



KINGDOM HOLDING COMPANY

(A Saudi Joint Stock Company)

**Interim Condensed Consolidated Financial
Statements**

**For the three-month and six-month periods ended
30 June 2018
(unaudited)**

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
For the three-month and six month periods ended 30 June 2018

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Kingdom Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2018 and the related condensed consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods ended 30 June 2018 and the condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

9 August 2018

KINGDOM HOLDING COMPANY
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30-Jun-18 (Unaudited)	31-Dec-17 Audited
ASSETS			
Current assets			
Cash and bank balances		1,049,342	1,293,432
Investments at fair value through profit or loss ("FVTPL")	7	32,707	22,650
Trade and other receivables		233,748	454,100
Prepayments and other current assets		251,732	312,114
Due from related parties		127,779	102,036
Assets held for sale	11	54,983	477,210
Total current assets		1,750,291	2,661,542
Non-current assets			
Investments at fair value through profit or loss ("FVTPL")	7	1,207,517	907,517
Investments at fair value through other comprehensive income ("FVOCI")	7	10,798,007	11,211,596
Equity-accounted investees	9	19,994,555	19,230,889
Investment properties		4,208,639	4,219,808
Property, plant and equipment	10	7,704,199	7,964,079
Goodwill and intangible assets	10	2,225,703	2,394,212
Deferred tax assets		7,885	37,992
Other long term assets		107,720	138,565
Total non-current assets		46,254,225	46,104,658
Total assets		48,004,516	48,766,200
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Borrowings	12	383,703	409,858
Accounts payable, accrued expenses and other current liabilities		462,014	443,849
Zakat and income tax payable	11	670,195	457,154
Due to related parties		9,636	135,493
Dividends payable	17	327,971	-
Total current liabilities		1,853,519	1,446,354
Non-current liabilities			
Borrowings	12	12,831,818	13,213,247
Deferred tax liabilities		178,829	193,729
Employee benefit obligations		154,736	177,059
Other long term liabilities		72,582	61,448
Total non-current liabilities		13,237,965	13,645,483
Total liabilities		15,091,484	15,091,837
Net assets		32,913,032	33,674,363
EQUITY			
Share capital	15	37,058,823	37,058,823
Statutory reserve		665,426	665,426
Retained earnings		1,043,828	1,314,057
Fair value reserve for investments at fair value through other comprehensive income ("FVOCI")		(8,158,850)	(7,778,557)
Other reserves	16	396,855	263,116
Equity attributable to shareholders of the Company		31,006,082	31,522,865
Non-controlling interests		1,906,950	2,151,498
Net equity		32,913,032	33,674,363

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

KINGDOM HOLDING COMPANY
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Three-month periods ended		Six-month periods ended	
	Note	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Revenues					
Hotels and other operating revenues		487,437	445,286	962,937	833,073
Dividend income		35,933	17,967	71,986	37,478
Gain on investments	8	308,563	76,927	310,057	331,541
Total revenues		831,933	540,180	1,344,980	1,202,092
Hotels and other operating costs		(466,137)	(336,034)	(817,418)	(643,155)
Gross profit		365,796	204,146	527,562	558,937
General, administrative and marketing expenses		(184,554)	(100,429)	(258,048)	(164,618)
Share of results from equity-accounted investees	9	701,535	47,119	897,775	40,551
Other (losses) / gains, net	10	(262,998)	218,763	(275,693)	192,652
Income from operations		619,779	369,599	891,596	627,522
Financial charges, net		(135,097)	(96,451)	(235,056)	(201,980)
Profit before zakat and income tax		484,682	273,148	656,540	425,542
Zakat and income tax	11	(238,681)	(51,747)	(269,099)	(74,902)
Profit for the period		246,001	221,401	387,441	350,640
Profit for the period attributable to:					
- Owners of the Parent		242,670	216,303	385,712	345,391
- Non-controlling interests		3,331	5,098	1,729	5,249
		246,001	221,401	387,441	350,640
Basic and diluted earnings per share (Saudi Riyals)	18	0.07	0.06	0.10	0.09

