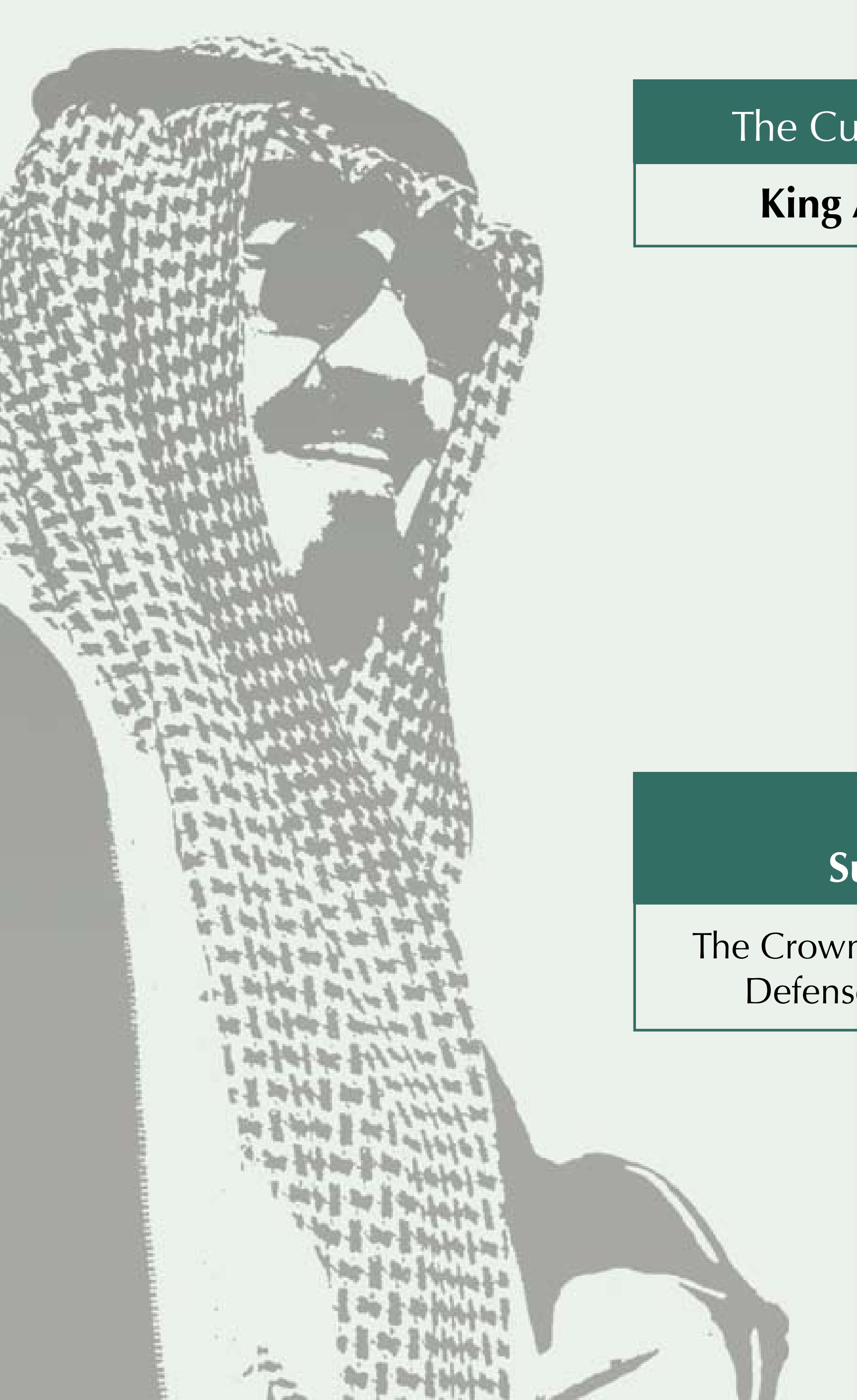
Annual Report 2010

Outstanding efficiency for outstanding achievements

KINGDOM

In the Name of Allah,
the Merciful, the Compassionate



The Custodian of the Two Holy Mosques

King Abdullah Bin Abdulaziz Al Saud

His Royal Highness Prince
Sultan Bin Abdulaziz Al Saud

The Crown Prince, Deputy Premier and Minister of Defense and Aviation and Inspector General

المملكة
KINGDOM

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Kingdom Holding... The Number 1* Company in Efficiency & Productivity

Prince Alwaleed Bin Talal has been awarded by the Arabian Business magazine as the "Most Efficient CEO of the Year in the GCC" for 2010. Kingdom Holding Company, chaired by Prince Alwaleed Bin Talal, has topped the list of the 50 most efficient companies in the Gulf, with each of the 19 employees accounting for a remarkable US$ 2.96 million of the company's profits – over 4 times higher than the next company in the list.

The award is yet another addition to the accolades Kingdom Holding Company has attracted in recent years including "The Most Prominent Company in the Gulf" award and "The Most Distinguished Company" award.

* Arabian Business magazine

His Royal Highness
Alwaleed Bin Talal Bin Abdulaziz Alsaud

In the name of God Almighty,

Dear Shareholders,

Once again, we proudly concluded another year filled with positive results and outstanding achievements. We, the Board of Directors and management team, look forward to entering a new and even more promising year, confident that all our efforts—driven by key factors such as our focused strategy, talented human resources, solid financial strength and proven ability to adapt quickly to evolving market challenges with wisdom and strength— will help us achieve our objectives for sustainable growth. And indeed, we believe that we can fulfill our mission by pursuing more rewarding opportunities and by making carefully considered decisions which will benefit Kingdom Holding, thereby strengthening our financial position, improving our share value and re-affirming our reputation as a leading and prominent company locally, regionally and internationally.

In 2008, KHC countered the effects of the global economic crisis by immediately deploying measures based on well-considered financial and economic plans. Our agility paid off and has led to our recovery by early 2009, then to a positive growth trend in 2010. Our strategy yielded remarkable success for us thanks to the dedication of our employees and their efforts to deliver on our expected financial performance. As a result, despite the challenging business environment, KHC will start the distribution of cash dividends to its shareholders effective this year.

Initiatives and Investments
A diversified investment approach is a central tenet at KHC, and a diligent, rigorous study of any planned action is a must. This is why, based on our investment philosophy, we have undertaken several divestiture initiatives and investment deals as follows:

- In February 2010, KHC announced that Temasek Holdings Limited, the investment arm of the Singapore Government, has committed to invest USD75 million in the second Kingdom Zephyr fund. The success of this transaction has made us the first choice for direct investments in Africa. With Temasek's commitment, the Zephyr Fund now has total commitments in excess of USD 492 million.
- In April 2010, KHC signed of a series of agreements between Fairmont Raffles Holdings International (FRHI) and Voyager Partners Limited, wholly owned by the Qatari Government, and Qatari Diar Hotel & Property Investment Limited (QDHP), the principal real estate investment entity of the Qatari Government. Under these agreements, Voyager has acquired a 40% shareholding in FRHI, virtually ensuring that FRHI's global growth will be among the highest in the industry.
- In May 2010, KHC announced the results of the offer made on March 15, 2010 by Kingdom 5KR-211 Ltd., one of KHC's wholly owned Cayman Islands companies, to acquire all the shares and GDSs of Kingdom Hotel Investments (KHI) not already owned by KHC at USD 5 per share for cash proceeds of USD 351 million.
- Also in May 2010, KHC announced the sale of its 56% share in Sharm Al Sheikh Hotel. The consideration implies an enterprise value of USD 178 million for the Hotel, and came in line with our objectives and strategy to achieve profits by selling minority interests for the purpose of balancing our investment portfolio.
- In August 2010, the Trade Centre Company Ltd (Kingdom Centre) signed a SR 700 million Shariaa-compliant refinancing deal with Samba Financial Group for expansion and financing purposes. The refinancing of Kingdom Centre is part of KHC's objective to continue monetizing and extracting value out of the Company's local investment portfolio.
- In September 2010, KHC sold its 43.7% interest in the Four Seasons Hotel-Cairo in Egypt to the Arab Company for Hotel and Tourism Investments. The consideration implies an enterprise value of USD 332 million for the Hotel.
- Also in September 2010, KHC announced the sale of the Fairmont Copley Plaza in Boston, the United States — fully owned by Fairmont Raffles Holdings International (FRHI) — for USD 100 million. The Hotel remains under the management of Fairmont Raffles in which KHC holds a stake.
- In November 2010, we re-opened The Savoy Hotel in which KHC owns a 50% share. The Savoy, London's most iconic and historic luxury hotel, was purchased and renovated for a total cost of USD 800 million. The hotel is managed by Fairmont Raffles.
- Also in November 2010, KHC subscribed USD 500 million toward General Motor's Initial Public Offering (IPO), representing 1% of GM's value. The decision to subscribe was taken after months of closely monitoring GM's performance, followed by a thorough and careful analysis of its financial position and management.

