the issue of Sukuks and bonds to read: "the Company can issue any kind of credit instruments tradable such as bonds or sukuks within or outside Saudi Arabia in compliance with the regulations, laws and decisions in force. The Ordinary Assembly General Meeting can, by virtue of a decision it issues, grant the Board of Directors the power to issue credit instruments including bonds and sukuks in one part or several parts or through a series of issuances, by virtue of a program or more established by the Board of Directors from time to time; all this at the times and amounts and conditions decided by the Company's Board of Directors which has the right to take the necessary procedures to issue them"

2- Commission the Company to issue any kind of credit instruments tradable such as bonds or sukuks within or outside Saudi Arabia in compliance with the regulations, laws and decisions in force. The Ordinary Assembly General Meeting can, by virtue of a decision it issues, grant the Board of Directors the power to issue credit instruments including bonds and sukuks in one part or several parts or through a series of issuances, by virtue of a program or more established by the Board of Directors from time to time; all this at the times and amounts and conditions decided by the Company's Board of Directors which has the right to take the necessary steps to issue sukuks and bonds not exceeding SR 3,750,000,000 and commission the Board of Director to sign on all contracts and agreements and release the related issue notes. The Board is entitled to commission any of the privileges it enjoys as per the above decision to any person or other persons and grant them the right to commission others.

The Board of Directors' Report

3- Grant the Company's Board the right to take all the necessary procedures to issue the sukuks or bonds and get the necessary approvals from the needed party and commission the Board to commission any of the privileges it enjoys as per the above decision to any person or other persons and grant them the right to commission such to others
4- Amend article 34 of the Company's Bylaws related to the voting power to comply with the Corporate Governance regulations issued by the Capital Market Authority (CMA) to read the following: "Each shareholder is granted a vote against each share that represents him at the Assembly General. The votes are calculated at the Ordinary and Extraordinary Assembly General Meetings on basis of the accrued voting for each share represented at the meeting".

Meetings of the Board of Directors

During the fourth Assembly General Meeting held on 27 March 2012, the members of the Board of Directors for the second session were elected. The session starts from 5 June 2012.

The Board of Directors held 4 meetings this year in the first session and 3 meetings for the second session. The number of meetings attended by each member is detailed below:

Member Name	Membership Type	Meeting Date							Remarks
		First Session				Second Session			
		19/1	22/2	27/3	19/4	18/7	20/10	16/11	
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Non Executive	✓	✓	✓	✓	✓	✓	✓	
Eng. Talal Ibrahim Almaiman	Executive	✓	✓	✓	✓	✓	✓	×	
Eng. Ahmed Reda Halawani	Executive	✓	✓	✓	✓	✓	✓	✓	
Mr. Sarmad Nabil Zok	Executive	✓	✓	✓	✓	✓	✓	✓	
Mr. Saleh Ali Al Sagri	Independent	✓	✓	×	✓	✓	✓	✓	
Mr. Taher Mohammed Omar Agueel	Non Executive	✓	✓	✓	✓	✓	✓	✓	
Dr. Khaled Abdullah Al Souhem	Independent	✓	✓	✓	✓	✓	✓	✓	
Eng. Rasha Amer El-Hoshan	Independent	-	✓	✓	✓	✓	✓	✓	New member
Mr. Shadi S. Sanbar	Executive	-	-	-	-	✓	✓	✓	New member

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	
			2012	2011
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Chairman of the Board Non Executive	None	3,520,588,235	3,520,588,235
Eng. Talal Ibrahim Almaiman	Executive Board Member for Development and Domestic Investments	Board member of the National Industrialization Company	4,378,467	1,176,470
Mr. Sarmad Nabil Zok	Executive Board Member for Hotel Investments	None	1,000	-
Eng. Ahmed Reda Halawani	Executive Board Member for Direct and International Investments	Board member of the National Air Services (NAS) Company	5,820,028	1,593,137
Mr. Shadi S. Sanbar	Executive Board Member for Finance and Administration	None	5,277,646	2,336,470
Eng. Rasha Amer El-Hoshan	Independent	None	1,000	-
Mr. Saleh Ali Al Sagri	Independent	Chairman for the Mediterranean & Gulf Insurance & Reinsurance Co (MEDGULF)	10,050,870	27,058,764
Mr. Taher Mohammed Omar Agueel	Non Executive	Board member of the National Airline Services (NAS) Company - Board member of the Gulf General Cooperative Insurance 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		
	Non Executive Board Members	Executive Board Members	4 Senior Managers including the CFO
Salaries	-	-	3,375,000
Benefits	-	-	1,687,500
Bonuses	-	-	11,593,750
Compensation for Board meetings attendance	-	-	-

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 5 meetings during the year. The members of the committee were re-elected on 5 June 2012. 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 Almaiman	Member
Mr. Sarmad Nabil Zok	Member
Eng. Ahmed Reda Halawani	Member
Mr. Shadi S. Sanbar	Member

The Board of Directors' Report

Audit Committee

The Committee supervises and evaluates risk assessment, management policies and procedures, operational and financial reports. The Committee also reviews the Company's financial statements and internal controls. The Committee held 3 meetings during the year. New members of the Committee were elected on 5 june 2012.