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

KINGDOM HOLDING COMPANY
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

Note	Three-month periods ended		Six-month periods ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Profit for the period	246,001	221,401	387,441	350,640
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss</i>				
Investments at fair value through other comprehensive income – net changes in fair value	195,925	1,051,810	(380,293)	1,348,833
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share in other comprehensive income / (loss) of equity-accounted investees	9 17,282	(66,818)	45,020	(12,165)
Exchange differences on translation of foreign operations	(168,624)	470,942	94,462	387,859
Total comprehensive income for the period	290,584	1,677,335	146,630	2,075,167
Total comprehensive income for the period attributable to:				
- Owners of the Parent	285,271	1,673,945	139,158	2,069,403
- Non-controlling interests	5,313	3,390	7,472	5,764
	290,584	1,677,335	146,630	2,075,167

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED INTERIM 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 2018 (Audited)	37,058,823	665,426	1,314,057	(7,778,557)	263,116	31,522,865	2,151,498	33,674,363
Profit for the period	-	-	385,712	-	-	385,712	1,729	387,441
Net change in fair value of investment at FVOCI	-	-	-	(380,293)	-	(380,293)	-	(380,293)
Share in other comprehensive income of equity-accounted investees	-	-	-	-	45,020	45,020	-	45,020
Exchange differences on translation of foreign operations	-	-	-	-	88,719	88,719	5,743	94,462
Total	-	-	385,712	(380,293)	133,739	139,158	7,472	146,630
Change in non-controlling interests	-	-	-	-	-	-	(252,020)	(252,020)
Transactions with owners in their capacity as owners:								
Dividends declared (Note 17)	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 June 2018 (Unaudited)	37,058,823	665,426	1,043,828	(8,158,850)	396,855	31,006,082	1,906,950	32,913,032

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

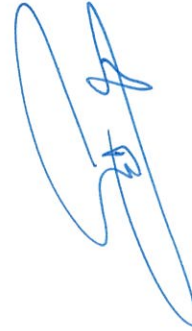



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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	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 2017 (Audited)	37,058,823	599,069	1,270,814	(10,177,824)	(517,729)	28,233,153	1,090,889	29,324,042
Profit for the period	-	-	345,391	-	-	345,391	5,249	350,640
Net change in fair value of investment at FVOCI	-	-	-	1,348,833	-	1,348,833	-	1,348,833
Unrealized loss on investment at FVOCI transferred to retained earnings on disposal	-	-	(9,757)	(9,757)	-	-	-	-
Share in other comprehensive income of equity-accounted investees	-	-	-	-	(12,165)	(12,165)	-	(12,165)
Exchange differences on translation of foreign operations	-	-	-	-	387,344	387,344	515	387,859
Total	-	-	335,634	1,339,076	375,179	2,069,403	5,764	2,075,167
Change in non-controlling interests	-	-	-	-	-	-	376,923	376,923
Transaction with owners in their capacity as owners:	-	-	-	-	-	-	-	-
Dividends declared	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 June 2017 (Unaudited)	37,058,823	599,069	950,507	(8,838,748)	(142,550)	29,646,615	1,473,576	31,120,191

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.