Future Outlook
Our experience and strengths and our hands-on involvement with unfolding events around us and in the world offer positive indications of stronger growth and even better results for KHC in the years to come, with God's will. We have always shown strength in dealing with challenges by taking the initiative and seizing opportunities governed by careful study, and ultimately finding the most rewarding investments. The unequivocal proof of our success can be found in our financial performance for 2010.

In the years to come, we are determined to maintain our leadership position and competitive edge by counting on our winning team, our financial strength, our clear and far-reaching vision, and our firm belief in the need to move forward with cautious courage. We believe, under the leadership of His Majesty King Abdallah, Custodian of the Two Mosques, and with full confidence that our country's strong economy and our government's wise commitment to push its infrastructure development plans, will enhance the investment environment and make it more attractive to investors, bringing us more growth and prosperity.

The Board of Directors of KHC, composed of outstanding executives with vision, as well as its employees with their commitment and dedication, have contributed immensely in boosting the Company's strength and consolidating its market leadership. They are the true pillars of the Company. Upon their loyalty and hard work we shall build a shining future. I am deeply thankful and wish them the best.

On a final note, I would like to convey my gratitude and appreciation to our esteemed shareholders and partners, whose continuous trust and support has helped us realize landmark achievements, enhance our company's performance and raise our flag proudly around the world. Together, we look forward with confidence and determination towards even more growth and prosperity as we seize more rewarding opportunities ahead.

Alwaleed Bin Talal Bin Abdulaziz Alsaud

Chairman

MANAGEMENT & BOARD OF DIRECTORS

HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud
Chairman

Eng. Talal Ibrahim Almaiman
Executive Director for Development and Domestic Investments
Talal Al-Maiman 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. He has been 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), Herfy Food Services and Savola Group.

Mr. Shadi S. Sanbar | Eng. Talal Ibrahim Almaiman | HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud | Eng. Ahmed Reda Halawani | Mr. Sarmad Nabil Zok

Mr. Sarmad Nabil Zok

Executive Director for Hotels Investments

Mr. Zok is Chairman of 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 23 properties in 17 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 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 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.

Eng. Ahmed Reda Halawani

Executive Director for International and Private Equity

Ahmed Halawani is a member of KHC's Board. He holds a B.Sc. in Electrical Engineering, and an M.B.A. from Georgetown University in the U.S.A. Prior to joining KHC, he spent ten years as the CEO of Al Azizia Commercial Investment Company, a KHC associated company and a leading Saudi investment firm. He also worked in Washington DC with the private sector development division of the World Bank and at Procter & Gamble.

Mr. Shadi S. Sanbar

Chief Financial Officer

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.

MANAGEMENT & BOARD OF DIRECTORS

HRH Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud

Eng. Talal Ibrahim Almaiman

Eng. Ahmed Reda Halawani

Mr. Sarmad Nabil Zok

Mr. Taher Mohammed Omar Agueel

Mr. Saleh Ali Al Sagri

Dr. Khaled Abdullah Al Souhem

Mr. Taher Mohammed Omar Agueel
Independent Board Member
Mr. Taher Aqil, 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. Mr. 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.

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.

Mr. Saleh Ali Al Sagri
Independent Board Member
Mr. Saleh Ali Al Sagri, a Saudi citizen, is a member of the Company's Board of Directors. He was born in 1953. In 1974, he received his Bachelor's degree in Business Administration from Manchester University in the United Kingdom. Mr. Al Sagri is the founder, chairman of the board and executive chairman of Safari Co., a private company that has been operating in the field of trade, contracting works and maintenance for 23 years. Previously, he spent 11 years working as an executive director of Al Sagri Trade Establishment. Mr. Al Sagri is also chairman of the board of Mediterranean Insurance & Reinsurance Co. (MEDGULF).

The Board of Directors' Report

To the Shareholders of the Kingdom Holding Company (KHC) for the financial year ended 31 December 2010

Company's Main Activities

The Company's objectives are general contracting, operation and maintenance, retail and wholesale trading of construction, agricultural and food products, trading services, buying of land to develop real estate projects for the purpose of renting or selling.

Overview of Subsidiaries

A- Kingdom Company 5 - KR - 11 Ltd (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 Company 5 - KR - 100 Ltd (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 Company 5 - KR - 132 Ltd (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 chain of hotels:

Company Name	% of Ownership	
	2010	2009
Kingdom 5 KR 35 Group (George V) – France a limited liability company incorporated in the Cayman Islands, it owns the George V Hotel in France (direct and indirect ownership with Kingdom Hotel Investments Company)	100	88.5
Kingdom Hotels Company (Toronto) Ltd - Toronto The Company owns 100% of Four seasons Hotel In Toronto - Canada	100	100
Kingdom Hotel Investments (KHI) The company was established in the Cayman Islands 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 Movenpick Hotels and Resorts have been chosen to manage directly those hotels on behalf of the company.	100	54.1

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

Company Name	% of Ownership	
	2010	2009
Kingdom Schools Company Ltd (The School) – Saudi Arabia Kingdom Schools Company started its operations in 2000 in Riyadh. It owns and manages Kingdom's schools	47	47
Fashion Village Trading Company Ltd (SAKS) – Saudi Arabia The company enjoys the exclusive privilege right in the Saudi Arabia from Saks Fifth Avenue. The company manages Saks shops in Riyadh and Jeddah and showcases the top international brands.	71.8	71.8
Medical Services Projects Company Ltd (Hospital) – Saudi Arabia The company owns Kingdom's Hospital and the Consulting Clinics in Riyadh.	74	74
The Trade Centre Company Ltd. (Kingdom Centre) – Saudi Arabia The Company that owns Kingdom Centre in Riyadh which is considered one of the most prominent modern landmarks in Saudi Arabia.	36	36
Consulting Clinics SAL – Beirut (Clinic) – Lebanon	50.4	50.4
Kingdom Agriculture Development Company (KADCO) – Egypt Established in 1997 for land rehabilitation and for the development of agricultural projects in Egypt.	100	100

Overview of Associate Companies:

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

Company Name	% of Ownership	
	2010	2009
Fairmont Raffles Holdings International (FRHI) - Canada FRHI is 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 operates and manages private high-end housing units.	35	58.3
Four Seasons Holding Inc. (FSH Inc.) – Canada FSH is owned via Kingdom Company 5 – KR – 132 ltd (KR-132) in the Cayman Islands. Four Seasons is a leading international company that owns a group of hotels around the world and operates under the umbrella of Four Seasons Hotel. The company also runs and manages private high-end housing units.	47.5	47.5
Movenpick Hotels and Resorts AG (Movenpick) – Switzerland Owned via Kingdom Company 5 – KR – 132 ltd (KR-132) in the Cayman Islands. Movenpick is a leading international company that owns a group of hotels around the world and operates under the umbrella of Movenpick Hotel. The Company also runs and manages private high-end housing units.	33.3	33.3
Breezeroad Ltd (Savoy) – United Kingdom Breezeroad Ltd is 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 run by the Fairmont Company.	50	50
Kingdom XXII (USA) Limited (Plaza) USA owned via the Kingdom Company 5 – KR – 132 ltd (KR-132) in the Cayman islands Hotel Condominium It owns the historic landmark, the Plaza in New York that is run by the Fairmont Company.	 50 25	 50 25
Kingdom Zephyr Africa Management Company A management company specialized in direct investments based in New York USA – it is responsible for managing the company's investment funds in Africa.	50	50
Pan Commonwealth African Partners Fund Ltd Pan African Investment Partners Fund Ltd 1 and 2 Funds for asset management in Africa	30 30	30 30

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

Company Name	% of Ownership	
	2010	2009
Real Estate Investment Company (Compound) – Saudi Arabia Established in 1997. It owns and manages a luxurious residential compound in a distinct location in Riyadh.	38.9	38.9
Jeddah Economic Company Ltd - Saudi Arabia Established in 2008. It owns and manages the Kingdom City project in Jeddah.	40	40
National Air Services (NAS) – Saudi Arabia NAS owns and manages an economic airline license in the KSA	35.7	37
Saudi Research and Marketing Group (SRMG) – Saudi Arabia SRMG is a publicly listed company on the Saudi stock market. It publishes a number of daily and weekly newspapers and magazines.	29.9	29.9

Company's Plans, Important Decisions and Future Outlook

The Company's investment strategy will continue focusing on its key current sectors being Real Estate through the 2 projects "Kingdom City – Riyadh" and "Kingdom City – Jeddah" and Hotels through its investments in the hotels sector by building on its know-how and skills and the good reputation of its subsidiaries and affiliates. In addition to real estate and hotels, the Company will continue looking for profitable investment opportunities in other sectors.

