

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND INDEPENDENT AUDITOR'S REPORT

**KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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Independent auditor's report to the shareholders of Kingdom Holding Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kingdom Holding Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditor's report to the shareholders of Kingdom Holding Company (continued)

Our audit approach

Overview

Key audit matters

- Impairment review of indefinite life intangible assets
 - Impairment review of equity-accounted investees
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the shareholders of Kingdom Holding Company (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment review of indefinite life intangible assets</i></p> <p>At 31 December 2020, the Group had indefinite life intangible assets, including goodwill and brand, which arose on past business combinations amounting to Saudi Riyals 1.3 billion (2019: Saudi Riyals 1.2 billion) and Saudi Riyals 769.1 million (2019: Saudi Riyals 741.9 million), respectively.</p> <p>In accordance with the International Accounting Standard "Impairment of assets" (IAS 36), an entity is required to test indefinite life intangible assets acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>These intangible assets are monitored by management at the level of cash-generating units ("CGUs") which are the relevant operating activities of the Group. Management carried out an impairment assessment in respect of indefinite life intangible assets by determining a recoverable amount based on fair value less costs of disposals using discounted cash flow model, which utilized the most recent business plan prepared by the management. The outcome of this assessment as at 31 December 2020 did not result in any impairment loss to be recognized.</p> <p>We considered impairment testing of indefinite life intangible assets performed by management as a key audit matter since the assessment of the recoverable amount under the fair value less costs of disposal basis requires considerable judgment around use of estimates on the part of management. The critical judgmental elements of management's assessment were:</p> <ul style="list-style-type: none"> (a) revenue growth and EBITDA margin assumptions; and (b) pre-tax discount rates, long term growth rates and terminal capitalization rates used in the cash flow models. <p><i>Refer to Note 4.11 and Note 4.18 for the accounting policies, Note 3.1 for the significant estimate and Note 15 for the related disclosure in the accompanying consolidated financial statements.</i></p>	<p>We assessed management's impairment assessment of indefinite life intangible assets by performing the following procedures:</p> <ul style="list-style-type: none"> • Assessed the methodology used by management to determine the recoverable value and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the models used and of the underlying calculations; • Tested the reasonableness of the cash flow projections by comparison to the CGU's historical results and underlying assumptions supporting the growth in forecasted cash flows; • Engaged our internal valuation experts to assist in the review of the valuation methodology and use of certain assumptions including pre-tax discount rates, long term growth rates and terminal capitalization rates; and <p>Reviewed sensitivity analyses over key assumptions as disclosed in Note 15 to the accompanying consolidated financial statements in order to assess the potential impact of a range of possible outcomes.</p> <p>We also reviewed the adequacy of the disclosures included in the notes to the accompanying consolidated financial statements.</p>

Independent auditor's report to the shareholders of Kingdom Holding Company (continued)

Key audit matter	How our audit addressed the key audit matter
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Impairment review of equity-accounted investees (Accor, Four Seasons Holding and NAS)

At 31 December 2020, the Group had an investment in Accor amounting to Saudi Riyals 3.2 billion (2019: Saudi Riyals 4 billion), investment in Four Seasons Holding (FSH) amounting to Saudi Riyals 4.4 billion (2019: Saudi Riyals 4.6 billion) and investment in NAS amounting to Saudi Riyals 1.5 billion (2019: Saudi Riyals 1.6 billion).

In accordance with the International Accounting Standard "Impairment of assets" (IAS 36), an entity is required to perform impairment reviews for non-financial assets whenever there is an identified trigger for impairment.

Management carried out an impairment assessment in respect of each of these investments by determining a recoverable amount based on fair value less costs of disposals (FSH and NAS) and value in use (Accor) using discounted cash flow model, which utilized the most recent business plans prepared by the management. The outcome of this assessment as at 31 December 2020 resulted in recognition of an impairment loss of Saudi Riyals 500 million of investment in Accor.

We considered impairment testing of equity-accounted investees performed by management as a key audit matter since the assessment of the recoverable amount under the value in use and fair value less costs of disposals basis requires considerable judgment around use of estimates on the part of management. The critical judgmental elements of management's assessment were:

- 1) revenue growth and EBITDA margin assumptions; and
- 2) pre-tax discount rates, exit multiples and long term growth rates used in the cash flow models.

Refer to Note 4.2 and Note 4.18 for the accounting policies, Note 3.1 for the significant estimate, Note 3.2 for significant judgements and Note 12 for the related disclosure in the accompanying consolidated financial statements.

We assessed management's impairment assessment of equity-accounted investees by performing the following procedures:

- Assessed the methodology used by management to determine the recoverable value and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the models used and of the underlying calculations;
- Tested the reasonableness of the cash flow projections by comparison to historical results and underlying assumptions supporting the growth in forecasted cash flows;
- Engaged our internal valuation experts to assist in the review of the valuation methodology and use of certain assumptions including pre-tax discount rates, exit multiples and long term growth rates; and
- Reviewed sensitivity analyses over key assumptions as disclosed in Note 12 to the accompanying consolidated financial statements in order to assess the potential impact of a range of possible outcomes.

We also reviewed the adequacy of the disclosures included in the notes to the accompanying consolidated financial statements.

Independent auditor's report to the shareholders of Kingdom Holding Company (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

Independent auditor's report to the shareholders of Kingdom Holding Company (continued)

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers



Omar W. Al Sagga
License Number 369

31 March 2021

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals thousands unless otherwise stated)

		As at 31 December	
	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5	2,387,431	1,637,560
Investments at fair value through profit or loss ("FVTPL")	6	274,287	-
Trade receivables	7	123,773	492,064
Prepayments and other current assets	8	150,442	193,131
Due from related parties	9	219,807	98,436
Assets held for sale	10	-	30,946
Total current assets		3,155,740	2,452,137
Non-current assets			
Investments at FVTPL	6	213,525	1,217,053
Investments at fair value through other comprehensive income ("FVOCI")	11	13,997,579	11,502,427
Equity-accounted investees	12	18,654,797	19,562,668
Investment properties	13	4,231,963	4,253,279
Property and equipment	14	6,949,410	6,855,011
Goodwill and intangible assets	15	2,025,936	1,931,628
Deferred tax asset	20	49,407	8,477
Other long-term assets	16	386,796	587,763
Total non-current assets		46,509,413	45,918,306
Total assets		49,665,153	48,370,443
LIABILITIES			
Current liabilities			
Borrowings	17	5,024,102	1,986,094
Accounts payable, accrued expenses and other current liabilities	18	744,445	734,302
Zakat and income tax payable	19	193,478	131,004
Due to related parties	9	116,508	118,496
Dividends payable	36	164,077	163,985
Total current liabilities	1	6,242,610	3,133,881
Non-current liabilities			
Borrowings	17	10,575,557	11,397,219
Due to a related party	9	154,189	136,616
Deferred tax liabilities	20	165,493	155,027
Employee benefit obligations	33	115,546	153,538
Other long-term liabilities		45,302	50,933
Total non-current liabilities		11,056,087	11,893,333
Total liabilities		17,298,697	15,027,214
Net assets		32,366,456	33,343,229
EQUITY			
Share capital	21	37,058,823	37,058,823
Statutory reserves	22 a	775,606	775,606
Retained earnings		1,621,585	945,004
Fair value reserve for investments at FVOCI	11 b	(9,130,047)	(7,420,869)
Other reserves	22 b	472,609	118,562
Equity attributable to shareholders of the Company		30,798,576	31,477,126
Non-controlling interests	23	1,567,880	1,866,103
Total equity		32,366,456	33,343,229

The accompanying notes on pages 14 to 61 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended 31 December	
	Note	2020	2019
Continuing operations			
Revenues:			
Hotels and other operating revenues	24	554,177	1,403,811
Dividends income	25	439,125	215,621
Gain on investments at FVTPL	26	36,177	309,498
Total revenues		1,029,479	1,928,930
Hotel and other operating costs		(553,316)	(910,327)
Gross profit		476,163	1,018,603
General, administrative and marketing expenses	27	(390,856)	(422,017)
Impairment of financial assets	7	(185,880)	(71,825)
Share of results of equity-accounted investees	12 a	(563,777)	790,754
Impairment of equity-accounted investee	12 a	(500,000)	-
Gain on sale of subsidiary	38	266,034	-
Other losses, net	28	(32,196)	(82,187)
(Loss) / income from operations		(930,512)	1,233,328
Financial charges	29	(459,578)	(610,602)
(Loss) / profit before zakat and income tax		(1,390,090)	622,726
Income tax	19	(25,939)	(84,111)
Zakat	19	(118,374)	(108,197)
(Loss) / profit from continuing operations		(1,534,403)	430,418
Profit from discontinued operation (attributable to equity holders of the company)	38	9,260	23,896
(Loss) / profit for the year		(1,525,143)	454,314
(Loss) / Profit for the year attributable to:			
- Owners of the Company		(1,466,800)	420,168
- Non-controlling interests		(58,343)	34,146
		(1,525,143)	454,314
Basic and diluted (losses) / earnings per share from continued operations (Saudi Riyals)	36	(0.41)	0.12
Basic and diluted earnings per share from discontinued operations (Saudi Riyals)		0.003	0.007

The accompanying notes on pages 14 to 61 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended 31 December	
	Note	2020	2019
(Loss) / profit for the year		(1,525,143)	454,314
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Re-measurements of post-employment benefit obligations	33	1,732	1,441
Unrealized gain on equity investments at FVOCI	11 b	3,137,813	3,699,721
Unrealized loss on equity investments at FVOCI	11 b	(2,189,644)	(74,625)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share in other comprehensive (loss) / income of equity-accounted investees	12 a	(155,198)	192,852
Exchange differences on translation of foreign operations		507,233	(24,230)
Other comprehensive income		1,301,936	3,795,159
Total comprehensive (loss) / income for the year		(223,207)	4,249,473
Total comprehensive income for the year attributable to:			
- Owners of the Company		(164,584)	4,231,845
- Non-controlling interests	23	(58,623)	17,628
		(223,207)	4,249,473
Total comprehensive income for the year attributable to shareholders of the Company:			
- Continuing operations		(173,844)	4,207,949
- Discontinued operations	38	9,260	23,896
		(164,584)	4,231,845

The accompanying notes on pages 14 to 61 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve for investments at FVOCI	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2020	37,058,823	775,606	945,004	(7,420,869)	118,562	31,477,126	1,866,103	33,343,229
Loss for the year	-	-	(1,466,800)	-	-	(1,466,800)	(58,343)	(1,525,143)
Other comprehensive income / (loss)	-	-	-	948,169	354,047	1,302,216	(280)	1,301,936
Total comprehensive income / (loss)	-	-	(1,466,800)	948,169	354,047	(164,584)	(58,623)	(223,207)
Decrease in non-controlling interests	-	-	-	-	-	-	(97,625)	(97,625)
Transfer of gain on disposal of equity investments at FVOCI to retained earnings (Note 11)	-	-	2,657,347	(2,657,347)	-	-	-	-
Transactions with owners in their capacity as owners:								
Transaction with Owners	-	-	141,975	-	-	141,975	(141,975)	-
Dividends (Note 36)	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 31 December 2020	37,058,823	775,606	1,621,585	(9,130,047)	472,609	30,798,576	1,567,880	32,366,456

