KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)

Condensed Consolidated Interim Financial Statements
For the three-month and six-month periods ended
30 June 2020 (Unaudited)

KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
For the three-month and six-month periods ended 30 June 2020

INDEX

	PAGE
Report on review of condensed consolidated interim financial statements	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of profit or loss	4
Condensed consolidated interim statement of comprehensive income	5
Condensed consolidated interim statement of changes in equity	6 - 7
Condensed consolidated interim statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9 - 18

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Kingdom Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods ended 30 June 2020 and the condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

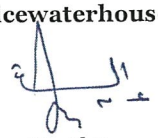
Scope of review

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

Conclusion

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

PricewaterhouseCoopers



Omar M. Al Sagga
License Number 369

25 August 2020

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

	Note	30-Jun-20 (Unaudited)	31-Dec-19 (Audited)
ASSETS			
Current assets			
Cash and bank balances		**1,144,433**	1,637,560
Investments at fair value through profit or loss ("FVTPL")	6	**186,152**	-
Trade and other receivables		**534,055**	492,064
Prepayments and other current assets		**255,647**	193,131
Due from related parties		**120,781**	98,436
Assets held for sale		**-**	30,946
Total current assets		**2,241,068**	2,452,137
Non-current assets			
Investments at FVTPL	6	**213,525**	1,217,053
Investments at fair value through other comprehensive income ("FVOCI")	6	**11,767,587**	11,502,427
Equity-accounted investees	8	**18,606,798**	19,562,668
Investment properties		**4,245,398**	4,253,279
Property and equipment		**6,836,925**	6,855,011
Goodwill and intangible assets		**1,895,199**	1,931,628
Deferred tax assets		**25,353**	8,477
Other long-term assets		**351,358**	587,763
Total non-current assets		**43,942,143**	45,918,306
Total assets		**46,183,211**	48,370,443
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Borrowings	9	**883,239**	1,986,094
Accounts payable, accrued expenses and other current liabilities		**748,715**	734,302
Zakat and income tax payable		**159,110**	131,004
Due to related parties		**106,310**	118,496
Dividends payable	15	**492,047**	163,985
Total current liabilities		**2,389,421**	3,133,881
Non-current liabilities			
Borrowings	9	**13,931,790**	11,397,219
Loan from a related party		**133,613**	136,616
Deferred tax liabilities		**153,956**	155,027
Employee benefit obligations		**151,899**	153,538
Other long-term liabilities		**48,185**	50,933
Total non-current liabilities		**14,419,443**	11,893,333
Total liabilities		**16,808,864**	15,027,214
Net assets		**29,374,347**	33,343,229
EQUITY			
Share capital		**37,058,823**	37,058,823
Statutory reserve		**775,606**	775,606
(Accumulated losses) / retained earnings		**(887,808)**	945,004
Fair value reserve for investments at FVOCI		**(9,554,537)**	(7,420,869)
Other reserves		**116,968**	118,562
Equity attributable to shareholders of the Company		**27,509,052**	31,477,126
Non-controlling interests		**1,865,295**	1,866,103
Net equity		**29,374,347**	33,343,229