2010 Highlights

Real Estate Sector, Local and Regional Investments

- During the year, the Company has completed an exchange transaction with a newly established company; Jeddah Economic Company (JEC) – an associate, through contribution of certain land of SR 1,832 million. The Company has an ownership of 40% in JEC. As a result, the Company has recognized an income of SR 662 million for the year ended 31 December 2010, which represents the portion of the income that is attributable to the equity interest of the other partners in JEC. Jeddah Economic Company Ltd will develop Kingdom City - Jeddah located in Obhur, on the Red Sea coast. The project is dominated by a rising 1000-meter high tower set to be the highest tower in the world. It is a unique modern landmark and the lighthouse from where rises the kingdom of humanity to the world. This huge project includes residential units, commercial units, an international hotel, business offices, educational centers, a diplomatic area, commercial centers, entertainment and tourist facilities, and water sports activities, all within a whole modern city located in a strategic future location set to be an attraction for business and tourism. The project will be a substitute for the downtown and at the same time an area for living or working or both together in the Kingdom's most populated areas. Those projects were inaugurated by the Custodian of The Two Holy Mosques, King Abdullah Bin Abdul Aziz during the exhibition of the major development projects "Towards the First World" that took place in the Holy City of Mecca.
- Due to certain changes in the management and operating control structure of Real Estate Investment Company (REIC), owner of Kingdom City - Riyadh, KHC has no longer exercise control over REIC. Accordingly, this investment has been reclassified during the current year to investments in associates.

Hotels and Hotel Management Companies:

- The company made an offer to buy the publicly listed shares of the minority shareholders of Kingdom Hotel Investments (KHI), representing 44% of the total issued share capital of KHI. The deal amounted to SR 3,161 million (USD 843 Million).
- The shareholders of Fairmont Raffles Holding International (FRHI) - a former 58% owned subsidiary, signed an agreement with Voyager Partners Limited and Qatari Diar Hotel and Property Investment Limited for the sale of 40% of FRHI's capital through the issuance of additional shares. As a result, the KHC's ownership interest was reduced from 58% to 35%. The deal's amount was SR 3.2 billion (around USD 847 Million) and included in addition to the monetary compensation commitment to provide future management contracts. All collected amounts were used to finance the current and future projects of Fairmont Raffles.
- The Savoy Hotel, London's historic landmark, was re-opened. It was bought and renovated for the total cost of SR 3 billion (USD 800 Million). The hotel is under the management of Fairmont Hotels. It is to be noted that Kingdom Holding Company owns 50% of the hotel.
- The Four Seasons Beirut was inaugurated in June 2010, which is an associate hotel to Kingdom Hotel Investments Company.
- Kingdom Hotel Investment Company, (a subsidiary) sold its shares amounting to 43.7% in the Four Seasons Egypt Nile Plaza to the Arab Company for Hotels and Tourist Investment - a subsidiary of Talaat Mustapha Group which owns the majority valued at USD 145 million.

The Company's Capital Reduction

The Extraordinary General Assembly Meeting for the Company held on 10 February 2010 ratified the recommendation submitted by the Board of Directors for reducing the Company's capital by SR 25,941 million and using the general reserve balance of SR 3,131 million in order to compensate for the Company's accumulated losses. The Company's capital decreased from SR 63,000 million to SR 37,059 million.

Dividends Distribution Policy

Distribution of dividends to Shareholders is governed by certain rules and regulations stated in 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 (AGM) 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, re-investments, 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 Wednesday 15 December 2010 a policy for dividend distribution to shareholders on a quarterly basis.

The Board also recommended the distribution of 12.5 Halalas quarterly for each share amounting to 0.5 Riyals per year upon the approval of the AGM on this decision. It is to be noted that His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud has relinquished 9.25 Halalas for each share from his part of the quarterly profits amounting to 37 Halalas per share from his part of the cash distributions proposed for the whole year. The distribution of the quarterly dividends shall be as follows:

First payment: The entitlement of the distribution shall be for shareholders of record at the closure of the AGM. The convocation to the assembly will be sent upon the consent of the parties concerned.

Second payment: The entitlement of the distribution shall be for shareholders of record at the end of the day 29 June 2011.

Third payment: The entitlement of the distribution shall be for shareholders of record at the end of the day 28 September 2011.

Fourth payment: The entitlement of the distribution shall be for shareholders of record at the end of the day 28 December 2011.

Social Responsibility

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

Meetings of the Board of Directors:

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

Member Name	Membership Type	Meeting Date							Remarks
		19/1	13/3	21/4	16/6	19/7	18/10	14/12	
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Chairman of the Board	✓	✓	✓	✓	✓	✓	✓	
Eng. Talal Ibrahim Almaiman	Executive	✓	✓	✓	✓	✓	✓	✓	
Mr. Sarmad Nabil Zok	Executive	×	×	×	✓	✓	✓	×	Was appointed as a replacement for Mr. Perley Shoucair
Eng. Ahmed Reda Halawani	Executive	✓	✓	✓	×	✓	✓	✓	
Mr. Saleh Ali Al Sagri	Independent	✓	×	✓	✓	✓	✓	×	
Mr. Taher Mohammad Omar Agueel	Non executive	✓	✓	✓	✓	✓	✓	✓	
Dr. Khaled Abdullah Al Souhem	Independent	✓	✓	✓	✓	✓	✓	✓	
Mr. PJ Shoucair	-----------	✓	✓	✓	×	×	×	×	Resigned from the Board on 30/6/2010
Eng. Ammar Abdulwahed Faleh Alkhudairy	-----------	✓	✓	✓	✓	×	×	×	Resigned from the Board on 19/6/2010
Dr. Ibrahim Hassan Al Madhoun	------------	✓	✓	✓	×	×	×	×	Resigned from the Board on 10/11/2010

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

Name	Membership Type	Companies where Board Members are Members	Number of shares	
			2010	2009
His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud	Chairman of the Board	NA	3,520,588,185	5,985,000,000
Eng. Talal Ibrahim Almaiman	Executive Board Member for Development and Domestic Investments	Board member of the (National Industrialization Company)	1,176,470	1,000,000
Mr. Sarmad Nabil Zok	Executive Board Member for Hotel Investments	NA	-	-
Eng. Ahmed Reda Halawani	Executive Board Member for Direct and international investments	Board member of the National airline services (NAS) company	1,176,470	1,000,000
Mr. Saleh Ali Al Sagri (Maarej company for real estate investment)	Independent	Chairman for the Mediterranean & Gulf Insurance & Reinsurance Co (MEDGULF)	27,058,764	50,000,000
Mr. Taher Mohammad Omar Agueel	Non Executive	Board member of the National airline services (NAS) company - Board member of the Arabian National Cooperative Insurance Company	1,000	1,000
Dr. Khaled Abdullah Al Souhem	Independent	NA	588	1,000
Mr. Shadi S. Sanbar	CFO	NA	1,926,470	1,000,000

Compensation and remuneration granted to the Board of Directors and senior executives, including the CFO:

	Non Executive Board Members	Executive Board Members	Senior Managers
Salaries	--------------------	2,250,000	1,125,000
Benefits	--------------------	1,125,000	562,500
Bonuses	--------------------	7,148,438	3,938,800
Compensation for Assemblies attendance	--------------------	--------------------	--------------------

Committees:

Investment Committee

The Committee controls the overall investment process for the Company. It is entrusted with the adoption of major investment decisions on behalf of the Board of Directors which the Board of Directors must ratify at a later stage and review the acquisition and performance of investments.
The Committee held eight meetings during the year and 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 Zok	Member
Eng. Ahmed Reda Halawani	Member
Mr. Shadi S. Sanbar	Member

Audit Committee

The Committee supervises and evaluates risk assessment, management policies and procedures, and operational and financial reports. The Committee also reviews the Company's financial statements and internal controls. The Committee held two meetings during the year. It is to be noted that the Committee was restructured upon the resignation of its president Dr. Ibrahim Al Madhoun and the member Eng. Ammar Alkhudairi. The Committee is comprised of the following members:

Name	Title
Mr. Taher Mohammad Omar Agueel	Head of the Committee
Mr. Saleh Ali Al Sagri	Member
Dr. Khaled Abdullah Al Souhem	Member

This year, the Committee entered into contract with a leading professional internal audit firm. The firm's scope of work was to evaluate risk assessment, management policies and procedures and internal controls. It is worth noting that external auditors audit the effectiveness of the policies and procedures in protecting the Company's assets, in assessing risks, and evaluation of the Company's operational efficiency. It is worth noting that no weaknesses were detected.

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 two meetings during the year. It is to be noted that the Committee was restructured upon the resignation of the committee's president Dr. Ibrahim Al Madhoun and the member Eng. Ammar Alkhudairi. The Committee is comprised of the following members:

Name	Title
Dr. Khaled Abdullah Al Souhem	Head of the Committee
Mr. Taher Mohammad Omar Agueel	Member
Mr. Saleh Ali Al Sagri	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 the following:

- The Company did not receive any notifications from its shareholders regarding any change in their ownership percentage during the year 2010.
- There is currently no stock option scheme and there are no convertible bonds available for any party whatsoever.
- No agreement or cession, assigning profits or any other substantial interest, has been contracted with any of the shareholders or any of the Company's executives, employees or subsidiaries.