The committee as before the re-structuring:

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

The committee after the restructuring:

Name	Title
Mr. 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, tested 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 material weaknesses were detected in the Company's internal audit system.

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 one meeting during the year. The members of the committee were re-elected on 5 June 2012. The committee is comprised of the following members:

Name	Title
Dr. Khaled Abdullah Al Souhem	Head of the Committee
Mr. 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 listing rules 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 2012.
- There is currently no stock option scheme and there are no convertible debt instruments 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 relinquished 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 2012.
- HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud, Chairman of the Board, has relinquished his 9,25 Halalas for each share he owns of the quarterly profits amounting to 37 Halalas per share from his part of the cash distributions proposed for the whole year amounting to SR 325.6 million per quarter and SR 1,302.4 million 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 2012 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 audit report did not include any emphasis of matters on the Company's 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 Capital Market Authority.

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 2012, looking forward to further prosperity and progress in the years to come.

God Bless

Kingdom Land Projects-Riyadh

Kingdom Holding Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012
AND INDEPENDENT AUDITORS' REPORT

pwc

INDEPENDENT AUDITORS' REPORT February 23, 2013

To the Shareholders of Kingdom Holding Company:
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Kingdom Holding Company (a Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of December 31, 2012 and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and the notes 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable 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, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles 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

PricewaterhouseCoopers, Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (1) 465-4240, F: +966 (1) 465-1663, www.pwc.com/middle-east

KINGDOM

CONSOLIDATED BALANCE SHEET

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2012	2011
Assets			
Current assets			
Cash and cash equivalents	3	**805,052**	1,267,372
Held for trading investments	4	**843,000**	238,897
Accounts receivable	5	**538,775**	221,872
Other assets	6	**638,548**	997,207
Net assets held for sale	8	**180,111**	140,185
		3,005,486	2,865,533
Non-current assets			
Available for sale investments	9	**10,712,875**	8,482,091
Investments in associates	10	**17,762,235**	17,203,912
Investments in real estate	11	**1,686,507**	1,748,528
Property and equipment, net	12	**6,589,755**	7,661,134
Intangible assets	13	**1,677,795**	1,677,936
Other long term assets	14	**408,246**	142,465
		38,837,413	36,916,066
Total assets		**41,842,899**	39,781,599
Liabilities			
Current liabilities			
Bank borrowings and term loans	15	**1,520,633**	1,458,510
Accounts payable	16	**189,118**	263,449
Accrued expenses and other liabilities	17	**475,769**	702,785
		2,185,520	2,424,744
Non-current liabilities			
Term loans	15	**10,600,180**	10,864,463
Other long term liabilities	19	**427,349**	552,214
		11,027,529	11,416,677
Total liabilities		**13,213,049**	13,841,421
Equity			
Equity attributable to shareholders of the Company:			
Share capital	20	**37,058,823**	37,058,823
Statutory reserve		**316,213**	245,506
Retained earnings		**1,308,972**	1,222,929
Unrealized loss from available for sale investments	9	**(10,325,323)**	(13,066,612)
Foreign currency translation adjustments and other		**(168,322)**	(14,349)
Total shareholders' equity		**28,190,363**	25,446,297
Minority interests	21	**439,487**	493,881
Total equity		**28,629,850**	25,940,178
Total liabilities and equity		**41,842,899**	39,781,599
Contingencies and commitments	26,27		

CONSOLIDATED INCOME STATEMENT

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2012	2011
Revenues			
Hotels and other operating revenues		**1,949,322**	2,129,718
Sales of real estate	11	**1,000,000**	250,000
Dividends income	22	**93,643**	71,607
Loss from associates, net	10	**(94,619)**	(65,714)
Income from and gain on investments and others	23(a)	**490,557**	684,192
Other	23(b)	**38,810**	132,477
Total revenues		**3,477,713**	3,202,280
Costs and expenses			
Hotels and other operating costs		**(1,348,817)**	(1,480,957)
Cost of real estate	11	**(586,035)**	(160,483)
General and administrative	24	**(373,201)**	(427,797)
Total costs and expenses		**(2,308,053)**	(2,069,237)
Gross profit		**1,169,660**	1,133,043
Depreciation and amortization	12,13	**(222,096)**	(235,241)
Reversal of impairment loss	25	**186,000**	189,300
Income from operations		**1,133,564**	1,087,102
Finance charges, net	15	**(390,292)**	(420,525)
Income before minority interests, zakat and tax		**743,272**	666,577
Minority interests' share of loss	21	**31,226**	14,798
Income before zakat and tax		**774,498**	681,375
Zakat and tax	18	**(67,424)**	(41,760)
Net income for the year		**707,074**	639,615
Earnings per share (Saudi Riyals):	31		
• Income from operations		**0.31**	0.29
• Net income for the year		**0.19**	0.17

