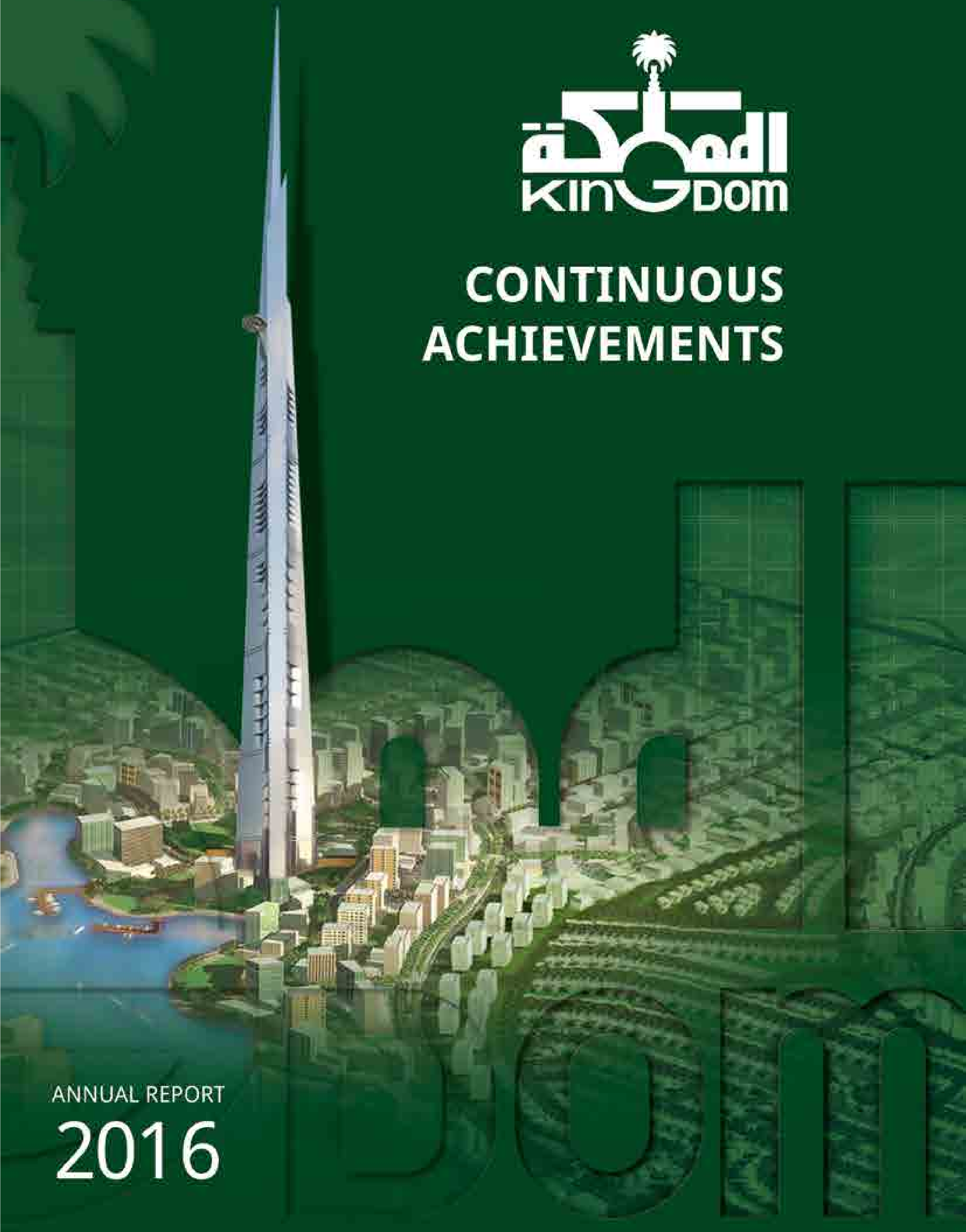
CONTINUOUS ACHIEVEMENTS



ANNUAL REPORT

2016

In the Name of Allah,
the Merciful, the Compassionate

The Custodian of the Two Holy Mosques

King Salman Bin Abdulaziz Al Saud

Contents

His Royal Highness Prince
Alwaleed Bin Talal Bin Abdulaziz Alsaud

In the Name of Allah, the Most Gracious, the Most Merciful

Dear Shareholders,

It pleases me on behalf of the board of directors of Kingdom Holding Company to submit the annual report, along with the consolidated financial results for the financial year ending on 31/12/2016.

2016 was filled with challenges and difficulties arising from the global fall in oil prices and the crises that have spread across the region. Despite all this, 2016 represented the launch of a promising new national economic strategy to confront those issues, as embodied in Vision 2030. In this context, 2016 represented a year of consolidation for KHC and enhancement of its path of distinction and success, thanks be to Almighty God. This was chiefly due to the efforts of the company's staff in all its sectors, including planning, investment, project development and operations.

The financial data presented to you today exhibits a continuity of KHC's success in implementing its investment strategy and in proving its capabilities of making profits, even in the most trying of circumstances. These results, furthermore, reflect our achievements in being in step with the new national strategy. This clearly demonstrates the determination of the company's leadership to continue developing its operations, thus achieving the company's objectives in channeling investments towards the most promising sectors, while also fulfilling the goals of the new national economic vision.

In our Kingdom Tower project in Jeddah, the tallest in the world, we have reached the 50th floor. Bank financing, amounting to SR 3.6 billion, has been made available for this project to construct an entire city. The real estate investment fund, "Jeddah Economic City", which was set up by Alinma Investment, has bought the entirety of the fund's units at a total value of SR 8.4 billion. The real estate investment fund is fully Shariaa compliant, as well as complying with the demands of the financial markets and the Kingdom of Saudi Arabia's legal protocols.

Kingdom Hotel Investments (KHI) sold its 100% share in the Intercontinental Hotel, Lusaka to QG Africa Hotel LP, an investment fund registered in Mauritius under QG Investments Africa Management. The sale reaped a total value of USD 35.9 million. This deal was completed on 31 March 2016.

In April, KHC announced its financial results for the first quarter of the year, ending on 31 March 2016. The company achieved net profits of SR 103.9 million. The company thus declared the distribution of quarterly cash dividends from retained profits at a rate of 1.25% (5% over the whole year), at under par value for the share at the rate of 12.5 Halalas/quarter per issued share. This amounts to SR 0.50 for the entire year, at a total of SR 163.9 million for the quarter. As a result, the total dividends for the year were SR 655.9 million.

In July, KHC announced the completion of procedures to merge its luxury hotel brand Fairmont Raffles Hotels International (FRHI), with the France-based Accor Hotels. Completion of this deal merges the three hotel brands, Fairmont, Raffles and Swissôtel, the latter belonging to Accor. KHC has acquired a 5.8% share of Accor, along with the right to appoint a representative on the board of directors, in a deal valued at SR 12 billion.

At the beginning of October, KHC announced the completion of procedures to sell its stake in the Four Seasons Toronto Hotel. This deal was completed on 30 September 2016 at a value of CAD 225 million. The hotel was sold to a group of companies owned by Shahid Khan, the founder of Flex-N-Gate Company and CEO of both the American football team Jacksonville Jaguars and the English football team Fulham, based in London.

The company unveiled its financial report for the third quarter, along with the first nine months of 2016, ending on 30 September 2016. Net profits for the third quarter were SR 179.9 million, in comparison with SR 291.6 million for the same quarter during the previous year. This represents a fall in income of 38.3%.

In the hospitality sector, KHC acquired a number of awards for its Four Seasons George V Hotel in Paris – the best and most valuable hotel in the world. Among these was the "Best Hotel in the World" award for 2015 and 2016 from the Gallivanter's Guide. The Hotel affirmed its foremost position in the global hospitality industry when its classic French restaurant Le Cinq obtained three stars from the renowned Michelin Guide in its 2016 edition – making it the only French hotel to obtain three Michelin stars, along with being awarded five toques and a rating of 19/20 by the Gault et Millau Guide for restaurants. Its holding of the "Best Hotel in Europe" award from the Gallivanter's Guide for 13 years running is a clear signal of what this unique hotel of ours has achieved. It was furthermore awarded "Best Hotel in the World" for 2014 by Condé Nast Traveller magazine.

Among other achievements in the field of hospitality was the recognition of Four Seasons Hotels and Resorts as the "Best Hotel Company to Work For", according to Hotelier Middle East. The group was also awarded "Best Hotel Company in the World" by Gallivanter's Guide. Gallivanter's Guide furthermore awarded the Four Seasons Hampshire Hotel in England as the "Best Resort in Europe" for 2015, and the Four Seasons Hong Kong Hotel as "Best Hotel/Resort in East Asia" for 2015, and the Four Seasons Seychelles Hotel as the "Best Indian Ocean Resort" for 2015.

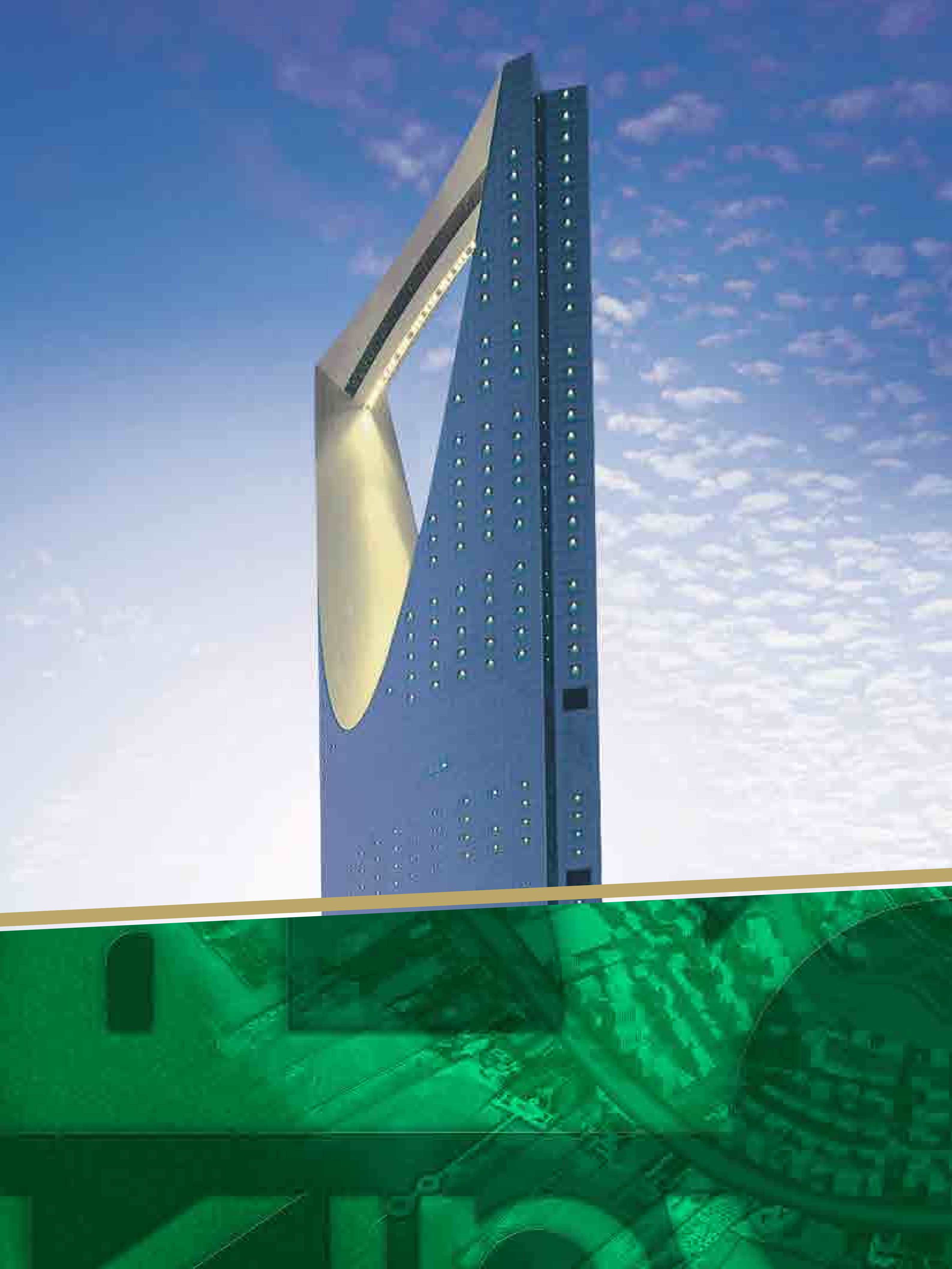
At the end of the year, KHC announced its consolidated financial results for the fourth quarter and the entirety of 2016. Total profits during this quarter were SR 146.9 million, in comparison with SR 555.3 million for the corresponding quarter of the previous year. This is a reduction of 73.54%. Net income for the fourth quarter was SR 40.2 million, compared with SAR 37.9 million for the corresponding quarter of the previous year, an increase of 6.06%. Net income for the year ending on 31 December 2016 was SR 509.9 million, in comparison with SR 707.1 million for the previous year, a fall of 27.9%.

The annual report presented to you is a transparent testament to the achievements of the company's activities during 2016, illustrating the success achieved over the past year. This shows that the company by way of its past, present and future achievements remains steadfast in its long-term investment objectives. Through our robust capabilities and the expertise of the company's board of directors and executives, we aspire to devote our efforts, resources and experience to renewed achievements, locally, regionally and internationally. This is based on our record as one of the most successful financial investment companies, with one of the most diverse investment portfolios, as well as a pioneering company in the Kingdom of Saudi Arabia.