- 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. It is noteworthy that His Royal Highness Prince Alwaleed Bin Talal, Chairman of the Board, did not receive any allowance for the year 2010 in return for his membership in the Company's Board of Directors; the executives are committed to the Company by way of work contracts expiring three years from the contract signing date, renewable by mutual agreement.
- 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 2010.
- It was announced on a trading site on 18 December 2010 that His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud has relinquished 9.25 Halalas for each share from his part of the quarterly profits amounting to 37 Halalas per share from his part of the cash distributions proposed for the whole 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 2010 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.
- The report of the external auditors includes a paragraph to take into consideration stating: "we draw your attention to the clarification (9) of the first financial tables concerning the transfer of some investments offered for sale from the part of the main shareholder in the company and upon this on the book value of the company's investments".
- The external auditor's report includes the following note: "We draw your attention to the clarification 9 on the preliminary financial statements concerning the transfer of some investments available for sale from the major shareholder to the Company; this has affected the book value of the Company's investments".

The Company would like also to confirm that it has complied with all corporate governance regulations issued by the CMA, except for:

B6- Voting Rights	
Does the company's articles of incorporation show that the voting means on the choice of the Board members in the general assembly is a cumulative voting?	The voting for choosing the Board members as per the company's articles of incorporation is done in the traditional way in accordance with company's articles of incorporation.

E 12) Formation of the Board of Directors:	
The number of independent board members should not be less than 2 or 33.3% of the board's members, depending which is more numerous	When the Remuneration and Compensation Committee was performing the annual review for the independence of the members of the Board of Directors, it noted that Mr. Taher Agueel had joined the Board of Directors of the National Airline Services company (NAS) one of the company's subsidiaries which led to changing the status of his membership from an independent member to a non executive member. A new independent member will be nominated during the coming period; then the approval of the Board of Directors and the General Assemblies of Shareholders will be taken.

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 2010, looking forward to further prosperity and progress in the years to come.

God Bless

Kingdom Holding Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

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AUDITORS' REPORT
TO THE SHAREHOLDERS OF KINGDOM HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying consolidated balance sheet of Kingdom Holding Company, a Saudi Joint Stock Company (the Company) and its subsidiaries (the Group) as at 31 December 2010, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

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

i) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2010 and the consolidated results of its operations and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as these affect the preparation and presentation of the financial statements.

Emphasis of a matter

Without qualifying our opinion, we draw attention to Note 9 to the consolidated financial statements pertaining to the transfer of certain available for sale investments from the principal shareholder to the Company, the management's current assessment and the impact on the carrying value of such investments.

for Ernst & Young

Fahad M. Al Toaimi
Certified Public Accountant
Registration No. 354

ERNST & YOUNG
PROFESSIONAL LICENCE No. 45

Riyadh: 19 Rabi Awal 1432
(22 February 2011)

Abdulaziz A. Alsowailim 277 Abdulaziz Alshubaibi 339 Fahad M. Al-Toaimi 354 Ahmed I. Reda 356

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	2010 SR'000	2009 SR'000
ASSETS			
Current assets:			
Cash and cash equivalents	4	**1,298,605**	2,233,402
Accounts receivable	5	**302,938**	627,967
Prepayments and other assets	6	**867,863**	844,221
Net assets held for sale	8	**138,800**	297,800
Total current assets		**2,608,206**	4,003,390
Non-current assets:			
Available for sale investments	9	**10,172,880**	8,255,560
Investments in associates	10	**16,690,681**	11,758,635
Investments in real estate	11	**1,622,992**	1,315,662
Property and equipment, net	12	**9,154,420**	11,788,526
Intangible assets	13	**1,810,821**	11,864,747
Other long term assets	14	**128,270**	1,003,567
Total non-current assets		**39,580,064**	45,986,697
Total assets		**42,188,270**	49,990,087
LIABILITIES AND EQUITY			
Liabilities:			
Current liabilities:			
Bank borrowings and term loans	15	**1,230,652**	648,111
Accounts payable	16	**240,651**	534,873
Accrued expenses and other liabilities	17	**796,472**	1,063,298
Total current liabilities		**2,267,775**	2,246,282
Non-current liabilities:			
Term loans	15	**10,829,502**	13,454,389
Other long term liabilities	19	**694,295**	2,263,172
Total non-current liabilities		**11,523,797**	15,717,561
Total liabilities		**13,791,572**	17,963,843
Equity:			
Shareholders' equity:			
Share capital	20	**37,058,823**	63,000,000
Statutory reserve		**181,545**	121,020
General reserve	20	**-**	3,131,106
Retained earnings / (accumulated losses)	20	**1,197,599**	(28,419,405)
Unrealized loss from available for sale investments	9	**(11,269,920)**	(13,243,735)
Foreign currency translation adjustments and other		**(86,636)**	(9,691)
Total shareholders' equity		**27,081,411**	24,579,295
Minority interests	21	**1,315,287**	7,446,949
Total equity		**28,396,698**	32,026,244
Total liabilities and equity		**42,188,270**	49,990,087

CONSOLIDATED STATEMENT OF INCOME

ended 31 December 2010

	Note	**2010 SR'000**	2009 SR'000
REVENUES:			
Hotels and other operating revenues		**2,726,313**	4,031,597
Dividends income	22	**55,266**	278,880
Income (loss) from associates, net	10	**392,062**	(40,899)
Others		**172,910**	251,703
Total revenues		**3,346,551**	4,521,281
COSTS AND EXPENSES:			
Hotels and other operating costs		**(1,913,202)**	(2,787,211)
General and administrative expenses	23	**(454,321)**	(569,350)
Total costs and expenses		**(2,367,523)**	(3,356,561)
GROSS PROFIT		**979,028**	1,164,720
Depreciation and amortization	12,13	**(273,866)**	(431,150)
Finance charges, net	15	**(409,692)**	(417,479)
Income from investments, net	24	**396,480**	232,910
INCOME FROM OPERATIONS		**691,950**	549,001
Minority interests	21	**(12,380)**	(132,469)
INCOME BEFORE ZAKAT AND TAX		**679,570**	416,532
Zakat and tax	18	**(74,324)**	(13,942)
NET INCOME FOR THE YEAR		**605,246**	402,590
Earnings per share for the year (SR):	30		
Attributable to:			
Income from operations		**0.17**	0.14
Net income for the year		**0.15**	0.10

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	2010 SR'000	2009 SR'000
Operating Activities:		
Income before zakat and tax	**679,570**	416,532
Adjustments to reconcile net income to net cash (used in) from operating activities:		
Depreciation and amortization	**273,866**	431,150
(Income) loss from associates, net	**(392,062)**	40,899
Income from investments, net	**(396,480)**	(232,910)
	164,894	655,671
Changes in operating assets and liabilities		
Accounts receivable and other assets	**(306,022)**	(50,967)
Other long term assets	**66,422**	(56,586)
Accounts payable and other liabilities	**(34,890)**	(453,068)
Other long term liabilities	**(64,578)**	294,146
Cash (used in) from operations	**(174,174)**	389,196
Zakat and tax paid	**(63,824)**	(35,942)
Net cash (used in) from operating activities	**(237,998)**	353,254
Investing Activities:		
Net assets held for sale	**167,250**	143,508
Acquisition of available for sale investments	**-**	(30,967)
Proceeds from sale of available for sale investments	**57,053**	2,834,938
Acquisition of additional ownership in a subsidiary	**(1,387,508)**	-
Reclassification of subsidiaries, net of cash	**(293,340)**	-
Additions to associates	**(234,417)**	(250,318)
Dividends from associates	**101,029**	238,924
Proceeds from sale of investments in associates	**452,916**	599,533
Additions to investments in real estate	**(321,955)**	(93,216)
Proceeds from sale of investments in real estate	**-**	1,494,463
Property and equipment, net	**(656,818)**	(1,247,709)
Intangible assets	**59,432**	(302,950)
Net cash (used in) from investing activities	**(2,056,358)**	3,386,206
Financing Activities:		
Bank borrowings and term loans, net	**1,354,029**	(1,298,494)
Due to principal shareholder	**-**	(2,212,547)
Minority interests, net	**5,530**	112,439
Net cash from (used in) financing activities	**1,359,559**	(3,398,602)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(934,797)**	340,858
Cash and cash equivalents at the beginning of the year	**2,233,402**	1,892,544
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 4)	**1,298,605**	2,233,402
Non cash transactions:		
Unrealized gain from available for sale investments (note 9 (b))	**1,973,815**	217,942
Transfer of available for sale investments by the principal shareholder (note 9 (b))	**-**	2,234,250
Transfer of investments in real estate to associates (note 10)	**-**	1,832,687
Reclassification of subsidiaries to associates (note 10, notes 1- (c.2) and 1- (d.1))	**5,609,550**	-
Reduction in capital to absorb losses (note 20)	**25,941,177**	-
Transfer of general reserve to absorb losses (note 20)	**3,131,106**	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