The accompanying notes on pages 14 to 61 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:




KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve for investments at FVOCI	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2019	37,058,823	733,589	1,271,981	(11,045,965)	(68,019)	27,950,409	1,898,662	29,849,071
Impact of adoption of IFRS -16 as at 1 January 2019	-	-	(49,187)	-	-	(49,187)	-	(49,187)
Balance at 1 January 2019 – adjusted	37,058,823	733,589	1,222,794	(11,045,965)	(68,019)	27,901,222	1,898,662	29,799,884
Profit for the year	-	-	420,168	-	-	420,168	34,146	454,314
Other comprehensive income/ (loss)	-	-	-	3,625,096	186,581	3,811,677	(16,518)	3,795,159
Total comprehensive income	-	-	420,168	3,625,096	186,581	4,231,845	17,628	4,249,473
Transfer to statutory reserve	-	42,017	(42,017)	-	-	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	(50,187)	(50,187)
Transactions with owners in their capacity as owners:								
Dividends (Note 36)	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 31 December 2019	37,058,823	775,606	945,004	(7,420,869)	118,562	31,477,126	1,866,103	33,343,229

The accompanying notes on pages 14 to 61 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before zakat and income tax		(1,390,090)	651,270
<u>Adjustments for non-cash items</u>			
Impairment loss on equity-accounted investee	12	500,000	-
Share of results from equity-accounted investees	12	563,777	(790,754)
Loss / (gain) on disposal of equity-accounted investee	12.2	-	14,641
Depreciation and amortization	13, 14	156,233	171,999
Loss on disposal of properties and equipment	14	-	27,658
Goodwill written off	15	18,500	15,000
Unrealized gain on investments at FVTPL	26	-	(331,875)
Impairment of financial assets		185,000	71,825
Other losses / (gains)	28	-	23,473
Finance charges	29, 17	481,113	660,626
Provision for employee benefit obligations	33	14,703	10,594
Gain on sale of disposal of a subsidiary	38	(266,034)	-
		263,202	524,457
Changes in operating assets and liabilities			
Trade receivables		87,511	12,215
Prepayments and other current assets		(28,368)	13,229
Due from related parties		38,574	30,995
Accounts payable, accrued expenses and other current liabilities		41,838	156,410
Due to related parties		15,585	13,425
Movement in investments at FVTPL		729,241	1,720,784
Other long-term assets		-	(548,893)
Other long-term liabilities		(5,631)	22,943
		1,141,952	1,945,565
Zakat and income tax paid	19	(81,839)	(466,357)
Employee benefit obligations paid during the year	33	(9,602)	(39,452)
Net cash generated from operating activities		1,050,511	1,439,756
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments at FVOCI		2,962,145	-
Purchase of investments at FVOCI	9	(4,280,240)	-
Purchase of equity accounted investee	12	-	(94,231)
Dividends from equity-accounted investees	12	71,250	495,578
Net proceeds from disposal of equity-accounted investee		-	38,250
Additions to investment properties	13	(10,865)	(77,464)
Additions to property and equipment	14	(126,910)	(99,434)
Addition of intangibles		-	(20)
Disposals of property and equipment, net		52,791	96,029
Cash proceeds from sale of subsidiary, net		112,195	-
Proceeds from sale of assets held for sale		30,946	44,357
Net cash (utilized in) generated from investing activities		(1,188,688)	403,065
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	17	9,019,777	6,757,514
Repayment of borrowings, net	17	(7,016,302)	(6,475,925)
Dividends paid	36	(655,849)	(655,941)
Movement in restricted cash		45,929	(7,149)
Finance charges paid		(459,578)	(734,151)
Transactions with NCI		-	(50,187)
Net cash generated from / (utilized in) financing activities		933,977	(1,165,839)
Net change in cash and cash equivalents		795,800	676,982
Cash and cash equivalents at beginning of year		1,494,319	817,337
Cash and cash equivalents at end of year	5	2,290,119	1,494,319

The accompanying notes on pages 14 to 61 form an integral part of these consolidated financial statements, which have been authorized for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****1 CORPORATE INFORMATION**

Kingdom Holding Company (the "Company" or "KHC") is a Saudi Joint Stock Company ("JSC") operating in the Kingdom of Saudi Arabia. The Company was previously formed as a limited liability company and operated under commercial registration number 1010142022 dated Muharram 11, 1417H (corresponding to 28 May 1996). The Ministry of Commerce and Investment approved, pursuant to resolution number 128/S dated Jumad Awwal 18, 1428H (corresponding to 4 June 2007), the conversion of the Company into a joint stock company. The majority shareholder of the Company is His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud ("Ultimate controlling party").

The Company and its subsidiaries (the "Group") carry out activities through the entities listed below. The principal activities of the Group are hotel management and operations, commercial services, education, investment and medical services.

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

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

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

As at 31 December 2020, the Group had net current liabilities amounting to Saudi Riyals 3.1 billion (31 December 2019: Saudi Riyals 681.7 million). This is mainly due to maturity of certain current borrowings amounting to Saudi Riyals 3.41 billion and due to breach of commission coverage ratio covenant of one of its borrowing facilities (Saudi Riyals 1.6 billion), resulting in the outstanding amounts against this loan facility being immediately payable, in accordance with the underlying borrowing agreement. KHC has undrawn amounts of the other borrowing facilities (Saudi Riyals 1.65 billion), a review of the existing liquid unpledged investments portfolio and an analysis of cash flow projections over the next twelve months, management is confident that the Group will be able to meet its obligations as and when they fall due.

Accordingly, these consolidated financial statements are prepared on going concern basis.

These consolidated financial statements (the "consolidated financial statements") were authorized for issue by the Company's Board of Directors on 31 March 2021.

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

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

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

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

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

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

	Effective Ownership Percentage	
	2020	2019
Subsidiaries		
Kingdom Hotel Investments (KHI) – Cayman Islands	100	100
Kingdom 5 KR 35 Group (George V) – France (Direct and indirect ownership through KHI)	100	100
Equity-accounted investees		
Four Seasons Holding Inc. (FSH Inc.) – Canada	47.5	47.5
Accor S.A. – France (Note 3.2)	6.3	6.1

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****1 CORPORATE INFORMATION (continued)****1.4 Kingdom 5-KR-114 Limited (KR-114)**

KR-114 is a fully owned limited liability company incorporated in the Cayman Islands. The company holds 58.96% (2019: 58.9%) ownership in Breezeroad Limited, a company which is incorporated in the Cayman Islands which in turn holds a 100% ownership in Savoy Hotels Limited in the United Kingdom.

1.5 Local and regional subsidiaries

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

	Effective Ownership percentage		Principal activities
	2020	2019	
<u>Subsidiaries</u>			
Kingdom Real Estate Development Company (KRED) – Saudi Arabia	100	100	Real estate development and management
Kingdom Investment and Development Company (KIDC) – Saudi Arabia	89.8	89.8	Real estate development and management
Kingdom Schools Company Limited (The School) – Saudi Arabia (Note 3.2)	47	47	Education
Fashion Village Trading Company Limited (SAKS) – Saudi Arabia	71.8	71.8	Wholesale and retail merchandiser
Real Estate Investment Company (REIC) – Saudi Arabia	69.4	69.4	Real estate development and management
Trade Centre Company Limited (TCCL) – Saudi Arabia	70.6	70.6	Real estate development and management & hotel management
Care Shield Holding Company (CSH) – Saudi Arabia (Note 3.2)	-	41	Healthcare
Medical Services Projects Company Limited (MSPC) – Saudi Arabia	-	100	Healthcare
Consulting Clinics Center Company Limited (CC) – Saudi Arabia	-	100	Healthcare
Medical Clinics Pharmacy Company Limited (MCP) – Saudi Arabia	-	99	Healthcare
Consulting Clinic SAL (Clinic) – Lebanon	50.4	50.4	Healthcare
<u>Equity-accounted investees</u>			
National Air Services (NAS) – Saudi Arabia	37.1	37.1	Aviation
Jeddah Economic Company (JEC) – Saudi Arabia	33.3	33.3	Real estate development and management
Banque Saudi Fransi (BSF) – Saudi Arabia (Note 3.2)	16.2	16.2	Financial institution

The principal activities and the various segments of the Group are described in Note 34.

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Notes to the consolidated financial statements for the year ended 31 December 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountant ("SOCPA").

2.2 Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, except for the following:

- Investments at FVOCI and FVTPL are measured at fair value;
- Assets held for sale – measured at fair value less costs of disposal; and
- Post-employment obligation – stated at present value of obligations.

2.3 New standard and amendments to standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and possibly accounting for current and non-current borrowings

The Group does not have any hedging relationships which may be impacted by LIBOR.

Mitigation:

The Group has established program at the parent levels and two of its subsidiaries in Europe that focuses on:

- assessing and reducing the Group's exposure to legacy LIBOR contracts by amending or replacing existing contracts to either include robust fall back provisions and or replace LIBOR with risk free rates or an alternative rate.
- Enhancing existing infrastructure and financial models to prepare for a smooth transition to alternative risk-free reference rates.
- The Group continues to develop and implement plans to mitigate the risks associated with LIBOR cessation as alternative reference rates develop.

2.4 New standard and amendments not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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Notes to the consolidated financial statements for the year ended 31 December 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 USE OF JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts 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 the circumstances. The Group makes estimates and judgments concerning the future. The Group has assessed the impact of COVID-19 on its businesses and how it is reflected in its consolidated financial position and performance, which involved significant judgements, estimates and assumptions. Also see Note 37.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

3.1 Significant estimates

Investment in equity accounted investees – impairment testing

The Group assesses at each reporting date whether there is an indication that an interest in equity-accounted investee may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. For further details refer Note 4.18 and Note 12.

Goodwill and intangible assets – annual impairment testing

The Group tests whether goodwill and intangible assets with indefinite useful life have suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on fair value less costs of disposal which require the use of assumptions. For further details refer Note 15.

3.2 Significant judgements

Kingdom School Company

The Group is the largest shareholder in Kingdom School Company while the remaining shares are held by twelve investors. The CEO of the Group is also the CEO of the Kingdom School Company. As a result of shareholder's agreement, the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power to direct the activities of the company. The Group has therefore determined that it has control over this company, even though it only holds 47% of the voting rights.