The notes on pages 9 to 18 form an integral part of these condensed consolidated interim 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)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month periods ended		Six-month periods ended	
		30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Revenues					
Hotels and other operating revenues		**126,691**	413,032	**460,161**	824,705
Dividend income		**50,115**	50,531	**114,566**	101,063
Gain on investments	7	**37,696**	-	**37,696**	466,893
Total revenues		**214,502**	463,563	**612,423**	1,392,661
Hotels and other operating costs		**(145,046)**	(236,905)	**(406,831)**	(538,938)
Gross profit		**69,456**	226,658	**205,592**	853,723
General, administrative and marketing expenses		**(53,955)**	(139,475)	**(156,453)**	(321,869)
Impairment of financial assets		**(15,960)**	-	**(17,952)**	(117,802)
Share of results from equity-accounted investees		**(525,491)**	185,955	**(447,925)**	305,242
Other losses, net	11	**(478,486)**	(15,595)	**(476,233)**	(8,996)
(Loss) / income from operations		**(1,004,436)**	257,543	**(892,971)**	710,298
Financial charges		**(110,153)**	(151,739)	**(239,185)**	(296,002)
(Loss) / profit before zakat and income tax		**(1,114,589)**	105,804	**(1,132,156)**	414,296
Income tax		**12**	(18,933)	**(15,734)**	(37,822)
Zakat		**(23,388)**	52,156	**(45,027)**	(57,100)
(Loss) / profit for the period		**(1,137,965)**	139,027	**(1,192,917)**	319,374
(Loss) / profit for the period attributable to:					
- Owners of the Company		**(1,126,759)**	143,599	**(1,176,871)**	315,001
- Non-controlling interests		**(11,206)**	(4,572)	**(16,046)**	4,373
		(1,137,965)	139,027	**(1,192,917)**	319,374
Basic and diluted (loss) / earnings per share (Saudi Riyals)	16	**(0.31)**	0.04	**(0.32)**	0.09

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

	Three-month periods ended		Six-month periods ended	
	30-Jun-20	**30-Jun-19**	**30-Jun-20**	**30-Jun-19**
(Loss) / profit for the period	**(1,137,965)**	139,027	**(1,192,917)**	319,374
Other comprehensive (loss) / income:				
Items that will not be reclassified to profit or loss				
Net changes in fair value of investments at FVOCI	**2,233,656**	883,388	**(2,133,668)**	2,582,114
Items that may be reclassified subsequently to profit or loss				
Share in other comprehensive income of equity-accounted investees	**(27,441)**	75,994	**(16,857)**	174,881
Exchange differences on translation of foreign operations	**39,261**	(114,556)	**30,501**	(64,789)
Total comprehensive income / (loss) for the period	**1,107,511**	983,853	**(3,312,941)**	3,011,580
Total comprehensive income / (loss) for the period attributable to:				
- Owners of the Company	**1,111,010**	972,757	**(3,312,133)**	3,002,871
- Non-controlling interests	**(3,499)**	11,096	**(808)**	8,709
	1,107,511	983,853	**(3,312,941)**	3,011,580

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KINGDOM HOLDING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month periods ended 30 June 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings / accumulated losses)	Fair value reserve for investment at FVOCI	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2020 (Audited)	**37,058,823**	**775,606**	**945,004**	**(7,420,869)**	**118,562**	**31,477,126**	**1,866,103**	**33,343,229**
Loss for the period	-	-	(1,176,871)	-	-	(1,176,871)	(16,046)	(1,192,917)
Other comprehensive (loss) / income	-	-	-	(2,133,668)	(1,594)	(2,135,262)	15,238	(2,120,024)
Total comprehensive (loss) / income	-	-	(1,176,871)	(2,133,668)	(1,594)	(3,312,133)	(808)	(3,312,941)
Transactions with owners in their capacity as owners:								
Dividends declared (Note 15)	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 June 2020 (Unaudited)	**37,058,823**	**775,606**	**(887,808)**	**(9,554,537)**	**116,968**	**27,509,052**	**1,865,295**	**29,374,347**

The notes on pages 9 to 18 form an integral part of these condensed consolidated interim 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)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
For the three-month and six-month periods ended 30 June 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve for investment at FVOCI	Other reserves	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2019 (Audited)	37,058,823	733,589	1,271,981	(11,045,965)	(68,019)	27,950,409	1,898,662	29,849,071
Profit for the period	-	-	315,001	-	-	315,001	4,373	319,374
Other comprehensive income	-	-	-	2,582,114	105,756	2,687,870	4,336	2,692,206
Total comprehensive income	-	-	315,001	2,582,114	105,756	3,002,871	8,709	3,011,580
Change in non-controlling interests	-	-	-	-	-	-	(952)	(952)
Transactions with owners in their capacity as owners:								
Dividends declared	-	-	(655,941)	-	-	(655,941)	-	(655,941)
Balance at 30 June 2019 (Unaudited)	37,058,823	733,589	931,041	(8,463,851)	37,737	30,297,339	1,906,419	32,203,758