All amounts in SR'000

	Shareholders' equity							*Minority interests*	*Total equity*
	Share capital	*Statutory reserve*	*General Reserve*	*Retained earnings / (accumulated lossses)*	*Unrealized loss from available for sale investments*	*Foreign currency translation adjustments and other*	*Total*		
Balance at 31 December 2008	63,000,000	121,020	3,131,106	(28,821,995)	(15,695,927)	(119,423)	21,614,781	7,334,510	28,949,291
Net income for the year	-	-	-	402,590	-	-	402,590	132,469	535,059
Net movement during the year	-	-	-	-	2,452,192	109,732	2,561,924	(20,030)	2,541,894
Balance at 31 December 2009	63,000,000	121,020	3,131,106	(28,419,405)	(13,243,735)	(9,691)	24,579,295	7,446,949	32,026,244
Reduction in capital to absorb losses (note 20)	(25,941,177)	-	-	25,941,177	-	-	-	-	-
Transfer of general reserve to absorb losses (note 20)	-	-	(3,131,106)	3,131,106	-	-	-	-	-
Net income for the year	-	-	-	605,246	-	-	605,246	(12,380)	592,866
Transfer to statutory reserve	-	60,525	-	(60,525)	-	-	-	-	-
Net movement during the year	-	-	-	-	1,973,815	(76,945)	1,896,870	(6,119,282)	(4,222,412)
Balance at 31 December 2010	**37,058,823**	**181,545**	**-**	**1,197,599**	**(11,269,920)**	**(86,636)**	**27,081,411**	**1,315,287**	**28,396,698**

1 ACTIVITIES

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

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.

As approved by the Capital Market Authority, the shares of the Company commenced trading on the Saudi Stock Exchange on 28 July 2007.

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	Ownership Percentage	
	2010	2009
Kingdom Hotel Investments (KHI) - Cayman Islands ***(c.1)***	**100.0**	54.1
Kingdom 5 KR 35 Group (George V) – France *	**100.0**	88.5
Fairmont Raffles Holdings International (FRHI) - Canada ***(c.2)***	**-**	58.3

Associates	Ownership Percentage	
	2010	2009
Fairmont Raffles Holdings International (FRHI) - Canada ***(c.2)***	**35.0**	-
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	**50.0**	50.0
Kingdom XXII (USA) Limited (Plaza) - United States of America		
• Hotel	**50.0**	50.0
• Condominium	**25.0**	25.0

* *Direct and indirect ownership through KHI.*

1 ACTIVITIES (continued)

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

(c.1) During the year ended 31 December 2010, the Group made an offer to buy the publicly listed shares of the minority shareholders of Kingdom Hotel Investments (KHI), representing 44% of the total issued share capital of KHI. The offer price was SR 18.75 (US$ 5) per share and the overall consideration was SR 1,388 million. This offer was approved by the board of directors of KHI and an independent committee of the Board, and was later accepted by KHI's shareholders. As a result, the Group currently owns 100% of the issued capital of KHI.

(c.2) During the year ended 31 December 2010, the shareholders of Fairmont Raffles Holding International (FRHI) - a former 58% owned subsidiary, signed an agreement with Voyager Partners Limited and Qatari Diar Hotel and Property Investment Limited for the sale of 40% of FRHI's capital through the issuance of additional shares. As a result, the Group's ownership interest was reduced from 58% to 35%. Accordingly, this investment has been reclassified during the current year to investments in associates (note 10). The reporting for the 2009 financial information, which is done on a consolidated basis is reported as is. The 2010 has not been restated.

d) *Local and regional subsidiaries*

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

Subsidiaries	Ownership Percentage	
	2010	2009
Kingdom Schools Company Limited (The School) – Saudi Arabia	**47.0**	47.0
Real Estate Investment Company (REIC) – Saudi Arabia ***(d.1)***	**-**	38.9
Fashion Village Trading Company Limited (SAKS) – Saudi Arabia	**71.8**	71.8
Medical Services Projects Company Limited (MSPC) – Saudi Arabia	**74.0**	74.0
Trade Centre Company Limited (TCCL) – Saudi Arabia	**36.0**	36.0
Consulting Clinic SAL (Clinic) – Lebanon	**50.4**	50.4
Kingdom Agriculture Development Company (KADCO) – Egypt	**100.0**	100.0

Associates	Ownership Percentage	
	2010	2009
National Air Services – Saudi Arabia	**35.8**	37.0
Jeddah Economic Company – Saudi Arabia	**40.0**	40.0
Real Estate Investment Company (REIC) – Saudi Arabia ***(d.1)***	**38.9**	-
Saudi Research and Marketing Group – Saudi Arabia	**29.9**	29.9

(d.1) Due to certain changes in the management and operating control structure of Real Estate Investment Company (REIC) (a former 39% owned subsidiary), KHC has no longer exercise control over REIC. Accordingly, this investment has been reclassified during the current year to investments in associates (note 10).

The principal activities and the various segments of the Group are described in Note 29.

2 BASIS OF CONSOLIDATION

The accompanying consolidated financial statements comprise the financial statements of the Company and its subsidiaries. All intra-group balances, transactions, income and expenses are eliminated in full. A subsidiary is a company in which the Company 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention
The consolidated financial statements are prepared under the historical cost convention, as modified to include the measurement at fair value of available for sale investments.

Use of estimates
The preparation of consolidated financial statements by the management requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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, and short-term deposits with an original maturity of three months or less.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimated allowance for doubtful accounts is made when collection of the invoiced amount is no longer probable. Bad debts are written-off when incurred.

Inventories
Inventories are stated at the lower of cost and market value. Cost is determined based on a weighted average basis. Appropriate provision is made for obsolete and redundant inventory.

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 close 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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. Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired.

Investments in associates

Associates 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 are accounted for using the equity method of accounting and are initially recognized at cost. Under the equity method, investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The consolidated statement of income reflects the Group's share in the results of operations of associates.

Investments in real estate

Real estates investments that are being developed for future purposes 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, redevelopment and selling expenses. Investment in real estate is derecognized when either they have been disposed off or when the investments in real estate are 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 statement of income in the year of retirement or disposal.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill **(continued)**

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 statement of income.

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.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. 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 estimated useful lives of the assets.

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. Expenditures for repair and maintenance are charged to the consolidated statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

Impairment

Tangible and intangible assets

At each fiscal year end, the Group reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 were 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 statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

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

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

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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

Bank borrowings and term loans

Bank borrowings and term loans are recognized initially at fair value, net of transaction costs incurred; and any differences between the proceeds (net of transaction costs) and the redemption value are recognized in the consolidated statement of income over the period of the loan using the effective interest method. Loans are classified as current liabilities unless the Group has the right and intention to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the consolidated statement of income when incurred.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has an obligation, legal or constructive arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

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 actuarially determined 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.

Employees' terminal benefits

Provision is made for amounts payable under the Labor Laws in the respective countries in which they operate, applicable to employees' accumulated periods of service at the balance sheet date.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income (after deducting losses brought forward) in each year until it has built up a reserve equal to one half of the capital. This reserve is not available for distribution.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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, rateably over the term of the lease. Revenue from sale of real estate is recognized upon the execution of sale contract and the delivery of the real estate, whichever comes last.

Dividends income from available for sale investments is recognized when the right to receive the dividends is established. Commission income is recognized as the commission accrues.

Expenses

Operating costs of the Group are reported as hotels and other operating costs. Other expenses, including selling and marketing expenses, 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.

Zakat and income tax

Zakat

Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income.

Income tax

Subsidiaries operating outside the Kingdom of Saudi Arabia are subject to the income tax regulations of the countries in which they operate. The provision, if any, is charged to the consolidated statement of income.

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.

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 statement of income on a straight-line basis over the lease term.

Segmental reporting

A segment is a distinguishable component of the Group's that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The consolidated financial statements are presented in Saudi Riyal, which is the Company's functional and 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 statement of income.

At the consolidation level, financial statements of foreign subsidiaries are translated into the presentation currency of the Company (Saudi Riyals) 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.

Fair values

For investments traded in organized markets, fair value is determined by reference to quoted market prices. For unquoted equity investments, fair value is determined by reference to the market value of a similar investments or is based on the expected discounted cash flows.