Care Shield Holding Company

For the year ended 31 December 2019, the Group was the largest shareholder in Care Shield Holding Company, while the remaining shares are held by five investors. The CEO of the Group is also the chairman of the Board of Directors of the company. As a result of shareholder agreements, the Group has legally enforceable voting rights for 57.82% of the company in the ordinary shareholders' meeting. The Group has therefore determined that it has control over this company, even though it only holds 41% of the shares of the company. As on 15 November 2020, the Group has sold this subsidiary, also see Note 38.

Accor S.A France

The Group has a Board seat and other committee representations and actively participates in the policy making process of the company and it is the second largest strategic investor in the company. The CEO of the hospitality arm of the Group is the representative Board member and actively participates in the decision-making process through his presence on the Board and through significant interaction with key management of Accor Hotels. The Group has therefore determined that it has significant influence over this entity.

Banque Saudi Fransi (BSF) – Saudi Arabia

The Group is the largest shareholder of the bank and has Board seats and other committee representations and participates in policy making process of the bank. The CEO of the Group is also the Vice Chairman of the Board of Directors of the bank. The Group has therefore determined that it has significant influence over the bank, even though it only holds 16.2% of the voting rights.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group 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.

4.1 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated statement of income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognized in the consolidated statement of income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at FVOCI are recognized in consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognized in consolidated statement of comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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Notes to the consolidated financial statements for the year ended 31 December 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (See Note 4.3).

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, respectively.

ii. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognized at cost.

iii. Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of income, and the Group's share of movements in other comprehensive income of the investee in consolidated statement of comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 4.18.

4.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

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Notes to the consolidated financial statements for the year ended 31 December 2020

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combination (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the consolidated statement of income as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in the consolidated statement of income.

4.4 Financial instruments

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortized cost.

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in the consolidated statement of income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Financial instruments (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of income.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of income following the de-recognition of the investment. Dividends from such investments continue to be recognized in the consolidated statement of income when the Group's right to receive dividends is established.

Changes in the fair value of financial assets at FVTPL are recognized as revenues in the consolidated statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortized cost. ECL reflects an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The financial assets of the Group subject to ECL are cash and cash equivalents, trade receivables and due from related parties. Also refer Note 32.

De-recognition

A financial asset or a part of a financial asset is de-recognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - The Group has transferred substantially all the risks and rewards of the asset, or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the consolidated statement of income. The Group's financial liabilities include borrowings, dividends payable, trade payables, accrued expenses and other current liabilities and due to related parties.

Offsetting financial assets and liabilities

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances and short-term deposits, which are subject to an insignificant risk of changes in value less restricted cash.

4.6 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest rate method.

4.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Costs are assigned to individual items of inventory on the basis of weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.8 Assets held for sale

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

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in the consolidated statement of income. Once classified as held for sale, property and equipment are no longer amortized or depreciated.

4.9 Investment properties

Investment properties comprise property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated. When the development of investment properties commences, it is classified as "Assets under construction" until development is complete, at which time it is transferred to the respective category, and depreciated using straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 4 to 99 years.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of income as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within other losses – net in the consolidated statement of income.

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Notes to the consolidated financial statements for the year ended 31 December 2020
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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Property and equipment

Initial recognition

Property and equipment are recognized as an asset when, and only when, it is probable that future economic benefits will flow to the Group, and the cost of the asset can be measured reliably. Property and equipment are recognized and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset and any directly attributable cost.

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

Subsequent measurement

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

Subsequent expenditure

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

Depreciation

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

	Number of years
Buildings (hotels)	20 to 99 years or the lease term
Equipment	5 to 13
Furniture and fixtures	4 to 20
Others	4 to 14

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

De-recognition

Property and equipment are de-recognized when they have been disposed or no future economic benefits are expected to arise from their use or disposal. Gains or losses arising from de-recognition of an item of property and equipment is included in the consolidated statement of income at the time the item is de-recognized.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.11 Intangible assets**

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Goodwill is measured as described in Note 4.3. Goodwill and brands identified on acquisitions of subsidiaries are included in intangible assets. Goodwill and brands are not amortized but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that these might be impaired, and are carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill or brands relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

4.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest rate method. Borrowing costs are recognized within finance charges in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. There were no borrowings costs that required capitalization during 2020.

Borrowings are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of income as other income or finance costs.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Trade and other payables

These amounts represent liabilities for goods and services, provided to the Group prior to the end of financial year, which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest rate method.

4.14 Zakat and income tax

The Group is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat, for the Group and its subsidiaries subject to zakat, is calculated based on higher of approximate zakat base and adjusted profit and charged to the consolidated statement of income. Additional amounts, if any, are accounted for when determined to be required for payment.

Foreign subsidiaries and foreign branches are subject to income taxes in their respective countries of domicile, such income taxes are charged to the consolidated statement of income.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Withholding tax

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

4.15 Dividends

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employee benefits and post-employment benefits

Short-term employee benefits

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

Post-employment obligation

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

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

Current and past service costs related to post-employment benefits are recognized immediately in the consolidated statement of income while unwinding of the liability at discount rates used are recorded as financial cost.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to other reserves in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the respective countries in which the Group operates.

4.17 Share capital

Ordinary shares are classified as equity.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses are recognized in consolidated statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

4.19 Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

4.20 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15.

- i. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- ii. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- iii. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- v. Recognize revenue when (or as) the Group satisfies a performance obligation at a point time or over time.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- i. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- ii. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance obligations completed to date.

For performance obligations where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

Revenue is recognized in the consolidated statement of income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

(i) Revenue from hotel operations

Revenue is primarily derived from hotel operations, including the rental of rooms, food and beverage sales and other services from owned hotels. Revenue is recognized when rooms are occupied, food and beverages are sold and services are performed.

Revenue is recognized net of returns, rebates, municipality fees and discounts. Service charges collected from the customers are recorded as revenue, as the Group is the principal / primary obligor and is required to provide the service to the customer in return for the receipt of the service charge.

A receivable is recognized when the goods are delivered, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Usually there are no rights to return attached, therefore no refund liabilities are required to be recognized.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Revenue recognition (continued)

(ii) Rental income

The Group owns offices, mall spaces, temporary spaces etc. The revenue is recognized on a straight-line basis over the term of the lease taking into consideration any incentives given, the rent received in advance, if any is recognized as a liability. The rental contracts are relatively simple and are fixed price contracts where the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, an asset is recognized. If the payments exceed the services rendered, a liability is recognized.

(iii) Educational services

Revenue is recognized when the educational services are performed. Revenue is shown net of discounts and scholarships. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met.

(iv) Health care

Revenue is generated primarily from the sale of pharmaceutical products and provision of inpatient and outpatient medical services to the patients.

Some contracts include variable consideration such as rejection of claims. Management estimates variable consideration using most likely amount for rejections. Management applies one method consistently throughout the year when estimating the effect of an uncertainty on an amount of variable consideration in which Group will be entitled. In addition, management considers all the information (historical, current and forecast) that is reasonably available to the Group and identifies a reasonable number of possible consideration amounts.

Revenue from sale of pharmaceutical products is recognised at point in time when goods are delivered and have been accepted by the customers at their premises.

(v) Retail

Revenue is recognized when goods are sold and invoices are issued to customers. Revenue is recorded net of discounts.

(vi) Fair value gains on investment measured at FVTPL

The fair value gain and losses on investments measured at FVTPL are recognized as operational revenues as the Group invests in those equity investments as its operating activity in its normal course of business.

Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.22 Earnings per share***Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements, if any, in ordinary shares issued during the year and excluding treasury shares.

The Group does not have any share options, uncalled or partially paid shares, deferred or convertibles notes and therefore there is no difference between basic and diluted earnings per share.

4.23 Segment reporting

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

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

5 CASH AND CASH EQUIVALENTS

	2020	2019
Cash and cash equivalents	2,387,431	1,581,560
Short term deposits	-	56,000
Total cash and cash equivalents	2,387,431	1,637,560
Less: Restricted cash	(97,312)	(143,241)
Cash and cash equivalents in the consolidated statement of cash flows	2,290,119	1,494,319

Short-term deposits are for varying maturity periods (between one day and three months), depending on the cash requirements of the Group, and earn interest at floating rates.

Restricted cash and bank balance are related to the restrictions placed by the banks for the utilization of certain funds.

Included in the cash and cash equivalents is Saudi Riyals 79 million (2019: Saudi Riyals 313.9 million) deposited with a related party.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****6 INVESTMENTS AT FVTPL**

The Group classifies those equity investments at FVTPL for which it has not elected to recognize fair value gains and losses through other comprehensive income at initial recognition. FVTPL investments consist of internationally quoted and unquoted securities. The movement in FVTPL investments is set out below:

	2020	2019
<u>FVTPL – current assets</u>		
1 January	-	3,763
Addition	103,531	-
Transferred from Non-current	170,756	-
Changes in fair value	-	134
Transfer to FVOCI (Note 6.1)	-	(3,897)
31 December	274,287	-
<u>FVTPL – non-current assets</u>		
1 January	1,217,053	2,606,096
Additions	583,763	-
Disposals	(1,416,535)	(1,698,407)
Changes in fair value	-	309,364
Transferred to current	(170,756)	-
31 December	213,525	1,217,053
Total FVTPL	487,812	1,217,053

Certain investments are used as collateral against borrowings of the Group (Note 17).

6.1 The shares of an investment at FVTPL were merged with another entity. The investment in that company was originally held by the Group at FVOCI, therefore the investment has been transferred from FVTPL to FVOCI.

7 TRADE RECEIVABLES

	2020	2019
Trade receivables	431,597	780,106
Less: provision for doubtful receivables	(307,824)	(288,042)
	123,773	492,064

Following is the breakdown of net receivables:

	2020	2019
Receivables from guests	45,000	118,633
Receivables from tenants	63,446	102,564
Receivables from medical operations	-	75,506
Receivables from real estate	-	185,037
Receivable from others	15,327	10,324
	123,773	492,064

Due to the short-term nature of the trade receivables, their carrying amount is not significantly different from their fair value. Also see Note 32.

Trade receivables are expected, on the basis of experience, to be fully recoverable. Generally, it is not the practice of the Group to obtain collateral over trade receivables. Thus, trade receivable balances are unsecured.

The following table shows movement in provision for impairment of trade and other receivables:

	2020	2019
Balance at the beginning of the year	288,042	332,474
Provision / (reversal) during the year	185,880	(44,432)
Provision related to subsidiary sold	(166,098)	-
Balance at end of the year	307,824	288,042

Information about the impairment of trade and other receivables and their credit quality, and the Company's exposure to credit risk, currency risk and interest rate risk can be found in (Note 32).

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8 PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	2019
Prepaid expenses and other current assets	83,729	99,446
Inventories (Note 8.1)	31,336	63,511
Advances to suppliers	31,006	27,648
Value Added Tax claims receivable	4,371	2,526
	150,442	193,131

8.1 The breakup of inventories is as follows:

	2020	2019
Food, beverages and operational supplies	30,859	31,444
Medical supplies	-	30,998
Spare parts	129	181
Others	348	888
	31,336	63,511

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, associate companies and key management personnel and business over which they exercise control or significant influence. Related parties also include entities in which certain directors or senior management have an interest.