The notes on pages 9 to 18 form an integral part of these condensed consolidated interim 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)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Six-month periods ended 30-Jun-20	30-Jun-19
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before zakat and income tax		**(1,132,156)**	414,296
Adjustments for non-cash items:			
Depreciation and amortisation		**79,475**	91,788
Unrealised gain on investments classified as FVTPL	7	**-**	(466,759)
Share of results from equity-accounted investees		**447,925**	(305,242)
Impairment of equity accounted investee	8	**500,000**	-
Impairment of financial assets		**17,952**	117,802
Finance charges		**239,185**	303,982
		152,381	155,867
Changes in operating assets and liabilities			
Trade and other receivables		**(61,014)**	17,646
Prepayments and other current assets		**(62,516)**	27,611
Due from related parties		**(22,345)**	(19,760)
Accounts payable, accrued expenses and other current liabilities		**(2,463)**	23,166
Due to related parties		**(15,189)**	7,502
Movement in investments held at FVTPL		**817,376**	-
Other long-term assets		**-**	21,082
Other long-term liabilities		**(2,748)**	21,216
Cash generated from operating activities		**803,482**	254,330
Employee benefit obligations paid during the year		**(1,639)**	(6,137)
Zakat and income tax paid		**(32,655)**	(161,126)
Net cash generated from operating activities		**769,188**	87,067
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of equity-accounted investee		**-**	38,250
Additional investment in an equity-accounted investee		**-**	(60,000)
Dividend received from equity accounted investees		**-**	156,079
Purchase of investments at FVOCI		**(2,398,828)**	-
Assets held for sale		**30,946**	-
Proceeds from sale of investments at FVOCI		**-**	3,763
Property and equipment, net		**198,135**	(117,509)
Net cash (used in) / generated from investing activities		**(2,169,747)**	20,583
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**4,766,012**	582,514
Repayments of borrowings		**(3,291,516)**	(391,580)
Finance charges paid		**(239,185)**	(296,002)
Dividends paid	15	**(327,879)**	(327,970)
Net cash generated from / (used in) financing activities		**907,432**	(433,038)
Net change in cash and bank balances		**(493,127)**	(325,388)
Cash and bank balances at the beginning of the period		**1,637,560**	953,429
CASH AND BANK BALANCES AT THE END OF THE PERIOD		**1,144,433**	628,041

The notes on pages 9 to 18 form an integral part of these condensed consolidated interim 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 11 Muharram 1417H (corresponding to 28 May 1996). The Ministry of Commerce and Investment approved, pursuant to resolution number 128/S dated 18 Jumad Awwal 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 as listed in Note 1.5 to the annual audited consolidated financial statements. The principal activities of the Group are hotel management and operations, commercial services, education, investment and medical services.

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

Impact of COVID-19
The existence of COVID-19 was confirmed in early 2020 and spread starting from mainland China to most parts of the world. Across the world, governments have taken different protective measures causing disruptions to businesses and economic activity, ranging from partial to complete lockdown of countries.

During the reporting period, the impact of the pandemic has evolved rapidly and to contain the virus, the governments and other authorities across the world, including the geographies where the Group operates, imposed strict measures. These included restrictions on movement, group gatherings, travel bans, border closings, business closures, quarantines, stay-at-home, shelter-in-place orders, density limitations and social distancing measures. The Group's businesses in hospitality and airlines (subsidiaries and equity-accounted investees) have been impacted by the mandated closures to affect social distancing. As a result, the Group experienced reductions in income associated with these businesses. The majority of the Group's business is customers driven and the current situation has impacted the customer confidence and purchasing power. Consequently, the Group is experiencing reduction in income and revenues.

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

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

The impact on the operations started during March 2020 when the majority of territories where the Group operates imposed curfews and lockdowns. As at the date of approval of these condensed consolidated interim financial statements, even though most of the territories have eased the lockdowns, the extent of impact on the businesses and economies in general, remains uncertain and is dependent on the future developments that cannot be reasonably estimated.

Estimates and critical judgements and estimates
The Group has considered the potential impact of the Covid-19 pandemic on the Group's significant accounting judgements and estimates. Also see Note 3.

