KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
AND INDEPENDENT AUDITOR'S REPORT

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Page
Independent auditor's report	1 - 7
Consolidated statement of financial position	8
Consolidated statement of income	9
Consolidated statement of comprehensive income	10
Consolidated statement of changes in equity	11 – 12
Consolidated statement of cash flows	13
Notes to the consolidated financial statements	14 – 57

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 2019, 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 2019;
- 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 a summary of significant accounting policies.

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.

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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

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.

Key audit matter	How our audit addressed the key audit matter
Impairment review of indefinite life intangible assets At 31 December 2019, the Group had indefinite life intangible assets, including goodwill and brand, which arose on past business combinations amounting to Saudi Riyals 1.2 billion (2018: Saudi Riyals 1.2 billion) and Saudi Riyals 741.7 million (2018: Saudi Riyals 713.6 million), respectively. 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. 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 exercise in respect of indefinite useful life intangible assets allocated to each CGU by determining a recoverable amount based on fair value less costs of disposal of each CGU based on a discounted cash flow model, which utilized the most recent five-year business plan prepared by the management. The outcome of this exercise as at 31 December 2019 did not result in any impairment loss to be recognized. 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: (a) revenue growth and EBITDA margin assumptions; and (b) Pre-tax discount rates and terminal capitalization rates used in the cash flow models. *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.*	We assessed management's impairment assessment of indefinite life intangible assets by performing the following procedures: ● Assessed the methodology used by management to determine a recoverable value of each CGU and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the models used and logical integrity 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 and terminal capitalization rates; and ● Performed 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. We also reviewed the adequacy of the Group's disclosures included in the notes to the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment review of equity-accounted investees (Accor and NAS) At 31 December 2019, the Group had an investment in Accor amounting Saudi Riyals 4 billion (2018: Saudi Riyals 4 billion) and investment in NAS amounting to Saudi Riyals 1.6 billion (2018: 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 whenever there is an identified trigger for impairment. Management carried out an impairment review of both these investments by determining a recoverable amount based on valuation techniques. The outcome of this exercise on 31 December 2019 did not result in any impairment loss to be recognized. We considered impairment testing of equity-accounted investees performed by management as a key audit matter since the assessment of the recoverable amount requires considerable judgment around use of estimates on the part of management. The critical judgmental elements of management's assessment were: (a) In the case of Accor, use of analysts' report to determine an average target price and application of a premium to such average target price; (b) In the case of NAS, expected revenue growth, EBITDA margins, pre-tax discount rate and long-term growth rate used in the discounted cash flow model. *Refer to Note 4.2 and Note 4.18 for the accounting policies, Note 3.1 for the significant estimate 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 the accounting standards. We also tested the arithmetical accuracy of the model used for NAS including the logical integrity of the underlying calculations; ● Tested the reasonableness of the cash flow projections by comparison to NAS'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, including the use of a premium in the case of investment of Accor. In the case of investment in NAS, our internal experts assisted in the review of certain assumptions including pre-tax discount rate and long-term growth rate; and ● Performed 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 Group's 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 Group's audit committee is responsible for overseeing the Group's financial reporting process.

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

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 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.

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

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.

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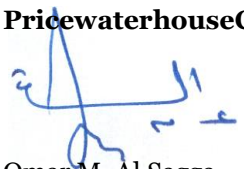

Omar M. Al Sagga
License Number 369

31 March 2020

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

	Note	As at 31 December 2019	2018
Assets			
Current assets			
Cash and cash equivalents	5	**1,637,560**	953,429
Investments at fair value through profit or loss ("FVTPL")	6	**-**	3,763
Trade receivables	7	**492,064**	477,985
Prepayments and other current assets	8	**193,131**	206,360
Due from related parties	9	**98,436**	129,431
Assets held for sale	10	**30,946**	44,357
Total current assets		**2,452,137**	1,815,325
Non-current assets			
Investments at FVTPL	6	**1,217,053**	2,606,096
Investments at fair value through other comprehensive income ("FVOCI")	11	**11,502,427**	7,873,434
Equity-accounted investees	12	**19,562,668**	19,158,568
Investment properties	13	**4,253,279**	4,198,664
Property and equipment	14	**6,855,011**	7,114,581
Goodwill and intangible assets	15	**1,931,628**	1,938,330
Deferred tax asset	20	**8,477**	9,025
Other long-term assets	16	**587,763**	156,673
Total non-current assets		**45,918,306**	43,055,371
Total assets		**48,370,443**	44,870,696
LIABILITIES			
Current liabilities			
Borrowings	17	**1,986,094**	4,021,510
Accounts payable, accrued expenses and other current liabilities	18	**734,302**	554,967
Zakat and income tax payable	19	**131,004**	400,405
Due to related parties	9	**118,496**	117,909
Dividends payable	36	**163,985**	163,985
Total current liabilities	1	**3,133,881**	5,258,776
Non-current liabilities			
Borrowings	17	**11,397,219**	9,255,415
Due to a related party	9	**136,616**	123,778
Deferred tax liabilities	20	**155,027**	174,711
Employee benefit obligations	33	**153,538**	180,955
Other long-term liabilities		**50,933**	27,990
Total non-current liabilities		**11,893,333**	9,762,849
Total liabilities		**15,027,214**	15,021,625
Net assets		**33,343,229**	29,849,071
EQUITY			
Share capital	21	**37,058,823**	37,058,823
Statutory reserves	22 a	**775,606**	733,589
Retained earnings		**945,004**	1,271,981
Fair value reserve for investments at FVOCI	11 b	**(7,420,869)**	(11,045,965)
Other reserves	22 b	**118,562**	(68,019)
Equity attributable to shareholders of the Company		**31,477,126**	27,950,409
Non-controlling interests	23	**1,866,103**	1,898,662
Total equity		**33,343,229**	29,849,071