4 CASH AND CASH EQUIVALENTS

	2010 SR'000	*2009 SR'000*
Bank balances and cash	**1,037,822**	972,086
Short term deposits	**260,783**	1,261,316
	1,298,605	2,233,402

Short term deposits are made for different 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 ACCOUNTS RECEIVABLE

	2010 SR'000	*2009 SR'000*
Trade receivables	**333,437**	690,120
Less: Allowance for doubtful accounts	**(30,499)**	(62,153)
	302,938	627,967

5 ACCOUNTS RECEIVABLE (continued)

As at 31 December 2010, trade receivables amounting to approximately SR 31 million (2009: SR 62 million) were impaired. Movements in the allowance for doubtful accounts were as follows:

	2010 SR'000	2009 SR'000
At the beginning of the year	**62,153**	55,858
Charge for the year	**8,924**	12,480
Reclassification to associates (notes 1- (c.2) and 1- (d.1))	**(34,394)**	-
Amounts written off	**(6,184)**	(6,185)
At the end of the year	**30,499**	62,153

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

6 PREPAYMENTS AND OTHER ASSETS

	2010 SR'000	2009 SR'000
Advances to suppliers	**189,029**	78,413
Due from affiliates (note 7)	**172,419**	194,859
Inventories	**114,500**	113,222
Value Added Tax claims receivable	**86,000**	106,212
Prepaid expenses	**70,287**	174,439
Other	**235,628**	177,076
	867,863	844,221

7 RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the year:

Related party	*Nature of transaction*	*Amounts of transactions*	
		2010 SR'000	2009 SR'000
Affiliates	Revenues	**51,399**	56,625
	Costs and expenses	**105,100**	448,783
Principal shareholder	Land development costs *	**250,000**	-

* This amount represents payments made by the Company to the principal shareholder as a reimbursement against infrastructure and development costs that have been incurred during the current and previous years, in connection to parcels of land in Riyadh, Saudi Arabia (note 11).

Amounts due from / to affiliates are shown in notes 6 and 17, respectively.

For significant transactions between the Company and its principal shareholder, please refer to note 9 (b.2).

8 NET ASSETS HELD FOR SALE

The Group has approved and committed to a formal plan to actively market certain identified assets and hotel properties for sale. Accordingly, the Group has classified the following assets and related liabilities as held for sale:

	2010 SR'000	2009 SR'000
Current assets	**46,732**	48,232
Property and equipment	**266,440**	427,690
Other assets	**368,265**	370,140
	681,437	846,062
Current and other liabilities	**(542,637)**	(548,262)
Net balance	**138,800**	297,800

During 2009, the Group disposed of certain assets held for sale, resulting in a gain of SR 68 million (note 24).

9 AVAILABLE FOR SALE INVESTMENTS

(a) Available for sale (AFS) investments consist of the following:

	2010 SR'000	2009 SR'000
Local and regional	**1,229,248**	1,019,656
International	**8,943,632**	7,235,904
	10,172,880	8,255,560

9 AVAILABLE FOR SALE INVESTMENTS (continued)

(b) The movement in AFS investments is set out below:

	2010 SR'000	2009 SR'000
Cost:		
At the beginning of the year	**21,499,295**	24,909,176
Disposals, net (b.1)	**(56,495)**	(3,409,881)
At the end of the year	**21,442,800**	21,499,295
Unrealized loss:		
At the beginning of the year	**(13,243,735)**	(15,695,927)
Reduction in unrealized loss during the year, net	**1,973,815**	217,942
Transfer from principal shareholder (b.2)	**-**	2,234,250
At the end of the year	**(11,269,920)**	(13,243,735)
Net carrying amounts	**10,172,880**	8,255,560

(b.1) During the year ended 31 December 2010, the Group disposed of certain AFS investments which resulted in a gain of SR 558 thousand (2009: loss of SR 606 million) (note 24).

(b.2) At the end of 2009, the principal shareholder transferred to the Company certain available for sale investments - which had a market value of SR 2,234 million - at no consideration (no cost to the Company). As a result, the average cost of these available for sale investments was reduced and the gap between the cost of these investments and their market price was significantly narrowed.

(c) The changes in market value of AFS investments as of 31 December 2010 and 31 December 2009 were approximately SR 11,270 million and SR 13,244 million, respectively, and have been reported as "unrealized loss from available for sale investments" as a separate component of the Company's shareholders' equity.

(d) Certain available for sale investments are used as collateral against bank borrowings and term loans of the Company and its subsidiaries (note 15).

As of 31 December 2010, 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, the management has concluded that such a decline is considered to be temporary. In reaching to this conclusion, management has considered several factors, including; the financial performance of the investee, the fair value of the investment, information from financial analysts about the forecasted market price, the Company's intent and ability to hold these investments until the market price recovers and its intent and ability to mitigate any potential impairment that could be incurred on such investments.

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 impairment.

10 INVESTMENTS IN ASSOCIATES

(a) Following is the movement of investments in associates during the year ended 31 December:

	2010 SR'000	2009 SR'000
At the beginning of the year	**11,758,635**	10,311,433
Additions during the year	**234,417**	2,083,005
Transfer from subsidiaries (a.1)	**5,609,550**	-
Income (loss) from associates, net	**392,062**	(40,899)
Disposals and others (a.2)	**(1,202,954)**	(355,980)
Dividends received	**(101,029)**	(238,924)
At the end of the year	**16,690,681**	11,758,635

(a.1) As a result of changes in the Group's control over Fairmont Raffles Holdings International and Real Estate Investment Company (previously considered as subsidiaries, (notes 1- (c.2) and 1- (d.1)) in 2010, such investments (including their related goodwill – note 13) have been reclassified to investments in associates at their fair values, resulting in an aggregate gain of SR 371 million (note 24).

(a.2) During the year ended 31 December 2010, the Group disposed of certain investments in associates resulting in a gain of SR 54 million (2009: SR 244 million) (note 24).

(b) Details of investments in associates are summarized as follows:

	2010		2009	
	% Ownership	Amount SR'000	% Ownership	Amount SR'000
Associates of the Company:				
Fairmont Raffles Holdings International (FRHI) - Canada (a.1)	**35.0%**	**4,923,810**	-	-
Four Seasons Holding Inc. – Canada	**47.5%**	**4,272,064**	47.5%	4,401,088
Jeddah Economic Company – Saudi Arabia (b.1)	**40.0%**	**2,495,100**	40.0%	1,832,687
National Air Services – Saudi Arabia	**35.8%**	**1,829,118**	37.0%	1,917,612
Saudi Research and Marketing Group – Saudi Arabia	**29.9%**	**1,594,346**	29.9%	1,579,700
Breezeroad Limited (Savoy) – United Kingdom	**50.0%**	**513,105**	50.0%	322,829
Mövenpick Hotels & Resorts AG – Switzerland	**33.3%**	**438,083**	33.3%	432,849
Real Estate Investment Company (REIC) – Saudi Arabia (a.1)	**38.9%**	**302,965**	-	-
Kingdom XXII (USA) Limited (Plaza) – United States of America	**25.0-50.0%**	**172,054**	25.0-50.0%	179,086
Others	**Various**	**87,175**	Various	204,472
Associates of Subsidiaries:				
Novapark Cairo Co. – Egypt (a.2)	**-**	**-**	43.0%	402,945
Manoir Richelieu Limited Partnership – Canada (a.1)	**-**	**-**	25.0%	137,250
Others	Various	**62,861**	Various	348,117
		16,690,681		11,758,635

10 INVESTMENTS IN ASSOCIATES (continued)

(b.1) The Company has completed an exchange transaction with a newly established company; Jeddah Economic Company (JEC) – an associate, through contribution of certain land of SR 1,832 million. The Company has an ownership of 40% in JEC, which will be engaged in the development of large real estate projects in Jeddah, Kingdom of Saudi Arabia. As a result, the Company has recognized an income of SR 662 million for the year ended 31 December 2010, which represents the portion of the income that is attributable to the equity interest of the other partners in JEC.

11 INVESTMENTS IN REAL ESTATE

	2010 SR'000	*2009 SR'000*
Investments in land – Saudi Arabia (note 7)	**1,595,376**	1,270,241
Others	**27,616**	45,421
	1,622,992	1,315,662

During 2010, the Company completed the sale of certain real estate in the Kingdom of Saudi Arabia and realized a gain of SR 37 million (2009:SR 355 million) (note 24).

During 2010, the Group capitalized borrowing costs of SR 33 million (2009: SR 69 million) that were incurred in connection to the development of its real estate projects.