Liquidity and financial position
The Group has a strong assets and equity base and is closely monitoring its liquidity projections. During the period ended 30 June 2020, the Group has successfully obtained waivers for compliance with certain covenants requirements and is confident that further waivers can be obtained going forward, if required. Historically, the Group has been very successful in renegotiating its debt facilities. Further, based on undrawn amounts of the other borrowing facilities of approximately Saudi Riyals 2.1 billion, a review of the existing liquid unpledged investments portfolio and an analysis of cash flow projections over the next twelve months, management is confident that the Group will be able to meet its obligations as and when they fall due.

1 CORPORATE INFORMATION (continued)

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

There are no changes to the Group structure as reported in Note 1 to the annual audited consolidated financial statements of the Group for the year ended 31 December 2019.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on 6 Muharram 1442H, corresponding to 25 August 2020.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

These condensed consolidated interim financial statements should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2019 and do not include all of the information required for a complete set of financial statements under IFRS however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements.

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

2.2 Historical cost convention

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

2.3 Functional and presentation currency

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

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

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

The key sources of estimation uncertainty and critical judgements remain consistent with those disclosed in Note 3 to the annual consolidated financial statements of the Group for the year ended 31 December 2019. However, the Group has assessed the impact of COVID-19 on its businesses and how it is reflected in its consolidated financial position and performance, which involved significant judgements, estimates and assumptions that were subject to a lesser degree of certainty as compared to those made in the prior year.

Equity-accounted investees

Note 12 to the annual consolidated financial statements for the year ended 31 December 2019 discloses the estimates made to assess the recoverable value of the investments in Accor and NAS. The Group has reassessed the carrying values of these two investments at 30 June 2020 as follows:

Accor

At the year end, the Group concluded that no impairment was required based on the following:

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

In addition, the Group also supported the carrying value using target analysts' consensus price.

During the three-month period ended 30 June 2020, Accor's operations were heavily impacted with approximately 60% of Accor branded hotels temporarliy closed in April and May 2020. The month of June 2020 showed signs of slight business improvement, especially in China, while some hotels started to re-open across the world, mainly in Asia and in Europe. At 30 June 2020, the portion of closed hotels represented 32% of Accor's network. This has resulted in a significant share of loss for KHC (see Note 8).

As a result of the pandemic and considering the impact on Accor's business, the current listed share price, limited target analysts' reports being available, and limited forecasted information being available, the Group has performed an impairment assessment based on a discounted cash flow model using weighted probabilities based scenarios analysis. This has resulted in an impairment loss amounting to Saudi Riyals 500 million to be recognized during the period ended 30 June 2020. The significant assumptions used, which are based on management's best estimate given the current uncertainties, are as follows:

- 2020 projections have been revised downwards based on Accor's half year results.
- For the period 2021 onwards, operations are expected to grow at different rates under the different scenarios considering past performance and the Group's expectations of the future.
- Pre-tax discount rate of 7.25% and terminal capitalization rate of 5.5%.

Probabilities were then assigned based on the Group's expectations.

Sensitivity analysis:

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

- If the discount rate increased to 7.5%, the impairment amount would increase by Saudi Riyals 37 million.
- If the terminal capitalization rate increased to 5.75%, the impairment amount would increase by Saudi Riyals 121 million.
- If the revenue targets for the period from 2022 onwards are missed by 5% each year under the various scenarios, the impairment amount would increase by Saudi Riyals 41 million.
- If the free cash flows target for the period from 2022 onwards are missed by 5% each year under the various scenarios, the impairment amount would increase by Saudi Riyals 160 million.

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

NAS

Considering the impact of the restrictions resulting from COVID-19, the airline industry has been impacted significantly. Saudi Arabia was under strict lock-down for a significant part of March 2020 and entire months of April and May 2020. As a result airlines' revenues have been impacted significantly. During June 2020, the Saudi authorities permitted domestic travel to be resumed. As at the date of approval of these condensed consolidated financial statements, international travel is still restricted to and from Saudi Arabia and currently there is no clarity on when these restrictions will be lifted. Considering the uncertainties inherent during these times, management has revisited the impairment assessment performed at the year end and assessed the recoverable amount by adjusting assumptions of revenue growth rate, EBITDA margins, discount rate and terminal growth rate. This assessment has resulted in no further impairment required during the period ended 30 June 2020.