The accompanying notes on pages 14 to 57 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)

	Note	Year ended 31 December 2019	2018
Revenues:			
Hotels and other operating revenues	24	**1,706,700**	1,943,922
Dividends income	25	**215,621**	173,169
Gain on investments at FVTPL	26	**309,498**	461,047
Total revenues		**2,231,819**	2,578,138
Hotel and other operating costs		**(1,110,059)**	(1,342,330)
Gross profit		**1,121,760**	1,235,808
General, administrative and marketing expenses	27	**(494,238)**	(385,613)
Impairment of financial assets		**(71,825)**	(3,888)
Share of results of equity-accounted investees	12 a	**790,754**	1,176,330
Other losses, net	28	**(80,772)**	(461,447)
Income from operations		**1,265,679**	1,561,190
Financial charges	29	**(614,409)**	(522,753)
Profit before zakat and income tax		**651,270**	1,038,437
Income tax	19	**(84,111)**	(73,516)
Zakat	19	**(112,845)**	(264,119)
Profit for the year		**454,314**	700,802
Profit for the year attributable to:			
- Owners of the Company		**420,168**	681,633
- Non-controlling interests		**34,146**	19,169
		454,314	700,802
Basic and diluted earnings per share (Saudi Riyals)	35	**0.12**	0.19

The accompanying notes on pages 14 to 57 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)

	Note	Year ended 31 December 2019	2018
Profit for the year		**454,314**	700,802
Other comprehensive income / (loss):			
Items that will not be subsequently reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	33	**1,441**	(597)
Net changes in fair value of equity investments at FVOCI	11 b	**3,625,096**	(3,267,013)
Items that may be reclassified subsequently to profit or loss			
Share in other comprehensive income / (loss) of equity-accounted investees	12 a	**192,852**	(9,946)
Exchange differences on translation of foreign operations		**(24,230)**	(333,826)
Other comprehensive income / (loss)		**3,795,159**	(3,611,382)
Total comprehensive income / (loss) for the year		**4,249,473**	(2,910,580)
Total comprehensive income / (loss) for the year attributable to:			
- Owners of the Company		**4,231,845**	(2,916,515)
- Non-controlling interests	23	**17,628**	5,935
		4,249,473	(2,910,580)

The accompanying notes on pages 14 to 57 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 57 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 2018	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 year / (loss)	-	-	681,633	-	-	681,633	19,169	700,802
Other comprehensive income	-	-	395	(3,267,408)	(331,135)	(3,598,148)	(13,234)	(3,611,382)
Total comprehensive loss	-	-	682,028	(3,267,408)	(331,135)	(2,916,515)	5,935	(2,910,580)
Transfer to statutory reserve	-	68,163	(68,163)	-	-	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	(258,771)	(258,771)
Transactions with owners in their capacity as owners:								
Dividends (Note 36)	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 31 December 2018	37,058,823	733,589	1,271,981	(11,045,965)	(68,019)	27,950,409	1,898,662	29,849,071

The accompanying notes on pages 14 to 57 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 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax		651,270	1,038,437
Adjustments for non-cash items			
Impairment loss on equity-accounted investee	12	-	200,000
Share of results from equity-accounted investees	12	(790,754)	(1,176,330)
Loss / (gain) on disposal of equity-accounted investee	12.2	14,641	(196,368)
Depreciation and amortization	13, 14	171,999	239,736
Loss on disposal of properties and equipment	14	27,658	241,770
Goodwill written off	15	15,000	320,046
Unrealized gain on investments at FVTPL	26	(331,875)	(452,335)
Impairment of financial assets		71,825	3,888
Other losses / (gains)	28	23,473	(6,867)
Gain on sale of asset held for sale	28	-	(97,134)
Finance charges	29, 17	660,626	537,501
Provision for employee benefit obligations	33	10,594	9,093
		524,457	531,437
Changes in operating assets and liabilities			
Trade receivables		12,215	(20,187)
Prepayments and other current assets		13,229	105,754
Due from related parties		30,995	2,605
Accounts payable, accrued expenses and other current liabilities		156,410	253,558
Due to related parties		13,425	(17,584)
Movement in investments at FVTPL		1,720,784	(1,227,357)
Other long-term assets		(548,893)	(18,108)
Other long-term liabilities		22,943	90,320
		1,945,565	(299,562)
Zakat and income tax paid	19	(466,357)	(394,384)
Employee benefit obligations paid during the year	33	(39,452)	(4,600)
Net cash generated from/ (utilized in) operating activities		1,439,756	(698,546)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments at FVOCI		-	71,149
Additions to equity-accounted investees	12	(94,231)	(65,407)
Dividends from equity-accounted investees	12	495,578	387,470
Net proceeds from disposal of equity-accounted investees		38,250	749,251
Additions to investment properties	13	(77,464)	(2,945)
Additions to property and equipment	14	(99,434)	(106,543)
Addition of intangibles		(20)	-
Disposals of property and equipment		96,029	165,653
Disposal of assets held for sale		44,357	432,853
Net cash generated from investing activities		403,065	1,631,481
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	17	6,757,514	2,230,360
Repayment of borrowings, net	17	(6,475,925)	(2,488,512)
Dividends paid	36	(655,941)	(491,956)
Movement in restricted cash		(7,149)	9,711
Finance charges paid		(734,151)	(522,830)
Transactions with NCI		(50,187)	-
Net cash utilized in financing activities		(1,165,839)	(1,263,227)
Net change in cash and cash equivalents		676,982	(330,292)
Cash and cash equivalents at beginning of year		817,337	1,147,629
Cash and cash equivalents at end of year	5	1,494,319	817,337

The accompanying notes on pages 14 to 57 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:

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 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.