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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Six-month periods ended	
		30-Jun-18	30-Jun-17
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax		656,540	425,542
<u>Adjustments for non-cash items:</u>			
Depreciation and amortisation		103,325	153,451
Amortization of transaction costs		7,084	7,016
Gain on sale of investments classified as FVTPL		-	(235,977)
Unrealised gain on investments classified as FVTPL	8	(310,057)	(95,564)
Share of results from equity-accounted investees		(897,775)	(40,551)
Other gains / (losses), net		275,693	(192,652)
Dividend income		(71,986)	(37,478)
Financial charges, net		235,056	201,980
		(2,120)	185,767
Changes in operating assets and liabilities			
Trade and other receivables		220,352	97,558
Prepayments and other current assets		60,382	-
Due from related parties		(55,743)	824
Assets held for sale		422,227	-
Employee benefit obligations, net		(22,323)	2,267
Accounts payable, accrued expenses and other current liabilities		236,580	(29,234)
Due to related parties		(125,857)	(1,350)
Investments at FVTPL		-	488,645
Other long term assets		30,845	3,505
Other long term liabilities		11,134	(4,237)
Cash used in operating activities		775,477	743,745
Zakat and income tax paid		(40,851)	(16,791)
Net cash generated from operating activities		734,626	726,954
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of equity accounted investee		-	52,470
Dividend received from equity accounted investee		-	58,819
Acquisition of subsidiary, net of cash acquired		-	11,402
Proceeds from sale of investments at FVOCI		33,296	66,437
Dividends received		71,986	37,478
Property, plant and equipment, net		93,422	(286,065)
Net cash generated from / (used in) investing activities		198,704	(59,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		163,985	180,897
Repayments of borrowings		(767,158)	(1,864,344)
Transactions with non-controlling interests		(246,277)	29,031
Dividends paid		(327,970)	(327,970)
Net cash used in financing activities		(1,177,420)	(1,982,386)
Net change in cash and bank balances		(244,090)	(1,314,891)
Cash and bank balances at the beginning of the period		1,293,432	4,337,052
CASH AND BANK BALANCES AT THE END OF THE PERIOD		1,049,342	3,022,161
Non-cash transactions:			
Movement in investments at FVOCI		(380,293)	1,348,833
Net assets transferred on the acquisition of a subsidiary		-	1,077,310
Exchange differences on translation of foreign operations		88,719	387,859

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

KINGDOM HOLDING COMPANY
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Notes to the condensed consolidated interim financial statements
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(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 Al Awwal 18, 1428H (corresponding to June 4, 2007), the conversion of the Company into a joint stock company.

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

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

These condensed consolidated interim financial statements (the "consolidated financial statements") were authorized for issue by the Company's Board of Directors on 26 Dhul Qadah, corresponding to 8 August 2018.

a) 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.

b) 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 funds, through its equity-accounted investees.

c) 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 (%)	
	30-Jun-18	31-Dec-17
<u>Subsidiaries</u>		
Kingdom Hotel Investments (KHI) - Cayman Islands	100.0	100.0
Kingdom 5 KR 35 Group (George V) - France (Direct and indirect ownership through KHI)	100.0	100.0
<u>Equity-accounted investees</u>		
Four Seasons Holding Inc. (FSH Inc.) – Canada	47.5	47.5
Mövenpick Hotels and Resorts AG (Mövenpick) - Switzerland	33.3	33.3
Accor S.A. – France	5.8	5.8

d) Kingdom 5-KR-114 Limited (KR-114)

KR-114 is a fully owned limited liability company incorporated in the Cayman Islands. The company holds 58.83% ownership in Breezeroad Limited, which operates the Savoy Hotel in London.

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1 CORPORATE INFORMATION (continued)

e) Local and regional subsidiaries

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

	Ownership percentage (%)	
	30-Jun-2018	31-Dec-2017
<u>Subsidiaries</u>		
Kingdom Schools Company Limited (The School) - Saudi Arabia	47.0	47.0
Fashion Village Trading Company Limited (SAKS) - Saudi Arabia	71.8	71.8
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	74.0	74.0
Consulting Clinic SAL (Clinic) – Lebanon	50.4	50.4
Real Estate Investment Company (REIC) - Saudi Arabia	69.4	69.4
Trade Centre Company Limited (TCCL) - Saudi Arabia	70.6	70.6
Kingdom Real Estate Development Company (KRED) - Saudi Arabia	100.0	100.0
<u>Equity-accounted investees</u>		
National Air Services (NAS) - Saudi Arabia	34.1	34.1
Jeddah Economic Company (JEC) - Saudi Arabia	33.4	33.4
Banque Saudi Fransi (BSF) – Saudi Arabia	16.2	16.2

The principal activities and the various segments of the Group are described in Note 5.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

These condensed consolidated interim financial statements should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2017. These do not include all of the information required for a complete set of IFRS Financial Statements however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements.