I extend my thanks to our esteemed shareholders for their enduring trust in this strong and flourishing company, as well as to the company's board members and executives for their devoted efforts. I share your aspiration to see even greater growth, profitability and positive outcomes in the future, God-willing.

Alwaleed Bin Talal Bin Abdulaziz Alsaud

Chairman



ABOUT KINGDOM HOLDING COMPANY

Founded in 1980, Kingdom Holding Company (KHC) is a publicly traded company which was listed on Tadawul (the Saudi Stock Exchange) in 2007. KHC is one of the world's most successful and diversified business organizations, highly respected in the field of investments and recognized as an elite player in the Arabian Gulf region, and internationally. The Company is recognized as one of the largest foreign investors in the United States. KHC's portfolio has its major interests in investment categories ranging from luxury hotels, management hotel companies and real estate. KHC also has investments in media and publishing, as well as in entertainment. In addition it has stakes in finance and investment services, social media and technology, as well as in the consumer and retail sectors and in petrochemicals. Moreover, the Company has investments in education, health care, aviation and agriculture. In addition, KHC has investment presence in emerging markets such as Africa.

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HRH
Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud
Chairman

Eng. Talal Ibrahim Almaiman
Chief Executive Officer

Eng. Talal Almaiman is a member of KHC's Board. He received his B.Sc. in Electrical Engineering from the University of Evansville in the U.S.A and MBA from University of Liverpool and holds a Certificate from an Executive Management Program at Harvard Business School. Prior to being appointed as the CEO of the Company, he was in the position of Director of Domestic Investments since l996, overseeing all of KHC's development projects, as well as all of its private and public investments in Saudi Arabia. He is also a board member of the National Industrialization Company (Tasnee), National Air Services Co. (NAS), as well as Chairman of Kingdom Hospital, Kingdom Schools and Kingdom Centre.

Dr. Adel Alsayed

Executive Director for International and Private Equity

Dr. Adel Alsayed has more than 25 years of experience in financial advisory, asset management and private equity investments. His last position was the CEO of United Gulf Investment Corporation (UGIC) a Bahrain-listed Company focused on promoting and investing in industrial projects in the Gulf region. He previously worked for Kuwait-based Gulf Investment Corporation (GIC), which is one of the largest and oldest private equity players in the region owned by the GCC countries, where he was responsible for all business development activities in the six GCC countries, and he played a key role in managing and exiting all of GIC's direct investments in Saudi Arabia.

He worked as a Senior Financial Analyst with the Middle East and North Africa Department of the World Bank in Washington DC between 1992 - 1994; as the Deputy General Manager with Rana Investment Company in Saudi Arabia; and with Saudi American Bank (Samba) as Head of the "Corporate Finance & Equity Advisory" Department between 1996 - 2000. Between 2000 and 2004 he was the Co-Head of the Middle East Department at Bahrain International Bank in Manama, Bahrain responsible for direct investments in the region.

Dr. Alsayed started his career as a Civil Engineer with the Royal Commission for Jubail & Yanbu in Saudi Arabia in 1982. He holds (i) BSc. in Civil Engineering, University of Petroleum & Minerals, Saudi Arabia; (ii) MSc. in Engineering Management, Milwaukee School of Engineering, Wisconsin, USA; and (iii) PhD. in Finance, George Washington University, Washington, DC., USA.

In addition, Dr. Alsayed served as a Board member in "Gulf Ferro Alloys Co. (Sabayek) in Jubail, Saudi Arabia ; and is currently a Board member in "A. H . Alsayed & Sons Co."; and the Tadawul listed "Buruj Cooperative insurance Co." in Riyadh, Saudi Arabia.

Mr. Sarmad Nabil Zok

Executive Director for Hotel Investments

Mr. Zok is Chairman and Chief Executive Officer of Kingdom Hotel Investments (KHI), the leading international hotel and resort acquisition and development Company focused on high growth emerging markets. The Company has ownership interests in 22 properties in 15 countries. Mr. Zok founded KHI in 2001 and led the company's US$1.6bn Initial Public Offering in 2006. In 2010, KHI was taken private and thus became 100% owned by KHC.

Additionally, Mr. Zok is a Board Director of Kingdom Holding Company (KHC) and a member of the company's Investment Committee where he is responsible for KHC's global hotel portfolio. This includes interests in management companies such as Four Seasons Hotels & Resorts, Fairmont Raffles Hotels International and Mövenpick Hotels and Resorts AG, as well as international real estate such as the George V in Paris, the Savoy in London and the Plaza in New York. Mr. Zok is also a member of the Board of Directors of Four Seasons Hotels & Resorts, Fairmont Raffles Hotels International and Mövenpick Hotels and Resorts AG.

Previously, Mr. Zok headed Forte PLC's development effort in emerging markets and worked at HVS International, a leading hotel consulting and valuation firm, covering European markets. Prior to this Mr. Zok gained operational experience with Hilton International.

Mr. Zok holds a Bachelor of Science in Hotel Management from the University of Surrey and a Masters of Arts in Property Valuation and Law from City University Business School in London. He is fluent in English, French and Arabic.

Mr. Mohamed Mahmoud Fahmy

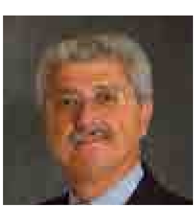
Executive Director for Finance and Administration

Mohamed Mahmoud Fahmy is highly accomplished with 18 years of a progressive track record of achievements in leading initiatives that enhance financial performance and productivity. Mohamed began his career in Cairo in Corporate Banking in 1995 with Commercial International Bank. After receiving the Chase Manhattan Bank's Credit Training Program, he graduated as a Senior Credit Analyst where he worked for 2 years in the corporate banking department.

In 1998, Mohamed moved on to work in Investment Banking for a combined period of 10 years working for major Egyptian / international institutions such as Flemings CIIC, EFG Hermes and Doha bank. In 2005 Mohamed became the Head of Investment Banking for Calyon in Egypt where he launched Calyon's investment banking operations and worked on various mergers and acquisitions of local/regional companies.

Over his 10 years as an investment banker Mohamed worked on various capital market and M&A transactions worth over US$4 billion. During this period Mohamed completed Calyon's formal investment banking training course. His career moves progressed further when he joined Palm Hills Developments as CFO where he assisted in negotiating the sale of a 10% stake in the company to Goldman Sachs resulting in a US$ 120 million deal and raising a total of LE 1.3 billion syndicated debt and equity financing for the company. He also was instrumental in the process of taking the company public raising US$320 million in equity and listing the company both on the Egyptian and London stock exchanges. Following Palm Hills, Mohamed joined as Group CFO for Hassan Allam Holding and Pioneers Holdings.

Among his academic achievements, which included an MSc. in International Securities Investment & Banking from Reading University in England, Mohamed was awarded the Chevening scholarship offered by the British Council in Egypt to study towards a Master's degree in England as well as receiving a Fulbright Scholarship to complete the Program on Investment Appraisal and Management from Harvard University.



Mr. Shadi S. Sanbar

Non Executive Board Member

Mr. Shadi Sanbar was appointed as KHC's Chief Financial Officer in April 2007. Since 2005, he has been reporting to Prince Alwaleed as special advisor. He holds a B.A. from the University of California in Los Angeles, and an M.B.A. from the University of Oklahoma. He is also a U.S. CPA. Mr. Sanbar began his career in 1973 with Arthur Andersen in Los Angeles. He transferred to Andersen's Riyadh office in 1994 and was appointed two years later as Managing Partner for the Assurance and Business Advisory for Andersen's Middle East practice. In 2002, Andersen merged with Ernst & Young. Mr. Sanbar is also a member of the Board of Directors of Four Seasons Hotels & Resorts and Fairmont Raffles Hotels. Mr. Sanbar joined the Board in June 2012.

Dr. Khaled Abdullah Al Souhem

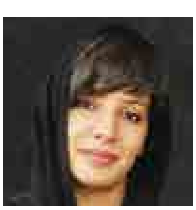
Independent Board Member

Dr. Khaled Al Souhem, a Saudi citizen, is a member of the Company's Board of Directors. He was born in 1959. In 1996, he gained a PhD in human resources administration from the University of Wales (Cardiff), UK. He also received a higher Diploma in Social Sciences from the same University in 1993, as well as a Bachelor's degree in Communications from King Saud University, Saudi Arabia, in 1986. Before becoming a member of the Board of Directors of the Company, Dr. Al Souhem held several executive functions at the Saudi Telecom Co. namely, General Manager of Recruitment and Personnel Staffing and Planning. He is currently the General Manager of HR development at Saudi Telecom Co. Prior to this period, Dr. Al Souhem worked at KHC for 4 years as an Assistant Executive Manager for Human Resources and Administrative Affairs. He is also member in several professional organizations such as the Saudi Organization for Management and the Arab Association for Human Resources and the American Association for Human Resources.

Eng. Taher Mohammed Omar Agueel

Independent Board Member

Eng. Taher Agueel, a Saudi citizen, is a member of the Company's Board of Directors. He was born in 1959. He holds bachelor and master's degrees in industrial engineering from the University of Texas, USA (having received his master's degree in 1984). He is currently Executive member, Board of Directors & Financial Advisor of National Air Services Ltd. Co. (NAS). He has in the past assumed many positions, including two years as Managing Director of Financial Services Co. (Deutsche Al-Azizia), head of the compound financing sector in the National Commercial Bank, as well as many other key positions in Saudi Industrial Investment Fund. Eng. Taher is a member of the industrial committee of the Commercial & Industrial Chamber in Jeddah, and Board member of the Gulf General Cooperative Insurance Company and Meryl Lynch KSA.



Eng. Rasha El-Hoshan

Independent Board Member

Eng. Rasha El-Hoshan joined Kingdom Holding Company in January 2012 as an independent board member and a member in KHC's audit committee. Eng. Rasha El-Hoshan is the General Manager of El-Hoshan Furniture, she is also an executive committee member and a board member of El-Hoshan Group.

Eng. Rasha holds an M.S in interior design from Pratt Institute in New York and received her Bachelors degree in Political Science - Middle East from The American University in Washington, DC.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The Board of Directors' Report

To the Shareholders of Kingdom Holding Company (KHC) for the financial year ended 31 December 2016

Introductory Note

The Board of Directors of Kingdom Holding Company is pleased to submit hereinafter to the Company's shareholders the 2016 Annual Report that details the Company's performance and achievements during the financial year ended 31 December 2016, highlighting the main sectors and their various activities. The Annual Report includes also the Company's final Audited Statements for the financial year ended 2016 along with the Notes to the Financial Statements that are considered part of the Financial Statements and the Auditors' Report.

The Board of Directors extends its thanks to the Company's shareholders for their support and trust; It declared that all members have relinquished their rights to any compensations and rewards they are entitled to against their membership to the Board or any other trip and transportation allowances for the year 2016.

Company's Main Activities

The Company's objectives tackle the following activities:

A) General contracting for buildings (construction, rehabilitation, destruction, and restoration). General contracting of activities covering roads, water, sewage; electrical, mechanical, and industrial activities. Other activities related to maritime, dams, well digging. Operation and maintenance for buildings, airports, factories, power plants, water desalination, water and gas pumping; phone networks, hospitals and medical Centers.

B) General trading of all types, including as an example retail and wholesale trading of:
   - a- Construction material including ready mix concrete
   - b- Food products
   - c- Agricultural produce
   - d- Metals and petrol products
   - e- Ready to wear and shoes for men, women and children. Fabric, perfumes, natural beauty products, makeup and related products and traditional jewelry
   - f- Computers, computer programs and accessories
   - g- All kinds of goods of any nature

C) Transport and storage including trading in all transportation means from planes to boats

D) Establishing, owning, and investing in hotels and resorts

E) Educational services (private schools – private educational centers – private research centers and training centers)

F) Medical services (private hospitals – private dispensaries – testing and ultrasound laboratories)

G) Commercial agencies, distribution and brokerage (in other than money exchange and real estate), shipping services, import/export services for others

H) Acquiring lands for constructing residential, administrative and commercial buildings and then invest them for selling, renting for the company's interest

Overview of Subsidiaries:

The Company carries over its activities through the below listed subsidiaries:

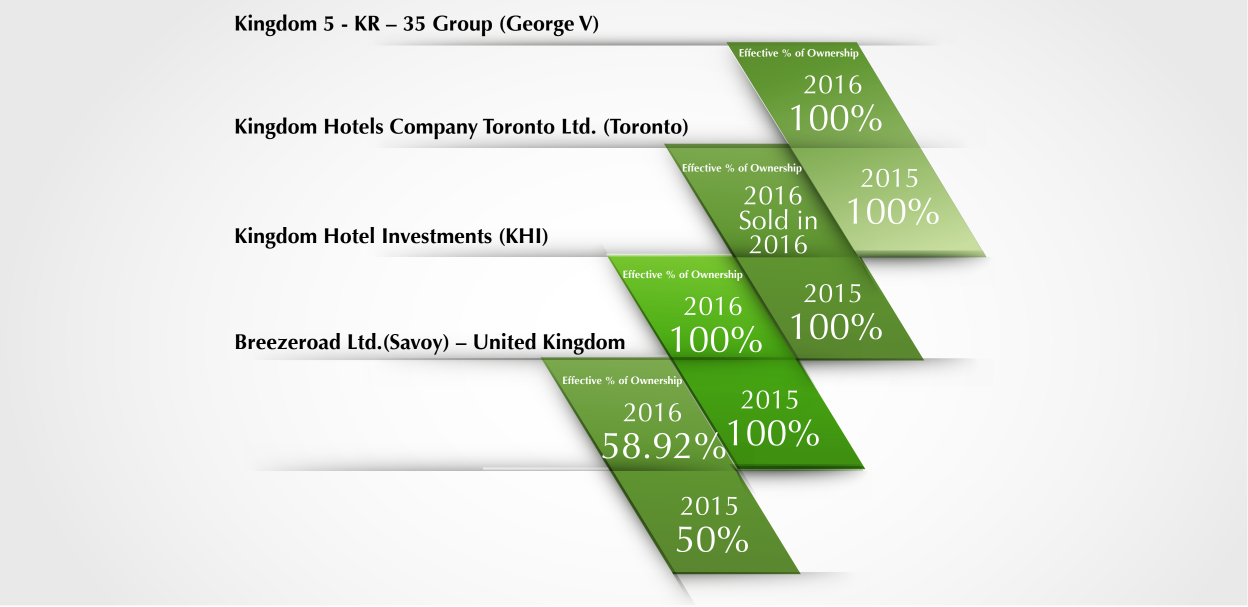
A- Kingdom Company 5-KR-11 Ltd. (KR-11)
KR11- is a limited liability company established and operating in the Cayman Islands. The Company's main activity includes investments in international quoted securities through its wholly owned subsidiaries.