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 2019, the Group had net current liabilities amounting to Saudi Riyals 681.7 million (31 December 2018: Saudi Riyals 3.44 billion). This is mainly due to current borrowings amounting to Saudi Riyals 2 billion, out of which borrowings amounting to Saudi Riyals 1 billion have been settled subsequent to the year end. Based on a review of the undrawn borrowing facilities, a review of the existing liquid investments portfolio and status of a new facility that is about to be secured, management is confident that the Group will be able to meet its obligations as and when they fall due.

These consolidated financial statements (the "consolidated financial statements") were authorized for issue by the Company's Board of Directors on 30 March 2020.

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	
	2019	**2018**
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)	6.1	5.8
Movenpick El Gouna	-	29.3

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% 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
	2019	2018	
Subsidiaries			
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	41	Healthcare
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	100	100	Healthcare
Consulting Clinics Center Company Limited (CC) - Saudi Arabia	100	100	Healthcare
Medical Clinics Pharmacy Company Limited (MCP) - Saudi Arabia	99	99	Healthcare
Consulting Clinic SAL (Clinic) – Lebanon	50.4	50.4	Healthcare
Equity-accounted investees			
National Air Services (NAS) - Saudi Arabia	37.1	34.1	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.

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 standard and amendments to existing standards from 1 January 2019:

(i) IFRS 16 *Leases*

The Group has adopted IFRS 16 "Leases" from 1 January 2019, the effective date of the standard. It has resulted in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors has not been changed significantly. The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard which requires the recognition of the cumulative impact of adoption of IFRS 16 on all contracts as at 1 January 2019 in opening retained earnings. At 1 January 2019, the Group had operating leases commitments amounting to Saudi Riyals 2.6 million. The Group has completed an overall assessment of all its leasing arrangements to evaluate the applicability of these arrangements under IFRS 16 requirements. The final assessment concluded that there was an immaterial impact of adoption of IFRS 16 on the Group's consolidated financial statements other than the impact on its equity-accounted investees (see Note 12), which has resulted into an adjustment in Group's retained earnings as on 1 January 2019.

(ii) Prepayment features with negative compensation – amendments to IFRS 9.

(iii) Long-term interests in associates and joint ventures – amendments to IAS 28.

(iv) Annual improvements to IFRS standards 2015 – 2017 cycle.

(v) Plan amendment, curtailment or settlement – amendments to IAS 19.

(vi) IFRIC 23 uncertainty over income tax treatments.

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

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 2019 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.

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 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 2019 and 2018 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 agreements, 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

The Group is 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 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.

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.

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.

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.

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.

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.

(i) 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.

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.

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 and leasehold improvement	1 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. Leasehold improvements are depreciated on the shorter of useful life and lease term.

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.

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 2019.

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.

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.

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.

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.

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.

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 contract liability. The rental contracts are relatively simple and do not contain multiple performance obligations. These contracts 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, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(iii) Educational services

Revenue is recognized when the educational services are performed. Registration fees are recognized in the year the students commence their studies. 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.

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").

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

	2019	**2018**
Cash and cash equivalents	**1,581,560**	952,448
Short term deposits	**56,000**	981
Total cash and cash equivalents	**1,637,560**	953,429
Less: Restricted cash	**(143,241)**	(136,092)
Cash and cash equivalents in the consolidated statement of cash flows	**1,494,319**	817,337

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 313.9 million (2018: Saudi Riyals 60 million) deposited with a related party.

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:

	2019	2018
FVTPL - current assets		
1 January	**3,763**	22,650
Disposals	**-**	(19,963)
Changes in fair value	**134**	1,076
Transfer to FVOCI (Note 6.1)	**(3,897)**	-
31 December	**-**	3,763
FVTPL - non-current assets		
1 January	**2,606,096**	907,517
Additions	**-**	1,247,320
Disposals	**(1,698,407)**	-
Changes in fair value	**309,364**	451,259
31 December	**1,217,053**	2,606,096
Total FVTPL	**1,217,053**	2,609,859

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

During the year ended December 31, 2018, the Group invested Saudi Riyals 213.6 million, in an unlisted French music streaming company. In the same year the Group, purchased additional shares of one of the equity investments amounting to Saudi Riyals 846.3 million from the majority shareholder His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz AlSaud ("Ultimate controlling party") and also participated in a share issuance in one of the equity investments amounting to Saudi Riyals 187.4 million.

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

	2019	2018
Trade receivables	**780,106**	644,577
Less: provision for doubtful receivables	**(288,042)**	(166,592)
	492,064	477,985

Following is the breakdown of net receivables:

	2019	2018
Receivables from guests	**118,633**	94,952
Receivables from tenants	**102,564**	63,957
Receivables from medical operations	**75,506**	178,972
Receivables from real estate	**185,037**	107,848
Receivable from others	**10,324**	32,256
	492,064	477,985

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.