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2012	2011
Cash flow from operating activities			
Income before zakat and tax		**774,498**	681,375
Adjustments for non-cash items			
Depreciation and amortization		**222,096**	235,241
Loss from associates, net	10	**94,619**	65,714
Income from and gain on investments and others, net	23	**(490,557)**	(684,192)
Reversal of impairment loss	25	**(186,000)**	(189,300)
Loss applicable to minority interests		**31,226**	14,798
Allowance for doubtful debts	5	**11,543**	6,449
Changes in working capital			
Accounts receivable and other assets		**30,213**	36,831
Movement in investment in real estate, net		**110,906**	(92,179)
Other long term assets		**(265,781)**	(14,195)
Accounts payable, accruals and other liabilities		**(456,934)**	75,560
Other long term liabilities		**(124,865)**	(92,895)
Zakat and tax paid		**(74,429)**	(94,619)
Net cash utilized in operating activities		**(323,465)**	(51,412)
Cash flow from investing activities			
Purchase of held for trading investments		**-**	(151,769)
Proceeds from sale of held for trading Investments	4	**129,888**	-
Acquisition of available for sale investments		**-**	(190,103)
Proceeds from sale of available for sale investments		**-**	6,524
Reclassification of subsidiary, net of cash		**-**	(384,859)
Additions to associates	10	**(75,341)**	(32,927)
Movement in net assets held for sale		**(162,926)**	-
Dividends from associates	10	**34,740**	88,038
Proceeds from disposal of property and equipment		**1,242,671**	988,376
Purchase of property and equipment	12	**(469,783)**	(623,488)
Net cash generated from/(utilized in) investing activities		**699,249**	(300,208)
Cash flow from financing activities			
Loans and bank borrowings, net		**(202,160)**	912,819
Dividend paid	32	**(550,324)**	(550,324)
Changes in minority interests		**(85,620)**	(42,108)
Net cash (utilized in)/generated from financing activities		**(838,104)**	320,387
Net change in cash and cash equivalents		**(462,320)**	(31,233)
Cash and cash equivalents at beginning of year		**1,267,372**	1,298,605
Cash and cash equivalents at end of year	3	**805,052**	1,267,372
Supplemental schedule of non-cash information			
Net assets related to subsidiary classified as associate		**-**	1,240,775
(Decrease)/increase in unrealized loss from available for sale investments, net	9	**(2,741,289)**	1,796,692
Transfer of available for sale investment to held for trading investment and additions	4,9	**510,505**	77,676
Reclassification of assets held for sale to investments in real estate		**18,750**	-
Reclassification of assets held for sale to investments in associates		**104,250**	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Shareholders' equity: Share capital	Statutory reserve	Retained earnings	Unrealized loss from available for sale investments	Foreign currency translation adjustments and other	Total	Minority interests	Total equity
January 1, 2012		37,058,823	245,506	1,222,929	(13,066,612)	(14,349)	25,446,297	493,881	**25,940,178**
Net income for the year		-	-	707,074	-	-	**707,074**	(31,226)	**675,848**
Transfer to statutory reserve		-	70,707	(70,707)	-	-	-	-	-
Dividends	32	-	-	(550,324)	-	-	**(550,324)**	-	**(550,324)**
Net movement during the year		-	-	-	2,741,289	(153,973)	**2,587,316**	(23,168)	**2,564,148**
December 31, 2012		**37,058,823**	**316,213**	**1,308,972**	**(10,325,323)**	**(168,322)**	**28,190,363**	**439,487**	**28,629,850**
January 1, 2011		37,058,823	181,545	1,197,599	(11,269,920)	(86,636)	27,081,411	1,315,287	28,396,698
Net income for the year		-	-	639,615	-	-	639,615	(14,798)	624,817
Transfer to statutory reserve		-	63,961	(63,961)	-	-	-	-	-
Dividends	32	-	-	(550,324)	-	-	(550,324)	-	(550,324)
Net movement during the year		-	-	-	(1,796,692)	72,287	(1,724,405)	(806,608)	(2,531,013)
December 31, 2011		37,058,823	245,506	1,222,929	(13,066,612)	(14,349)	25,446,297	493,881	25,940,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(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 Jumada 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	Ownership Percentage	
	2012	2011
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	Ownership Percentage	
	2012	2011
Fairmont Raffles Holdings International (FRHI) - Canada	**35.0**	**35.0**
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**	**-**
The Plaza - United States of America		
• Hotel	**-**	**50.0**
• Condominium	**-**	**25.0**
Sahara Plaza LLC - United States of America	**25.0**	**-**

During the year ended December 31, 2012, the Group sold its investment in the hotel condos and hotel portions of the Plaza Hotel and through a separate agreement and new partnership, the proceeds were invested in a newly established entity (Sahara Plaza LLC) in return of a 25% equity interest in all properties of the Plaza, which includes the hotel, the condos, the retail space, the banquet facilities and the restaurant (Note 10).

During the year ended December 31, 2012, the Company sold a portion of its share in Fairmont San Francisco Hotel resulting in dilution of its ownership from 50% to 28%. As a result, this investment has been classified from assets held for sale to investment in associates (Note 10).

d) **Local and regional subsidiaries**

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

Subsidiaries	Ownership Percentage	
	2012	2011
Kingdom Schools Company Limited (The School) - Saudi Arabia	**47.0**	47.0
Fashion Village Trading Company Limited (SAKS) - Saudi Arabia	**71.8**	71.8
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	**74.0**	74.0
Consulting Clinic SAL (Clinic) - Lebanon	**50.4**	50.4
Kingdom Agriculture Development Company (KADCO) - Egypt	**100.0**	100.0

Associates	Ownership Percentage	
	2012	2011
National Air Services - Saudi Arabia	**32.3**	35.8
Jeddah Economic Company (JEC) - Saudi Arabia	**33.35**	33.35
Real Estate Investment Company (REIC) - Saudi Arabia	**38.9**	38.9
Saudi Research and Marketing Group - Saudi Arabia	**29.9**	29.9
Trade Centre Company Limited (TCCL) - Saudi Arabia	**36.0**	36.0

During the year ended December 31, 2011, due to certain changes in the management and operating control structure of Trade Centre Company Limited ("TCCL") (a former 36% owned subsidiary), KHC no longer exercised control over TCCL. Accordingly, this investment was reclassified during 2011 to investments in associates.