The interim results may not be an indicator of the annual results of the Group.

2.2 Historical cost convention

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities that are measured at fair value. Further, the employee termination benefits are calculated using the projected unit credit method (PUCM) and actuarial assumptions.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals, which is the Company's functional and Group's presentation currency.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group's last annual audited consolidated financial statements as at and for the year ended 31 December 2017.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's last annual audited consolidated financial statements as at and for the year ended 31 December 2017. Effective 1 January 2018, the Group has adopted IFRS 15 – Revenue from Contracts with Customers. The adoption of this standard has no material impact on the Group's condensed consolidated interim financial statements.

Standards issued but not yet effective

The Group has not early adopted the following new standards, amendments or interpretations effective for annual periods on or after 1 January 2019.

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
	IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	1 January 2019
Annual improvements to IFRSs 2015 – 2017 cycle	IAS 12 Income Taxes	1 January 2019
Uncertainty over Income Tax Treatments	IAS 23 Borrowing Costs	1 January 2019
	IFRIC 23	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

The Group does not expect any material impact its consolidated financial position or results of its operations as a result of these new standards or amendments.

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5 SEGMENT INFORMATION

The Group is a diversified group and derives its revenues and profits from a variety of sources. The investment committee, comprising senior management and the Chief Executive Officer, organises and manages its operations by business segments and have identified the following segments separately for the purposes of monitoring, decision making and performance assessment.

Description of segments and principal activities

The Group's primary operations are organised 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, the regional Stock Exchanges and investments in associates other than real estate.
Private equity	The principal activity includes investments in private equities, managed funds and other entities existing within the structure of the Group.
Hotels	The principal activity of this segment includes investments in subsidiaries and associates that are in the business of managing and owning hotel properties and related activities.
Real estate	The principal activity includes investments in activities relating to ownership and development of land and real estate projects.
Health Care	The principal activity includes hospitals, pharmacies and consulting clinics.
All other segments	The principal activities include operations of Kingdom School and other trading activities carried by the Group.

	Equity investments	Hotels	Real estate	Health care	All other segments	Total
2018 (unaudited)						
Total revenue						
For the three-month period ended 30 June	344,496	279,086	113,049	70,887	24,415	831,933
For the six-month period ended 30 June	382,043	534,592	232,242	148,087	48,016	1,344,980
Net profit / (loss)						
For the three-month period ended 30 June	392,295	(166,322)	18,286	2,831	(1,089)	246,001
For the six-month period ended 30 June	491,332	(151,787)	43,645	7,050	(2,799)	387,441
Total assets as at 30 June	22,490,889	15,694,005	9,261,687	474,033	83,902	48,004,516
Total liabilities as at 30 June	9,654,241	4,490,155	815,245	104,061	27,782	15,091,484
Timing of revenue recognition						
At point in time	N/A	Yes	N/A	Yes	N/A	-
Over a period of time	N/A	N/A	N/A	N/A	Yes	-

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5 SEGMENT INFORMATION (continued)