B- Kingdom Company 5-KR-100 Ltd. (KR-100)
KR100- is a limited liability company incorporated in the Cayman Islands. The Company's main activity includes the ownership and management of funds through its associates.

C- Kingdom Company 5-KR-132 Ltd. (KR-132)

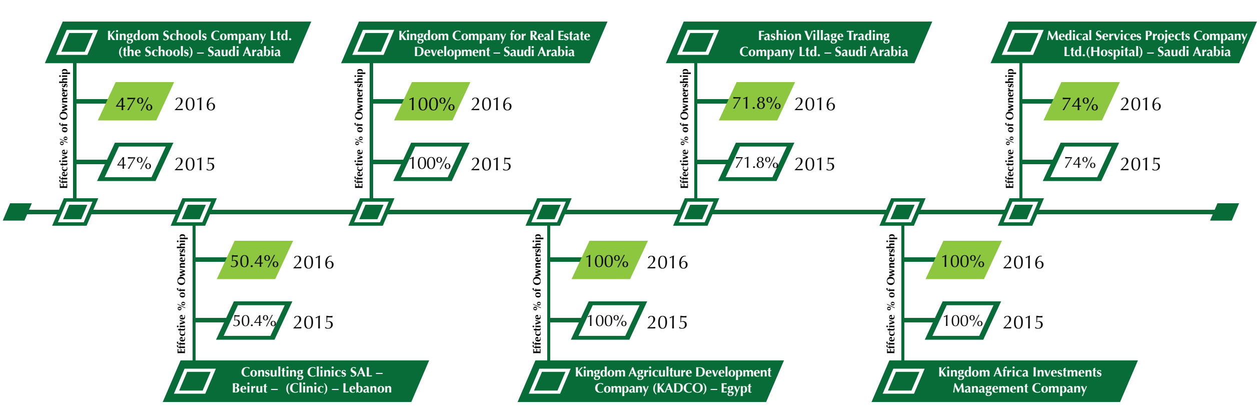
KR132- is a limited liability company established and operating in the Cayman Islands. The Company's main activities include the ownership of investments in the subsidiaries and sister companies below mentioned and that operate in the hotel sector:

Company Name	Effective % of Ownership	
	2016	2015
Kingdom 5 - KR – 35 Group (George V) A limited liability company with a capital of EUR 5,218,200 incorporated in the Cayman Islands. It owns George V Hotel in France. (a direct and indirect ownership with Kingdom Hotel Investments Company)	100	100
Kingdom Hotels Company Toronto Ltd. (Toronto) A limited liability company with a capital of CAD 260,000. The Company owns a 100% stake in the Four Seasons Hotel Toronto - Canada	Sold in 2016	100
Kingdom Hotel Investments (KHI) The company was established in the Cayman Islands as a limited liability company with a capital of USD 843 million in May 2000 with the purpose to acquire and develop high-standard hotels in various parts of the world. The company carries out its hotel activities in 4 geographical areas: the Middle East, Africa, Asia, and Europe. The company doesn't manage directly any of the hotels; the Four Seasons Hotels and Resorts, Fairmont Hotels and Resorts, and the Mövenpick Hotels and Resorts have been chosen to manage directly those hotels on behalf of the company	100	100
Breezeroad Ltd.(Savoy) – United Kingdom Established as a limited liability company with a capital of USD 187,977,994. Owned via Kingdom Company 5–KR–132 Ltd. (KR-132) in the Cayman islands. It owns the historic landmark, the Savoy Hotel in London that is managed by the Fairmont company	58.92	50



Kingdom Holding Company owns shares in the following local and foreign subsidiaries:

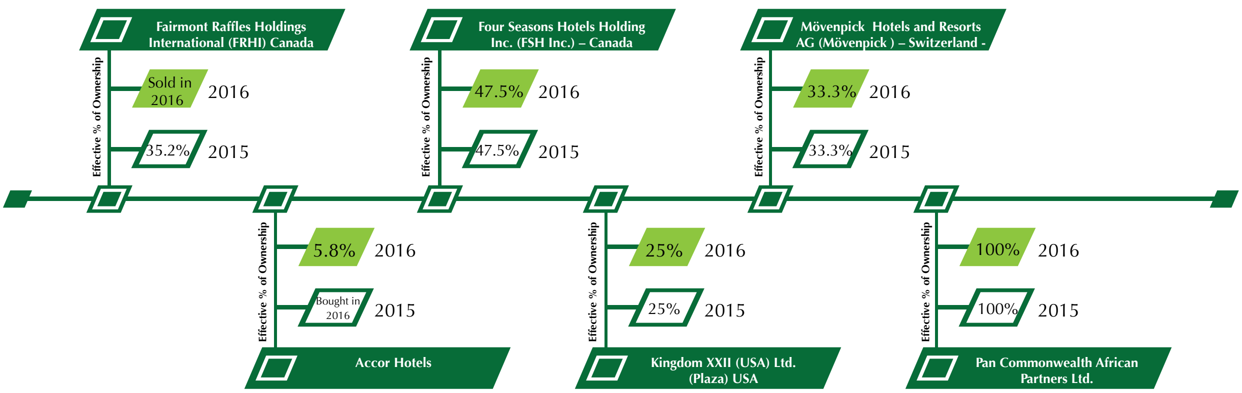
Company Name	Effective % of Ownership 2016	Effective % of Ownership 2015
Kingdom Schools Company Ltd. (the Schools) – Saudi Arabia Kingdom Schools Company started its operations in 2000 as a limited liability company in Riyadh with a capital of SR 254,000,000. It owns and manages Kingdom's schools	47	47
Kingdom Company for Real Estate Development – Saudi Arabia Established in 2012 as a limited liability company with a capital of SR 1,000,000 and runs the "Kingdom City" project – East Riyadh	100	100
Fashion Village Trading Company Ltd. – Saudi Arabia A limited liability company with a capital of SR 119,876,867. The company manages retail shops in Riyadh and Jeddah which showcase top international brands	71.8	71.8
Medical Services Projects Company Ltd.(Hospital) – Saudi Arabia A limited liability company with a capital of SR 317,000,000. The company owns Kingdom's Hospital and the Consulting Clinics in Riyadh	74	74
Consulting Clinics SAL – Beirut – (Clinic) – Lebanon Established in Lebanon as a limited liability company with a capital of USD 20,000,000	50.4	50.4
Kingdom Agriculture Development Company (KADCO) – Egypt Established in 1997 as a joint stock company with a capital of USD 55 million divided into 55,000 shares for land rehabilitation and for setting agricultural, animal, poultry and fish projects in Egypt	100	100
Kingdom Africa for Investment Management Established as a limited liability company with a capital of SR 3,044,917 dealing in direct investment management. Registered in Mauritius and responsible for the management of company investment funds in Africa	100	100



Overview of Associate Companies:

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

Company Name	Effective % of Ownership	
	2016	2015
Fairmont Raffles Holdings International (FRHI) Canada Owned via Kingdom Company 5–KR–132 Ltd. (KR-132) in the Cayman Islands. Fairmont Raffles is a leading international company that owns a group of hotels around the world and operates under the umbrella of Fairmont Raffles Swiss hotel. The company also runs and manages private high-end housing units	Sold in 2016	35.2
Four Seasons Hotels Holding Inc. (FSH Inc.) – Canada Owned via Kingdom Company 5–KR–132 Ltd. (KR-132) in the Cayman islands with a capital of USD 2,411,984,000. Four Seasons is a leading international company that owns a group of hotels around the world and operates under the umbrella of Four Seasons hotels. The company also runs and manages private high-end housing units	47.5	47.5
Mövenpick Hotels and Resorts AG (Mövenpick) – Switzerland Owned via Kingdom Company 5–KR–132 Ltd. (KR-132) in the Cayman islands with a capital of CHF 52,500,000. The Mövenpick is a leading international company that owns a group of hotels around the world and operates under the umbrella of Mövenpick hotel. The company also runs and manages private high-end housing units	33.3	33.3
Accor Hotels Owned via Kingdom Hotels Company (Europe). Accor Hotels is a leading international company that owns a group of hotels around the world with a capital of EUR 854,000,000	5.80	Bought in 2016
Kingdom XXII (USA) Ltd. (Plaza) USA Owned via Kingdom Company 5–KR–132 Ltd. (KR-132) in the Cayman islands with a capital of USD 245,000,000. It owns the historic landmark, the Plaza in New York that is managed by the Fairmont company	25	25
Pan Commonwealth African Partners Ltd. **Pan African Investment Partners Ltd. 1 & 2** Funds for asset management in Africa and registered in the Mauritius islands	100 100	100 100



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

Company Name	Effective % of Ownership	
	2016	2015
Real Estate Investment Company (Compound) – Saudi Arabia Established in 1997 as a limited liability company with a capital of SR 180,000,000. It owns and manages a luxurious residential compound in a distinct location in Riyadh	38.9	38.9
Trade Centre Company Ltd. (Kingdom Centre) – Saudi Arabia A limited liability company with a capital of SR 1,000,000,000. The company that owns Kingdom Centre in Riyadh which is considered one of the most prominent modern landmarks in Saudi Arabia	36	36
Jeddah Economic Company Ltd. - Saudi Arabia Established in 2008 as a limited liability company with a capital of SR 8,521,512,800. It owns and manages the Jeddah City project	33.35	33.35
National Airway Services (NAS) – Saudi Arabia Established as a closed joint stock company with a capital of SR 3,827,677,250. It owns and manages the economic airline license in Saudi Arabia	34.08	34.08

Company's Plans and Future Outlook:

In light of the global challenges and difficulties the economy has endured, our calculated and diverse strategy is the basis of our work and successes. The Company intends to continue targeting its investments towards the existing sectors namely, real estate, through the 2 projects it is pursuing Kingdom City/Riyadh and Kingdom City/Jeddah; hotels through the enhancement of its investment portfolio in the hotels sector by building on the administrative skills and the good reputation of its subsidiaries and affiliates and the attributes of each of its hotels. In addition to real estate and hotels, the Company will continue looking for profitable investment opportunities in other sectors locally, regionally and internationally.

2016 Major Highlights:

Real Estate Sector, Local and Regional Investments:

- The construction of the tallest tower in the world is proceeding on schedule. A SR 3.6 billion financing deal has been signed for the Jeddah Economic City Fund with Alinma Bank. The financing package is fully Shariaa compliant. This ensures the project's compliance with the General Master Plan for the coming five years. The objective of this funding is to develop the infrastructure for the first phase of the Jeddah Economic City project and continue the construction of Jeddah Tower.
- Nasair in which KHC owns 34.0% has finalized a SR 32 billion deal with Airbus for the purchase of new aircrafts. This deal is expected to bring about a qualitative transformation in Nasair's operations.

Hotels and Hotel Management Companies:

- Kingdom Hotel Investments (a wholly owned subsidiary) has completed the refinancing of a real estate loan for the Four Seasons George V Hotel, at a value of EUR 350 million.
- The Four Seasons Hotels and Resorts Group has been recognized as the "Best Hotel Company to Work For" for 2015. This was announced at the beginning of 2016 by the Hotelier Middle East website.
- The George V Hotel was awarded "Best Hotel in the World for Service" for 2014. This was announced at the beginning of 2016 by Condé Nast Traveller magazine.
- The George V Hotel was awarded "Best City Hotel Worldwide" for 2015. This was announced at the beginning of 2016 by the Gallivanters Guide website.
- Kingdom Hotel Investments (a wholly owned subsidiary) has sold its 100% share in the Intercontinental Hotel Lusaka, at a total value of USD 35.9 million. This deal was finalized on 31 March 2016.
- The Four Seasons George V Hotel in Paris has once again proved its leading position in the global luxury hotel sector with the announcement that its classic French restaurant, Le Cinq, has been awarded three stars in the 2016 edition of the prestigious Michelin Guide. The Four Seasons George V Hotel in Paris has thus become the only hotel in France to obtain 3 Michelin stars; as well as being awarded 5 toques and a rating of 19/20 by the Gault et Millau Guide for restaurants.
- The Four Seasons Hotels and Resorts group has been recognized as the "Best Hotel Group Worldwide" according to the Gallivanters Guide magazine.
- The George V Hotel has been granted the "Best European Hotel" award for 2015. This was announced at the beginning of 2016 by the Gallivanters Guide which has put the hotel at the top ranking for 13 years running.
- KHC has completed procedures for merging the luxury hotel brand Fairmont Raffles Hotels International and the France-based Accor Hotels. With the completion of this deal the three brands – Fairmont, Raffles and Swissôtel – have been brought within the Accor Group. KHC has acquired a 5.8% share of Accor, along with the right to nominate a representative to the board of directors, as part of a deal worth SR12 billion. Since Kingdom Holding Company acquired its interest in Fairmont Hotels Management Company in 1994, it has built the Fairmont, Raffles, and Swissôtel brands from five hotels under management to 114 contracts today and a further 40 in the pipeline. As a result of this merger between Fairmont Raffles and Accor, KHC

becomes an important shareholder in one of the largest and most diverse hospitality services companies in the world; amounting to 4,000 hotels and 560,000 rooms under its management.