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 20, 2013.

2 Summary of significant accounting policies

The 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 on the accrual basis of accounting, as modified by revaluation of held for trading and available for sale investments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

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

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

2.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the 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 significant risk of causing a material 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.

At the 31 December 2012, gross trade receivable were Saudi Riyals 559 million (2011: 243.6 million) and the allowance for doubtful debts was estimated at Saudi Riyals 20.4 million (2011: Saudi Riyals 21.7 million).

(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.

(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. An allowance 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 allowances 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 allowance for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

2.5 Inventories

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

2.6 Assets held for sale

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

2.7 Investments

(a) Held for trading investments

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

(b) Investment in available for sale investments

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

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

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

(c) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any. Under the equity method, investments in associate are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The consolidated income statement reflects the Group's share in the results of associates and the Group's share of post-acquisition movements in reserves, if any, is recognized in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

(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.

(e) Interest in a joint venture

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements.

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.10 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the consolidated income statement. Land and construction work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the following estimated useful lives of the assets:

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

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

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

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

2.11 Impairment

(a) Tangible and intangible assets

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

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

(b) Financial assets

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

(i) For assets classified as available for sale, impairment is the difference between the acquisition cost and current 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

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

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

2.13 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 deducting losses brought forward) in each year to a statutory reserve until such reserve equals to one half of the share capital. This reserve is not available for distribution to the shareholders of the Company.

2.18 Revenue

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

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

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

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

2.19 Expenses

Operating costs of the Group are reported as hotels and other operating costs. Other expenses, including selling and marketing expenses which are not material, are classified as general and administration expenses. Development costs are capitalized only when economic feasibility of the project has been demonstrated. In the absence of economic feasibility, such cost is expensed when incurred.

2.20 Zakat and 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) Other

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 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.

2.24 Dividends

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

2.25 Derivative financial instruments

Derivatives financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Hedges used by the Group are cash flow hedges. Fair values are obtained from quoted market prices. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in consolidated statement of changes in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

3 Cash and cash equivalents

	2012	2011
Bank balances and cash	**719,662**	924,960
Short term deposits	**85,390**	342,412
	805,052	1,267,372

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:

	2012	2011
Local	**498,600**	128,496
International	**344,400**	110,401
	843,000	238,897

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

	2012	2011
At the beginning of the year	**238,897**	-
Additions	**-**	151,769
Transfer from available for sale investments (Note 9)	**510,505**	77,676
Disposal	**(110,763)**	-
Changes in fair value, net (Note 23)	**204,361**	9,452
At the end of the year	**843,000**	238,897

5 Accounts receivable

	2012	2011
Trade receivables	**559,229**	243,604
Less: allowance for doubtful debts	**(20,454)**	(21,732)
	538,775	221,872

Movements in the allowance for doubtful debts are as follows:

	2012	2011
At the beginning of the year	**21,732**	30,499
Charge for the year	**11,543**	6,449
Reclassification to associates (Note 1)	**-**	(5,576)
Amounts written off	**(12,821)**	(9,640)
At the end of the year	**20,454**	21,732

Trade receivables include Saudi Riyals 300 million resulting from the sale of parcel of land during the last quarter of 2012. This receivable is secured against that parcel of land (Note 11). Under the terms of the arrangement the amount is expected to be settled by the end of 2013.

Trade receivables are expected, on the basis of past experience, to be fully recoverable. Other than receivable against land sale, it is not the practice of the Group to obtain collateral over trade receivables and the vast majority is, therefore, unsecured.

6 Other assets

	2012	2011
Due from affiliates (Note 7)	**204,187**	413,883
Inventories	**121,079**	120,729
Investments in real estate (Note 11)	**111,851**	116,541
Prepaid loan fee	**62,289**	90,799
Value Added Tax claims receivable	**20,523**	112,718
Advances to suppliers	**32,964**	45,502
Prepaid expenses	**28,038**	30,644
Other	**57,617**	66,391
	638,548	997,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

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*	
		2012	2011
Principal shareholder	Purchase of land (i)	**431,018**	-
Associates	Sale of land (ii)	**450,000**	-
	Revenues	**8,283**	13,574
	Costs and expenses	**64,464**	67,333

(i) The shareholders in the annual General Assembly meeting held on March 27, 2012 (corresponding to Jumad Al-Awwal 4, 1433H) approved the purchase of land from the principal shareholder amounting to Saudi Riyals 431 million as recommended by the Company's board of directors.