12 PROPERTY AND EQUIPMENT, NET

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	20 to 50 years	Furniture and fixtures	2 to 25 years
Equipment	2 to 25 years	Others	4 to 10 years

	Land (*) SR'000	*Buildings (*) SR'000*	*Equipment SR'000*	*Furniture & fixtures SR'000*	*Construction work in progress & others SR'000*	***Total 2010 SR'000***	*Total 2009 SR'000*
Cost:							
At the beginning of the year	3,330,100	7,561,283	616,509	1,733,538	925,203	**14,166,633**	13,060,246
Additions	456	107,996	16,901	75,257	770,101	**970,711**	1,044,839
Disposals	-	(2,958)	(5,429)	(35,051)	(1,081)	**(44,519)**	(39,186)
Reclassification and transfers (notes 1- (c.2) and 1- (d.1))	(791,374)	(1,787,524)	(231,194)	(762,908)	(765,956)	**(4,338,956)**	100,734
At the end of the year	2,539,182	5,878,797	396,787	1,010,836	928,267	**10,753,869**	14,166,633
Depreciation:							
At the beginning of the year	-	1,138,501	346,217	856,019	37,370	**2,378,107**	1,929,279
Charge for the year	-	119,871	27,239	76,740	26,580	**250,430**	396,798
Disposals	-	(3,323)	(4,934)	(33,415)	(950)	**(42,622)**	(30,660)
Reclassification and transfers (notes 1- (c.2) and 1- (d.1))	-	(249,037)	(206,335)	(517,561)	(13,533)	**(986,466)**	82,690
At the end of the year	-	1,006,012	162,187	381,783	49,467	**1,599,449**	2,378,107
Net book amounts:							
At 31 December 2010	**2,539,182**	**4,872,785**	**234,600**	**629,053**	**878,800**	**9,154,420**	
At 31 December 2009	3,330,100	6,422,782	270,292	877,519	887,833		11,788,526

(*) Certain land and buildings are pledged as collateral against term loans as explained in note 15.

13 INTANGIBLE ASSETS

Intangible assets comprise the following:

	2010 SR'000	*2009 SR'000*
Goodwill (a)	**1,685,881**	7,904,877
Management contracts (b)	**5,494**	1,243,431
Brand names and others (b)	**119,446**	2,716,439
	1,810,821	11,864,747

(a) 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.

Goodwill includes the portion relating to the goodwill of minority interest of subsidiaries, aggregating to SR 112 million (2009: SR 2,340 million).

Movement in goodwill during the year is set out below:

	2010 SR'000	*2009 SR'000*
At the beginning of the year	**7,904,877**	7,901,881
Reclassification to associates (notes 1- (c.2) and 1- (d.1))	**(4,931,271)**	-
Acquisition of additional shares in KHI (note 1- (c.1))	**(1,252,851)**	-
Others	**(34,874)**	2,996
	1,685,881	7,904,877

(b) Management contracts and brand names relate to subsidiaries that are in the hotel business. Such intangibles have definite lives and are amortized over their useful economic lives. Most of the balances for 2009 reported above relate to FRHI, which was reclassified as associate in 2010 (note 1- (c.2)).

(c) Impairment:

i. Impairment test

Impairment test is carried out annually by management of the Group for their subsidiaries and associates. For the purposes of impairment testing, each subsidiary and associate (that owns a Hotel or Hotel-brand) was considered as a single cash generating unit (CGU).

At 31 December 2010, management has performed a detailed business review to determine recoverable amounts of goodwill for subsidiaries and associates. Recoverable amounts were based on the value-in-use calculations. For associates, the entire carrying amount of the investment in an associate was tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

13 INTANGIBLE ASSETS (continued)

(c) Impairment - continued

ii. Basis of determining recoverable amounts

As mentioned above, the Group has determined the recoverable amounts based on the value-in-use, which is computed according to discounted cash flows (DCF) for a projected period that ranges between five to ten years, in line with industry standards. Cash flow projections were based on budgets approved by management and projections beyond the budgets are extrapolated using estimated growth rates. In management's opinion, the growth rates used in the cash flow projections do not exceed the long-term average growth rates for the Hotel segment in which the Group operates.

These projections are based on the past experience of management, which has been able to forecast DCF over longer periods. Discount rates used by management to discount the projections range between 6.5% to 7%, which reflect specific risks relating to the Hotel industry.

The value in use calculation is most sensitive to changes in the following key assumptions:

- Growth rates
- Working capital and capital expenditures
- Discount rates
- Terminal value calculation

14 OTHER LONG TERM ASSETS

	2010 SR'000	*2009 SR'000*
Long term advances	**38,000**	459,000
Refundable assets	**8,635**	103,616
Advances to contractors	**5,343**	101,653
Deposits for post employment benefits	**-**	111,750
Others	**76,292**	227,548
	128,270	1,003,567

Most of the balances for 2009 reported above relate to FRHI, which was reclassified as associate in 2010 (note 1- (c.2)).

15 BANK BORROWINGS AND TERM LOANS

The following is a summary of bank borrowings and term loans at 31 December:

	2010 SR'000	2009 SR'000
CURRENT		
Banks overdraft	**69,744**	67,271
Short term loans	**115,542**	27,160
Current portion of term loans	**1,045,366**	553,680
	1,230,652	648,111
NON – CURRENT		
Term loans	**10,829,502**	13,454,389
	12,060,154	14,102,500
Details of bank borrowings and term loans by entity are as follows:		
Kingdom Holding Company (KHC)	**5,243,308**	4,688,805
Kingdom Hotel Investments (KHI)	**2,199,021**	1,981,698
Kingdom 5-KR-11 Ltd.	**1,978,960**	1,566,281
Kingdom 5-KR-35 Group (George V)	**1,803,030**	1,904,772
Fairmont Raffles Holdings International (FRHI) (note 1- (c.2))	**-**	3,442,875
Others	**835,835**	518,069
	12,060,154	14,102,500

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

Kingdom Holding Company *(KHC)*
KHC loans of SR 5,243 million as of 31 December 2010 (2009: 4,689 million) were obtained from commercial banks and consist of several facilities including a syndicated loan and a revolving credit facility. During the current year, KHC has obtained a new loan of SR 817 million (2009: SR 1,888 million) and settled loans of SR 263 million (2009:SR 2,485 million). 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 loan agreements contain covenants which, among other things, require that certain financial ratios and equity balance be maintained.

Kingdom Hotel Investments *(KHI)*
KHI loans of SR 2,199 million as of 31 December 2010 (2009: 1,982 million) have different maturities within the next eleven years period 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 mortgage and lien 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. As at 31 December 2010, loans of SR 1,167 million (2009: SR 936 million) are denominated in US Dollar, SR 375 million (2009: 375 million) are denominated in UAE Dirham, SR 270 million (2009: SR 250 million) are denominated in Morocco Dirham, SR 65 million (2009: SR 93 million) are denominated in Euro, and the remaining balance is denominated in different currencies.

15 BANK BORROWINGS AND TERM LOANS (continued)

Kingdom 5-KR-11 Ltd. ***(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. Consistent with the practice in prior years, the management will continue to rollover these facilities for at least the next twelve months.

Kingdom 5-KR-35 Group ***(George V)***
The loans of SR 1,803 million as of 31 December 2010 (2009: SR 1,905 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 months rate) and mature in 2012.

Other loans
Other loans represent various loan facilities obtained by certain 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.

16 ACCOUNTS PAYABLE

	2010 SR'000	2009 SR'000
Trade payables	**219,563**	482,948
Other payables	**21,088**	51,925
	240,651	534,873

17 ACCRUED EXPENSES AND OTHER LIABILITIES

	2010 SR'000	2009 SR'000
Employees related accruals	**191,449**	374,133
Deposits from customers	**129,815**	113,359
Finance charges payable	**108,694**	116,418
Income taxes payable (note 18 (b))	**86,595**	191,210
Unearned revenue	**66,326**	41,407
Zakat (note 18 (a))	**56,409**	50,151
Due to affiliates (note 7)	**35,920**	19,564
Other	**121,264**	157,056
	796,472	1,063,298

18 ZAKAT AND TAX

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

	2010 SR'000	2009 SR'000
Zakat provision/(credit), net	**10,723**	(20,548)
Income tax provision	**55,474**	25,271
Withholding tax on foreign dividends	**8,127**	9,219
	74,324	13,942

(a) Zakat

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

	2010 SR'000	2009 SR'000
At the beginning of the year	**50,151**	31,552
Zakat provision/(credit), net	**10,723**	(20,548)
Reclassification during the year	-	39,147
Paid during the year	**(4,465)**	-
At end of the year (note 17)	**56,409**	50,151

Zakat assessments in respect of the Company's position have been agreed with the Department of Zakat and Income Tax (DZIT) up to 2002. The returns for the years 2003 through 2006 have been submitted by the Company but not yet finalized by the DZIT. The returns for the years 2007, 2008 and 2009 are in the process of being finalised and filed.

The current Zakat provision is based on the following:

	2010 SR'000	2009 SR'000
Equity	**37,832,721**	37,430,131
Opening allowances and other adjustments	**(29,196,715)**	(31,934,668)
Book value of long term assets	**(9,154,420)**	(11,788,526)
	(518,414)	(6,293,063)
Zakatable income for the year	**749,884**	445,441
Zakat base	**231,470**	(5,847,622)
Zakat due	**18,747**	11,136

The differences between the financial and the Zakatable results are mainly due to provisions which are not allowed in the calculation of Zakatable income.

Given that the Company has over provided for Zakat liability in previous years, the management has decided to make a provision of around SR 11 million for 2010.