- The Four Seasons Hotel Hampshire in England has been awarded "Best European Resort" for 2015. This was announced at the beginning of 2016 by the Gallivanters Guide magazine.
- The Four Seasons Hong Kong has been awarded the "Best hotel/resort in East Asia" for 2015. This was announced at the beginning of 2016 by the Gallivanters Guide magazine.
- KHC has sold its share in the Four Seasons Hotel Toronto, in a deal valued at SR 645 million on 30 September 2016.
- The Four Seasons Hotel Dubai Jumeirah Beach Resort has been awarded the "Best Hotel Spa Worldwide" for 2015. This was announced at the beginning of 2016 by the Gallivanters Guide magazine.
- KHC has sold its share in the Mövenpick Hotel Ambassador Accra, at a value of SR 375 million.

Dividends Distribution Policy:

Dividends Distribution to Shareholders is governed by certain rules and regulations stated upon by the Company's Bylaws whereby the Company is required to transfer 10% of its net profits after the deduction of Zakat to the statutory reserve. The Assembly General Meeting may stop this transfer when it reaches %50 of the Company's paid up capital.

The dividends distribution policy is decided based on the Company's financial performance, market and economic conditions in general in addition to other factors including the needs of prospective investment opportunities, reinvestment, cash flow and capital requirements and business expectations and the effect of those dividends to be distributed on the Company amongst other factors including regulatory considerations.

Moreover, the Board of Directors ratified in its meeting held on Sunday 1437/05/12 Hegira, (2016/02/21) the distribution of quarterly cash dividends from the profits by 1.25% (5% for all the year) from the shares nominal value namely 12.5 Halalas / quarter for each share totaling SR 0.50 for the whole year i.e. SR 163.9 million for each quarter with the total private distribution for the whole year SR 655.9 million. The Chairman of the Board, HRH Prince Alwaleed Bin Talal Bin Abdulaziz had relinquished 34 Halalas/share totaling SR 1,197 million from his share of the proposed cash distribution of the year 8.5 Halalas / share equivalent to SR 299,2 million from his share of the quarterly profits.

Dividends Entitlement for the payments was as follows:

- First payment: Dividends entitlement for shareholders registered in the Company records at the end of the Ordinary General Assembly dated 21/06/1437 Hegira (30/03/2016). It was disbursed 2 weeks later.
- Second payment: Dividends entitlement for shareholders registered in the Company records at the end of 25/09/1437 Hegira (30/6/2016). It was disbursed 2 weeks later.
- Third payment: Dividends entitlement for shareholders registered in the Company records at the end of 29/12/1437 Hegira (30/9/2016). It was disbursed 2 weeks later.
- Fourth payment: Dividends entitlement for shareholders registered in the Company records at the end of 02/04/1438 Hegira (31/12/2016). It was disbursed 2 weeks later.

Social Responsibility

Through its local subsidiaries (Trade Centre Company, Kingdom Hospital and Kingdom Schools), the Company has effectively supported human and philanthropic initiatives in the Saudi society, through organization of exhibitions, implementation of awareness programs, support of charity societies and grant of scholarships.

Shareholders Meetings:

Ordinary Assembly General Meeting

Kingdom Holding Company held its ordinary Assembly General Meeting at 4:00 p.m. on Wednesday evening dated 21/06/1437 Hegira (30/03/2016) at the Four Seasons Hotel presided by the Chairman of the Board HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud. The Assembly General Meeting adopted the following agenda by majority of votes:

1. Approve the content of the Board of Directors' Report for the year ended 31/12/2015.
2. Ratify the financial statement for the year ended 31/12/2015.
3. Ratify the Auditors' report for the year ended 31/12/2015.
4. Select Messrs. KPMG - Al Fozan & Partners as the company's auditors among the candidates proposed by the Audit Committee to review the Company's financials for the year 2016 and the quarterly balance sheet
5. Discharge the members of the Board of Directors from their functions for the year ended 31/12/2015.
6. Approve the distributed dividends for the year 2015, amounting to SR 655.9 million.
7. Approve the Board of Directors' decision to distribute quarterly dividends to shareholders.

Board of Directors' Meetings

The Board of Directors held 7 meetings this year. The number of meetings attended by each member is detailed below:

Member Name	Membership Type	Meeting Date							Remarks
		20/1	21/2	30/3	20/4	27/7	20/10	21/12	
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Non Executive	✓	✓	✓	✓	✓	✓	✓	
Eng. Talal Ibrahim Almaiman	Executive	✓	✓	✓	✓	✓	✓	✓	
Dr. Adel Ali Alsayed	Executive	✓	✓	✓	✓	✓	✓	×	
Mr. Sarmad Nabil Zok	Executive	✓	✓	✓	✓	✓	✓	✓	
Eng. Taher Mohammed Omar Agueel	Independent	✓	✓	✓	✓	✓	✓	×	
Dr. Khaled Abdullah Al Souhem	Independent	✓	✓	✓	✓	✓	✓	✓	
Eng. Rasha Amer El-Hoshan	Independent	✓	✓	✓	✓	✓	✓	×	
Mr. Shadi S. Sanbar	Non Executive	✓	✓	✓	✓	✓	✓	✓	
Mr. Mohamed M. Fahmy	Executive	✓	✓	✓	✓	✓	✓	✓	

Shares owned by Board of Directors members, senior executives, their spouses and minor children and stakeholders:

Name	Membership Type	Listed & Closed Companies where Board Members are Members	Number of shares	
			2016	2015
HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Chairman Non Executive	Non	3,520,588,235	3,520,588,235
Eng. Talal Ibrahim Almaiman	CEO	- Board member of the National Industrialization Company - Board member of the National Air Services Company (NAS)	5,554,938	5,554,938
Mr. Sarmad Nabil Zok	Executive Board Member for Hotel Investments	None	1,000	1,000
Mr. Shadi S. Sanbar	Non Executive	None	4,878,076	5,277,646
Eng. Rasha Amer El-Hoshan	Independent	None	1,000	1,000
Mr. Mohamed M. Fahmy	Executive	None	1,000	1,000
Eng. Taher Mohammed Omar Agueel	Independent	- Board member of Meryl lynch company KSA - Board member of the Gulf General Cooperative Insurance Company - Board member of Bidaya Home Finance Company	1,000	1,000
Dr. Adel Ali Alsayed	Executive	- Board member of Bruges company for cooperative insurance - Board member of Ali Hassan El Sayed and sons company	1,000	1,000
Dr. Khaled Abdullah Al Souhem	Independent	None	1,000	1,000

Compensations and remunerations granted to the Board of Directors members, senior executives including the CFO:

	Board Membership		
	Non-Executive Board Members	Executive Board Members	3 Senior Managers including the CFO
Salaries	-	-	3,093,750
Remunerations	-	-	1,575,012
Compensation	-	-	10,687,500
Compensation for Assemblies attendance	-	-	-

Board Committees:

Investment Committee

The committee carries the overall control of the company's investments. It is entrusted with the adoption of the major investment decisions on behalf of the Board of Directors (the Board of Directors shall ratify such decision at a later stage) and review the performance and acquisition of investments.
The committee held 7 meetings during the year. The committee is comprised of the following members:

Name	Title
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Head of the Committee
Eng. Talal Ibrahim Almaiman	Member
Mr. Sarmad Nabil Zok	Member
Mr. Mohamed Mahmoud Fahmy	Member
Dr. Adel Ali Alsayed	Member

Audit Committee

The Committee carries on the supervision of the evaluation of risks and management procedures, internal audit on the Company's transactions along with the submission of notes and recommendations. The committee also audits and confirms the company's financial statements and determines the policies for compliance with procedures and policies and examination of the internal audit procedures. The committee held 6 meetings during the year. The committee is comprised of the following members:

Name	Title
Eng. Taher Mohammed Omar Agueel	Head of the Committee
Eng. Rasha Amer El-Hoshan	Member
Dr. Khaled Abdullah Al Souhem	Member

This year, the Committee through its activities and meetings with the auditors, could test the efficiency of the internal audit system in protecting the company's assets, evaluating business risks and assessing performance effectiveness as part of its auditing of the Company's financial statements. No weaknesses were detected in the Company's internal audit system.

Nomination and Compensation Committee

The Committee is responsible for nominating the Board members and assisting the Board in setting the plans and policies related to the compensations and review them and ratify them. The committee held 1 meeting during the year. The committee is comprised of the following members:

Name	Title
Dr. Khaled Abdullah Al Souhem	Head of the Committee
Eng. Taher Mohammed Omar Agueel	Member
Eng. Rasha Amer El-Hoshan	Member

Declarations of the Board of Directors for Corporate Governance Requirements:

According to the regulations issued by the Capital Market Authority concerning the registration and inclusion system and the corporate governance regulations regarding the necessity of stating in the Board of Directors' Annual Report all the items required according to the annual report form, the Board of Directors declares that the following:

- The Company did not receive any notifications from its shareholders regarding any change in their ownership percentage during the year 2016
- There is currently no stock option scheme and there are no convertible bonds available for any party whatsoever
- No return, purchase, or cancellation from the Company's side or any of its subsidiaries of any debt instruments and other financial notes
- It does not have any preferred shares or shares enjoying vote priority– whether for the shareholders, members of the Board of Directors or its affiliates. All the Company's shares are ordinary shares of equal nominal value, voting rights and other rights according to the regulations
- No contract, having the Company as a party, was concluded, nor any contract where there is or was a substantial interest for any of the members of the Company's Board of Directors, the Chairman, the CFO or any person related to any of the afore-mentioned
- The Board of Directors declares that all its members have declined accepting any remunerations and compensations due to them for their membership in the Board of Directors as well as all travel allowances or expenses, transportation and other allowances for the year 2016
- HRH Prince Alwaleed Bin Talal, Chairman of the Board, ceded his 8.50 Halalas for each share he owns for quarterly profits as per 34 Halalas for each share he owns in cash distributions suggested for the entire year amounting at SR 299.2 Million per quarter and SR 1,197 Million for the entire year
- No any other investments or provisions for the Company's employees were created other than end of service provisions
- The Company's consolidated financial statements as at 31 December 2016 have been carried out pursuant to the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and fairly present the financial position of the Company, that are in accordance with SOCPA, and that the Company has all necessary resources and potential to pursue its activities in the future. It is to be noted that the report of the Certified Public Accountant didn't include any reservations with regards to the annual financial statements
- The company's accounting books were duly prepared
- There is no doubt related to the capability of the company in carrying on with its activities.
- The internal control policy was duly established and efficiently implemented
- The company wasn't subject to any sanctions or provisional seizure from the financial market committee or any other judicial, regulatory or supervisory party
- The company would like to confirm that it complied with all the requirements of the Corporate Governance memo issued by the financial market committee, except for paragraph (d) of Article VI, and paragraph (i) of Article XII since both articles do not apply to the company
- Based on the circulation of the Capital Market Authority No. 4/2978 dated 25/04/2014 and the letter No. 1/12231/15 dated 12/08/2015 requesting all listed companies to adopt an action plan for the implementation of international standards to be completed before the end of 2015, an integrated action plan was implemented after it had been reviewed and discussed with a group of specialized consultants. This plan is summarized in the following points:
    - Outline all discrepancies between international standards and Saudi standards that are currently applied in the company and its subsidiaries accounts. Q1 2016
    - Recommendations and suggestions on best practices to apply the standards. Q1 2016
    - Implementing a work agenda from initiation of work until completion of the transformation. Q1 2016

- Prepare a detailed study of accounts to identify the differences in accounting policies and their impact on the company. Q1 2016
- Begin the process of application of international standards after the adoption of the relevant accounting policies. Q1 2016
- The training of all those involved in financial and accounting matters. Q1 2016
- Virtual preparation of financial statements before the official date of the application for each quarterly and fiscal year 2016. Q1 / Q2 / Q3 & Q4 2016
- Begin actual application by January 1st, 2017
- The company this year successfully completed the following measures which were announced at the time on the stock market (Tadawul) website:

1- Kingdom Holding Company announced that with reference to the decision of the Saudi Organization for Certified Public Accountants (SOCPA) and the Capital Markets Authority (CMA), which requires the joint-stock companies to prepare their financial records according to international financial reporting standards (IFRS) starting from the first quarter of 2017, the company had completed its holistic work plan for implementing international auditing standards by the end of 2015. The company has appointed an external major international consulting company with specialization in transition to international auditing standards (Price Waterhouse Coopers). An internal team from the company is working with the external consultant. This team will be responsible for the transition plan, and ensuring implementation at the appointed time. The company has not encountered any substantive difficulties in embarking on this transition process for compliance with international accountancy standards. By the end of October 2016 the company aims to have finalized its first set of financial statements for internal purposes according to international accountancy standards, including its opening funds, up to the period ending on 31/3/2016.