	Equity investments	Hotels	Real estate	Health care	All other segments	Total
2017						
Total revenue						
For the three-month period ended 30 June (unaudited)	94,894	324,396	16,312	80,185	24,393	540,180
For the six-month period ended 30 June (Unaudited)	369,019	603,568	16,312	163,565	49,628	1,202,092
Net profit						
For the three-month period ended 30 June (Unaudited)	147,555	50,795	5,748	1,182	16,121	221,401
For the six-month period ended 30 June (Unaudited)	273,310	40,597	11,992	6,182	18,559	350,640
Total assets as at 31 December (Audited)	22,411,047	16,587,436	9,063,841	451,247	252,629	48,766,200
Total liabilities as at 31 December (Audited)	9,793,919	4,271,706	738,639	181,068	106,152	15,091,837
Timing of revenue recognition						
At point in time	N/A	Yes	N/A	Yes	N/A	-
Over a period of time	N/A	N/A	N/A	N/A	Yes	-

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

6 BUSINESS COMBINATION ACHIEVED IN STAGES

During the six-month period ended 30 June 2017, the Group increased its ownership in REIC from 38.9% to 69.4%, therefore resulting in REIC being accounted for as a subsidiary, effective from 1 June 2017. The fair value of identifiable assets and liabilities, identified on a provisional basis, were as follows:

	30-Jun-2017
Current assets	82,197
Non-current assets	1,110,590
	<u>1,192,787</u>
Liabilities assumed:	
Current liabilities	(74,100)
Non-current liabilities	(41,377)
	<u>1,077,310</u>
Fair value of net assets acquired	
Total acquisition cost	(544,074)
Non-controlling interest	(329,657)
Gain on bargain purchase	<u>203,579</u>
Total acquisition cost:	
Total consideration	125,000
Fair value of previously held equity interest	419,074
Total acquisition cost	<u>544,074</u>
Cash flow on acquisition	<u>11,402</u>

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6 BUSINESS COMBINATION ACHIEVED IN STAGES (continued)

REIC contributed Saudi Riyals 47.6 million and profit of Saudi Riyals 29.8 million to the Group from the date of acquisition. If the acquisition had taken place on 1 January 2017, the revenue and profit contribution would be higher by Saudi Riyals 16.1 million and Saudi Riyals 8.1 million, respectively.

During the period ended 30 June 2018, the Group has determined that the resulting intangible assets are not significant for separate recognition and also no further adjustments are required to be made on the provisional amounts previously recognized.

During the year ended 31 December 2017, the Group increased its ownership in TCCL from 36% to 70.62% therefore resulting in TCCL being accounted for as a subsidiary, effective from 14 August 2017. Details of this business combination were disclosed in Note 8 of the Group's annual consolidated financial statements for the year ended 31 December 2017.

7 FAIR VALUE

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 investments carried at FVOCI and FVTPL which are carried at fair values. These investments are all in equity securities.

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

(i) Fair value hierarchy

Level 1: The fair value of financial instruments traded in active markets (such as FVTPL 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 classified as level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise 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, then the instrument is classified as level 2.

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

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7 FAIR VALUE (continued)

The following table presents the Group's financial assets measured and recognised at fair value including their levels in the fair value hierarchy at 30 June 2018 on a recurring basis:

	Level 1	Level 2	Level 3	Total
As at 30 June 2018 (Unaudited)				
Financial assets				
<i>Investments at FVTPL:</i>				
- United States of America (current)	32,707	-	-	32,707
- United States of America (non-current)	-	874,623	-	874,623
- Middle East (non-current)	-	332,894	-	332,894
	-	1,207,517	-	1,207,517
	32,707	1,207,517	-	1,240,224
<i>Investments at FVOCI (non-current):</i>				
- United States of America	9,740,933	75,037	45,060	9,861,030
- Middle East	936,977	-	-	936,977
	10,677,910	75,037	45,060	10,798,007
Total financial assets at fair value	10,710,617	1,282,554	45,060	12,038,231
As at 31 December 2017 (Audited)				
Financial assets				
<i>Investments at FVTPL:</i>				
- United States of America (current)	22,650	-	-	22,650
- United States of America (non-current)	-	574,623	-	574,623
- Middle East (non-current)	-	332,894	-	332,894
	-	907,517	-	907,517
	22,650	907,517	-	930,167
<i>Investments at FVOCI (non-current):</i>				
- United States of America	10,393,386	75,037	45,060	10,513,483
- Middle East	698,113	-	-	698,113
	11,091,499	75,037	45,060	11,211,596
Total financial assets at fair value	11,114,149	982,554	45,060	12,141,763

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include, the use of quoted market prices or dealer quotes for similar instruments, observable market inputs and latest transaction price.