The significant assumptions used, which are based on management's best estimate given the current uncertainties, are as follows:

- 2020 projections have been revised downwards based on NAS's half year results.
- For the period 2021 onwards, operations are expected to grow at different rates considering the Group's expectations of the future.
- Pre-tax discount rate of 10.9% (2019: 10.9%) and terminal growth rate of 1% (2019:1%).

Sensitivity analysis:
As at 30 June 2020, the recoverable amount will be equal to the carrying amount if the pre-tax discount rate is increased to 13.9%, keeping all the other variables constant.

Goodwill and intangible assets
Note 15 to the annual consolidated financial statements for the year ended 31 December 2019 discloses the estimates made for impairment reviews of goodwill and brand.

Goodwill - George V, France
As at the date of approval of these condensed consolidated financial statements, the hotel is currently closed and is not expected to open before September 2020. As disclosed in Note 15 to the annual consolidated financial statements, the recoverable value is not sensitive to a reasonable possible shift in the assumptions and considering the headroom between the recoverable value and carrying value at the year end, the Group is comfortable that no revised impairment assessment is required as at 30 June 2020.

Brand - Savoy Hotels Limited, United Kingdom
Management has revised the discounted cash flow assessment by using a discount rate of 6% (2019: 6.5%) and reduced revenues over the estimation period including no revenue for the remainder of 2020. Furthermore, the terminal growth rate has been revised to 2% compared to 3% at the year end. This has not resulted in an impairment; however, the valuation has become sensitive to small change in the discount rate and the recoverable value will equal the carrying value if the discount rate is increased to 6.1%. The Group will continue to monitor the situation going forward.

Other non-financial assets not tested for impairment at year end

The Group has reviewed the remaining non-financial assets within property and equipment and investment properties within Saudi Arabia (relating to healthcare, education, hotel and properties where the Group acts as a lessor) and investments in equity-accounted investees (Banque Saudi Fransi and Four Seasons Holding). Given the lockdown was lifted in Saudi Arabia at the end of May 2020 and the performance of the entities have improved since then, management believes no formal impairment assessment is required as at 30 June 2020. Banque Saudi Fransi continues to remain profitable during the period ended 30 June 2020, has a strong capital base which is reflected in the high Capital Adequacy Ratio coupled with the measures taken by the Saudi government to ease the potential liquidity pressures in the economy, management strongly believes there are no impairment indicators.

3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Four Seasons Holding Inc ("FSH")

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

Assumption	Approach used to determine values	%
Pre-tax discount rate	The rates are consistent with forecasts included in industry reports.	8.0
Terminal capitalization rate	Reflect specific risks relating to the hospitality business and countries in which they operate.	6.5

Revenue growth rate - CAGR - The key factors, that the hotel will continue its status as premier hotel chain, 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.

Average EBITDA margin - Based on past performance and management's expectations for the future.

Sensitivity analysis:
The analysis below considers a change in one assumption while keeping all the other variables constant. As at 30 June 2020, the recoverable value of FSH would equal its carrying value if the key assumptions were to change, keeping other variables constant, as follows:

	From	To
Assumption	%	%
Pre-tax discount rate	8.0	8.9
Terminal capitalization rate	6.5	6.8

- If the revenue growth rate - CAGR targets for the period from 2021 onwards are missed by 16%.
- If average EBITDA margin targets for the period from 2021 onwards are missed by 4%.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's last annual audited consolidated financial statements as at and for the year ended 31 December 2019.

New IFRS standards, amendments to standards and interpretations not yet adopted

There are no new standards issued, however, there are number of amendments to existing standards which are effective from 1 January 2020 and have been explained in the Group's annual consolidated financial statements, but they do not have a material effect on these condensed consolidated interim financial statements.