The transactions with related parties represent rental services, maintenance and other general services rendered to or purchased from related parties of the Group. Balances due to and due from related parties are outstanding balances in lieu of such transactions. Related party balances, other than those disclosed elsewhere in these consolidated financial statements, as at 31 December are as follows:

<u>Name</u>	<u>Relationship</u>	2020	2019
Due from related parties:			
Azizia Commercial Investment			
Company (Note 9.1)	Affiliate	114,207	90,000
Care shield (Note 38)	Affiliate	93,693	-
Fawaz Abdul Aziz Al Hokair & Co.	Affiliate	4,992	166
Others	Associate	6,915	8,270
Total		219,807	98,436
Due to related parties:			
Current			
Kingdom Oasis	Affiliate	100,000	100,000
Safari Company Limited	Affiliate	-	1,911
Others	Associates	16,508	16,585
Total		116,508	118,496
Non-current			
Qatar Investment Authority – Katara Hospitality (Note 9.2)	Non-controlling interest	154,189	136,616

9.1 The balance is due from Azizia Commercial Investment Company "Azizia" (an entity under liquidation). Amount due to the Group is recoverable as Azizia owns shares in a listed entity, the fair value of which is higher than carrying value of the receivable.

9.2 The balance represents a loan given by the NCI to one of the subsidiaries. The loan carries interest at the market rates and is payable in lump sum along with its external debt maturity date which is falling in November 2023.

See Note 5 and Note 17 for bank and borrowings balances held with a related party that is an equity-accounted investee (Banque Saudi Fransi). There are no other significant related party transactions that warrant separate disclosure in the consolidated financial statements.

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9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management compensation:

The top 5 senior executives including the CEO and CFO (2019: 5 executives) are considered the key management, and their benefits are as follows:

	2020	2019
Short and long-term benefits	25,957	26,101
Others	-	1,159
	<u>25,957</u>	<u>27,260</u>

10 ASSETS HELD FOR SALE

The Group classified the following assets and liabilities of certain properties as held for sale:

	2020	2019
Current assets	-	13,276
Non-current assets	-	42,128
	-	<u>55,404</u>
Current and other liabilities	-	(24,458)
Net balance	-	<u>30,946</u>

The properties (hotels in one of the Group subsidiaries) classified as assets held for sale as at 31 December 2019 have been sold subsequent to the year end in the first quarter of 2020, at an amount equal to their carrying values. See Note 14 for the transfer from property and equipment in 2019.

11 INVESTMENTS AT FVOCI

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value through OCI rather than the consolidated statement of income as these are strategic investments and the Group considered such election to be more relevant.

(a) FVOCI investments consists of the following:

	2020	2019
International	13,199,407	10,923,035
Local and regional	798,172	579,392
	<u>13,997,579</u>	<u>11,502,427</u>

(b) The movement in FVOCI is set out below:

	2020	2019
Cost:		
1 January	18,923,296	18,919,399
Additions	4,280,240	-
Acquired as part of sale of a subsidiary (Note 38)	228,888	-
Transfer from FVTPL investments (Note 6.1)	-	3,897
Disposals during the year	(304,798)	-
31 December	<u>23,127,626</u>	<u>18,923,296</u>
Fair value reserve for investments at FVOCI:		
1 January	(7,420,869)	(11,045,965)
Unrealized gain during the year	3,137,813	3,699,721
Unrealized loss during the year	(2,189,644)	(74,625)
Unrealized gain transferred to retained earnings upon disposal	(2,657,347)	-
31 December	<u>(9,130,047)</u>	<u>(7,420,869)</u>
Net carrying amount	<u>13,997,579</u>	<u>11,502,427</u>

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****11 INVESTMENTS AT FVOCI (continued)**

The investments at FVOCI are denominated in the following currencies

	2020	2019
US Dollar	10,410,550	10,923,035
Euro	2,788,857	-
Saudi Riyals	798,172	579,392
	<u>13,997,579</u>	<u>11,502,427</u>

11.1 During the year ended 31 December 2020, the Group sold an investment for cash. The shares sold had a fair value of Saudi Riyals 3 billion, and the Group realised a gain of Saudi Riyals 2.7 billion which had already been included in OCI and was transferred to retained earnings during the year ended 31 December 2020.

12 EQUITY-ACCOUNTED INVESTEEES

(a) The movement in investments in equity-accounted investees for the years ended 31 December is as follows:

	2020	2019
1 January	19,562,668	19,158,568
Additions during the year (Note 12.1)	-	94,231
Dividends	(71,249)	(495,578)
Disposals during the year (Note 12.2)	-	(52,891)
Share of results	(563,777)	790,754
Share in other comprehensive income (loss) / income	(155,198)	143,665
Impairment loss recognized during the year	(500,000)	-
Unrealized exchange gain / (loss) on translation	382,353	(76,081)
31 December	<u>18,654,797</u>	<u>19,562,668</u>

12.1 During the year ended 31 December 2019, the Group participated in a capital call by NAS, as a result of which the shareholding of the Group increased by 3%.

12.2 On 21 May 2019, the Group sold its entire shareholding in Movenpick El Gouna (El Gouna Company for Hotels SAE) for a consideration of Saudi Riyals 38.3 million. The Group incurred a loss of Saudi Riyals 14.6 million (Note 28) on disposal.

Details of equity-accounted investees at 31 December are summarized as follows:

Investee name	2020		2019	
	Effective ownership %	Amount	Effective ownership %	Amount
Banque Saudi Fransi ("BSF") (Note 3)	16.2	6,763,040	16.2	6,451,659
Four Seasons Holding Inc ("FSH Inc.")	47.5	4,391,995	47.5	4,582,122
Accor S.A. ("Accor") (Note 3)	6.3	3,160,722	6.1	4,039,478
Jeddah Economic Company ("JEC")	33.3	2,788,359	33.3	2,796,251
National Air Services ("NAS")	37.1	1,497,956	37.1	1,640,433
Others	30.0-35.0	52,725	30.0-35.0	52,725
		<u>18,654,797</u>		<u>19,562,668</u>

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****12 EQUITY-ACCOUNTED INVESTEEES (continued)**

Following is the summary financial information for the equity-accounted investments:

The summarized financial information below represents amounts shown in the equity-accounted investee's financial statements prepared in accordance with IFRSs.

31 December 2020

(All amounts in Saudi Riyals
millions)

	NAS	JEC	Four Seasons	BSF	Accor S.A.
Non-current assets	2,635	10,484	10,998	63,509	29,370
Current assets	728	875	1,281	130,565	15,768
Non-current liabilities	(2,104)	(2,631)	(632)	(127,112)	(14,792)
Current liabilities	(2,849)	(378)	(4,142)	(28,326)	(12,549)
Equity	(1,590)	8,350	7,505	38,636	17,797
KHC's share	(590)	2,789	3,565	6,259	1,123
Carrying amount	1,498	2,788	4,392	6,763	3,161
Revenue	1,722	24	256	5,240	6,938
Net profit / (loss)	(382)	(24)	(267)	1,546	(8,517)
Other comprehensive income / (loss)	(2)	-	17	376	(3,540)
Total comprehensive income / (loss)	(384)	(24)	(250)	1,922	(12,057)
Share in total comprehensive income / (loss)	(143)	(8)	(119)	311	(761)

31 December 2019

(All amounts in Saudi Riyals
millions)

	NAS	JEC	Four Seasons	BSF	Accor S.A.
Non-current assets	1,585	10,142	11,164	52,424	37,236
Current assets	891	1,093	1,597	125,725	21,139
Non-current liabilities	(1,680)	(2,554)	(649)	(132,838)	(16,798)
Current liabilities	(2,006)	(306)	(4,207)	(12,364)	(12,280)
Equity	(1,210)	8,375	7,905	32,947	29,297
KHC's share	-	2,797	3,755	5,337	1,787
Carrying amount	1,640	2,796	4,582	6,452	4,039
Revenue	4,249	-	878	5,206	16,988
Net profit / (loss)	(20)	(8)	370	3,115	2,035
Other comprehensive income / (loss)	(4)	-	(51)	1,131	583
Total comprehensive income / (loss)	(24)	(8)	319	4,246	2,618
Share in total comprehensive income / (loss)	(9)	(3)	148	688	160

Among the equity-accounted investees mentioned above, BSF and Accor are listed entities. At 31 December 2020, the fair value of the Group's holding in these associates as per quoted prices amounts to Saudi Riyals 6,170 million (2019: Saudi Riyals 7,401 million) and Saudi Riyals 2,246 million (2019: Saudi Riyals 2,891 million), respectively.

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12 EQUITY-ACCOUNTED INVESTEEES (continued)

Accor

During the year ended 31 December 2020, Accor's operations were heavily impacted due to lockdowns imposed by governments, with approximately 60% of Accor branded hotels temporarily closed in April and May 2020. There are signs of business improvement, gradually across the world. This has resulted in a significant share of loss for KHC.

As a result of the pandemic and considering the impact on Accor's business, the current listed share price not being stable, and limited ability to forecast information, the Group, during the year ended 31 December 2020, performed an impairment assessment based on value in use using discounted cash flow model (over a period of 10 years, since the Group believes that Accor will fully recover from the impacts of the pandemic by at least 2023 year end, and from there on a slight growth rate has been assumed in cash flow projections). This resulted in an impairment loss amounting to Saudi Riyals 500 million during the year ended 31 December 2020. The significant assumptions used, which were based on Accor management's best estimate given the current uncertainties, are as follows:

Particulars	2020
Revenue growth – CAGR	Revenue is expected to be back at 2019 (Pre-COVID) levels by the end of 2023 and there on a CAGR of 7.2% is assumed from 2023-2030.
EBITDA margin – average	Average EBITDA margin uptill 2023 is 48% and there on 62% from 2023-2030.
Long term growth rate	2.0%
Discount rate	7.7%
Assumption	Approach used to determine values
Revenue growth - Key Revenue streams Franchise and management fees	The key factors, that the hotels working with the franchise names of brands under Accor will continue their status as premier hotels. The group expects revenues from this stream to be back on pre-COVID levels by 2023. The franchise fees depend on occupancy rate and average rate per rooms which is based on management's assumption of achieving a stabilized level of performance considering the political and economic environment of the countries in which the hotels operate.
EBITDA – Margins-Average	Based on past performance and management's expectations for the future.
Long term growth rate	The rates are consistent with forecasts included in industry reports.
Discount rate	Reflect specific risks relating to the hospitality business and countries in which they operate.

Sensitivity analysis:

The analysis below considers a change in one assumption while keeping all the other variables constant.