2- The Capital Markets Authority on 20/8/2016 announced the required disclosure phases for conversion to IFRS for companies listed on the Saudi stock exchange and following to what was announced during the first disclosure phase on 30/8/2016, KHC would like to announce its progress in the second disclosure phase in its readiness for conversion to IFRS. KHC is pleased to announce that it is progressing according to plan towards compliance with IFRS. The company aims to get its accounting policy approved by the end of 2016. This guarantees implementation of the transition within the specified period by the regulating authorities, starting from the first quarter of 2017.

In conclusion, His Royal Highness, Chairman of the Board, and all the Board members would like to extend their thanks and gratitude to the Custodian of The Two Holy Mosques, His Royal Highness the Crown Prince and the honorable government for all their care, concern and ongoing support for the welfare and safety of the country and its citizens. They would also like to extend their thanks to the Company's shareholders for their precious trust and constant support, hoping for further exceptional achievements in the future. The Board of Directors would like to seize this opportunity to express its utmost gratitude and appreciation to all the employees in the Company's departments and subsidiaries for their extensive efforts during the year 2016, looking forward to further prosperity and progress in the years to come.

God Bless

Hotels Sector

Technology Sector

Banking & Investments Sector

Real-estate Investments Sector

Medical Services Sector

Education Sector

Aviation Sector

Transportation Sector

Entertainment Sector

Media Sector

Petrochemicals Sector

Private Equity Sector

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KINGDOM CITY مدينة المملكة · KINGDOM CENTRE · KINGDOM LAND RIYADH · JEDDAH TOWER

العيادات الإستشارية CONSULTING CLINICS · مستشفى المملكة KINGDOM HOSPITAL

flynas طيران ناس

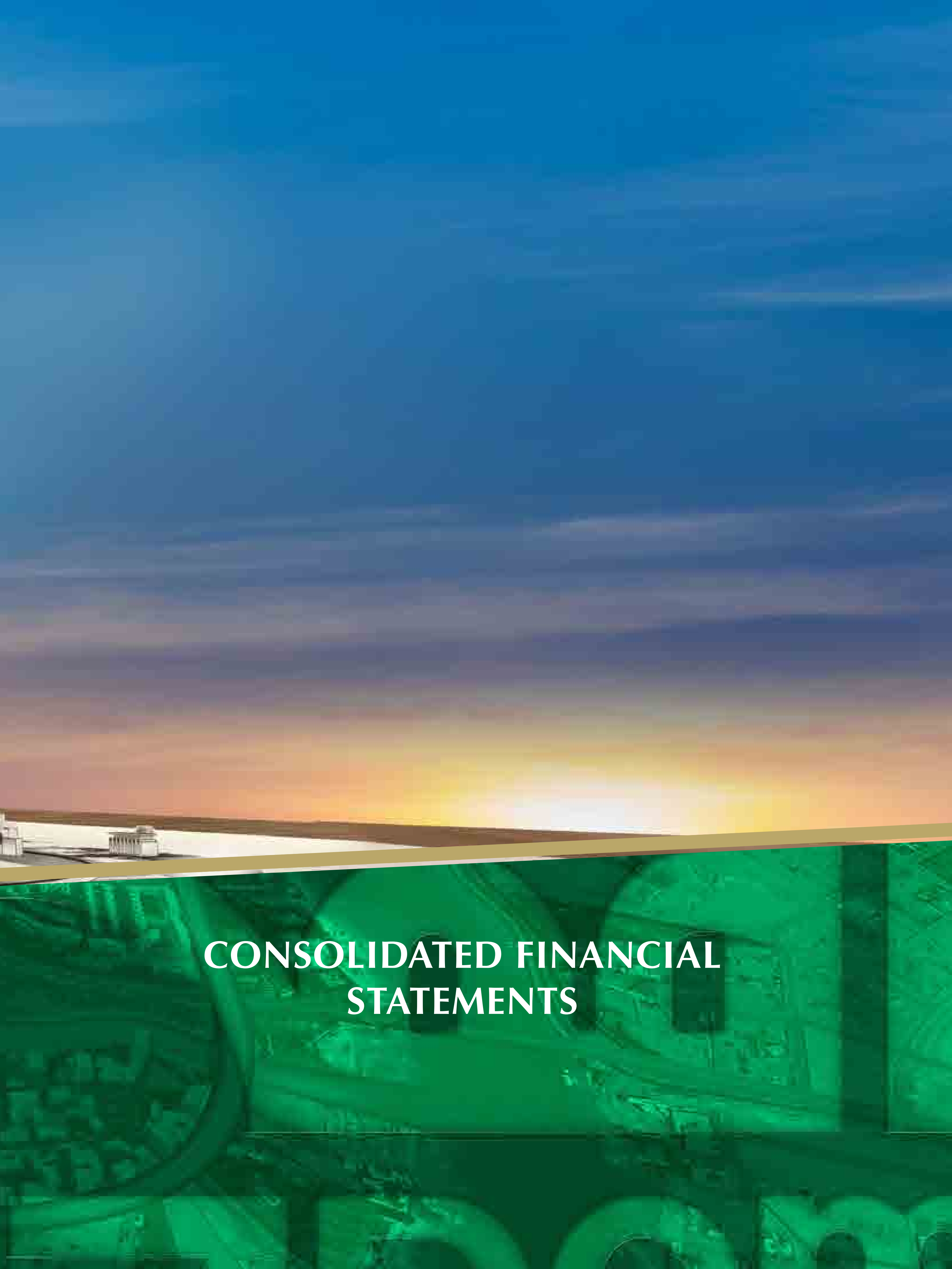
lyft

Disneyland PARIS · EURO DISNEY S.C.A.

21ST CENTURY FOX · News Corporation

TASNEE التصنيع


KINGDOM TOWER - JEDDAH



CONSOLIDATED FINANCIAL STATEMENTS

Kingdom Holding Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
AND INDEPENDENT AUDITORS' REPORT

KPMG

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Certified Public Accountants
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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

To: **The Shareholders**
Kingdom Holding Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of **Kingdom Holding Company (the "Company")** and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at 31 December 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and the attached notes 1 through 35 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and the Company's bylaws, 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. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements taken as a whole:

1) present fairly, in all material respects, the consolidated financial position of **Kingdom Holding Company** (the "Company) and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the consolidated financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No.: 348

KPMG

Riyadh on: 3 Jumada'II 1438H
Corresponding to: 2 March 2017

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

CONSOLIDATED BALANCE SHEET

(All amounts in
Saudi Riyals thousands unless otherwise stated)

		As at December 31,	
	Note	2016	2015
Assets			
Current assets			
Cash and bank balances	4	**4,337,052**	2,633,813
Held for trading investments	5	**144,809**	1,982,094
Accounts receivable	6	**545,168**	498,833
Other current assets	7	**534,332**	467,197
Assets held for sale	9	**--**	246,748
Total current assets		**5,561,361**	5,828,685
Non-current assets			
Available for sale investments	10	**9,833,920**	11,080,326
Investments in associates and joint venture	11	**14,192,081**	16,384,596
Investments in real estate	12	**2,094,448**	2,087,005
Property and equipment	13	**7,925,862**	5,421,698
Intangible assets	14	**1,710,371**	1,719,419
Other long term assets	15	**471,424**	373,575
Total non-current assets		**36,228,106**	37,066,619
Total assets		**41,789,467**	42,895,304
Liabilities			
Current liabilities			
Bank borrowings and term loans	16	**512,534**	1,899,365
Accounts payable	17	**143,365**	110,150
Accrued expenses and other current liabilities	18	**722,458**	685,786
Dividends payable	34	**--**	163,985
Total current liabilities		**1,378,357**	2,859,286
Non-current liabilities			
Bank borrowings and term loans	16	**10,621,807**	10,575,428
Other long term liabilities	20	**363,520**	328,191
Total non-current liabilities		**10,985,327**	10,903,619
Total liabilities		**12,363,684**	13,762,905
Equity			
Equity attributable to shareholders of the Company:			
Share capital	21	**37,058,823**	37,058,823
Statutory reserve		**599,069**	548,081
Retained earnings		**1,336,528**	1,533,580
Unrealized loss from available for sale investments	10	**(10,237,238)**	(10,126,110)
Foreign currency translation adjustments and others		**(426,563)**	(422,287)
Total shareholders' equity		**28,330,619**	28,592,087
Minority interests	22	**1,095,164**	540,312
Total equity		**29,425,783**	29,132,399
Total liabilities and equity		**41,789,467**	42,895,304
Contingencies and commitments	28,29		

	Note	For the year ended 31 December 2016	2015
Revenues			
Hotels and other operating revenues		**1,804,325**	1,879,750
Sales of real estate	12	**--**	133,600
Dividends income	23	**70,592**	122,374
Income from associates and joint venture, net	11	**156,815**	299,067
Income from and gain on investments and other revenues, net	24	**823,264**	937,002
Others		**15,000**	120,310
Total revenues		**2,869,996**	3,492,103
Costs and expenses			
Hotels and other operating costs		**(1,204,162)**	(1,253,840)
Cost of real estate	12	**--**	(133,600)
General and administrative expenses	25	**(319,870)**	(405,522)
Total costs and expenses		**(1,524,032)**	(1,792,962)
Gross profit		**1,345,964**	1,699,141
Depreciation	13	**(210,962)**	(179,064)
Other losses, net	27	**(145,410)**	--
Provision for impairment	26	**--**	(370,000)
Income from main operations		**989,592**	1,150,077
Finance charges, net		**(392,649)**	(332,963)
Income before minority interests, zakat and income tax		**596,943**	817,114
Minority interests	22	**(19,834)**	(37,199)
Income before zakat and income tax		**577,109**	779,915
Zakat and income tax	19	**(67,232)**	(72,773)
Net income for the year		**509,877**	707,142
Earnings per share (Saudi Riyals) from:	33		
• Income from main operations		**0.27**	0.31
• Net income for the year		**0.14**	0.19

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in
Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December	
		2016	**2015**
Cash flow from operating activities			
Income before zakat and tax		**577,109**	779,915
Adjustments for non-cash items			
Depreciation	13	**210,962**	179,064
Income from associates and joint venture, net	11	**(156,815)**	(299,067)
Income from and gain on investments and others, net	24	**(823,264)**	(937,002)
Provision for impairment loss	26	**--**	370,000
Provision for doubtful debts	6	**23,595**	57,892
Provision for inventory obsolescence/(reversal)		**3,649**	2,955
Amortization of transaction costs	16	**22,944**	21,502
Provision for end of service benefits		**16,578**	9,621
Financial charges		**392,649**	332,963
Other losses, net		**145,410**	--
Income attributable to minority interest	22	**19,834**	37,199
Changes in working capital			
Accounts receivable and other current assets		**383,053**	(20,892)
Movement in held for trading investments		**2,286,551**	1,823,727
Movement in investment in real estate, net		**(7,443)**	7,817
Other long term assets		**(97,849)**	25,771
Accounts payable, accrued expenses and other current liabilities		**(155,346)**	(122,249)
Other long term liabilities		**(18,683)**	(48,966)
Zakat and income tax paid		**(11,772)**	(72,368)
End of service benefits paid		**(8,826)**	(4,520)
Financial charges paid		**(374,846)**	(347,725)
Net cash generated from operating activities		**2,427,490**	1,795,637
Cash flow from investing activities			
Acquisition of available for sale investments	10	**(3,994)**	(929,116)
Additions to associates	11	**(100,989)**	(79,228)
Capital repayment and dividends from associates	11	**117,562**	119,925
Net proceeds from sale of associate and subsidiaries		**1,558,202**	--
Proceeds from disposal of available for sale investments		**1,558,038**	953,359
Property and equipment, net		**(161,377)**	51,447
Net cash flow on acquisition		**14,969**	--
Net cash generated from investing activities		**2,982,411**	116,387
Cash flow from financing activities			
Bank borrowings and term loans, net	16	**(2,886,736)**	69,311
Dividends paid	34	**(819,926)**	(491,956)
Movement in restricted cash		**59,916**	(40,429)
Net cash utilized in financing activities		**(3,646,746)**	(463,074)
Net change in cash and cash equivalents		**1,763,155**	1,448,950
Cash and cash equivalents at beginning of the year		**2,522,564**	1,073,614
Cash and cash equivalents at end of the year	4	**4,285,719**	2,522,564
Supplemental schedule of non-cash information			
Increase in unrealized loss from available for sale investments, net	10	**(111,128)**	(3,430,683)
Cost of available for sale investments transferred to held for trading investments, net	10	**(201,193)**	(1,537,228)
Share in associates' foreign currency translation adjustments and other	11	**37,734**	265,363

	Note	Equity attributable to shareholders of the Company						Minority interests	Total equity
		Share capital	Statutory reserve	Retained earnings	Unrealized loss from available for sale investments	Foreign currency translation adjustments and others	Total shareholders' equity		
1 January 2016		**37,058,823**	**548,081**	**1,533,580**	**(10,126,110)**	**(422,287)**	**28,592,087**	**540,312**	**29,132,399**
Net income for the year		--	--	**509,877**	--	--	**509,877**	**19,834**	**529,711**
Transfer to statutory reserve		--	**50,988**	**(50,988)**	--	--	--	--	--
Dividends	34	--	--	**(655,941)**	--	--	**(655,941)**	--	**(655,941)**
Acquisition of subsidiary		--	--	--	--	--	--	**570,051**	**570,051**
Net movement during the year		--	--	--	**(111,128)**	**(4,276)**	**(115,404)**	**(35,033)**	**(150,437)**
31 December 2016		**37,058,823**	**599,069**	**1,336,528**	**(10,237,238)**	**(426,563)**	**28,330,619**	**1,095,164**	**29,425,783**
1 January 2015		37,058,823	477,367	1,553,093	(6,695,427)	(137,867)	32,255,989	516,687	32,772,676
Net income for the year		--	--	707,142	--	--	707,142	37,199	744,341
Transfer to statutory reserve		--	70,714	(70,714)	--	--	--	--	--
Dividends	34	--	--	(655,941)	--	--	(655,941)	--	(655,941)
Net movement during the year		--	--	--	(3,430,683)	(284,420)	(3,715,103)	(13,574)	(3,728,677)
31 December 2015		37,058,823	548,081	1,533,580	(10,126,110)	(422,287)	28,592,087	540,312	29,132,399

Kingdom Schools - Riyadh

Kingdom Hospital - Riyadh

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 GENERAL INFORMATION

Kingdom Holding Company (the "Company") is a Saudi Joint Stock Company (JSC) operating in the Kingdom of Saudi Arabia. The Company was previously formed as a limited liability company and operated under commercial registration number 1010142022 dated Muharram 11, 1417H (corresponding to 28 May 1996). The Ministry of Commerce and Industry approved, pursuant to resolution number 128/S dated 18 Jumad Awwal 1428H (corresponding to 4 June 2007), the conversion of the Company into a JSC.