(iii) 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 analysed at the end of each reporting period during the half-yearly valuation discussion.

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7 FAIR VALUE (continued)

(iv) Fair value of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the condensed consolidated interim statement of financial position. For the majority of these instruments, management has concluded that the fair values are not materially different from their carrying amounts.

(v) Transfers between levels 2 and 3 and changes in valuation techniques

There have been no transfer of equity securities between levels 2 and 3 during the six-month period ended 30 June 2018. Also there were no changes made to any of the valuation techniques applied as at 31 December 2017.

8 GAIN ON INVESTMENTS

	Three-month periods ended		Six-month periods ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	Unaudited	Unaudited	Unaudited	Unaudited
Realized gain on sale of investments classified as FVTPL	-	-	-	235,977
Unrealized gain on investments classified as FVTPL	308,563	76,927	310,057	95,564
	308,563	76,927	310,057	331,541

9 EQUITY-ACCOUNTED INVESTEEES

	30-Jun-18	31-Dec-17
	(Unaudited)	(Audited)
At beginning of the period / year	19,230,889	14,123,741
Additions during the period / year	-	5,802,455
Capital repayment and dividends from associates	-	(115,811)
Disposals during the period / year	-	(49,193)
Share in income	897,775	261,941
Transfer due to business combination	-	(1,042,753)
Transfer to investment at FVOCI	-	(111,349)
Share in other comprehensive income	45,020	(45,844)
Impairment loss recognized during the period / year (Note 10)	(200,000)	(37,261)
Unrealized exchange gain on translation	20,871	446,595
Other	-	(1,632)
At end of the period / year	19,994,555	19,230,889

On 11 September, 2017, the Group invested in Banque Saudi Fransi, a listed bank in the Kingdom of Saudi Arabia. As a result of power to represent on the Board of Directors, the Group has concluded it exercises significant influence and therefore accounted for this investment as an equity-accounted investment.

During the year ended 31 December 2017, the Group completed the reorganization in two of its equity accounted investees, REIC and TCCL, as a result of which both these investments were classified as subsidiaries and consolidated from the date the Group obtained control. Also see Note 6.

Also during the year ended 31 December 2017, the Group sold one of its investment partially and lost significant influence, as a result of which the investment was reclassified to an investment at FVOCI.

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10 OTHER (LOSSES) / GAINS, NET

Other (losses) / gains, net for the three-month period ended 30 June 2018 mainly comprises an impairment loss recorded on an investment in an equity accounted investee amounting to Saudi Riyals 200 million (Note 9), and impairment amounting to Saudi Riyals 272.8 million on certain property, plant and equipment and related goodwill, assessed using fair value less cost of disposal.

For the impairment in equity-accounted investee, the Group has assessed the recoverable value through value-in-use using a 5 years discounted cash flow analysis using discount rate of 11.46% and long-term terminal growth rate of 2%. If the discount rate increased by 0.5%, the impairment loss would increase and profit for the period would decrease by Saudi Riyals 152 million.

During the three-month period ended 30 June 2018, the Group sold properties at a gain amounting Saudi Riyals 97 million.

Other (losses) / gains, net for the three-months period ended 30 June 2017 mainly included a bargain purchase gain amounting to Saudi Riyals 204 million (Note 6).