(ii) During the year ended December 31, 2012, the Company sold a portion of land to Trade Centre Company Limited (TCCL), an associate. This land was acquired from the principal shareholder during the year at a cost of Saudi Riyals 319.3 million. The Company recognized a gain of Saudi Riyals 83.6 million on this transaction, which represents portion of the gain attributable to the equity of the other shareholders in TCCL.

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 certain identified assets and hotel properties for sale. Accordingly, the Group has classified the following assets and related liabilities as held for sale:

	2012	2011
Current assets	**30,975**	24,122
Property and equipment	**649,386**	7,935
Other assets	**-**	175,083
	680,361	207,140
Current and other liabilities	**(500,250)**	(66,955)
Net balance	**180,111**	140,185

9 Available for sale investments

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

	2012	2011
International	**10,002,115**	7,126,899
Local and regional	**710,760**	1,355,192
	10,712,875	8,482,091

(b) **The movement in AFS investments is set out below:**

	2012	2011
Cost:		
At the beginning of the year net of impairment charge	**21,548,703**	21,442,800
Transfer to held for trading investments (Note 4)	**(510,505)**	(77,676)
Additions during the year	**-**	190,103
Disposal	**-**	(6,524)
At the end of the year	**21,038,198**	21,548,703
Unrealized loss:		
At the beginning of the year	**(13,066,612)**	(11,269,920)
Decrease/(increase) in unrealized loss during the year, net	**3,047,686**	(1,798,113)
Unrealized gain related to investments transferred to held for trading investments	**(306,397)**	-
Unrealized loss related to investment disposed off	**-**	1,421
At the end of the year	**(10,325,323)**	(13,066,612)
Net carrying amount	**10,712,875**	8,482,091

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, 2012, 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, information from financial analysts about the forecasted market price, the Company's intent and ability to hold these investments until the market price recovers and its intent and ability to mitigate any potential impairment that could be incurred on such investments.

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

10 Investments in associates

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

	2012	2011
At the beginning of the year	**17,203,912**	16,690,681
Additions during the year	**75,341**	32,927
Share in loss and other, net	**(94,619)**	(65,714)
Transfer from subsidiaries and others	**612,341**	634,056
Dividends received	**(34,740)**	(88,038)
At the end of the year	**17,762,235**	17,203,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

During the year ended December 31, 2012, the Group sold its investment in the hotel condos and hotel portions of the Plaza Hotel for a consideration of Saudi Riyals 281.3 million and recognized a gain of Saudi Riyals 123.4 million. Through a separate agreement and new partnership, the proceeds were invested in a newly established entity (Sahara Plaza LLC) in return of a 25% equity interest in all properties of the Plaza, which includes the hotel, the condos, the retail space, the banquet facilities and the restaurant (Note 23a).

During the year ended December 31, 2012, the Company sold a portion of its share in Fairmont San Francisco Hotel resulting in dilution of its ownership from 50% to 28%. As a result, this investment has been classified from assets held for sale to investment in associates at fair value resulting in a gain of Saudi Riyals 36.1 million (Note 23a).

During the year ended December 31, 2011, due to certain changes in the management and operating control structure of Trade Centre Company Limited (TCCL) (a former 36% owned subsidiary), KHC no longer exercised control over TCCL. Accordingly, this investment was reclassified to investments in associates at its fair value resulting in a gain of Saudi Riyals 171.1 million (Note 23a).

During the year ended December 31, 2011, the shareholders restructured the ownership of Jeddah Economic Company (JEC), an associated company, and a new shareholder contributed Saudi Riyals 1,460 million cash for a 16.63% equity interest in JEC. This was based on a valuation of all contributions provided by the existing shareholders. As a result, the Group share was diluted to 33.35% resulting in a gain of Saudi Riyals 363.5 million which was recognized during 2011 (Note 23a).

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

	2012		2011	
	Percentage Ownership	Amount	Percentage Ownership	Amount
Associates of the Company:				
Trade Centre Company Limited (TCCL) - Saudi Arabia (Note 1)	**36.0**	**492,825**	36.0	333,575
Fairmont Raffles Holdings International (FRHI) - Canada	**35.0**	**5,331,459**	35.0	5,315,716
Four Seasons Holding Inc. - Canada	**47.5**	**4,211,715**	47.5	4,247,707
Jeddah Economic Company - Saudi Arabia	**33.35**	**2,858,755**	33.35	2,858,755
National Air Services - Saudi Arabia	**32.3**	**1,921,609**	35.8	1,942,266
Saudi Research and Marketing Group - Saudi Arabia	**29.9**	**1,133,930**	29.9	918,736
Breezeroad Limited (Savoy) - United Kingdom	**50.0**	**389,354**	50.0	443,992
Mövenpick Hotels and Resorts AG - Switzerland	**33.3**	**481,126**	33.3	447,839
Real Estate Investment Company (REIC) - Saudi Arabia	**38.9**	**271,318**	38.9	258,372
The Plaza - United States of America	**-**	**-**	25.0-50.0	165,556
Sahara Plaza LLC - United States of America	**25.0**	**284,986**	-	-
Fairmont Hotel San Francisco	**28.0**	**100,327**	-	-
Others	**30.0-35.0**	**199,900**	30.0-35.0	189,728
Associates of Subsidiaries				
Mövenpick El - Gouna - Egypt	**29.0**	**77,199**	29.0	72,999
Four Seasons - Mauritius Golf Club	**39.0**	**7,732**	39.0	8,671
		17,762,235		17,203,912