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	2019	2018
Prepaid expenses and other current assets	**99,446**	118,886
Inventories (note 8.1)	**63,511**	79,978
Advances to suppliers	**27,648**	5,320
Value Added Tax claims receivable	**2,526**	2,176
	193,131	206,360

8.1 The breakup of inventories is as follows:

	2019	2018
Food, beverages and operational supplies	**31,444**	34,467
Medical supplies	**30,998**	44,100
Spare parts	**181**	310
Others	**888**	1,101
	63,511	79,978

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, associate companies and key management personnel. Related parties also include entities in which certain directors or senior management have an interest.

The transactions with related parties represent rental services, management fee, 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:

Name	Relationship	2019	2018
Due from related parties:			
Azizia Commercial Investment Company (Note 9.1)	Affiliate	**90,000**	90,000
Fawaz Abdul Aziz Al Hokair & Co.	Affiliate	**166**	29,977
Others	Associate	**8,270**	9,454
Total		**98,436**	129,431
Due to related parties:			
Current			
Kingdom Oasis	Affiliate	**100,000**	100,000
Safari Company Limite	Affiliate	**1,911**	5,733
Others	Associates	**16,585**	12,176
Total		**118,496**	117,909
Non-current			
Qatar Investment Authority – Katara Hospitality (Note 9.2)	Non-controlling interest	**136,616**	123,778

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 has liquid shares, the fair value of which is higher than carrying value of 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. There are no other significant related party transactions that warrant separate disclosure in the consolidated financial statements. During 2018, the Group entered into transaction with its majority shareholder. This transaction was approved by the Board of Directors on 10 September 2018 (Also see Note 6).

Key management compensation:

The top 5 senior executives including the CEO and CFO (2018: 5 executives) are considered the key management, their benefits are as follows:

	2019	2018
Short and long-term benefits	**26,101**	21,626
Others	**1,159**	897
	27,260	22,523

10 ASSETS HELD FOR SALE

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

	2019	2018
Current assets	**13,276**	46,822
Non-current assets	**42,128**	20,135
	55,404	66,957
Current and other liabilities	**(24,458)**	(22,600)
Net balance	**30,946**	44,357

The properties classified as assets held for sale as at 31 December 2019 and 2018 have been sold subsequent to the year end at an amount equal to their carrying values. See Note 14 for the transfer from property and equipment.

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:

	2019	2018
International	**10,923,035**	7,228,478
Local and regional	**579,392**	644,956
	11,502,427	7,873,434

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

	2019	2018
Cost:		
1 January	**18,919,399**	18,990,153
Transfer from FVTPL investments (Note 6.1)	**3,897**	-
Disposals during the year	**-**	(70,754)
31 December	**18,923,296**	18,919,399
Fair value reserve for investments at FVOCI:		
1 January	**(11,045,965)**	(7,778,557)
Unrealized gain / (loss) during the year, net	**3,625,096**	(3,267,013)
Unrealized gain transferred to retained earnings upon disposal	**-**	(395)
31 December	**(7,420,869)**	(11,045,965)
Net carrying amount	**11,502,427**	7,873,434

The investments at FVOCI are denominated in the following currencies

	2019	2018
US Dollar	**10,923,035**	7,228,478
Saudi Riyals	**579,392**	644,956
	11,502,427	7,873,434

12 EQUITY-ACCOUNTED INVESTEES

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

	2019	2018
1 January	**19,158,568**	19,230,889
Impact of adoption of IFRS – 16 as at 1 January 2019	**(49,187)**	-
1 January adjusted balance	**19,109,381**	19,230,889
Additions during the year (Note 12.1)	**94,231**	65,407
Dividends	**(495,578)**	(387,470)
Disposals during the year (Note 12.2)	**(52,891)**	(577,883)
Share of results	**790,754**	1,176,330
Share in other comprehensive income / (loss)	**192,852**	(9,946)
Impairment loss recognized during the year	-	(200,000)
Unrealized exchange loss income on translation	**(76,081)**	(144,582)
Other	-	5,823
31 December	**19,562,668**	19,158,568

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. During 2018, the Group sold an equity-accounted investee amounting to Saudi Riyals 577.9 million to another equity-accounted investee, resulting in a gain amounting to Saudi Riyals 196.4 million (Note 28).

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

	2019		2018	
Investee name	**Effective ownership %**	**Amount**	**Effective ownership %**	**Amount**
Banque Saudi Fransi ("BSF")(Note 3)	**16.2**	**6,451,659**	16.2	6,125,517
Four Seasons Holding Inc ("FSH")	**47.5**	**4,582,122**	47.5	4,499,946
Accor S.A. (Note 3) ("Accor")	**6.1**	**4,039,478**	5.8	4,040,808
Jeddah Economic Company ("JEC")	**33.3**	**2,796,251**	33.3	2,798,942
National Air Services ("NAS")	**37.1**	**1,640,433**	34.1	1,624,935
Mövenpick El - Gouna	-	-	29.3	49,926
Others	**30.0-35.0**	**52,725**	30.0-35.0	18,494
		19,562,668		19,158,568

12 EQUITY-ACCOUNTED INVESTEES (continued)

(c) 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 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