The objectives of the Company are hotel management and operation, general contracting, operation and maintenance, wholesale and retail trading of construction materials, foodstuff, agriculture products and metals for non-construction and petroleum products, trading of transportation equipment, advertising, commercial services, education, medical services, commercial agencies, investment and establishment of other companies.

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

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has to amend its Articles of Association for any changes to align the Articles to the provisions of The Law. Consequently, the Company shall present the amended Articles of Association to the shareholders in their Extraordinary General Assembly meeting for their ratification. The full compliance with The Law is expected not later than 24/07/1438H (corresponding to 21 April 2017).

The Company and its subsidiaries (the "Group") carry out its activities through the following entities:

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

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

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

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

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

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

Subsidiaries	Effective Ownership Percentage	
	2016	**2015**
Kingdom Hotel Investments (KHI) - Cayman Islands	**100**	100
Kingdom 5 KR 35 Group (George V) - France *(Direct and indirect ownership through KHI)*	**100**	100

Associates	Effective Ownership Percentage	
	2016	2015
Fairmont Raffles Holdings International (FRHI) - Canada	**--**	35.2
Four Seasons Holding Inc. (FSH Inc.) - Canada	**47.5**	47.5
Mövenpick Hotels and Resorts AG (Mövenpick) - Switzerland	**33.3**	33.3
Breezeroad Limited (Savoy) - United Kingdom (Note 3)	**--**	50.0
AccorHotels	**5.8**	--
Sahara Plaza LLC - United States of America	**25.0**	25.0

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

KR-114 is a limited liability company incorporated in the Cayman Islands. The company's principal activity represents ownership in Breezeroad Limited which became a subsidiary on 12 July 2016 (Note 3).

e) Local and regional subsidiaries

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

Subsidiaries	Effective Ownership Percentage	
	2016	2015
Kingdom Schools Company Limited (The School) - Saudi Arabia	**47.0**	47.0
Fashion Village Trading Company Limited (SAKS) - Saudi Arabia	**71.8**	71.8
Medical Services Projects Company Limited (MSPC) - Saudi Arabia	**74.0**	74.0
Consulting Clinic SAL (Clinic) - Lebanon	**50.4**	50.4
Kingdom Agriculture Development Company (KADCO) - Egypt	**100.0**	100.0
Kingdom Real Estate Development Company (KRED) - Saudi Arabia	**100.0**	100.0

Associates	Effective Ownership Percentage	
	2016	2015
National Air Services (NAS) - Saudi Arabia	**34.08**	34.08
Jeddah Economic Company (JEC) - Saudi Arabia	**33.35**	33.35
Real Estate Investment Company (REIC) - Saudi Arabia	**38.9**	38.9
Trade Centre Company Limited (TCCL) - Saudi Arabia	**36.0**	36.0

The principal activities and the various segments of the Group are described in Note 32.

These financial statements were authorized for issue by the Company's Board of Directors on 1 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

The accompanying consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of held for trading, available for sale investments and derivative financial instruments to fair value, on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

The consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries (the "Group"). A subsidiary is a company in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts a practical control. A subsidiary company is consolidated from the date on which the Group obtains a practical control until the date such control ceases, unless the subsidiary is in reorganization, in which case the subsidiary is not consolidated. Significant balances and transactions, including unrealized gains or losses on transactions, between the Group companies have been eliminated in the consolidated financial statements. Accounting policies of the subsidiaries have been changed, where necessary, to conform with the Group's accounting policies.

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

New accounting framework

As required by Saudi Organization for Certified Public Accountants (SOCPA), all listed companies are required to transition to International Financial Reporting Standards ("IFRS") as endorsed by SOCPA effective 1 January 2017 for preparation of their financial statements. In preparing the first set of IFRS financial statements, the Company will analyze the impact of the first time adoption of IFRS on current and prior year financial statements and will accordingly incorporate the necessary adjustments in its first set of IFRS financial statements.

2.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with promulgated generally accepted accounting principles requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of trade receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due and historical recovery rates.

b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11 (a). The recoverable amounts of cash-generating units have been determined based on appropriate valuation techniques. These calculations require the use of estimates which are disclosed in Note 14.

c) Estimated impairment of available for sale investments

The Group determines that available for sale equity financial assets are impaired when there has been a significant and prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires significant judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry sector performance, changes in technology, and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

d) Estimated useful life of property and equipment

Management assesses useful lives and residual value of property and equipment on intended use of assets and the economic lives of the assets. Subsequent changes in circumstances such as technological advances could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual value and useful lives of major property and equipment and determined that no adjustment is necessary.

e) Estimated impairment of investment in associates

The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The recoverable values are determined based on value-in-use calculations. These calculations require the use of estimates.

2.3 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, cash on hand, short-term deposits with an original maturity of up to three months, less restricted cash for specified purposes.

2.4 Accounts receivable

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts.

2.5 Inventories

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

2.6 Assets held for sale

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

2.7 Investments

(a) Held for trading investments

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

(b) Investment in available for sale investments

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

(i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and

(ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. Where fair values cannot be reliably estimated, the Group records such investments at cost less impairment, if any.

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

(c) Associates and joint ventures

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

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

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

(d) Investments in real estate

Real estate investments that are being developed are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete, re-development and selling expenses. Investments in real estate are derecognized when either they have been disposed-off or when the investment in real estate is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of investments in real estate are recognized in the consolidated income statement in the period of the retirement or disposal.

2.8 Business combination and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative transaction difference and goodwill is recognized in the consolidated income statement.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is considered the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. Amortization expense is reported in the consolidated income statement.

2.10 Property and equipment

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

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

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

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

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

2.11 Impairment

(a) Tangibles and intangible assets

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

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

(b) Financial assets

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

(i) For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the consolidated income statement; and

(ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

For impairment of available for sale investments, the unrealized gain or loss previously reported in shareholders' equity is included in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on equity investments classified as available for sale and goodwill are not reversible.

2.12 Loans and bank borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the consolidated income statement.

2.13 Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, irrespective of date of billing.

2.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

2.15 Pension and other post employment benefits

Certain companies within the Group operate defined benefit pension plans and other post retirement plans, primarily life insurance and health care coverage, for certain grades of employees. Pension benefits are based principally on years of service and compensation rates near retirement. The cost of these benefit plans is determined by an actuary using the projected benefit method pro-rated based on the employees' terms of service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

In certain jurisdictions, the Group participates in various defined contribution pension schemes in accordance with the local conditions and practices in the countries in which the subsidiaries operate. The amount charged to the consolidated income statement in respect of pension costs is the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the consolidated balance sheet.

2.16 Employees' termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the consolidated income statement. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile.

2.17 Statutory reserve

In accordance with the Company's bylaws, the Company sets aside 10% of its net income (after absorbing accumulated deficit) in each year to a statutory reserve until such reserve equals to one half of the share capital. This reserve is not available for distribution to the shareholders of the Company.

2.18 Revenue

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

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

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

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

2.19 Expenses

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

2.20 Zakat, taxes and withholding taxes

(a) Zakat and income taxes

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the minority interest. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the consolidated income statement.

(b) Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for all temporary differences at the current rates of taxation applicable in the relevant jurisdiction. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(c) Withholding tax

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

2.21 Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

2.22 Segmental reporting

(a) Business segment

A business segment is a group of assets, operations or entities:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

(b) Geographical segment

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.23 Foreign currency translations

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional and Group's presentation currency. Each subsidiary in the Group determines its own functional currency, and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

At the subsidiary level, transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

At the consolidation level, financial statements of foreign subsidiaries, not operating in a hyper-inflationary economy, are translated into the Group's presentation currency using the exchange rate at each balance sheet date for assets and liabilities, and the average exchange rate for each period for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of equity.

When the economy of a country in which the Group operates is deemed hyper-inflationary, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the consolidated balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the year end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position for the year is included in finance costs or income in the consolidated income statement.

The Group has operations in Syria. As per the information provided by the International Monetary Fund (IMF), the cumulative three year inflation rate for Syria continues to exceed 100 percent as of 31 December 2016, this, combined with other indicators, resulted in Syria being declared as a hyper-inflationary economy.

The main implications of above application are as follows:

- Adjustment of the historical cost of the entity's non-monetary assets and liabilities and the various items of equity from their date of acquisition or inclusion in the Group consolidated balance sheet to the end of year ended December 31, 2016 to reflect the changes in purchasing power of the currency caused by inflation.
- Adjustment of the consolidated income statement of the entity for the current period to reflect the financial gain/loss caused by the impact of inflation during the year on net monetary liabilities/assets (loss/gain of purchasing power).
- The various components of the financial statements of the entity have been adjusted for the inflation index since their generation.
- The results and financial position of the entity are translated into Saudi Riyals at the closing exchange rate at the date of that balance sheet.
- The cumulative impact of the accounting restatement to adjust for the effects of hyperinflation for the entity for periods upto January 1, 2015 is reflected in 'Foreign currency translation adjustments and other' in the consolidated statement of changes in equity.

The main effects on the Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the year ended 31 December 2016 are as follows:

	2016	2015
	Saudi Riyals in millions	
Increase in non-monetary assets with a corresponding change in equity	**38.3**	27.7

FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

Management applied the general price index (GPI) of 825 as at 31 December 2016 (2015: GPI of 751) to adjust their consolidated financial statements.

2.24 Dividends

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

2.25 Derivative financial instruments

Derivative financial instruments are recorded at fair value initially and at each reporting date. Changes in the fair value of derivative financial instruments that do not qualify for cash flow hedge accounting are recognized in the consolidated income statement as they arise and the resulting positive or negative fair values are reported under current assets and liabilities, respectively, in the consolidated balance sheet.

3 Business Combination Achieved in Stages

On 12 of July 2016, Accor Hotels ("Accor") at its Annual General Meeting approved the agreement which the Group signed with Accor on 9 December 2015. The agreement has resulted in the Group disposing its entire shareholding in Fairmont Raffles Holdings International, an associate, to Accor in return for 5.8% newly issued shares in Accor itself and representation at its Board, cash consideration of USD 339 million and transfer of certain other assets including an additional share of 8.83% in Breezeroad Limited ("Savoy"). This transaction ("Accor transaction") resulted in the Group recognizing a total loss on disposal amounting to SR 271.7 million (refer note 27), recognizing Accor as an associate investment and Savoy as a subsidiary, instead of an associate, during the current period.

These consolidated financial statements include the results of Savoy from 12 July 2016, as the Group has effectively obtained control of Savoy from that date.

The re-measurement to fair value of the Group's existing 50% direct interest in Savoy resulted in one-time gain of SR 508.7 million.

The fair value of identifiable assets and liabilities of Savoy as at the date of acquisition were as follows:

	12 July 2016
Bargain purchase gain on acquisition	
Current Assets	**65,276**
Non-current assets	**2,948,471**
	3,013,747
Liabilities acquired	
Current liabilities	**(55,135)**
Non-current liabilities	**(1,569,600)**
Fair value of net assets acquired	**1,389,012**
Total acquisition cost	**697,196**
Non-controlling Interest	**570,051**
Gain on bargain purchase	**121,765**
Total acquisition cost:	
Cash consideration	**2,690**
Fair value of previously held equity interest	**694,506**
Total acquisition cost	**697,196**
Cash flow on acquisition:	
Net cash acquired with the subsidiary	**17,659**
Cash paid	**(2,690)**
Net cash flow on acquisition	**14,969**

4 Cash and cash equivalents

	2016	2015
Cash and bank balances	**1,053,915**	1,136,107
Short term deposits	**3,283,137**	1,497,706
Total cash and bank balances	**4,337,052**	2,633,813
Less: Restricted cash	**(51,333)**	(111,249)
Cash and cash equivalents	**4,285,719**	2,522,564

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

5 Held for trading investments

Held for trading investments consist of the internationally quoted securities. The movement in held for trading investments is set out below:

	2016	2015
1 January	**1,982,094**	1,369,853
Transfer from available for sale investments (Note 10 and 24)	**344,083**	2,693,469
Disposal	**(2,203,561)**	(1,712,339)
Changes in fair value (Note 24)	**22,193**	(368,889)
31 December	**144,809**	1,982,094

6 Accounts receivable

	2016	2015
Trade receivables	**622,719**	632,239
Less: provision for doubtful debts	**(77,551)**	(133,406)
	545,168	498,833

Movements in the provision for doubtful receivables are as follows:

	2016	2015
1 January	**133,406**	76,118
Charge for the year (Note 25)	**23,595**	57,892
Amounts written off and others	**(79,450)**	(604)
31 December	**77,551**	133,406

Trade receivables include Saudi Riyals 240 million (2015: Saudi Riyals 270 million) resulting from the sale of a parcel of land during the last quarter of 2012 by one of the Group's subsidiary, KRED.