11 Investments in real estate

	2012	2011
Investments in land and related infrastructure costs - Saudi Arabia (Note 7)	**1,563,677**	1,504,576
Properties under construction	**215,931**	249,308
Others	**18,750**	111,185
	1,798,358	1,865,069
Less: current portion (Note 6)	**(111,851)**	(116,541)
	1,686,507	1,748,528

During the year ended December 31, 2012, the Group completed the sale of certain parcels of land in Riyadh aggregating Saudi Riyals 1,000 million and realized a gain of Saudi Riyals 414 million (2011: Saudi Riyals 90 million). Included in these were two parcels of land sold to Subul Development Company, under legally binding sale agreements, for an amount of Saudi Riyals 250 million and Saudi Riyals 300 million, realizing a gain of Saudi Riyals 144 million and Saudi Riyals 186 million respectively. Management determined that the risk and rewards of ownership have transferred to the buyer through these sale agreements.

The Group capitalized borrowing costs of Saudi Riyals 34.3 million (2011: Saudi Riyals 27.8 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 2012
Cost						
At the beginning of the year	2,167,609	5,040,203	395,416	908,906	391,252	**8,903,386**
Additions	35,791	34,867	8,783	16,887	373,455	**469,783**
Disposals and others	(425,629)	(298,736)	(11,425)	(34,301)	(743,368)	**(1,513,459)**
At the end of the year	1,777,771	4,776,334	392,774	891,492	21,339	**7,859,710**
Accumulated depreciation						
At the beginning of the year	-	707,629	157,086	320,632	56,905	**1,242,252**
Charge for the year	-	84,362	41,011	79,741	15,682	**220,796**
Disposals and others	-	(79,253)	(11,425)	(34,301)	(68,114)	**(193,093)**
At the end of the year	-	712,738	186,672	366,072	4,473	**1,269,955**
Net book value at December 31, 2012	1,777,771	4,063,596	206,102	525,420	16,866	**6,589,755**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Land	Buildings and leasehold improvements	Equipment	Furniture and fixtures	Construction work in progress and others	Total 2011
Cost						
At the beginning of the year	2,539,182	5,878,797	396,787	1,010,836	928,267	10,753,869
Additions	4,715	91,391	37,185	44,672	445,525	623,488
Disposals	-	(530,414)	(69,947)	(58,044)	(42,954)	(701,359)
Reclassification and transfers (Note 1)	(376,288)	(399,571)	31,391	(88,558)	(939,586)	(1,772,612)
At the end of the year	2,167,609	5,040,203	395,416	908,906	391,252	8,903,386
Accumulated depreciation						
At the beginning of the year	-	1,006,012	162,187	381,783	49,467	1,599,449
Charge for the year	-	104,479	43,910	56,842	14,276	219,507
Disposals	-	(148,118)	(49,736)	(40,115)	(6,838)	(244,807)
Reclassification and transfers (Note 1)	-	(254,744)	725	(77,878)	-	(331,897)
At the end of the year	-	707,629	157,086	320,632	56,905	1,242,252
Net book value at December 31, 2011	2,167,609	4,332,574	238,330	588,274	334,347	7,661,134

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

13 Intangible assets

Intangible assets comprise the following:

	2012	2011
Goodwill	**1,618,312**	1,610,269
Brand names and others	**59,483**	67,667
	1,677,795	1,677,936

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.

Goodwill includes the portion relating to the goodwill of minority interest of subsidiaries, aggregating to Saudi Riyals 45 million (2011: Saudi Riyals 45 million).

Movement in goodwill during the year is set out below:

	2012	2011
At the beginning of the year	**1,610,269**	1,685,881
Effect of foreign exchange, disposals and others	**8,043**	(75,612)
	1,618,312	1,610,269

Brand names relate to subsidiaries that operate hotel properties. Such intangibles have definite lives and are amortized over their useful economic lives. Amortization of intangible assets for the year ended December 31, 2012 amounted to Saudi Riyals 1.3 million.

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. As a result, management considers no impairment is required at the year end.

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 7.75% to 15% and 4.25% to 10%, respectively, depending on the geographical territories in which the hotels are located.

Management has adopted a 5 year period to assess its value-in-use except for three hotels in the Middle East where 10 year cash flow projections have been used. Management considers that a five year period would be too short of a period for impairment testing purposes due to the current political situation in such countries in the Middle East.

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. Cash flow projections are based on forecasts approved by management covering a five year period using discount rate of 13%. Cash flows beyond the estimation period have been extrapolated using growth rates of 3%. This growth rate does not exceed the long term growth rate for the market in which cash-generating unit operates.

Others

Goodwill allocated to the schools cash-generating unit amounts to Saudi Riyals 8.9 million (2011: Saudi Riyals 8.9 million) and management is of the opinion that this goodwill is not impaired.

14 Other long term assets

	2012	2011
Long term advances	**275,000**	25,000
Deferred tax asset (Note 18(c))	**72,311**	91,709
Refundable deposits	**772**	3,783
Others	**60,163**	21,973
	408,246	142,465

Long term advances include an amount of Saudi Riyals 250 million for potential future acquisitions.