5 SEGMENT INFORMATION

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

Description of segments and principal activities

The Group's primary operations are 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 and regional stock exchanges.
	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 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.

5 **SEGMENT INFORMATION** (continued)

	Equity investments	Hotels	Real estate	Health care	All other segments	Total
2020 (Unaudited)						
Total revenue						
For the three-month period ended 30 June 2020	**94,977**	**2,088**	**53,930**	**50,151**	**13,356**	**214,502**
For the six-month period ended 30 June 2020	**152,262**	**152,667**	**152,736**	**120,926**	**33,832**	**612,423**
Net (loss) / profit						
For the three-month period ended 30 June 2020	**(1,099,080)**	**(52,603)**	**11,817**	**(2,232)**	**4,133**	**(1,137,965)**
For the six-month period ended 30 June 2020	**(1,123,033)**	**(102,913)**	**21,342**	**4,095**	**7,592**	**(1,192,917)**
Total assets as at 30 June	**32,951,379**	**6,045,606**	**6,492,830**	**453,614**	**239,782**	**46,183,211**
Total liabilities as at 30 June	**12,352,662**	**3,332,154**	**904,504**	**149,672**	**69,872**	**16,808,864**
Timing of revenue recognition						
At point in time	**N/A**	**Yes**	**N/A**	**Yes**	**N/A**	**-**
Over a period of time	**N/A**	**N/A**	**Yes**	**N/A**	**Yes**	**-**

	Equity investments	Hotels	Real estate	Health care	All other segments	Total
2019						
Total revenue						
For the three-month period ended 30 June 2019 (Unaudited)	50,532	206,141	112,239	73,653	20,998	463,563
For the six-month period ended 30 June 2019 (Unaudited)	567,956	410,694	223,893	147,988	42,130	1,392,661
Net profit / (loss)						
For the three-month period ended 30 June 2019 (Unaudited)	152,294	(39,781)	16,663	7,931	1,920	139,027
For the six-month period ended 30 June 2019 (Unaudited)	324,575	(68,380)	44,885	13,210	5,084	319,374
Total assets as of 31 December 2019	34,660,928	6,408,997	6,603,375	444,788	252,355	48,370,443
Total liabilities as of 31 December 2019	10,467,443	3,420,048	904,015	154,135	81,573	15,027,214
Timing of revenue recognition						
At point in time	N/A	Yes	N/A	Yes	N/A	-
Over a period of time	N/A	N/A	Yes	N/A	Yes	-

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

6 FAIR VALUE

Note 32 to the annual audited consolidated financial statements as at and for the year ended 31 December 2019 explains the fair value hierarchy, valuation techniques and the valuation process.

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 30 June:

	Level 1	Level 2	Total
As at 30 June 2020 (Unaudited)			
Financial assets			
Investments at FVTPL:			
- Europe (Non-Current)	-	213,525	213,525
- United States of America (Current)	-	186,152	186,152
	-	399,677	399,677
Investments at FVOCI			
- United States of America	9,940,911	-	9,940,911
- Middle East	442,688	-	442,688
- Europe	1,383,988	-	1,383,988
	11,767,587	-	11,767,587
Total financial assets at fair value	11,767,587	399,677	12,167,264

	Level 1	Level 2	Total
As at 31 December 2019 (Audited)			
Financial assets			
Investments at FVTPL:			
- Europe (Non-Current)	-	213,525	213,525
- Middle East (Non-Current)	-	1,003,528	1,003,528
	-	1,217,053	1,217,053
Investments at FVOCI:			
- 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

7 GAIN ON INVESTMENTS AT FVTPL

	Three-month periods ended		Six-month periods ended	
	30-Jun-20 Unaudited	30-Jun-19 Unaudited	30-Jun-20 Unaudited	30-Jun-19 Unaudited
Realized gain on sale of investments classified as FVTPL	37,696	-	37,696	134
Unrealized gain on investments classified as FVTPL	-	-	-	466,759
	37,696	-	37,696	466,893