11 OTHER SIGNIFICANT TRANSACTIONS DURING THE CURRENT REPORTING PERIOD

- An asset held for sale as at 31 December 2017 was disposed during the six-month period ended 30 June 2018 at a value approximately equal to its carrying value.
- In the prior years, the Group was contesting its zakat and income tax assessment for the years from 2007 to 2010. The negotiations to reach to a settlement with the General Authority of Zakat and Tax ("GAZT") have reached to an advanced stage and therefore the Group recorded a provision for settlement amounting to Saudi Riyals 200 million. Also see Note 19.

12 BORROWINGS

	30-Jun-18	31-Dec-17
	(Unaudited)	(Audited)
Kingdom Holding Company	4,098,285	4,303,123
Kingdom 5-KR-11 Limited	5,062,500	5,057,763
Kingdom KR-114 Limited	1,591,384	1,610,661
Kingdom 5-KR-35 Group	1,511,846	1,551,054
Kingdom Hotel Investments	390,368	433,671
Others	561,138	666,833
	13,215,521	13,623,105

The above outstanding balance is presented as follows:

	30-Jun-18	31-Dec-17
	(Unaudited)	(Audited)
<u>Current</u>		
Short-term loans	-	2,208
Current portion of term loans	383,703	407,650
	383,703	409,858
<u>Non-current</u>		
Term loans, including long-term revolving facilities	12,831,818	13,213,247
	13,215,521	13,623,105

Included in the total borrowings are borrowings from related parties amounting to Saudi Riyals 328 million (2017: Saudi Riyals 164 million).

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13 CONTINGENCIES AND COMMITMENTS

The Group is a defendant in various legal claims arising in the normal course of business. Provision has been established for certain claims, based on the information presently available. Management believes that the existing liabilities provided for such claims are adequate.

There have been no significant change in contingencies, capital and operating lease commitments during the period.

14 RELATED PARTY TRANSACTIONS

The Company entered into various transactions with related parties at mutually agreed terms. These transactions, individually or in aggregate, are not material to the condensed consolidated interim financial statements. No significant related party transactions were entered into during the six-month period ended 30 June 2018.

15 SHARE CAPITAL

The share capital as at 30 June 2018 and 31 December 2017 consists of 3,706 million authorized and issued shares at par value of Saudi Riyals 10 each.

16 OTHER RESERVES

	Share in other comprehensive income of equity- accounted investees	Exchange differences on translation of foreign operations including equity- accounted investees	Re-measurements of employee benefit obligations	Total
At 1 January 2017 (Audited)	(29,291)	(474,495)	(13,943)	(517,729)
Share in other comprehensive income	(47,155)	-	-	(47,155)
Actuarial losses on employee benefit obligations during the year	1,311	-	2,457	3,768
Unrealised exchange gain for the period on retranslation of foreign operations	-	824,232	-	824,232
At 31 December 2017 (Audited)	(75,135)	349,737	(11,486)	263,116
Share in other comprehensive income	45,020	-	-	45,020
Unrealised exchange gain for the period on translation	-	88,719	-	88,719
At 30 June 2018 (Unaudited)	(30,115)	438,456	(11,486)	396,855

17 DIVIDENDS DECLARATION

The General Assembly of the Company, in its annual meeting held on Ramadan 20, 1439H (corresponding to 4 June, 2018), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million for the year as recommended by the Company's Board of Directors. The cash distributions have to be made to all shareholders on record as of the dates approved in the General Assembly meeting. The first and second dividend distributions were made to all shareholders on record as of the date approved in the General Assembly meeting.

18 EARNINGS PER SHARE

Earnings per share for the six-month period ended June 30, 2018 and 2017 have been computed by dividing the net income for each of the period by the number of shares outstanding during such period of 3,706 million shares.

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19 SUBSEQUENT EVENTS

Subsequent to the period end, the Group has announced it has invested in Deezer, an unlisted French music streaming company.

Also, subsequent to the period end, the Group has reached a settlement with GAZT and settled the open assessments for the year 2007 to 2010.