18 ZAKAT AND TAX (continued)

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 SR 87 million and SR 191 million as at 31 December 2010 and 2009 respectively (note 17).

c) Deferred tax

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

	2010 SR'000	*2009 SR'000*
Deferred tax liabilities:		
Property, equipment and intangible assets	**334,260**	1,579,300
Others	**106,095**	421,199
Gross deferred tax liabilities	**440,355**	2,000,499
Deferred tax assets:		
Tax losses carried forward	**-**	(246,353)
Provisions	**(1,386)**	(29,144)
Others	**(12,367)**	(156,040)
Gross deferred tax assets	**(13,753)**	(431,537)
Net deferred tax liability (note 19)	**426,602**	1,568,962

Most of the balances for 2009 reported above relate to FRHI, which was reclassified to associate in 2010 (note 1- (c.2)).

19 OTHER LONG TERM LIABILITIES

	2010 SR'000	*2009 SR'000*
Deferred taxes (note 18 (c))	**426,602**	1,568,962
Advances against sale of real estate	**126,770**	67,099
Post employment benefits	**73,022**	351,842
Retention payable	**40,265**	158,461
Deferred workers' compensation	**-**	104,125
Other	**27,636**	12,683
	694,295	2,263,172

Most of the balances for 2009 reported above relate to FRHI, which was reclassified to associate in 2010 (note 1- (c.2)).

20 SHARE CAPITAL

In its Extraordinary General Meeting on 26 Safar 1431H (10 February 2010), the General Assembly resolved to reduce the Company's capital by SR 25,941 million, in order to use this amount and the general reserve balance of SR 3,131 million to absorb accumulated losses of SR 29,072 million. As a result, the Company's capital was reduced from SR 63,000 million to SR 37,059 million.

The share capital for 2010 consists of 37,059 million shares (2009:6,300 million) of SR 10 each.

21 MINORITY INTERESTS

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

	2010		2009	
Name of the entity	Total minority interests SR'000	Share in net income (loss) SR'000	Total minority interests SR'000	Share in net income (loss) SR'000
Fairmont Raffles Holdings Int'l (note 1- (c.2))	-	54,365	3,328,685	14,380
Kingdom Hotel Investments (note 1- (c.1))	356,196	(28,102)	3,012,574	(103,751)
Real Estate Investment Company (note 1- (d.1))	-	(4,194)	176,269	(13,336)
Trade Center Company Limited	794,096	(45,243)	755,308	(66,021)
Others	164,995	10,794	174,113	36,259
	1,315,287	(12,380)	7,446,949	(132,469)

Total minority interests include goodwill of SR 112 million relating to minority interests (2009: SR 2,341 million).

22 DIVIDENDS INCOME

	2010 SR'000	2009 SR'000
International	33,739	212,706
Local and regional	21,527	66,174
	55,266	278,880

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR'000	2009 SR'000
Employee costs	187,746	205,095
Professional fees	95,712	94,798
Repairs and maintenance	38,365	68,904
Selling and marketing expenses	27,009	30,132
Utilities and office expenses	24,940	32,700
Insurance	3,853	7,524
Other	76,696	130,197
	454,321	569,350

24 INCOME FROM INVESTMENTS, NET

	2010 SR'000	2009 SR'000
Gain from investments in associates (note 10)	**424,942**	243,553
Gain from investments in real estate (note 11)	**36,614**	354,718
Gain (loss) from available for sale investments (note 9)	**558**	(605,910)
Gain on assets held for sale (note 8)	**-**	68,175
Others, net *	**(65,634)**	172,374
	396,480	232,910

* Others for 2010, include certain costs of SR 31 million, incurred by the Group in connection with the acquisition of additional shares in KHI (note 1- (c.1)).

25 COMMITMENTS

a. Capital commitments

The Group has on-going developments to construct and renovate hotels, and these developments are at various stages of completion. The total outstanding capital commitments relating to those developments as of 31 December 2010 amounted to SR 508 million (2009: SR 822 million).

b. Operating lease commitments

The Group has various commitments under operating leases. Future minimum annual payments under these leases are as follows:

	2010 SR'000	2009 SR'000
Within one year	**9,776**	305,183
Later than one year but not later than 5 years	**35,447**	701,822
Thereafter	**-**	1,043,625
	45,223	2,050,630

Most of the balances for 2009 reported above relate to FRHI, which was reclassified to associate in 2010 (note 1- (c.2)).

26 CONTINGENCIES

The Company and its subsidiaries are 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 tax assessments that may result in connection with other claims are not expected to have a material effect on the Group's financial position or results of operation.

The Group's bankers have issued on its behalf, letters of guarantee amounting to SR 1.9 million (2009: SR 4.9 million).

27 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including loans and bank borrowings and time deposits.

The sensitivity of the income/expense is the effect of the assumed changes in interest rates on the Group's net results for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2010 and 2009.

Equity price risk

Equity price risk is the risk that the fair value of equities 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 are subject to price risk as its underlying investments are equity instruments.

Credit risk

Credit risk is the risk that one party 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 balance sheet:

	2010 SR'000	*2009 SR'000*
Bank balances and short term deposits	**1,293,581**	2,229,041
Other current assets	**597,077**	450,347
Accounts receivable	**302,938**	627,967
Other long term assets	**122,927**	901,915
	2,316,523	4,209,270

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. The Group manages its liquidity risk by ensuring that bank facilities are available. 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.

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

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. Financial instruments comprise of financial assets and financial liabilities.

The Group's financial assets consist of cash and cash equivalents, investments, receivables and certain other assets. The financial liabilities consist of bank borrowings, term loans, payables and certain other liabilities.

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.

29 SEGMENT INFORMATION

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

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.

Prior year comparative figures reflect the consolidation of certain subsidiaries that were reclassified to associates during the current year (note 10).

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.

29 SEGMENT INFORMATION (continued)

a) The Group's main financial information by business segment, are as follows:

31 December 2010	*Equity SR'000*	*Hotels SR'000*	*Real Estate and Domestic SR'000*	*Total SR'000*
Total revenues	**45,454**	**1,985,615**	**1,315,482**	**3,346,551**
Gross (loss) profit	**(27,475)**	**190,926**	**815,577**	**979,028**
Net (loss) income	**(288,729)**	**40,622**	**853,353**	**605,246**
Property and equipment, net	**55,635**	**7,415,600**	**1,683,185**	**9,154,420**
Total assets	**14,661,783**	**20,427,698**	**7,098,789**	**42,188,270**
Total liabilities	**7,431,104**	**5,310,686**	**1,049,782**	**13,791,572**

31 December 2009	*Equity SR'000*	*Hotels SR'000*	*Real Estate and Domestic SR'000*	*Total SR'000*
Total revenues	455,316	3,476,576	589,389	4,521,281
Gross profit	396,813	559,260	208,647	1,164,720
Net (loss) income	(163,512)	172,281	393,821	402,590
Property and equipment, net	46,826	10,371,317	1,370,383	11,788,526
Total assets	12,613,408	31,427,866	5,948,813	49,990,087
Total liabilities	6,559,653	10,688,941	715,249	17,963,843

b) 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 comprises of significant concentration of properties in the Kingdom of Saudi Arabia.

30 EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income for the year is calculated by dividing income from operations and net income for the year, respectively, by the weighted average number of shares outstanding of 3,997,276 thousands during the year 2010.

The earnings per share for the comparative year of 2009 has been adjusted to reflect the effect of the capital reduction, retrospectively (note 20).

31 DIVIDENDS DECLARATION

Kingdom Holding Company's board of directors has announced in their meeting, Wednesday, 9 Muharram 1432 AH corresponding to 15 December 2010, their recommendation to the General Assembly of Shareholders to distribute quarterly cash dividends from retained earnings of 1.25% (5% for the full year) of the shares nominal value, by distributing 12.5 halalas per share quarterly (the total for the year is 0.50 riyal per share) for a total of 137.5 million riyals as quarterly cash dividends totaling to 550.3 million riyals for the year.

The total dividend was determined after the Chairman of the Board, His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud, gave up his full entitlement of his share of the proposed annual cash distributions, which totaled 37 halalas per share or 9.25 halalas per share (325.6 million riyals quarterly).

The first dividend distribution will be made to all shareholders of record as of the annual General Assembly meeting of the shareholders, following their approval at the meeting.

32 SUBSEQUENT EVENTS

During January 2011, Kingdom Hotel Investments, (a 100% owned subsidiary), has signed an agreement to sell 100% of its interest in the Swiss Hotel kunshan – China (a subsidiary) for SR 228.8 million (USD 61 million). The transaction is due to be completed in March 2011.

During February 2011, the Company sold a parcel of land in Riyadh to Real Estate Investment Company Ltd. (an associate) for a total consideration of SR 250 million.

33 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

In addition, prior year amounts reflect the consolidation of certain subsidiaries that were classified as associates during the current year (notes 1- (c.2) and 1- (d.1))


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