- If the discount rate increased to 8.5%, the impairment amount would increase by Saudi Riyals 92 million.
- If the long term growth rate is decreased to 0.8%, the impairment amount would increase by Saudi Riyals 34 million.
- If the revenue CAGR growth rate from 2023-2030 is decreased to 6.1%, the impairment amount would increase by Saudi Riyals 60 million.
- If the EBITDA average from 2023-2030 is decreased to 57.1%, the impairment amount would increase by Saudi Riyals 2 million.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****12 EQUITY-ACCOUNTED INVESTEEES (continued)****Four Seasons Holding Inc. (FSH Inc.) - Canada**

Given the impact on the hospitality industry, the Group has performed an impairment assessment to assess the recoverable value of this investment as at 31 December 2020. The recoverable value has been determined based on fair value less costs to disposal, using discounted cash flow analysis. The cash flow projections are for a period of 5 years. The following table sets out the key assumptions made in performing the impairment review:

The following table sets out the key assumptions made in performing the impairment reviews:

Particulars	2020
Revenue growth – CAGR	Revenue is expected to be back at 2019 (Pre-COVID) levels by the end of 2024 and 5% in 2025
EBITDA margin – average	59.0%
Exit multiple	18
Pre-tax discount rate	8.5%

Assumption	Approach used to determine values
Revenue growth	The key factors, that the hotels working with the franchise names of brands under FSH will continue their status as premier hotels. The group expects revenues from this stream to be back on pre-COVID levels by 2024. The franchise fees depend on occupancy rate and average rate per rooms which is based on management's assumption of achieving a stabilized level of performance considering the political and economic environment of the countries in which the hotels operate.
EBITDA margin	Based on past performance and management's expectations for the future.
Exit multiple	The multiple is consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the hospitality business and countries in which they operate.

Sensitivity analysis:

The recoverable amount of the equity-accounted investee would equal its carrying amount if the key assumptions were to change, keeping other variables constant, as follows:

If the revenue targets are missed by 2%. For other assumptions please refer to the table below

Particulars	From	To
EBITDA margin – average	59.0%	55.3%
Pre-tax discount rate	8.5%	9.9%
Exit multiple	18	16.4

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****12 EQUITY-ACCOUNTED INVESTEEES (continued)****NAS**

Given the impact of the pandemic on the aviation industry and reported share of losses, the Group has performed an impairment assessment to assess the recoverable value of this investment as at 31 December 2020. The recoverable amount has been determined based on fair value less costs of disposal using discounted cash flow analysis. The cash flow projections are based on financial budgets that are provided by management of the equity-accounted investee. These cash flow projections are for a period of 5 years and it takes into account inclusion of new aircrafts to the fleet as part of the new aircraft purchase agreements signed in 2018 and 2019.

The following table sets out the key assumptions made in performing the impairment reviews:

Particulars	2020	2019
	Revenue is expected to be back at 2019 (Pre-COVID) levels by the end of 2023 and 10% for 2024 and 2025 (2021- 2025 CAGR 23.41%)	
Revenue growth – CAGR		9.3%
EBITDA margin – average	20.4%	19.3%
Pre-tax discount rate	10.9%	10.9%
Long-term growth rate	1.0%	1.0%

Management has determined the values assigned to each of the above key assumptions and their sensitivities as follows:

Assumption	Approach used to determine values
Revenue growth	The key factors, that the airline will continue its status as a leading low-cost carrier, capacity rate and number of flights, are based on management's assumption of achieving a stabilized level of performance considering the political and economic environment of the region in which the airliner operates. This also takes into account expected fleet size and expected load factors. The fleet size is expected to increase many folds of the current levels as per the signed purchase agreements of aircrafts.
EBITDA margin	Based on past performance and management's expectations for the future.
Pre –tax discount rate	Reflect specific risks relating to the relevant segments and the region in which the airline operates.
Long term growth rate	Reflect specific risks relating to the relevant segments and the region in which the airline operates.

The recoverable amount of the equity-accounted investee would equal its carrying amount if the key assumptions were to change, keeping other variables constant, as follows:

Particulars	2020		2019	
	From	To	From	To
Revenue growth – CAGR	23.4%	21.0%	9.3%	8.6%
EBITDA margin – average	20.4%	18.8%	19.3%	15.8%
Pre-tax discount rate	10.9%	12.0%	10.9%	16.3%
Long-term growth rate	1.0%	-1.0%	1.0%	-10.0%

JEC

For the investment in JEC, the work is not progressing since 2019. The Group is negotiating the same with the existing contractor and along with the other shareholders of JEC to resume the construction work.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****13 INVESTMENT PROPERTIES**

2020	Land	Buildings	Furniture, Fixtures and others	Total
Cost				
January 1	3,775,413	937,701	30,264	4,743,378
Additions	-	9,092	1,774	10,866
31 December	3,775,413	946,793	32,038	4,754,244
Accumulated depreciation				
January 1	-	470,229	19,870	490,099
Charge for the year	-	27,566	4,616	32,182
31 December	-	497,795	24,486	522,281
Net book value	3,775,413	448,998	7,552	4,231,963

2019	Land	Buildings	Furniture, Fixtures and others	Total
Cost				
January 1	3,775,413	860,237	30,264	4,665,914
Additions	-	77,464	-	77,464
31 December	3,775,413	937,701	30,264	4,743,378
Accumulated depreciation				
January 1	-	451,995	15,255	467,250
Charge for the year	-	18,234	4,615	22,849
31 December	-	470,229	19,870	490,099
Net book value	3,775,413	467,472	10,394	4,253,279

Certain investment properties have been collateralized against term loans (Note 17).

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****14 PROPERTY AND EQUIPMENT**

	Land	Buildings	Equipment	Furniture, fixtures and others	Total
2020					
Cost					
1 January	2,350,543	5,056,974	216,259	665,895	8,289,671
Additions	-	11,021	5,650	262,790	279,461
Disposals, currency translation and others	(52,354)	197,971	(31,291)	(25,987)	88,339
Disposal of a subsidiary	(46,750)	(281,355)	(148,160)	(17,962)	(494,227)
31 December	2,251,439	4,984,611	42,458	884,736	8,163,244
Accumulated depreciation					
1 January	-	890,394	104,098	440,168	1,434,660
Charge for the year	-	79,613	25,481	36,306	141,400
Disposals, currency translation and others	-	(26,645)	(28,565)	(23,764)	(78,974)
Disposal of a subsidiary	-	(164,054)	(108,006)	(11,192)	(283,252)
31 December	-	779,308	(6,992)	441,518	1,213,834
Net book value	2,251,439	4,205,303	49,450	443,218	6,949,410
	Land	Buildings	Equipment	Furniture, fixtures and others	Total
2019					
Cost					
1 January	2,321,640	5,262,114	213,696	771,884	8,569,334
Additions	-	45,550	23,922	29,962	99,434
Disposals and others	28,903	(250,690)	(21,359)	(135,951)	(379,097)
31 December	2,350,543	5,056,974	216,259	665,895	8,289,671
Accumulated depreciation					
1 January	-	883,093	101,078	470,582	1,454,753
Charge for the year	-	80,696	24,379	44,075	149,150
Disposals and others	-	(73,395)	(21,359)	(74,489)	(169,243)
31 December	-	890,394	104,098	440,168	1,434,660
Net book value	2,350,543	4,166,580	112,161	225,727	6,855,011

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15 GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets comprise the following:

	2020	2019
Goodwill	1,256,800	1,189,732
Other intangible assets	769,136	741,896
	2,025,936	1,931,628

Movement in goodwill and other intangible assets is set out below:

	2020	2019
1 January	1,931,628	1,938,330
Goodwill written off	(18,500)	(15,000)
Currency translation adjustments and others	112,808	8,298
31 December	2,025,936	1,931,628

Goodwill recognized by the Group mainly represents an amount of Saudi Riyals 1.3 billion (31 December 2019: Saudi Riyals 1.2 billion) recognized on its cash generating unit –George V.

Other intangible assets includes an indefinite life brand amounting to Saudi Riyals 769.1 million (2019: Saudi Riyals 741.9 million) recognized on acquisition of Savoy Hotels Limited. The indefinite life is due to the fact that the hotel is considered a trophy asset and management concluded that the benefits will be for an indefinite period. Therefore, the brand is not amortized but tested for impairment annually.

During 2020, in line with the disposal of properties and equipment (Note 14), the Group has written-off the related goodwill allocated to this property amounting to Saudi Riyals 18.5 million (2019: Saudi Riyals 15 million)

Intangible assets with definite lives are amortized over their useful economic lives ranging from 3 to 5 years.

Impairment of indefinite life assets

The recoverable amounts have been determined based on fair value less costs to disposal, using discounted cash flow analysis. The hotel is the lowest level within the Group at which the intangible asset is monitored for internal management purposes. The cash flow projections are based on financial budgets that are approved by management of the respective entities. These cash flow projections are for a period of 6 years for George V. Management has considered 6 years as it will take these hotels to recover fully by 2023 at pre-COVID levels of operations. For Savoy cash flows for five years have been considered.

The following table sets out the key assumptions made in performing the impairment reviews:

Particulars	George V	
	2020	2019
Revenue growth – CAGR	Revenue is expected to be back at 2019 (Pre-COVID) levels by the end of 2024 and there on a CAGR of 8% is assumed from 2024-2026. (CAGR - 14.6%)	
EBITDA margin – average	16.7%	4.9%
Terminal capitalization rate	3.0%	29.6%
Pre-tax discount rate	6.3%	3.0%
		6.5%

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Notes to the consolidated financial statements for the year ended 31 December 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 GOODWILL AND INTANGIBLE ASSETS (continued)

Impairment of indefinite life assets (continued)

Particulars	Savoy	
	2020	2019
	Revenue is expected to be back at 2019 (Pre-COVID) levels by the end of 2024 and there on a CAGR of 5% is assumed for 2025.	
Revenue growth – CAGR		5.7%
EBITDA margin – average	22.0%	29.0%
Long term growth rate	3.0%	3.0%
Terminal Capitalization rate	-	3.0%
Pre-tax discount rate	6.5%	6.5%
Assumption	Approach used to determine values	
Revenue growth	The key factors, that the hotels will continue their status as premier hotels, occupancy rate and average rate per rooms, are based on management's assumption of achieving a stabilized level of performance considering the political and economic environment of the countries in which the hotels operate.	
EBITDA margin	Based on past performance and management's expectations for the future.	
Terminal capitalization rate	The rates are consistent with forecasts included in industry reports.	
Pre-tax discount rate	Reflect specific risks relating to the hospitality business and countries in which they operate.	

For George V, 31 December 2020, the recoverable amount would equal its carrying amount if the key assumptions were to change, keeping other variables constant, as follows:

Particulars	George V	
	From	To
Revenue growth – CAGR	14.6%	8.3%
EBITDA margin – average	16.7%	9.2%
Terminal capitalization rate	3.0%	4.7%
Pre-tax discount rate	6.3%	13.8%

For Savoy, any reasonable change in the assumptions will not result into impairment of this asset.