31 December 2018

(All amounts in Saudi Riyals millions)	NAS	JEC	Four Seasons	BSF	Accor S.A.
Non-current assets	564	10,248	11,013	86,558	39,218
Current assets	995	221	1,543	103,643	16,152
Non-current liabilities	(265)	(2,062)	(4,138)	(11,019)	(14,741)
Current liabilities	(2,399)	(19)	(686)	(148,368)	(13,041)
Equity	(1,105)	8,388	7,732	30,814	27,588
KHC's share	-	2,802	3,673	4,992	1,600
Carrying amount	1,625	2,799	4,500	6,126	4,041
Revenue	3,821	-	1,848	6,947	15,977
Net profit/ (loss)	(262)	(12)	350	3,307	10,109
Other comprehensive income/ (loss)	(3)	-	(10)	(33)	31
Total comprehensive income/ (loss)	(265)	(12)	340	3,274	10,140
Share in total comprehensive income/ (loss)	(90)	(4)	161	530	588

Among the equity-accounted investees mentioned above, BSF and Accor are listed entities. At 31 December 2019, the fair value of the Group's holding in these associates as per quoted prices amounts to Saudi Riyals 7,401 million (2018: Saudi Riyals 6,131 million) and Saudi Riyals 2,891 million (Saudi Riyals 2,626 million), respectively.

12 EQUITY-ACCOUNTED INVESTEES (continued)

Accor

For Accor, management has concluded that there is no impairment required based on the following:

(i) Accor is a highly profitable hotel group and distributes dividends on regular basis.
(ii) As at 31 December 2019, the quoted market price has improved from last year.
(iii) The equity-accounted investee has achieved its 2019 projected cash flows.

In addition, the Group has also supported the carrying value using the following:

Method	Approach used to determining fair values
Target analysts' consensus price (From analyst consensus and forecast reports) with a premium	Under this approach management has relied on 13 well reputed analysts' consensus average target price of Accor. The analysts value the company using a combination valuation techniques. The Group has applied a premium of 24% to the average price noted above (2018: 24%). This premium is for the Board seat, committee's representations, participation in the policy making and governance rights. If the premium is reduced to 22.6% the recoverable value would be equal to the carrying value of Accor.

NAS

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.

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

Particulars	2019	2018
Revenue growth – CAGR	**9.3%**	12.8%
EBITDA margin - average	**19.3%**	17.8%
Pre-tax discount rate	**10.9%**	11.5%
Long-term growth rate	**1.0%**	2.0%

12 EQUITY-ACCOUNTED INVESTEES (continued)

NAS (continued)

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

Assumption	Approach used to determining 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 expect fleet size and expected load factors.
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:

	2019		2018	
Particulars	**From**	**To**	**From**	**To**
Revenue growth - CAGR	**9.3%**	8.6%	12.8%	12.7%
EBITDA margin - average	**19.3%**	15.8%	17.8%	17.5%
Pre-tax discount rate	**10.9%**	16.3%	11.5%	11.7%
Long-term growth rate	**1.0%**	-10.0%	2.0%	1.6%

13 INVESTMENT PROPERTIES

2019	Land	Buildings and leasehold improvements	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**

2018	Land	Buildings and leasehold improvements	Furniture, Fixtures and others	Total
Cost				
January 1	3,775,413	859,697	27,859	4,662,969
Additions	-	540	2,405	2,945
31 December	**3,775,413**	**860,237**	**30,264**	**4,665,914**
Accumulated depreciation				
January 1	-	431,798	11,363	443,161
Charge for the year	-	20,197	3,892	24,089
31 December	-	451,995	15,255	467,250
Net book value	**3,775,413**	**408,242**	**15,009**	**4,198,664**

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

14 PROPERTY AND EQUIPMENT

	Land	Buildings and leasehold improvements	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, currency translation 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, currency translation 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

	Land	Buildings and leasehold improvements	Equipment	Furniture, fixtures and others	Total
2018					
Cost					
1 January	2,627,960	5,636,528	270,314	997,561	9,532,363
Additions	-	60,824	14,821	30,898	106,543
Disposals and others	(306,320)	(435,238)	(71,439)	(256,575)	(1,069,572)
31 December	2,321,640	5,262,114	213,696	771,884	8,569,334
Accumulated depreciation					
1 January	-	916,412	136,242	515,630	1,568,284
Charge for the year	-	106,417	26,066	83,164	215,647
Disposals and others	-	(139,736)	(61,230)	(128,212)	(329,178)
31 December	-	883,093	101,078	470,582	1,454,753
Net book value	2,321,640	4,379,021	112,618	301,302	7,114,581

During the year ended 31 December 2019, the Group sold certain properties at a loss amounting to Saudi Riyals 27.7 million (2018: Saudi Riyals 241.8 million). Also, in 2018, another property was classified as held for sale. Also see Note 10.

15 GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets comprise the following:

	2019	2018
Goodwill	**1,189,732**	1,224,746
Other intangible assets	**741,896**	713,584
	1,931,628	1,938,330

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

	2019	2018
1 January	**1,938,330**	2,394,212
Goodwill written off	**(15,000)**	(320,046)
Currency translation adjustments and others	**8,298**	(135,836)
31 December	**1,931,628**	1,938,330

Goodwill recognized by the Group mainly represents an amount of Saudi Riyals 1.2 billion (31 December 2018: 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 741.7 million (2018: Saudi Riyals 713.6 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 2019, 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 15 million. During 2018 the Group sold properties and equipment and wrote off related goodwill amounting to Saudi Riyals 320 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 of 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 5 years.

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

Particulars	George V 2019	George V 2018	Savoy 2019	Savoy 2018
Revenue growth - CAGR	**4.9%**	4.1%	**5.7%**	4.9%
EBITDA margin – average	**29.6%**	29.1%	**29.0%**	28.2%
Terminal capitalization rate	**3.0%**	3.0%	**3.0%**	2.9%
Pre-tax discount rate	**6.5%**	6.5%	**6.5%**	6.5%

15 GOODWILL AND INTANGIBLE ASSETS (continued)

Impairment of indefinite life assets (continued)

Assumption	Approach used to determining 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.