15 Bank borrowings and term loans

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

	2012	2011
Current		
Short-term loans	**74,153**	73,938
Revolving credit facilities	**-**	652,571
	74,153	726,509
Current portion of term loans	**1,446,480**	732,001
	1,520,633	1,458,510
Non-current		
Term loans, including long-term revolving facilities	**10,600,180**	10,864,463
	12,120,813	12,322,973

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

	2012	2011
Kingdom Holding Company (KHC)	**5,197,974**	5,356,606
Kingdom 5-KR-11 Ltd.	**3,187,397**	2,993,888
Kingdom Hotel Investments (KHI)	**1,799,133**	2,130,098
Kingdom 5-KR-35 Group (George V)	**1,742,612**	1,739,251
Others	**193,697**	103,130
	12,120,813	12,322,973

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

Kingdom Holding Company (KHC)
KHC loans of Saudi Riyals 5,198 million as of December 31, 2012 (2011: Saudi Riyals 5,357 million) were obtained from commercial banks and consist of several facilities including syndicated loans and revolving credit facilities. During the current year, KHC obtained new loans of Saudi Riyals 688.8 million (2011: Saudi Riyals 3,827 million) and settled loans of Saudi Riyals 847.8 million (2011: Saudi Riyals 3,713 million). 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. As at December 31, 2012, loans amounting to Saudi Riyals 333.9 million (2011: Saudi Royals 1,464 million) were denominated in US dollars and the remaining balance is denominated in Saudi Riyals. The aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period up to 5 years. Loan agreements principally include financial covenants with respect to maintaining certain equity balance, interest coverage ratio and loan to market value of collateral ratio.

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 3 years. These loans are denominated in US dollars.

Kingdom Hotel Investments (KHI)
KHI loans of Saudi Riyals 1,799 million as of December 31, 2012 (2011: Saudi Riyals 2,130 million) have different maturities within the next nine 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:

	2012	2011
	In millions	In millions
US dollars	**1,187**	1,304
UAE Dirham	**257**	306
Morocco Dirham	**275**	275
Euro	**52**	60
Other	**28**	185
	1,799	2,130

Kingdom 5-KR-35 Group (George V)
The loans of Saudi Riyals 1,743 million as of December 31, 2012 (2011: Saudi Riyals 1,739 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 aggregate maturity period is over 5 years. These loans are primarily denominated in Euro.

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 9 years. These loans are primarily denominated in Saudi Riyals.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Accounts payable

	2012	2011
Trade payables	**182,782**	240,242
Other payables	**6,336**	23,207
	189,118	263,449

17 Accrued expenses and other liabilities

	2012	2011
Employees related accruals	**152,014**	109,188
Deposits from customers	**51,568**	209,141
Financial charges	**46,434**	46,604
Income taxes (Note 18 (b))	**43,639**	66,654
Zakat (Note 18 (a))	**32,965**	16,955
Unearned revenue	**16,764**	33,089
Due to affiliates (Note 7)	**74,037**	107,545
Other	**58,348**	113,609
	475,769	702,785

18 Zakat and tax

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

	2012	2011
Zakat provision, net	**18,318**	(11,599)
Income tax provision	**36,903**	49,360
Withholding tax on foreign dividends	**12,203**	3,999
	67,424	41,760

(a) Zakat

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

	2012	2011
At the beginning of the year	**16,955**	56,409
Zakat provision, net	**18,318**	(11,599)
Reclassification during the year	**-**	(6,536)
Paid during the year	**(2,308)**	(21,319)
At the end of the year (Note 17)	**32,965**	16,955

The Company has received final assessments from the Department of Zakat and Income Tax ("DZIT") up to year 2002. During 2012, the Company has 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.

During 2011, the Company reversed excess zakat provision related to prior years since it was no longer required. Such excess provision of Saudi Riyals 28 million was netted off against current year zakat charge of Saudi Riyals 16.4 million.

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.

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 million and Saudi Riyals 67 million as at December 31, 2012 and 2011, respectively (Note 17).

c) Deferred tax

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

	2012	2011
Deferred tax liabilities (Note 19)		
Property, equipment and intangible assets	**270,197**	297,756
Others	**59,683**	90,548
	329,880	388,304
Deferred tax assets (Note 14)		
Provisions	**(27,961)**	(31,028)
Others	**(44,350)**	(60,681)
	(72,311)	(91,709)

19 Other long term liabilities

	2012	2011
Deferred taxes (Note 18 (c))	**329,880**	388,304
Post employment benefits	**82,481**	70,544
Retention payable	**616**	75,292
Other	**14,372**	18,074
	427,349	552,214

20 Share capital

The share capital at December 31, 2012 and 2011 consists of 3,706 million shares of Saudi Riyals 10 each.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Minority interests

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

Name of the entity	2012 Total minority interests	2012 Share in net income (loss)	2011 Total minority interests	2011 Share in net income (loss)
Kingdom Hotel Investments	**381,821**	**(32,156)**	435,639	(30,547)
Trade Centre Company Limited (Note1)	**-**	**-**	-	14,554
Others	**57,666**	**930**	58,242	1,195
	439,487	**(31,226)**	493,881	(14,798)

Total minority interests include goodwill of Saudi Riyals 45 million relating to minority interests (2011: Saudi Riyals 45 million).