As at 31 December 2019, the recoverable amount would equal its carrying amount if the key assumptions were to change, keeping other variables constant, as follows:

Particulars	George V		Savoy	
	From	To	From	To
Revenue growth – CAGR	4.9%	1.4%	5.7%	5.0%
EBITDA margin – average	29.6%	15.5%	29.0%	26.2%
Terminal capitalization rate	3.0%	6.5%	3.0%	3.4%
Pre-tax discount rate	6.5%	22.7%	6.5%	9.2%

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****16 OTHER LONG-TERM ASSETS**

	2020	2019
Long term advances	351,924	555,223
Refundable deposits	3,061	2,979
Others	31,811	29,561
	386,796	587,763

16.1 During the year ended 31 December 2019, the Group has written-off a long-term receivable amounting to Saudi Riyals 122 million. This amount was receivable for more than 5 years against sale of Group shares in one of its subsidiaries and management determined that it will not be able to recover this amount.

16.2 At 31 December 2020, long term advances includes an amount of Saudi Riyals 50 million (2019: Saudi Riyals 150 million) advanced to contractors for renovation work to be carried out in one of the hotel properties of the Group and an amount of Saudi Riyals 351 million (2019: Saudi Riyals 405 million) paid as advances in respect of purchase of additional shares of certain subsidiaries of the Group. The legal proceedings for the transfer of the title of these shares in the name of the Group have not been completed.

17 BORROWINGS

The outstanding borrowings balance is presented as follows:

	2020	2019
<u>Current</u>		
Current portion of term loans	5,024,102	1,986,094
<u>Non-current</u>		
Term loans, including long-term revolving facilities	10,575,557	11,397,219

The movement in the borrowings is as follows:

	2020	2019
1 January	13,470,375	13,290,462
Additions	9,029,661	6,757,514
Repayments	(7,016,303)	(6,475,925)
Foreign currency translation adjustments	191,336	(101,676)
31 December	15,675,069	13,470,375

Unamortized transaction costs:

	2020	2019
1 January	(87,062)	(13,537)
Additions	(9,884)	(119,742)
Amortization	21,536	46,217
31 December	(75,410)	(87,062)
Net carrying amount	15,599,659	13,383,313

Details of borrowings by entity are as follows:

	2020	2019
Kingdom Holding Company	8,543,760	5,762,653
Kingdom 5-KR-11 Limited	3,375,000	4,125,000
Kingdom 5-KR-35 Group	1,609,672	1,464,051
Kingdom KR-114 Limited	1,416,042	1,318,019
Trade Centre Company Limited (TCCL)	592,185	614,707
Others	63,000	98,883
	15,599,659	13,383,313

These borrowings are loan facilities from different banks and financial institutions. The management utilize them to settle the facilities which are falling due in the said years and to support the strategic decision making of the Group. Similar to the year ended 31 December 2019, the Group has drawn down to pay of facilities which are falling due during the year from the undrawn facilities. There were no new loan facilities obtained during the year.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****17 BORROWINGS (continued)**

The Group considers borrowings net of cash and cash equivalent as net debt, please refer to the movement above and consolidated statement of cash flow for the net movement of the net debt for the year ended 31 December 2020 and 2019.

As at 31 December 2020, borrowings from a related party amounted to Saudi Riyals 652 million (2019: Nil). Following is a summary of the Group's significant borrowings:

Kingdom Holding Company

Loans in Kingdom Holding Company ("KHC") were obtained from commercial banks and consist of several facilities including syndicated loans and revolving credit facilities. These 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 of the Group. The aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period of 5 years. Loan agreements include certain financial covenants with respect to minimum tangible net worth, consolidated EBIT, consolidated net commission costs, loan to value ratio, minimum standalone and consolidated total assets, debt service ratio and interest coverage ratio. The Group has complied with all its covenants. The carrying values of the borrowings are denominated in following currencies:

	2020	2019
Saudi Riyals	4,375,371	1,300,153
Euro	562,500	-
US Dollars	3,605,889	4,462,500
	<u>8,543,760</u>	<u>5,762,653</u>

Kingdom 5-KR-11 Limited

Loans in Kingdom 5-KR-11 limited 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 against certain FVOCI and other investments. The aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period of 5 years. These loans are denominated in US dollars. Loan agreements include certain financial covenants with respect to minimum tangible net worth, consolidated EBIT, consolidated net commission costs, loan to value ratio, minimum standalone and consolidated total assets, debt service ratio and interest coverage ratio. The Group has complied with all its covenants.

Kingdom 5-KR-35 Group

Loan in Kingdom 5-KR-35 Group are secured by a mortgage over George V hotel property. The loan agreements include certain financial covenants, such as debt service coverage ratio, assets value coverage ratio. As on 31 December 2020, the Group was in breach of debt service coverage ratio, resulting into classification of this loan as current amount to Saudi Riyals 1.61 billion. Also see Note 1. The loans carry floating interest rates (based on LIBOR) and are due to mature by 2023. These loans are primarily denominated in Euro.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****17 BORROWINGS (continued)****Kingdom KR-114 Limited**

Loan in Kingdom KR-114 Limited have different maturities within the next two years and carry interest rates which are either fixed or floating based on LIBOR. These loans are denominated in GBP. The loans are secured through registered mortgages and liens over the Savoy hotel. Loan agreements include certain financial covenants with respect to debt service ratio and interest coverage ratio. The Group has complied with all its covenants.

Trade Centre Company Limited (TCCL)

The loan facility carries an interest rate based on SIBOR. Loan agreements include certain financial covenants with respect to debt service ratio and interest coverage ratio. The loan facility is secured by a mortgage on tower (Kingdom Tower) land classified under property and equipment and investment property. As at 31 December 2020, the Group was in compliance with its debt covenants. The facility is repayable in 30 quarterly instalments starting from 30 June 2019 and ending on 30 September 2026 and the remaining amount to be repaid upon final maturity date of 31 December 2026.

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

18 ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	2019
Accrued expenses	434,330	373,791
Accounts and other payables	103,651	142,014
Unearned revenues	102,880	121,817
Advance from customers	38,459	40,880
Security deposits	20,692	17,363
Others	44,433	38,437
	744,445	734,302

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****19 ZAKAT AND INCOME TAX PAYABLE**

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

	Note	2020	2019
Zakat	19.1	118,374	108,197
Income tax change	19.2	(42,784)	19,431
Withholding tax on foreign dividends	19.2	68,723	64,680
		<u>144,313</u>	<u>192,308</u>

19.1 Zakat

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

	2020	2019
1 January	120,691	370,031
Charge for the year	118,374	108,197
Paid during the year	(58,695)	(362,185)
Disposal of a subsidiary	2,520	4,648
31 December	<u>182,890</u>	<u>120,691</u>

Zakat for the year represents the amount due on the Company and its local subsidiaries. The significant components of zakat base under zakat and income tax regulations are principally comprised of equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less deduction 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.

Status of final assessments

In the year ended 31 December 2019, the Company settled all of its open assessment years with GAZT till 2019. The Company has filed its zakat returns up to the year ended 31 December 2019 with the GAZT. The zakat returns for 2020 is not yet filed.

There are no significant pending zakat assessments received in relation to the operations of subsidiaries in the Kingdom of Saudi Arabia by the GAZT.

19.2 Income tax

The Group's subsidiaries which are incorporated outside the Kingdom of Saudi Arabia are subject to tax laws of the respective country of incorporation.

	2020	2019
1 January	10,313	30,374
Income tax (reversal) / charge	(42,784)	19,431
Withholding tax on foreign dividends	68,723	64,680
Paid during the year	(25,664)	(104,172)
31 December	<u>10,588</u>	<u>10,313</u>

There are no significant pending income tax assessments or tax notices received in relation to the operations of subsidiaries in foreign countries by their respective taxation authorities.

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****20 DEFERRED TAX**

Deferred tax liabilities and assets relate to the following:

	2020	2019
<u>Deferred tax liabilities</u>		
Property, equipment and intangible assets	165,507	154,263
Others	(14)	764
	<u>165,493</u>	<u>155,027</u>
Deferred tax asset (mainly on accumulated losses)	<u>49,407</u>	<u>8,477</u>

21 SHARE CAPITAL

The share capital consists of 3,706 million authorized and issued shares at par value of Saudi Riyals 10 each.

22 RESERVES**22.a Statutory reserve:**

Articles 129 and 130 of the Regulations for Companies require companies to set aside 10% of net profit for the year as statutory reserve until the reserve reaches 30% of their share capital.

22.b Other reserves:

The following table shows a breakdown of other reserves and the movement in these reserves during the year:

	Share in other comprehensive income of equity- accounted investees	Exchange differences on translation of foreign operations and equity- accounted investees	Re- measureme nt of employee benefit obligations	Total
At 1 January 2019	(85,081)	29,145	(12,083)	(68,019)
Share in other comprehensive income	201,294	-	-	201,294
Actuarial (losses) / gains on employee benefit obligations during the year	(8,442)	-	1,441	(7,001)
Unrealized exchange loss for the year on translation	-	(7,712)	-	(7,712)
At 31 December 2019	<u>107,771</u>	<u>21,433</u>	<u>(10,642)</u>	<u>118,562</u>
Share in other comprehensive loss	(153,406)	-	-	(153,406)
Actuarial (losses) / gains on employee benefit obligations during the year	(1,792)	-	1,732	(60)
Unrealized exchange gain for the year on translation	-	507,513	-	507,513
At 31 December 2020	<u>(47,427)</u>	<u>528,946</u>	<u>(8,910)</u>	<u>472,609</u>

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23 NON-CONTROLLING INTERESTS

This balance represents the share of the non-controlling interest in the following subsidiaries:

<u>Name of the subsidiary</u>	<u>2020</u>		<u>2019</u>	
	<u>Total non-controlling interest</u>	<u>Share in total comprehensive loss/(income)</u>	<u>Total non-controlling interest</u>	<u>Share in total comprehensive loss/(income)</u>
Trade Centre Company Limited	722,406	(12,840)	735,246	22,767
Kingdom KR-114 Limited – Breezeroad Limited	397,258	(62,891)	460,149	(38,076)
Real Estate Investment Company	359,390	7,130	352,260	7,130
Kingdom Hotel Investments	5,874	(2,216)	8,090	3,417
Medical Services Projects Company Limited	-	4,573	235,027	14,816
Kingdom Schools Company Limited	68,092	7,621	60,471	7,197
Consulting Clinic SAL	24,535	-	24,535	-
Fashion Village Trading Company Limited	(9,675)	-	(9,675)	377
	<u>1,567,880</u>	<u>(58,623)</u>	<u>1,866,103</u>	<u>17,628</u>

24 REVENUE

24.1 Following is the break-up of hotel and other operating revenues under different streams:

	<u>2020</u>	<u>2019</u>
Revenue from hotel operations – at a point in time	288,972	1,097,559
Revenue from tuition fees – over a period of time	81,796	83,884
Revenue from other services – at a point in time	-	3,401
	<u>370,768</u>	<u>1,184,844</u>
Revenue from renting of shops and apartments	128,269	161,574
Revenue from renting of villas and apartments	55,140	57,393
	<u>183,409</u>	<u>218,967</u>
	<u>554,177</u>	<u>1,403,811</u>

24.2 Disaggregation of revenue from external customers

The Group is domiciled in the Kingdom of Saudi Arabia. The amount of its revenue from the customers, broken down by location of the customers, is mentioned below:

<u>Location</u>	<u>2020</u>	<u>2019</u>
Europe (England and France)	170,822	828,864
Middle East (Saudi Arabia)	383,356	574,947
	<u>554,178</u>	<u>1,403,811</u>

25 DIVIDEND INCOME

	<u>2020</u>	<u>2019</u>
Dividends from international equity investments	439,125	215,621

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26 GAIN ON INVESTMENTS AT FVTPL

	2020	2019
Realized (loss) / gain on sale of investments at FVTPL	-	(22,377)
Unrealized gain on investments at FVTPL	36,177	331,875
	36,177	309,498

27 GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

	2020	2019
Professional fees, net (Note 27.1)	150,938	154,902
Employee cost	65,744	106,190
Selling and marketing expenses	63,600	74,659
Utilities and office expenses	28,031	30,150
Repairs and maintenance	9,189	17,697
Others	73,354	38,419
	390,856	422,017

27.1 As a result of the finalization of the Zakat assessments during 2019, management determined that certain provisions for legal and professional charges were no longer required and therefore an amount of Saudi Riyals 73 million was reversed during 2019.