Trade receivables are expected, on the basis of past experience, to be fully recoverable. Generally, it is not a practice of the Group to obtain collateral over trade receivables and the vast majority is, therefore, unsecured.

7 Other Current Assets

	2016	2015
Due from affiliates (Note 8)	**90,824**	92,109
Inventories, net	**94,648**	97,044
Investment in real estate – current portion (Note 12)	**57,189**	108,680
Advances to suppliers	**11,586**	19,027
Prepaid expenses	**15,043**	28,558
Value Added Tax claims receivable	**5,749**	37,420
Other	**259,293**	84,359
	534,332	467,197

Inventories are stated net of provision for obsolescence of Saudi Riyals 3 million (2015: Saudi Riyals 7 million).

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8 Related Party Transactions and Balances

The Company entered into various transactions with related parties at mutually agreed terms. These transactions, individually or in aggregate, are not material to the consolidated financial statements. Major related party balances as of 31 December are as follows:

Name	Relationship	Balance as of 31 December	
		2016	2015
Due from related parties:			
Azizia Commercial Investment Company	Affiliate	**90,000**	90,000
Mövenpick Hotels and Resorts	Associate	**824**	2,109
Total (Note 7)		**90,824**	92,109
Due to related parties:			
Kingdom Oasis	Associate	**99,743**	100,000
Real Estate Investment Company	Associate	**48,176**	25,427
Trade Centre Company Limited	Associate	**43,754**	30,811
Accor S.A.	Associate	**932**	--
Four Seasons Holding Inc.	Associate	**14,731**	13,444
Total (Note 18)		**207,336**	169,682

9 Assets held for sale

The Group during 2016 sold a hotel property for which it approved and committed to a formal plan to actively market a hotel property for sale. Accordingly, the Group classified the following assets and liabilities of the property as held for sale:

	2016	2015
Current assets	--	70,229
Property and equipment	--	695,512
	--	765,741
Current and other liabilities	--	(518,993)
Net balance	--	246,748

Gain on disposal of asset held for sale is disclosed in Note 27.

10 Available for sale investments

(a) Available for sale investments as at 31 December consist of the following:

	2016	2015
International	**9,091,205**	10,592,890
Local and regional	**742,715**	487,436
	9,833,920	11,080,326

(b) The movement in available for sale investments is set out below:

	2016	2015
Cost, net of impairment charge:		
1 January	**21,206,436**	21,814,548
Additions during the year	**49,054**	929,116
Disposals during the year	**(983,139)**	--
Transfer to held for trading investments (Note 5)*	**(201,193)**	(1,537,228)
31 December	**20,071,158**	21,206,436
Unrealized loss, net of impairment charge:		
1 January	**(10,126,110)**	(6,695,427)
Unrealized losses during the year, net	**31,762**	(2,274,442)
Unrealized gain related to investments transferred to held for trading investments (Note 5 and 24)*	**(142,890)**	(1,156,241)
31 December	**(10,237,238)**	(10,126,110)
Net carrying amount	**9,833,920**	11,080,326

*Fair value of investments transferred to held for trading investments, as of transfer date, amounts to Saudi Riyals 344 million (2015: 2,693 million).

Certain available for sale investments are used as collateral against bank borrowings and term loans of the Company and its subsidiaries (Note 16).

As of 31 December 2016, the Company has performed an assessment to determine whether the decline in value of its available for sale investments is temporary or non-temporary. Based on this assessment, management has concluded that the decline is temporary. In reaching to this conclusion, management has considered several factors, including; the financial performance of the investee, the fair value of the investment and information from financial analysts about the forecasted market price.

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

Subsequent to the year end, the Company partly disposed of its investment in Euro Disney.

11 Investments in Associates and Joint Venture

(a) The movement in investments in associates and joint venture for the year ended 31 December is as follows:

	2016	2015
1 January	**16,384,596**	17,551,341
Additions during the year (Note 11.1)	**3,295,275**	79,228
Capital repayment and dividends from associates	**(117,562)**	(119,925)
Disposals during the year (Note 3)	**(5,303,478)**	(1,159,752)
Share in income, net	**156,815**	299,067
Transfer to consolidated subsidiary (Note 11.2)	**(185,831)**	--
Share in foreign currency translation adjustments and other movements	**(37,734)**	(265,363)
31 December	**14,192,081**	16,384,596

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11.1 This mainly represents 16.494 million shares of Accor S.A. (equivalent to 5.8% ownership) acquired as part of sales consideration against disposal of shareholding in Fairmont Raffles Holdings International (note 3).

11.2 This represents Group's 50% interest in Savoy. During the year, the Group has directly acquired a further 8.96% interest as a part of Accor transaction (Note 3). Fair value of 50% interest at acquisition date was SR 694.5 million (Note 3). The group has recognized as one off gain amounting to SR 508.7 million on step acquisition.

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

	2016		2015	
	Effective percentage Ownership	Amount	Effective percentage Ownership	Amount
Associates of the Company:				
Fairmont Raffles Holdings International (FRHI) - Canada	--	**--**	35.2	5,344,924
Four Seasons Holding Inc. – Canada	47.5	**4,303,061**	47.5	4,351,742
Accor S.A.	5.8	**3,242,606**	--	--
Jeddah Economic Company - Saudi Arabia	33.3	**2,835,666**	33.3	2,813,984
National Air Services - Saudi Arabia	34.1	**2,021,317**	34.1	1,869,323
Trade Centre Company Limited (TCCL) - Saudi Arabia	36.0	**624,416**	36.0	592,050
Mövenpick Hotels and Resorts AG - Switzerland	33.3	**536,530**	33.3	548,529
Real Estate Investment Company (REIC) - Saudi Arabia	38.9	**346,171**	38.9	324,637
Sahara Plaza LLC - United States of America	25.0	**178,290**	25.0	228,439
Breezeroad Limited (Savoy) - United Kingdom (Note 3)	**--**	**--**	50.0	190,671
Others	30.0-35.0	**46,350**	30.0-35.0	44,608
Associate and joint venture of subsidiaries				
Mövenpick El - Gouna - Egypt – Associate	29.0	**57,674**	29.0	75,689
		14,192,081		16,384,596

12 Investments in real estate

	2016	2015
Investments in land and related infrastructure costs - Saudi Arabia	**2,014,425**	2,028,949
Properties under construction and others	**137,212**	166,736
	2,151,637	2,195,685
Less: current portion (Note 7)	**(57,189)**	(108,680)
	2,094,448	2,087,005

During the year ended 31 December 2015, the Group sold land to Trade Center Company Limited, an associated company, at no gain or loss.

13 Property and equipment

	Land	Buildings and leasehold improvements	Equipment	Furniture and fixtures	Construction work in progress and others	Total 2016
Cost						
1 January	1,694,624	4,149,029	355,184	813,145	43,243	**7,055,225**
Additions	--	23,581	19,269	27,094	9,201	**79,145**
Acquired under business combination	1,503,986	1,344,452	--	100,033	--	**2,948,471**
Disposals and others	(20,407)	(337,650)	(40,956)	(40,796)	(1,288)	**(441,097)**
31 December	**3,178,203**	**5,179,412**	**333,497**	**899,476**	**51,156**	**9,641,744**
Accumulated depreciation						
1 January	--	901,696	242,716	448,786	40,329	**1,633,527**
Charge for the year	--	116,130	37,910	46,491	10,431	**210,962**
Disposals and others	--	(90,581)	(30,264)	(7,417)	(345)	**(128,607)**
31 December	--	**927,245**	**250,362**	**487,860**	**50,415**	**1,715,882**
Net book value at 31 December 2016	**3,178,203**	**4,252,167**	**83,135**	**411,616**	**741**	**7,925,862**

	Land	Buildings and leasehold improvements	Equipment	Furniture and fixtures	Construction work in progress and others	Total 2015
Cost						
1 January	1,715,152	4,412,078	398,710	804,835	41,532	**7,372,307**
Additions	--	7,196	21,129	15,464	60,910	**104,699**
Disposals and others	(20,528)	(270,245)	(64,655)	(7,154)	(59,199)	**(421,781)**
31 December	**1,694,624**	**4,149,029**	**355,184**	**813,145**	**43,243**	7,055,225
Accumulated depreciation						
1 January	--	860,991	242,672	411,586	41,044	**1,556,293**
Charge for the year	--	75,190	25,632	43,735	34,507	**179,064**
Disposals and others	--	(34,485)	(25,588)	(6,535)	(35,222)	**(101,830)**
31 December	--	**901,696**	**242,716**	**448,786**	**40,329**	**1,633,527**
Net book value at 31 December 2015	**1,694,624**	**3,247,333**	**112,468**	**364,359**	**2,914**	**5,421,698**

Certain land and buildings are pledged as collateral against term loans as explained in Note 16.

14 Intangible assets

Intangible assets comprise the following:

	2016	2015
Goodwill	**1,650,818**	1,661,883
Other intangible assets	**59,553**	57,536
	1,710,371	1,719,419

Goodwill represents the excess of consideration paid by the Group over its interest in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities. Most of the goodwill balance shown above resulted from the Group's acquisition of major subsidiaries in the hotel business.

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Movement in intangible assets during the year is set out below:

	2016	2015
1 January	**1,719,419**	1,750,971
Currency translation adjustments and others	**(9,048)**	(31,552)
31 December	**1,710,371**	1,719,419

Other intangible assets principally include brand names and management contracts that relate to subsidiaries that operate hotel properties. Such contracts have definite lives and are amortized over their useful economic lives.

Impairment:

i. Impairment test

Goodwill is allocated to the Group's cash-generating units (CGU) identified which is based on the business segments. The Group has tested separately recognised goodwill for impairment.

ii. Basis of determining recoverable amounts

The recoverable amount has been determined based on value-in-use, using either discounted cash flow analysis, or based on expert valuation reports. The cash flow projections are based on financial budgets that are approved by management. The discount rates and terminal capitalization rate ranged between 6 % to 13% and 3% to 10% respectively, depending on the geographical territories in which the CGU are located.

Management has adopted a 4 to 5 years period to assess its value-in-use.

15 Other long term assets

	2016	2015
Long term advances, net	**417,523**	319,193
Deferred tax asset (Note 19(c))	**26,481**	25,446
Value Added Tax claims receivable	**24,903**	25,315
Refundable deposits	**552**	615
Others	**1,965**	3,006
	471,424	373,575

Long term advances include advances in respect of purchase of further stake in subsidiaries and associates amounting to SR 323.0 million (2015: SR 314.5 million) and deferred consideration on sale of a subsidiary amounting to SR 94 million (2015: SR nil).

Long term advances is net of impairment provision amounting to SR 27.8 million (2015: 27.4 million).

16 Bank borrowings and term loans

The movement in the bank borrowings and term loans is as follows:

	2016	2015
1 January	**12,523,167**	12,618,541
Additions	**--**	2,669,770
Acquired on business combination	**1,523,340**	--
Repayments	**(2,830,036)**	(2,584,416)
Foreign currency translation adjustments	**(42,614)**	(180,728)
31 December	**11,173,857**	12,523,167
Unamortized transaction costs:		
1 January	**(48,374)**	(53,833)
Addition	**(14,086)**	(16,043)
Amortization	**22,944**	21,502
31 December	**(39,516)**	(48,374)
Net carrying amount	**11,134,341**	12,474,793

The above outstanding balance is presented as follows:

	2016	2015
Current		
Short-term loans	**30,654**	33,482
Revolving credit facilities	**--**	230,020
	30,654	263,502
Current portion of term loans	**481,880**	1,635,863
	512,534	1,899,365
Non-current		
Term loans, including long-term revolving facilities	**10,621,807**	10,575,428

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

	2016	2015
Kingdom Holding Company (KHC)	**4,280,089**	5,088,972
Kingdom 5-KR-11 Limited (KR11)	**3,049,144**	4,678,026
Kingdom KR-114 Limited (Savoy)	**1,445,744**	--
Kingdom 5-KR-35 Group (George V)	**1,430,233**	1,407,687
Kingdom Hotel Investments (KHI)	**867,693**	1,049,348
Others	**61,438**	250,760
	11,134,341	12,474,793

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

Kingdom Holding Company (KHC)

KHC loans of Saudi Riyals 4,280 million as of 31 December 2016 (2015: Saudi Riyals 5,089 million) were obtained from commercial banks and consist of several facilities including syndicated loans and revolving credit facilities. KHC loans carry borrowing costs based on Saudi Inter Bank Offered Rate ("SIBOR") and London Inter Bank Offered Rate ("LIBOR") plus a spread and are secured against certain investments by the Company. The aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period up to 4 years. Loan agreements principally include financial covenants with respect to maintaining certain equity balance, interest coverage ratio and loan to market value of collateral ratio.