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:

	George V		Savoy	
Particulars	**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%

As at 31 December 2018, the recoverable amount would equal its carrying amount if the key assumptions were to change, keeping other variables constant, as follows:

	George V		Savoy	
Particulars	**From**	**To**	**From**	**To**
Revenue growth - CAGR	5.3%	1.9%	6.6%	5.8%
EBITDA margin – average	29.1%	18.1%	28.2%	24.7%
Terminal capitalization rate	3.0%	6.8%	2.9%	3.4%
Pre-tax discount rate	6.5%	28.2%	6.5%	9.8%

16 OTHER LONG-TERM ASSETS

	2019	2018
Long term advances	**555,223**	151,364
Refundable deposits	**2,979**	435
Others	**29,561**	4,874
	587,763	156,673

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 2019, long term advances includes an amount of 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 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:

	2019	2018
Current		
Current portion of term loans	**1,986,094**	4,021,510
Non-current		
Term loans, including long-term revolving facilities	**11,397,219**	9,255,415

The movement in the borrowings is as follows:	2019	2018
1 January	**13,290,462**	13,651,390
Additions	**6,757,514**	2,230,360
Repayments	**(6,475,925)**	(2,488,512)
Foreign currency translation adjustments	**(101,676)**	(102,776)
31 December	**13,470,375**	13,290,462
Unamortized transaction costs:		
1 January	**(13,537)**	(28,285)
Additions	**(119,742)**	-
Amortization	**46,217**	14,748
31 December	**(87,062)**	(13,537)
Net carrying amount	**13,383,313**	13,276,925

Details of borrowings by entity are as follows:	2019	2018
Kingdom Holding Company	**5,762,653**	4,502,545
Kingdom 5-KR-11 Limited	**4,125,000**	5,245,591
Kingdom 5-KR-35 Group	**1,464,051**	1,494,095
Kingdom KR-114 Limited	**1,318,019**	1,269,472
Trade Centre Company Limited (TCCL)	**614,707**	448,500
Others	**98,883**	316,722
	13,383,313	13,276,925

As at 31 December 2018, borrowings from a related party amounted to Saudi Riyals 357 million. These were settled during 2019. 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:

	2019	2018
Saudi Riyals	**1,300,153**	1,392,735
US Dollars	**4,462,500**	3,109,810
	5,762,653	4,502,545

17 BORROWINGS (continued)

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 by 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. The Group has complied with all its covenants. The loans carry floating interest rates (based on LIBOR) and are due to mature by 2023. These loans are primarily denominated in Euro.

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 plus 2.75%. 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 2019, 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

	2019	2018
Accrued expenses	**373,791**	205,547
Accounts and other payables	**142,014**	205,827
Contract liabilities	**121,817**	22,631
Advance from customers	**40,880**	28,393
Security deposits	**17,363**	49,717
Others	**38,437**	42,852
	734,302	554,967

19 ZAKAT AND INCOME TAX PAYABLE

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

	Note	2019	2018
Zakat	19(b)	**112,845**	264,119
Income tax	19 (c)	**19,431**	21,565
Withholding tax on foreign dividends	19 (c)	**64,680**	51,951
		196,956	337,635

(b) 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:

	2019	2018
1 January	**370,031**	437,771
Charge for the year	**112,845**	264,119
Paid during the year	**(362,185)**	(331,859)
31 December	**120,691**	370,031

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

During 2018 and 2019, the Company received assessments from the GAZT for the years 2011 to 2017 resulting in additional zakat which were contested by management. Agreements were eventually reached with the GAZT for these seven years and two payments totaling to Saudi Riyals 344 million were made during the year. The Company has filed its zakat returns up to the year ended 31 December 2018 with the GAZT. The zakat returns for 2019 is not yet filed. There are no pending zakat assessments with GAZT as at 31 December 2019. During 2018, the Group settled its zakat and income tax assessments for the years 2007 to 2010 with GAZT by paying an amount of Saudi Riyals 200 million.

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

(c) 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.

	2019	2018
1 January	**30,374**	19,383
Income tax charge	**19,431**	21,565
Withholding tax on foreign dividends	**64,680**	51,951
Paid during the year	**(104,172)**	(62,525)
31 December	**10,313**	30,374

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.

20 DEFERRED TAX

Deferred tax liabilities and assets relate to the following:

	2019	2018
Deferred tax liabilities		
Property, equipment and intangible assets	**154,263**	174,584
Others	**764**	127
	155,027	174,711
Deferred tax asset (mainly on accumulated losses)	**8,477**	9,025

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

(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.