28 OTHER LOSSES, NET

	2020	2019
(Loss) / gain on disposal of equity accounted investee (Note 12.2)	-	(14,641)
Loss on sale of property and equipment and goodwill write-off (Note 14, 15)	(18,500)	(42,658)
Others	(13,696)	(24,888)
	(32,196)	(82,187)

29 FINANCIAL CHARGES

Finance charges consist of interest payments on outstanding borrowings net of finance income, which is not significant for separate disclosure, arising from cash balance and short-term deposits held at banks.

30 COMMITMENTS

Capital commitments

The Group has on-going activities to construct and renovate hotels and other properties, with various stages of completion. The total outstanding capital commitments relating to such developments as at 31 December 2020 amounted to Saudi Riyals 243 million (2019: Saudi Riyals 265 million).

31 CONTINGENCIES

The Group is a defendant in various legal claims arising in the normal course of business. Based on the information presently available, there are no significant claims against the Group requiring a provision. Management believes that the provisions maintained for such claims are adequate. Any additional liabilities including any potential zakat assessments (Note 19) 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 operations.

At 31 December 2020, the Group has outstanding letters of guarantees amounting to Saudi Riyals 43.3 million (2019: Saudi Riyals 43.3 million) issued in the normal course of business. In addition, the Group's share in the equity-accounted investees' letters of guarantees, credits and acceptance as of 31 December 2020 amounted to Saudi Riyals 9.1 billion (31 December 2019: Saudi Riyals 8.7 billion).

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group holds the following financial instruments:

	Note	2020	2019
Financial assets			
Financial assets at amortized cost			
Trade receivables	7	123,773	492,064
Due from related parties	9	219,807	98,436
Cash and cash equivalents	5	2,387,431	1,637,560
Financial assets at FVOCI			
Investments at FVOCI	11	13,997,579	11,502,427
Financial assets at FVTPL			
Investments at FVTPL	6	487,812	1,217,053
Financial liabilities			
Financial liabilities at amortized cost			
Accounts payables, accrued expenses and other current liabilities	18	640,861	637,622
Due to related parties	9	270,697	255,112
Borrowings	17	15,599,659	13,383,313
Dividends payable		164,077	163,985

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risks and equity 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.

Currency risk

The group's exposure to foreign currency risk at the end of the reporting period, 31 December was as follows:

	2020			2019		
	SAR	USD	EUR	SAR	USD	EUR
Trade receivables	115,433	3,409	4,931	437,871	48,652	5,540
Bank loans	4,991,908	7,019,535	3,588,215	1,975,394	8,625,849	2,782,070

Currency risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. Majority of the Group's assets and liabilities are denominated in the functional currency of the respective subsidiaries, therefore the related currency risk is minimal. At the parent entity level, the assets and liabilities are denominated in Saudi Riyals or US Dollars. The Saudi Riyal is currently pegged to the US Dollar, therefore there is no currency risk on US Dollars denominated assets and liabilities. The Group has some exposure for its borrowings in Euros

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32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group closely monitors the movement in interest rates and manages its risk accordingly. It is not a practice to hedge the interest rate risk.

An increase / decrease in interest rate of 1%, with all other variables held constant, would have resulted in a decrease/increase in the Group's consolidated net profit amounting to Saudi Riyals 116.5 million (2019: Saudi Riyals 99.8 million).

Equity price risk

The Group's listed and unlisted equity investments are susceptible to price risk, arising from uncertainties about fair values of investment securities. The Group manages equity price risk through diversification and setting limits on investments. The exposure to equity securities and its impact on equity is detailed in the table below with a % change in equity prices.

Markets	2020	Sensitivity	
		Net Profit	Percentage
Investments at FVTPL			
United States of America	170,756	+/- 1,708	+/- 1%
Europe	213,525	+/- 2,135	+/- 1%
Middle East	103,531	+/- 1,035	+/- 1%
	<u>487,812</u>	<u>+/- 4,878</u>	
Investments at FVOCI			
US listed securities	10,410,550	+/- 104,106	+/- 1%
Middle East	798,172	+/- 7,982	+/- 1%
Europe	2,788,857	+/- 27,889	+/- 1%
	<u>13,997,579</u>	<u>+/- 139,977</u>	
	<u>14,485,391</u>	<u>+/- 144,855</u>	
Markets	2019	Sensitivity	
Investments at FVTPL		Net Profit	Percentage
Middle East	1,003,503	+/- 10,035	+/- 1%
Europe	213,550	+/- 2,136	+/- 1%
	<u>1,217,053</u>	<u>+/- 12,171</u>	
Investments at FVOCI		Equity	
US listed securities	10,923,035	+ - 109,230	+ - 1%
Middle East	579,392	+ - 5,794	+ - 1%
	<u>11,502,427</u>	<u>+ - 115,024</u>	
	<u>12,719,480</u>	<u>+ - 127,195</u>	

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***Credit risk*

The Company is exposed to credit risk as a result of the counterparty's failure to meet its contractual obligations when due, in respect of:

- Trade receivables
- Due from related parties
- Cash at banks

Credit risk is the risk that the Company will incur a financial loss as a result of the failure of the customer or counterparty to a financial instrument to fulfil its contractual obligations. The carrying amount of financial assets represents their maximum credit exposure. Impairment losses on financial assets recognized in the statement of profit or loss for 31 December 2020 amounted to Saudi Riyals Nil (31 December 2019: Saudi Riyals 72 million).

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. Credit risk arises from cash and cash equivalents as well as credit exposures to trade receivables and balances due from related parties. Credit risk is managed on a Group basis.

Revenue from hotel operations are settled mainly in cash or credit card therefore the related credit risk is minimal. Revenue from educational services is also received in advance therefore resulting in low credit risk. There are no real estate sales during the year. For other receivables (arising from medical operations and renting of shops, villas and apartments), the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are then assigned.

For banks and financial institutions, only independently rated parties with a minimum rating of A2 are accepted. Therefore, the ECL on cash and cash equivalents is immaterial.

The Company has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at 31 December 2020 amounted to nil (31 December 2019: nil). The cash balance as at 31 December 2020 is Saudi Riyals 2.4 billion (31 December 2019: Saudi Riyals 1.6 billion). For banks and financial institutions, only independently rated parties with a minimum rating of A2 are accepted.

The credit ratings of banks in which the Company holds cash as at 31 December are as follows:

	2020	2019
Credit rating		
Aa3	1,785,408	74,649
A-1	317,817	668,052
A-2 or below	282,910	282,539
	2,386,135	1,025,240

Trade receivables are shown net of allowance for impairment. The Group applies the IFRS 9 simplified approach for measuring expected credit losses on trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

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32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

The expected loss rates are based on the payment profiles over a period of 36 months, 12 months for regular receivables from tenants and guests respectively before the reporting date and the corresponding historical credit losses experienced within this period. Unless 100% collateralized any receivables beyond the above-mentioned periods of the respective profiles are written off.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP and the unemployment rates to be the most relevant factors and has accordingly adjusted the historical loss rates based on expected changes in these factors.

There are no significant concentrations of credit risk, whether through exposure to individual customers and specific industry sectors.

The Group evaluates the concentration risk with respect to trade receivables which are primarily located in the Kingdom of Saudi Arabia (KSA). Trade receivables balance comprises of 95.5% in KSA, 2.94% in GCC (other than KSA) and 1.59% in other countries (2019: 88% in KSA, 2% in GCC (other than KSA) and 10% in other countries). The nature of businesses of the Group owned entities does not expose it to credit concentration risk.

All of the Group receivables from real estate transaction are more than 36 months old. Trade receivables from other operations are not material to the financial statements.

With regard to due from related parties amounting to Saudi Riyals 219 million as at 31 December 2020 (31 December 2019: Saudi Riyals 98 million), the Group has never experienced any default from these related parties. The amount is due on demand and management has no concern over the recoverability of this balance. Hence, no ECL provision was charged against this receivable

The table at the start of Note 32 shows the maximum exposure to credit risk.

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32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities.

Cash flow forecasting is performed by management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets. Also see Note 1.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2020	Less than 1 year	1 to 3 years	More than 3 years	Total
Borrowings	5,039,478	8,606,348	2,458,471	16,104,297
Accounts payable, accrued expenses and other current liabilities	640,861	-	-	640,861
Due to related parties	116,508	154,189	-	270,697
Dividends payable	164,077	-	-	164,077
	5,960,924	8,760,537	2,458,471	17,179,932
2019	Less than 1 year	1 to 3 years	More than 3 years	Total
Borrowings	1,921,761	6,615,487	5,655,721	14,192,969
Accounts payable, accrued expenses and other current liabilities	637,622	-	-	637,622
Due to related parties	118,496	-	136,616	255,112
Dividends payable	163,985	-	-	163,985
	2,841,864	6,615,487	5,792,337	15,249,688

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32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital management risk

Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

The Group's capital management strategy is to maintain sufficient capital so that the percentage of debt to total assets does not exceed 60% of total assets (i.e. to maintain a 40% headroom).

<i>Capital management</i>	2020	2019
Total borrowings (Note 17)	15,599,659	13,383,313
Total assets	49,665,153	48,370,443
Debt to total asset ratio	31.41%	27.67%

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group's financial instruments are measured under the historical cost convention, except for investment carried at FVOCI and FVTPL which are carried at their fair values.