22 Dividends income

	2012	2011
International	**41,546**	40,034
Local and regional	**52,097**	31,573
	93,643	71,607

23 Income from and gain on investments and others

23(a) Income from and gain on investments

	2012	2011
Change in market value of held for trading investments, net (Note 4)	**204,361**	9,452
Gain on investments in associates (Note 10)	**159,499**	534,600
Others, net	**126,697**	140,140
	490,557	684,192

During the year ended December 31, 2012, 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 306.4 million has been recycled from equity and recognized in the consolidated income statement (Note 9). During the year ended December 31, 2012, the value of certain securities declined resulting in an unrealized loss of Saudi Riyals 102 million.

Others, net for the year ended December 31, 2012 include gain from sale of hotel properties amounting to Saudi Riyals 107.4 million (2011: Saudi Riyals 128.7 million).

23(b) Other

Other revenue for the year ended December 31, 2011 of Saudi Riyals 132.5 million includes reversal of provision of Saudi Riyals 73 million.

24 General and administrative expenses

	2012	2011
Employee costs	**150,190**	176,223
Professional fees	**53,304**	90,816
Repairs and maintenance	**30,383**	17,476
Selling and marketing expenses	**17,735**	25,637
Utilities and office expenses	**31,718**	20,957
Insurance	**4,758**	2,286
Other	**85,113**	94,402
	373,201	427,797

25 Reversal of impairment losses

During the year ended December 31, 2012, the Company reviewed the carrying value of certain assets held for sale and certain other investments based on an updated valuation and analysis of the current fair value of these investments. This resulted in an increase in the carrying value of Saudi Riyals 186 million (2011: Saudi Riyals 189.3 million). Accordingly, such increase was recorded as a reversal of impairment loss, which was initially recorded in prior years' against these investments.

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, 2012 amounted to Saudi Riyals 3.375 million (2011: Saudi Riyals 159.4 million).

(b) Operating lease commitments

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

	2012	2011
Within one year	**21,767**	12,559
1 to 5 years	**37,297**	40,075
	59,064	52,634

27 Contingencies

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

At December 31, 2012, the Group has outstanding letters of guarantee amounting to Saudi Riyals 11 million (2011: Saudi Riyals 9.52 million) issued in the normal course of business.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 balance sheet principally include cash and cash equivalents, investments, receivables and certain other assets, bank borrowings, term loans, payables and certain other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the 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.

The sensitivity of the income/expense is the effect of the assumed changes in interest rates on the Group's net results for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2012 and 2011.

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 balance sheet:

	2012	2011
Bank balances and short term deposits	**800,926**	1,263,218
Other current assets	**261,804**	480,274
Accounts receivable	**538,775**	221,872
Other long term assets	**335,935**	50,220
	1,937,440	2,015,584

Liquidity risk

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

Currency risk

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

December 31, 2012	Equity	Hotels	Real Estate and Domestic	Total
Total revenues	424,650	1,503,830	1,549,233	3,477,713
Gross profit	318,389	311,384	539,887	1,169,660
Net (loss) income	254,051	(45,753)	498,776	707,074
Property and equipment, net	56,430	5,978,221	555,104	6,589,755
Total assets	16,465,116	19,015,600	6,362,183	41,842,899
Total liabilities	8,571,744	4,307,585	333,720	13,213,049

December 31, 2011	Equity	Hotels	Real Estate and Domestic	Total
Total revenues	59,261	1,779,854	1,363,165	3,202,280
Gross (loss) profit	(51,175)	377,116	807,102	1,133,043
Net (loss) income	(283,615)	85,600	837,630	639,615
Property and equipment, net	57,504	7,074,777	528,853	7,661,134
Total assets	13,629,681	19,554,122	6,597,796	39,781,599
Total liabilities	8,304,442	5,141,086	395,893	13,841,421

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

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

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

31 Earnings per share

Earnings per share for the years ended December 31, 2012 and 2011 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 periods of 3,706 million shares.

32 Dividends declaration

The General Assembly of the Company, in its annual meeting which was held on Rabi Thani 22, 1432H (corresponding to March 27, 2011) approved the cash dividends distribution of Saudi Riyals 137.5 million per quarter totaling to Saudi Riyals 550.3 million for the year, as recommended by the Company's board of directors.

The first, second, third and fourth dividend distributions were made to all shareholders on record as of the dates approved in the General Assembly meeting.

33 Comparative figures

Certain reclassifications have been made to the 2011 consolidated financial statements to conform with the current year presentation.

34 Subsequent event

Subsequent to December 31, 2012, the Group announced the acquisition, through a consortium of investors, of a share of 360Buy Jingdong Inc in China for the value of Saudi Riyals 1,500 million. The Group's share in this investment is Saudi Riyals 469 million. 360Buy Jingdong Inc. is the largest online retailer company in China.

KINGDOM HOLDING COMPANY
A WEALTH OF INVESTMENTS AROUND THE GLOBE

شركة المملكة القابضة
ثروة من الاستثمارات حول العالم