8 EQUITY-ACCOUNTED INVESTEES

	30-Jun-20 (Unaudited)	31-Dec-19 (Audited)
At beginning of the period / year	**19,562,668**	19,109,381
Additions during the period / year	**-**	94,231
Capital repayment and dividends from associates	**-**	(495,578)
Disposals during the period / year	**-**	(52,891)
Share in (loss) / income	**(447,925)**	790,754
Share in other comprehensive income	**(16,857)**	192,852
Impairment loss recognized during the period (Note 11)	**(500,000)**	-
Unrealized exchange gain / (loss) on translation	**8,912**	(76,081)
At end of the period / year	**18,606,798**	19,562,668

The significant movements during 2019 have been explained in Note 12 to the annual consolidated financial statements for the year ended 31 December 2019. Also see Note 3 for discussion on the impact of COVID-19 on the recoverable values of the equity-accounted investees.

9 BORROWINGS

	30-Jun-20 (Unaudited)	31-Dec-19 (Audited)
Kingdom Holding Company	**8,021,645**	5,762,653
Kingdom 5-KR-11 Limited	**3,375,000**	4,125,000
Kingdom 5-KR-35 Group	**1,471,270**	1,464,051
Kingdom KR-114 Limited	**1,267,643**	1,318,019
Trade Centre Company Limited (TCCL)	**612,405**	614,707
Others	**67,066**	98,883
	14,815,029	13,383,313

The above outstanding balance is presented in the condensed consolidated interim statement of financial position as follows:

	30-Jun-20 (Unaudited)	31-Dec-19 (Audited)
Current		
Current portion of term loans	**883,239**	1,986,094
Term loans, including long-term revolving facilities	**13,931,790**	11,397,219
	14,815,029	13,383,313

During the six-month period ended 30 June 2020, the Group has made further drawdowns on the its existing borrowing facilities. Also see Note 1 for discussion on waivers obtained from the lenders during the period.

Included in the total borrowings are borrowings from a related party amounting to Saudi Riyals 72.5 million (2019: Saudi Riyals 364 million).

10 CONTINGENCIES AND COMMITMENTS

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, other than those already provided 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, 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.

There have been no significant changes in contingencies, capital and operating lease commitments during the six-month period ended 30 June 2020.

11 OTHER LOSSES, NET

Other losses, net for the three-month period ended 30 June 2020 mainly comprise an impairment loss recorded on an investment in an equity-accounted investee amounting to Saudi Riyals 500 million (Note 8). Also see Note 3.

12 SIGNIFICANT TRANSACTIONS DURING THE CURRENT REPORTING PERIOD

On 3 May 2020, the Group has signed a share swap agreement with Dallah Healthcare Company (DHC), to sell its entire shareholding in its subsidiary Care Shield Holding Company, for a consideration of Saudi Riyals 300 million (4.99% shareholding of DHC : Saudi Riyals 186 million and cash : Saudi Riyals 114 million) and a board seat in DHC's board of directors. The transaction is subject to governmental and DHC shareholders' approval within six-month of signing of this agreement. The transaction is expected to be finalized by the fourth-quarter of 2020, subject to pre-conditions mentioned above, at which point the financial impact of the transaction can be determined. As a result, no changes are required to be made to amounts recorded as at 30 June 2020.

13 RELATED PARTY TRANSACTIONS

The Group enters into various other transactions with related parties at mutually agreed terms. Other than those mentioned specifically in these condensed consolidated interim financial statements, these transactions for the six-month period ended 30 June 2020, individually or in aggregate, are not material to the condensed consolidated interim financial statements.

14 SHARE CAPITAL

The share capital as at 30 June 2020 and 31 December 2019 consists of 3,706 million authorized and issued shares at a par value of Saudi Riyals 10 each.

15 DIVIDENDS DECLARATION

The General Assembly of the Company, in its annual meeting held on 9 Dhul-Qa'dah 1441H (corresponding to 30 June 2020), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million, 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 dividend distribution was made to all shareholders on record as of the date approved in the General Assembly meeting.

16 EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the three and six-month periods ended 30 June 2020 and 2019 have been computed by dividing the profit / (loss) for each of the period presented by the number of shares outstanding during such period (3,706 million shares).