Fair value hierarchy

Level 1: The fair value of financial instruments traded in active markets (such as trading and fair value through other comprehensive income securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

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

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32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table presents the Group's financial assets measured and recognized at fair value on a recurring basis including their levels in the fair value hierarchy at 31 December 2020:

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Investments at FVTPL:</i>				
- United States of America (Non-current)	-	170,756	-	170,756
- Europe (Current)	-	213,525	-	213,525
- Middle East (Non-current)	-	103,531	-	103,531
	-	487,812	-	487,812
<i>Investments at FVOCI (non-current):</i>				
- United States of America	10,410,550	-	-	10,410,550
- Middle East	798,172	-	-	798,172
- Europe	2,788,857	-	-	2,788,857
	13,997,579	-	-	13,997,579
Total financial assets at fair value	13,997,579	487,812	-	14,485,391
As at 31 December 2019				
Financial assets				
<i>Investments at FVTPL: (non-current):</i>				
- Middle East	-	1,003,528	-	1,003,528
- Europe	-	213,525	-	213,525
	-	1,217,053	-	1,217,053
<i>Investments at FVOCI (non-current):</i>				
- United States of America	10,923,035	-	-	10,923,035
- Middle East	579,392	-	-	579,392
	11,502,427	-	-	11,502,427
Total financial assets at fair value	11,502,427	1,217,053	-	12,719,480

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include, the use of quoted market prices resulting in level 1 valuations, observable market inputs and latest transaction prices resulting in level 2 valuations.

Valuation process

The Group has a team that performs / reviews the valuations of non-property items required for financial reporting purposes, including fair values of financial instruments. This team reports directly to the Chief Investment Officer (CIO). Discussions of valuation processes and results are held between the CIO and the valuation team at least once every six months, in line with the Group's half-yearly reporting periods.

Changes in level 2 and 3 fair values are analyzed at the end of each reporting period during the half-yearly valuation discussion. There have been no transfers between level 2 and 3 and vice versa, during the year ended 31 December 2020.

Fair value of other financial instruments

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

KINGDOM HOLDING COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2020****(All amounts in Saudi Riyals thousands unless otherwise stated)****33 EMPLOYEE BENEFIT OBLIGATIONS**

	2020	2019
At 1 January	153,538	180,955
Current service cost	14,698	9,530
Interest expense	5	1,064
Total amount recognized in profit or loss	14,703	10,594
<i>Re-measurements</i>		
Gain / (loss) from change in financial assumptions	1,732	(4,721)
Experience gains	-	6,162
Total amount recognized in other comprehensive income	1,732	1,441
 Disposal of a subsidiary	 (44,825)	 -
Benefit payments	(9,602)	(39,452)
At 31 December	115,546	153,538

In accordance with the provisions of IAS 19 'Employee Benefits', management has carried out an exercise to assess the present value of its obligation at 31 December 2020 and 2019, using the projected unit credit method, in respect of employees' end of service benefits payable under the local laws applicable to the respective subsidiaries and the parent company. Under this method, an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service.

Management has assumed average increment/promotion costs between 2% to 4% (31 December 2019: 1.5% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using an approximate discount rate between 2.2% to 2.5% (31 December 2019: 2.5% to 4%).

34 SEGMENT INFORMATION

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

Description of segments and principal activities

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

Equity investments	International – The principal activity includes investments in international quoted securities.
Domestic and regional	The principal activity includes investments in securities quoted on the Saudi Stock Exchange, regional Stock Exchanges and investments in associates other than real estate.
Private equity	The principal activity includes investments in private equities, managed funds and other entities existing within the structure of the Group.
Hotels	The principal activity of this segment includes investments in subsidiaries and associates that are in the business of managing and owning hotel properties and related activities.
Real estate	The principal activity includes investments in activities relating to ownership and development of land and real estate projects.
Healthcare	The principal activity includes hospital, pharmacy and consulting clinics.
All other segments	The principal activities include operations of Kingdom School and other trading activities carried out by the Group.

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34 SEGMENT INFORMATION (continued)

	Equity investments	Hotels	Real estate	Healthcare	All other segments	Total
2020						
Total assets	36,466,245	6,395,476	6,360,055	77,561	365,816	49,665,153
Total liabilities	12,319,404	3,678,357	871,389	29,757	399,790	17,298,697
Total revenue	475,303	198,462	273,918	-	81,796	1,029,479
Total operating costs	-	315,085	189,824	-	48,407	553,316
Net profit/ (loss)	(1,396,255)	(273,738)	106,656	-	28,934	(1,534,403)
	Equity investments	Hotels	Real estate	Healthcare	All other segments	Total
2019						
Total assets	34,660,928	6,408,997	6,603,375	444,788	252,355	48,370,443
Total liabilities	10,467,443	3,420,048	904,015	154,135	81,573	15,027,214
Total revenue	525,120	1,097,559	218,967	-	87,284	1,928,930
Total operating costs	-	639,335	218,482	-	52,510	910,327
Net profit/ (loss)	353,687	(87,707)	147,563	-	16,875	430,418

Management believes that the inter-segment transactions for the KHC Group are insignificant and therefore have not been disclosed.

35 EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2020 and 2019 have been computed by dividing the profit for the year by the total number of shares outstanding during 2020 of 3,706 million shares (2019: 3,706 million shares).

36 DIVIDENDS DECLARATION

The General Assembly of the Company, in its annual meeting held on 9 Dhul-Qa'dah 1441H (corresponding to 30 June 2020), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million (Saudi Riyals 0.18 per share), as recommended by the Company's Board of Directors. The cash distributions have to be made to all shareholders on record as of the dates approved in the General Assembly meeting. The first, second and third dividend distribution was made to all shareholders on record as of the date approved in the General Assembly meeting. The fourth dividend distribution was made subsequent to the year-end.

37 IMPACT OF COVID 19

The existence of COVID-19 was confirmed in early 2020 and spread starting from mainland China to most parts of the world. Across the world, governments have taken different protective measures causing disruptions to businesses and economic activity, ranging from partial to complete lockdown of countries. During the reporting period, the impact of the pandemic has evolved rapidly and to contain the virus, the governments and other authorities across the world, including the geographies where the Group operates, imposed strict measures. These included restrictions on movement, group gatherings, travel bans, border closures, business closures, quarantines, stay-at-home requirements, shelter-in-place orders, density limitations and social distancing measures. The Group's businesses in hospitality and airlines (subsidiaries and equity-accounted investees) have been impacted by the mandated closures to affect social distancing. As a result, the Group experienced reductions in income associated with these businesses. The majority of the Group's business is customers driven and the current situation has impacted the customer confidence and purchasing power. Consequently, the Group is experiencing reduction in income and revenues.

The full impact of COVID-19 remains uncertain and will be determined by factors that continue to evolve, including but not limited to the success of support measures introduced by governments; the volume and velocity of the tourism trade; customer behavior and sentiment; the ability of the wider economy to recover; and the timing and manner of the easing of restrictions (such as lockdowns and social distancing). The results for the year ended 31 December 2020 and the business outlook for the full year ending 31 December 2021 are and expected to be significantly impacted by associated risks and uncertainties.

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37 IMPACT OF COVID 19 (continued)

Management has taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations.

As at the date of approval of these consolidated financial statements, even though most of the territories have eased the lockdowns, the extent of impact on the businesses and economies in general, remains uncertain and is dependent on the future developments that cannot be reasonably estimated.

Critical judgements and estimates

The Group has considered the potential impact of the COVID-19 pandemic on its significant accounting judgements and estimates. Also see Note 12 and Note 15.

Liquidity and financial position

The Group has a strong assets and equity base and is closely monitoring its liquidity projections. The Group has successfully obtained waivers for compliance with certain covenants requirements and is confident that further waivers can be obtained going forward, if required. Historically, the Group has been successful in renegotiating its debt facilities. Also see Note 1.

The Group is confident that it has robust policies, operational expertise and financial resources to enable it to meet the challenges in the current environment. Management will continue to monitor the current situation and the resulting economic conditions and take all necessary measures to safeguard the Group and its staff.

The Group has also reviewed the remaining non-financial assets within property and equipment and investment properties within Saudi Arabia (relating to healthcare, education, hotel and properties where the Group acts as a lessor) and investments in equity-accounted investees (Banque Saudi Fransi and Jeddah Economic City). Given the lockdown was lifted in Saudi Arabia at the end of May 2020 and the performance of these entities has improved since then, management believes no further impairment are required as at 31 December 2020. Banque Saudi Fransi continues to remain profitable during the year ended 31 December 2020, has a strong capital base which is reflected in the high Capital Adequacy Ratio coupled with the measures taken by the Saudi government to ease the potential liquidity pressures in the economy. Management strongly believes that there are no further impairment indicators.

38 DISPOSAL OF A SUBSIDIARY

On 3 May 2020, the Group signed a share swap agreement with Dallah Healthcare Company (DHC), to sell its entire shareholding in its subsidiary Care Shield Holding Company (Caresheid or CSH, parent Company of MSPC, CC and MCP), for a consideration of 4.99% shareholding of DHC and cash : Saudi Riyals 114 million) and a board seat in DHC's board of directors.

After governmental and DHC shareholders' approval on 15 November 2020, the transaction was completed. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

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38 DISPOSAL OF A SUBSIDIARY (continued)

The financial performance and information presented are for the period from 1 January 2020 to 15 November 2020 (2020 column) and the year ended 31 December 2019.

	Year ended 31 December	
	2020	2019
Revenues	210,525	302,889
Cost of revenues	(162,777)	(199,732)
Gross profit	47,748	103,157
General, administrative and marketing expenses	(34,126)	(72,221)
Other losses, net	-	1,415
Income from operations	13,622	32,351
Financial charges	(1,842)	(3,807)
Profit before zakat	11,780	28,544
Zakat	(2,520)	(4,648)
Profit from discontinued operations	9,260	23,896

Details of the sale of subsidiary are as follows:

	2020
Cash	114,000
Fair value of the financial assets acquired	228,888
Due from Care Shield	93,693
Total consideration	436,581
Less:	
Carrying value of the net assets	109,973
Other advances paid in the past to acquire additional shares in CSH	60,574
Gain on disposal of Care Shield	266,034

The carrying amounts of assets and liabilities as at the date of sale (15 November 2020) were:

	2020
Cash and cash equivalents	11,379
Trade and other receivables	106,246
Due from related parties	15,982
Prepayments and other assets	23,875
Inventories	33,913
Property and equipment	210,975
Total assets	402,370
Trade and other payables	40,080
Due to related parties	82,548
Zakat	3,476
Accruals and Other liabilities	29,068
Employee benefit obligations	44,825
Total liabilities	199,997
Net assets	202,373

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39 SUBSEQUENT EVENTS

The Board of Directors on 31 March 2021 proposed a distribution of quarterly cash dividends totaling to Saudi Riyals 656 million, subject to approval in the next Ordinary General Assembly meeting.