The carrying values of the borrowings are denominated in following currencies:

	2016	2015
	In millions	In millions
Saudi Riyals	**1,618**	2,239
US Dollars	**2,662**	2,850
	4,280	5,089

Kingdom 5-KR-11 Limited (KR 11)

KR 11 loans carry floating interest rates, which are calculated on a base rate plus a spread based on the currency of the loan. The facilities are secured by certain available for sale investments and other investments.

The aggregate maturities of these loans, based on their respective repayment schedules, are spread over a period of 5 years. These loans are denominated in US dollars.

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Kingdom KR-114 Limited (Savoy)

Savoy loans of Saudi Riyals 1,446 million as of 31 December 2016 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 Savoy properties, deed of support and order notes.

Kingdom 5-KR-35 Group (George V)

The loans of Saudi Riyals 1,430 million as of 31 December 2016 (2015: Saudi Riyals 1,408 million) are secured by a pledge over George V hotel property. The loan agreements include certain financial covenants, such as debt service coverage ratio, assets value coverage ratio and maintenance of security deposit. The loans carry floating interest rates (based mainly on LIBOR three month rate) and are due to mature by 2020. These loans are primarily denominated in Euro.

Kingdom Hotel Investments (KHI)

KHI loans of Saudi Riyals 868 million as of 31 December 2016 (2015: Saudi Riyals 1,049 million) have different maturities within the next ten years and carry floating interest rates. These rates are calculated on base rate plus a spread for the currency of the loans. The facilities are secured through registered mortgages and liens over several properties, deed of support and order notes. Loan agreements include certain financial covenants with respect to debt service ratio and interest coverage ratio.

The carrying values of the borrowings are denominated in following currencies:

	2016	2015
	In millions	In millions
US Dollars	**535**	682
Morocco Dirham	**187**	208
UAE Dirham	**146**	159
	868	1,049

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

17 Accounts Payable

	2016	2015
Trade payables	**134,336**	74,769
Other payables	**9,029**	35,381
	143,365	110,150

18 Accrued expenses and other Current liabilities

	2016	2015
Due to affiliates (Note 8)	**207,336**	169,682
Employees related accruals	**89,688**	97,917
Accrued expenses	**63,802**	99,585
Zakat (Note 19 (a))	**99,978**	62,675
Income taxes (Note 19 (b))	**61,643**	43,486
Financial charges	**37,270**	19,467
Unearned revenue	**14,627**	19,441
Deposits from customers	**72,329**	92,251
Other	**75,785**	81,282
	722,458	685,786

19 Zakat and Income Tax

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

	Note	2016	2015
Zakat provision	19(a)	**38,031**	16,860
Income tax provision		**8,819**	32,499
Withholding tax on foreign dividends		**20,382**	23,414
		67,232	72,773

(a) Zakat and income tax

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

	Note	2016	2015
1 January		**62,675**	61,212
Zakat provision		**38,031**	16,860
Paid during the year		**(728)**	(15,397)
31 December	18	**99,978**	62,675

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 deductions for the net book value of long-term assets and certain other items. The differences between the financial and adjusted net income are mainly due to provisions and other items which are not allowed in the calculation of adjusted net income subject to zakat. The Company's subsidiaries that are incorporated outside the Kingdom of Saudi Arabia are subject to related tax laws of the country of operations. Foreign dividends are subject to withholding taxes.

Status of final assessments

The Company has received final assessments from GAZT up to year 2006. During 2012, the Company received assessment from the GAZT for the years 2007 to 2010 resulting in additional zakat assessment. Management seriously contested the matters included in the assessment and filed an appeal providing its detailed arguments against the assessment. Thereafter, the Company received an adjusted zakat assessment, thereby significantly reducing the zakat liability and giving the Company the right to appeal within sixty days. Management has filed an appeal against the adjusted zakat assessment and continues to seriously contest the matters included in the adjusted assessment. Management believes that the eventual outcome will not result in any additional significant liability.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company has filed its zakat returns till the year ended 31 December 2014 with the GAZT.

b) Income tax

The Group's subsidiaries which are incorporated outside the Kingdom of Saudi Arabia are subject to tax laws of the country of incorporation. The income tax payable was approximately Saudi Riyals 61.6 million and Saudi Riyals 43.5 million as at 31 December 2016 and 2015, respectively (Note 18).

c) Deferred tax

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

	2016	2015
Deferred tax liabilities (Note 20)		
Property, equipment and intangible assets	**27,266**	26,731
Others	**196,312**	202,136
	223,578	228,867
Deferred tax assets (Note 15)		
Provisions	**(26,481)**	(25,446)
	197,097	203,421

19 Other long Term liabilities

	2016	2015
Deferred taxes (Note 19 (c))	**223,578**	228,867
Post employment benefits	**123,740**	88,844
Other	**16,202**	10,480
	363,520	328,191

Included within others are two derivative agreements (Interest rate swap and interest rate cap) with a fair value of Saudi Riyals 15.4 million entered into by one of the Group's subsidiary. The notional amount is Euro 262.5 million (Saudi Riyals 1,089 million) and maturing in year 2020.

21 Share Capital

The share capital as at 31 December 2016 and 2015 consists of 3,706 million shares of Saudi Riyals 10 each.

22 Minority Interests

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

Name of the entity	2016		2015	
	Total minority interests	Share in net loss (income)	Total minority interests	Share in net loss (income)
Kingdom KR-114 Limited (Savoy)	**555,028**	**9,465**	--	--
Kingdom Hotel Investments	**376,123**	**(7,735)**	397,863	(2,302)
Kingdom Schools Company Limited	**50,962**	**(8,412)**	42,550	(8,085)
Medical Services Projects Company Limited	**42,536**	**(14,785)**	27,751	(27,812)
Consulting Clinic SAL	**24,535**	**--**	24,535	--
Fashion Village Trading Company Limited	**80**	**1,633**	1,713	1,000
Goodwill	**45,900**	**--**	45,900	--
	1,095,164	**(19,834)**	540,312	(37,199)

23 Dividends income

	2016	2015
International	**67,942**	78,047
Local and regional	**2,650**	44,327
	70,592	122,374

24 Income from and gain on investments and Other revenues

Income from and gain on investments and others for the year ended 31 December comprise of:

	2016	2015
Change in market value of investments	**165,082**	787,051
Realized gain and others, net	**658,182**	149,951
	823,264	937,002

During the year ended 31 December 2016, the Group designated certain investment securities to held for trading, which were previously classified as available for sale. As a result, the revaluation gain on these investments amounting to Saudi Riyals 142.9 million (2015: Saudi Riyals 1,156.0 million) has been recycled from equity and recognized in the consolidated income statement (Note 10). Revaluation gain on other held for trading investments for the year ended 31 December 2016 was Saudi Riyals 22.2 million (2015: Loss of Saudi Riyals 368.9 million) (Note 5).

Realized gain and others, net for the year, mainly represents gain from sale of held for trading investments amounting to Saudi Riyals 83.0 million (2015: Saudi Riyals 91.5 million) and gain on sale of available for sale investments amounting to Saudi Riyals 575.2 million (2015: Saudi Riyals Nil).

During the year ended 31 December 2015, KHC led a group of investors in making an investment in available for sale assets and received a success fee from the co-investors amounting to Saudi Riyals 75 million in accordance with the investment agreement.

25 General and administrative expenses

	2016	2015
Employee costs	**127,047**	141,230
Professional fees	**86,413**	80,015
Provision for doubtful receivables (Note 6)	**23,595**	57,892
Repairs and maintenance	**30,961**	33,071
Utilities and office expenses	**19,392**	35,566
Selling and marketing expenses	**17,879**	21,470
Insurance	**3,111**	2,570
Other	**11,472**	33,708
	319,870	405,522

26 Provision for impairment

During the year ended 31 December 2016, the Company reviewed the carrying value of certain investments. This resulted in a net decrease in the carrying value amounting to Saudi Riyals Nil (2015: Saudi Riyals 370 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 Other Losses, Net

	2016	2015
Loss on Accor transaction , net of tax* (Note 3)	**(271,678)**	--
Gain on sale of assets held for sale	**37,897**	--
Gain on sale of investments by subsidiaries	**88,371**	--
	(145,410)	--

* The amount disclosed is net of bargain purchase gain on acquisition of an associate and one off step acquisition gain on an entity now being classified as a subsidiary.

28 Commitments

(a) Capital commitments

The Group has on-going activities to construct and renovate hotels, and these developments are at various stages of completion. The total outstanding capital commitments relating to such developments as of 31 December 2016 amounted to Saudi Riyals 77.6 million (2015: Saudi Riyals 49.4 million).

At 31 December 2016, the Group has outstanding letters of credits amounting to Saudi Riyals 3.9 million (2015: Saudi Riyals 4.1 million) issued in the normal course of business.

(b) Operating lease commitments

The Group has various commitments under operating leases for offices and business premises. Future minimum annual payments under these leases are as follows:

	2016	2015
Within one year	**11,001**	7,515
1 to 5 years	**36,319**	29,588
More than 5 years	**1,093**	--
	48,413	37,103

29 Contingencies

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

At 31 December 2016, the Group has outstanding guarantee amounting to Saudi Riyals 167.1 million (2015: Saudi Riyals 7.7 million) issued in the normal course of business.

30 Financial instruments and risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the board of directors. The most important types of risk are credit risk, currency risk, price risk and fair value and cash flow interest rate risks.

Financial instruments carried on the consolidated balance sheet principally include cash and cash equivalents, investments, receivables and certain other assets, bank borrowings and term loans, payables and certain other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including loans and bank borrowings and time deposits which are at floating rates of interest.

Equity price risk

Equity price risk is the risk that the fair value of equity securities may decrease as the result of changes in the levels of equity indices and the value of individual equities. The Group's available for sale investments and held for trading are subject to price risk as its underlying investments are equity instruments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio to the extent possible.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The table below shows the maximum exposure to credit risk for the significant components of the consolidated balance sheet:

	Note	2016	2015
Bank balances and short term deposits	*4*	**4,337,052**	2,633,813
Accounts receivable	*6*	**545,168**	498,833
Other current assets (Due from affiliates)	*7*	**90,824**	193,664
Other long term assets (Refundable deposits)	*15*	**552**	615
		4,973,596	3,326,925

Liquidity risk

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

Currency risk

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

31 Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, except for available for sale and held for trading investments which are carried at fair values, differences can arise between the book values and fair value estimates.

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

The Group has determined that the fair values of their financial instruments at year end approximate their carrying amounts.

32 Segment information

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

Equity

International - The principal activity includes investments in international quoted securities.

Domestic and Regional - The principal activity includes investments in securities quoted on the Saudi stock exchange, the regional stock exchanges and investments in associates - other than real estate.

Private equity - The principal activity includes investments in private equities, managed funds and other entities existing within the structure of the Group.

Hotels

The principal activity of this segment includes investments in subsidiaries and associates that are in the business of managing and owning hotel properties and related activities.

Real Estate and Domestic

Real estate - The principal activity includes investments in activities relating to ownership and development of land and real estate projects.

Domestic - The principal activity includes investments in local entities.

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

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

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

	Equity	Hotels	Real Estate and Domestic	Total
31 December 2016				
Total revenues	**986,616**	**1,359,627**	**523,753**	**2,869,996**
Income from associates and joint venture, net	**77,082**	**25,456**	**54,277**	**156,815**
Gross profit	**880,530**	**325,289**	**140,145**	**1,345,964**
Finance charges, net	**(237,688)**	**(143,959)**	**(11,002)**	**(392,649)**
Net income / (loss)	**592,460**	**(149,213)**	**66,630**	**509,877**
Investments in associates and joint venture	**2,067,667**	**8,318,161**	**3,806,253**	**14,192,081**
Property and equipment	**--**	**7,400,813**	**525,049**	**7,925,862**
Total assets	**16,474,920**	**15,758,767**	**9,555,780**	**41,789,467**
Total liabilities	**7,549,214**	**4,473,225**	**341,245**	**12,363,684**
31 December 2015				
Total revenues	1,338,303	1,314,742	839,058	3,492,103
Income from associates and joint venture, net	135,765	105,281	58,021	299,067
Gross profit/(loss)	1,488,299	232,679	(21,837)	1,699,141
Finance charges, net	(215,020)	(99,209)	(18,734)	(332,963)
Net income	610,546	88,177	8,419	707,142
Investments in associates and joint venture	1,913,931	10,739,994	3,730,671	16,384,596
Property and equipment	--	4,888,035	533,663	5,421,698
Total assets	18,132,511	17,980,442	6,782,351	42,895,304
Total liabilities	10,224,434	3,006,765	531,706	13,762,905

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

33 Earnings per share

Earnings per share for the years ended 31 December 2016 and 2015 has been computed by dividing the income from operations and net income for each of the year by the number of shares outstanding during each year of 3,706 million shares.

34 Dividends declaration

The General Assembly of the Company, in its annual meeting held on Jamada Al Akhira 21, 1437H (corresponding to March 30, 2016), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million for the year as recommended by the Company's Board of Directors. The cash distributions have to be made to all shareholders on record as of the dates approved in the General Assembly meeting. All dividend distributions were made to all shareholders on record as of the date approved in the General Assembly meeting.

The General Assembly of the Company, in its annual meeting held on 10 Jamada Al Akhira 1436H (corresponding to 30 March 2015), approved quarterly cash dividends distribution totaling to Saudi Riyals 656 million.

35 Comparative figures

Certain amounts in the accompanying 2015 consolidated financial statements have been reclassified to conform with the current year presentation.

Continuous Success
Based on Sound Strategic Planning

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أساسها التخطيط المستمر