(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-measurement of employee benefit obligations	Total
At 1 January 2018	(75,135)	349,737	(11,486)	263,116
Share in other comprehensive loss	(4,667)	-	-	(4,667)
Actuarial losses on employee benefit obligations during the year	(5,279)	-	(597)	(5,876)
Unrealized exchange loss for the year on translation	-	(320,592)	-	(320,592)
At 31 December 2018	(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	**107,771**	**21,433**	**(10,642)**	**118,562**

23 NON-CONTROLLING INTERESTS

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

	2019		2018	
Name of the subsidiary	**Total non-controlling interest**	**Share in total comprehensive loss/(income)**	**Total non-controlling interest**	**Share in total comprehensive loss/(income)**
Trade Centre Company Limited	**735,246**	**22,767**	712,479	19,898
Kingdom KR-114 Limited - Breezeroad Limited	**460,149**	**(38,076)**	498,225	(33,136)
Real Estate Investment Company	**352,260**	**7,130**	345,130	8,504
Kingdom Hotel Investments	**8,090**	**3,417**	54,859	(565)
Medical Services Projects Company Limited	**235,027**	**14,816**	220,211	7,811
Kingdom Schools Company Limited	**60,471**	**7,197**	53,274	7,509
Consulting Clinic SAL	**24,535**	**-**	24,535	-
Fashion Village Trading Company Limited	**(9,675)**	**377**	(10,051)	(4,086)
	1,866,103	**17,628**	1,898,662	5,935

24 REVENUE

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

	2019	2018
Revenue from hotel operations - at a point in time	**1,097,559**	1,337,948
Revenue from medical operations - at a point in time	**290,950**	286,949
Revenue from renting of shops and apartments - over a period of time	**161,574**	130,774
Revenue from tuition fees - over a period of time	**83,884**	88,047
Revenue from renting of villas and apartments - over a period of time	**57,393**	60,314
Revenue from other services - at a point in time	**15,340**	39,890
	1,706,700	1,943,922

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:

Location	2019	2018
Europe	**828,864**	854,452
Middle East	**877,836**	1,089,470
	1,706,700	1,943,922

25 DIVIDEND INCOME

	2019	2018
International	**215,621**	173,169

26 GAIN ON INVESTMENTS AT FVTPL

	2019	2018
Realized (loss) / gain on sale of investments at FVTPL	**(22,377)**	8,712
Unrealized gain on investments at FVTPL	**331,875**	452,335
	309,498	461,047

27 GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

	2019	2018
Professional fees, net (Note 27.1)	**156,085**	7,380
Employee cost	**151,209**	135,500
Selling and marketing expenses	**74,659**	39,646
Utilities and office expenses	**35,720**	44,447
Repairs and maintenance	**22,633**	25,158
Others	**53,932**	133,482
	494,238	385,613

27.1 As a result of the finalization of the Zakat assessments during 2019, management has determined that certain provisions for legal and professional charges are no longer required and therefore an amount of Saudi Riyals 73 million has been reversed during 2019. For the year ended 31 December 2018, upon finalization of the purchase price allocation of two subsidiaries, certain accruals for professional charges were no longer required and accordingly these were reversed.

28 OTHER LOSSES, NET

	2019	2018
(Loss) / gain on disposal of equity accounted investee (Note 12.2)	**(14,641)**	196,368
Loss on sale of property and equipment and goodwill write-off (Note 14, 15)	**(42,658)**	(561,816)
Impairment of equity-accounted investee (Note 12)	**-**	(200,000)
Gain on sale of asset held for sale (Note 28.1)	**-**	97,134
Other gains	**(23,473)**	6,867
	(80,772)	(461,447)

28.1 The asset classified as held for sale at 31 December 2017 was disposed during the year ended 31 December 2018, at a gain of Saudi Riyals 97 million.

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

(a) 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 2019 amounted to Saudi Riyals 265 million (2018: Saudi Riyals 278 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 2019, the Group has outstanding letters of guarantees amounting to Saudi Riyals 43.3 million (2018: Saudi Riyals 42.5 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 2019 amounted to Saudi Riyals 8.7 billion (31 December 2018: Saudi Riyals 9.1 billion).

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group holds the following financial instruments:

	Note	2019	2018
Financial assets			
Financial assets at amortized cost			
Trade receivables	7	**492,064**	477,985
Due from related parties	9	**98,436**	129,431
Cash and cash equivalents	5	**1,637,560**	953,429
Financial assets at FVOCI			
Investments at FVOCI	11	**11,502,427**	7,873,434
Financial assets at FVTPL			
Investments at FVTPL	6	**1,217,053**	2,609,859
Financial liabilities			
Financial liabilities at amortized cost			
Accounts payables, accrued expenses and other current liabilities	18	**637,622**	434,005
Due to related parties	9	**255,112**	241,687
Borrowings	17	**13,383,313**	13,276,925
Dividends payable		**163,985**	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

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.

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 99.8 million (2018: Saudi Riyals 97.6 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	**2019**	**Sensitivity**	
Investments at FVTPL		**Net Profit**	**Percentage**
Middle East	**1,003,503**	**+ - 10,035**	**+ - 1%**
Europe	**213,550**	**+ - 2,136**	**+ - 1%**
	1,217,053	**+ - 12,171**	
Investments at FVOCI		**Equity**	
US listed securities	**10,923,035**	**+ - 109,230**	**+ - 1%**
Middle East	**579,392**	**+ - 5,794**	**+ - 1%**
	11,502,427	**+ - 115,024**	
	12,719,480	**+ - 127,195**	

Markets	**2018**	**Sensitivity**	
		Net Profit	**Percentage**
Investments at FVTPL			
US listed securities	3,763	+ - 38	+ - 1%
US unlisted securities	1,720,918	+ - 17,209	+ - 1%
Middle East	671,653	+ - 6,717	+ - 1%
Europe	212,762	+ - 2,135	+ - 1%
	2,609,096	+ - 26,099	
Investments at FVOCI		**Equity**	
US listed securities	7,183,418	+ - 71,834	+ - 1%
US unlisted securities	45,060	+ - 451	+ - 1%
Middle East	644,956	+ - 6,450	+ - 1%
	7,873,434	+ - 78,735	
	10,483,293	**+ - 104,834**	

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. 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.

Balances due from related parties are usually considered to have low credit risk due to the low probability of default and collateral with fair value exceeding the carrying value of receivable.

The receivables are shown net of allowance for impairment. The Group applies the IFRS 9 simplified approach for measuring expected credit losses. 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.

The expected loss rates are based on the payment profiles over a period of 36 months, 12 months and 24 months for regular receivables from tenants, guests and medical operations 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 88% in KSA, 2% in GCC (other than KSA) and 10% in other countries (2018: 83% in KSA, 7% 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.

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

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.

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**

2018	**Less than 1 year**	**1 to 3 years**	**More than 3 years**	**Total**
Borrowings	4,122,582	6,768,867	2,908,110	13,799,559
Accounts payable, accrued expenses and other current liabilities	434,005	-	-	434,005
Due to related parties	117,909	-	123,778	241,687
Dividends payable	163,985	-	-	163,985
	4,838,481	6,768,867	3,031,888	14,639,236

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital management risk

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 asset does not exceed 60% of total assets (i.e. to maintain a 40% headroom).

Capital management	**2019**	**2018**
Total borrowings (Note 17)	**13,383,313**	13,276,925
Total assets	**48,370,443**	44,870,696
Debt to total asset ratio	**27.67%**	29.6%

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.

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 2019:

As at 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Investments at FVTPL (non-current):				
- Middle East	-	1,003,528	-	1,003,528
- Europe	-	213,525	-	213,525
	-	1,217,053	-	1,217,053
Investments at FVOCI (non-current):				
- 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
As at 31 December 2018				
Financial assets				
Investments at FVTPL:				
- United States of America (current)	3,763	-	-	3,763
- United States of America	-	1,720,918	-	1,720,918
- Europe	-	213,525	-	213,525
- Middle East	-	671,653	-	671,653
Total (non-current)	-	2,606,096	-	2,606,096
Investments at FVOCI (non-current):				
- United States of America	7,183,418	-	45,060	7,228,478
- Middle East	644,956	-	-	644,956
	7,828,374	-	45,060	7,873,434
Total financial assets at fair value	7,832,137	2,606,096	45,060	10,483,293

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 2019.

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.

33 EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
At 1 January	**180,955**	177,059
Current service cost	**9,530**	8,183
Interest expense	**1,064**	910
Total amount recognized in profit or loss	**10,594**	9,093
Re-measurements		
(Loss) / gain from change in financial assumptions	**(4,721)**	(4,044)
Experience losses	**6,162**	3,447
Total amount recognized in other comprehensive income	**1,441**	(597)
Benefit payments	**(39,452)**	(4,600)
At 31 December	**153,538**	180,955

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 2019 and 2018, 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 1.5% to 5% (31 December 2018: 2% 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 2.5% to 4% (31 December 2018: 2.5% to 4.9%).

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

34 SEGMENT INFORMATION (continued)

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.

	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	525,119	1,097,559	218,967	290,950	99,224	2,231,819
Total operating costs	-	639,335	218,482	199,732	52,510	1,110,059
Net profit/ (loss)	353,687	(87,707)	147,563	23,896	16,875	454,314

	Equity investments	Hotels	Real estate	Healthcare	All other segments	Total
2018						
Total assets	31,665,898	6,705,194	5,684,373	526,150	289,081	44,870,696
Total liabilities	9,577,981	4,481,904	826,490	104,177	31,073	15,021,625
Total revenue	634,216	1,337,948	191,088	286,949	127,937	2,578,138
Total operating costs	-	893,472	179,839	208,548	60,471	1,342,330
Net profit/ (loss)	879,395	(267,693)	75,668	12,598	834	700,802

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 2019 and 2018 has been computed by dividing the profit for the year by the total number of shares outstanding during 2019 of 3,706 million shares (2018: 3,706 million shares).

36 DIVIDENDS DECLARATION

The General Assembly of the Company, in its annual meeting held on 20 Shawwal 1440H (corresponding to 23 June 2019), approved quarterly cash dividends distribution totaling Saudi Riyals 656 million for the year as recommended by the Company's Board of Directors. The cash distributions have to be made to all shareholders on record as of the dates approved in the General Assembly meeting. The first, second and third dividend 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.

The General Assembly of the Company, in its annual meeting held on 20 Ramadan 1439H (corresponding to 4 June 2018), approved quarterly cash dividends totaling Saudi Riyals 656 million.

37 SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread starting from mainland China to most parts of the world. As at the date of the approval of these consolidated financial statements, several European countries, the United Kingdom and the United States have been impacted severely. Across the world, governments are taking different protection measures causing disruptions to businesses and economic activity, ranging from partial to complete lock down of countries. The Group considers this outbreak to be a non-adjusting post balance sheet event. The Group's investments in hospitality, airline and financial services, directly through subsidiaries or associates in the United Kingdom, France, Saudi Arabia and Canada will be directly impacted. This will reflect in the revenues and share of results from equity-accounted investees. As the situation is fluid and rapidly evolving, the Group does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's estimates of recoverable amounts of its financial and non- financial assets, respectively in 2020. Based on a review of the existing liquid investments portfolio, the Group's debt commitments, committed undrawn borrowing facilities, and its ability to raise new debt and renegotiate existing facilities, management is confident that the Group will be able to meet its obligations as and when they fall due.

The Board of Directors on 30 March 2020 proposed a distribution of quarterly cash dividends totaling to Saudi Riyals 656 million, subject to approval in the next Ordinary General Assembly meeting.