

CONSOLIDATED FINANCIAL STATEMENTS &  
REPORTS OF INDEPENDENT ACCOUNTANTS

DECEMBER 2011



## SAUDI HOTELS & RESORTS CO. (SHARACO)

### SHARACO

**Paid-up Capital:** SR. 690,060,970

**C.R.:** 1010010726

**Head Office:** Tel: 01 4816666 Fax: 01 4801666

**P. O. Box 5500 Riyadh 11422**

**KINGDOM OF SAUDI ARABIA**

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Projects	Tel.	Fax	Projects	Tel.	Fax
Riyadh Marriott Hotel	01 4779300	01 4779089	Al-Mostaqbal Homes	01 4816666	01 4801666
Makarim Ajyad Makkah Hotel	02 5720500	02 5746061	Al-Jazeera Bader Compound	01 4921135	01 4921102
Makarim Riyadh Hotel	01 2204500	01 2204505	AlJazeera East Compound	01 2422970	01 2422905
Makarim Tabuk Hotel	04 4221212	04 4220101	AlJazeera Aprt. <Al Madeenah>	04 8292016	04 8292117
Makarim Umm Al Qura Hotel	02 5356100	02 5356200	AlDawoodiah Complex <Al Madeenah>	04 8212555	04 8213111
Makarim Al-Bait Hotel	02 5669292	02 5669393	Al Takhasusi Plaza	01 4882766	01 4882766
Makarim An-Nakheel Resort	02 6562101	02 6562510	Al-Rawdah Recreation Park	01 2319607	01 2377642
Makarim Al-Qamar Resort	02 6562655	02 6561192	Al- Watan Park	01 4093121	01 4093119
Makarim Residence Al-Andalus	02 6695154	02 6601651	Marriott Courtyard Hotel	01 2817300	01 2817900
Makarim Residence Al-Rawdah	02 6685301	02 6685308	Marriott Executive Aprt.	01 4783463	01 4783625

## Table of Contents

6	Board of Directors
9	Board of Directors' Report
10	First : The Company Activity
	Second : Projects
11	Third : Investments
13	Fourth : Management & Operations
15	Fifth : Financial Results
21	Sixth : Board of Directors
23	Seventh: Committee emanated from the Board of Directors
25	Eighth : The Company Management
	Ninth : Senior Shareholders
26	Tenth : Loans
	Eleventh : The Main Activities of the Company
	Twelfth : The Statutory Payments
	Thirteenth : Geographical Analysis of the income
27	Fourteenth : Dividend Policy
	Fifteenth : Corporate Governance
	Sixteenth : Potential Risks
	Seventeenth : Disclosures
30	Eighteenth : Recommendations
31	External Auditor's Report
32	Consolidated Balance sheet
33	Consolidated Income Statement
34	Statement of Consolidated Cash Flows
35	Statement of Consolidated Changes in Shareholders Equity
36	Notes to The Financial Statements

# Members of Board

Mr. Ali bin Ibrahim Al Ajlan

Dr. Saleh Ali Al-Hazloul

Eng. Abdullah Al Issa

Mr. Abdullah bin Abdul-Jabbar

His Excellency Mr. Musaad bin M. Al Senany

Mr. Badr bin Abdullah Al Issa

Mr. Nasser bin M. Al-Sebaiei

Mr. Missfer bin Ali Alhamdan

Eng. Abdul Aziz bin Saleh Al Anbar





32%  
Total increase in  
revenue

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Messrs/Shareholders of Saudi Hotels & Resorts Company

Dear Sirs:

The Board of Directors has the pleasure to present a report of the most significant operations and activities of the Company, as well as the financial statements for the fiscal year ending December 31, 2011.

By the grace of Allah, we wish the company continuous progress and success.

With best regards,  
Board of Directors

## FIRST . THE COMPANY ACTIVITY

Saudi Hotels and Resorts Co. has been established according to Saudi companies law as a Saudi Limited company with main activities summarized as to construct, own, operate and manage, invest, buy, enter in to partnership, rent and put for rent hotels, real estate and tourism properties in addition to own, develop and construct buildings on land or lease them.

## SECOND . PROJECTS

The Company is continuing to execute a number of projects. These projects will have a positive impact on the Company's business results. A synopsis of these projects is as follows:

1. The building and furnishing of Marriott Courtyard Hotel has been completed, the Hotel is located at the southern entrance of the Diplomatic Quarter in Riyadh City, the hotel consists of <285> rooms in addition to a restaurant, health club, business centre and a number of conference rooms. At present the work is going on to complete the installation of equipments and recruiting the staff so as to start the soft opening and prepare for operation. The Hotel will be managed and operated by Marriott International Corporation.
2. Work is going on to complete and fully equip Marriott Executive Apartments Tower in preparation for the hotel opening, it's located near Riyadh Marriott Hotel. The tower consists of (14) floors, including (120) units in different sizes. In addition to a restaurant and a health club. A contract has been signed between the company and Marriott International Cooperation to operate and manage the tower. Guests of the tower can use the facilities of the hotel, due to the integration between the two properties.
3. Work on developing the restaurant and the main lobby area in Riyadh Marriott Hotel has been completed. At present work is going on to refurbish guest rooms, corridors, and halls to keep up with the competition.
4. The designs of a new hotel which is to be established inside the Diplomatic Quarter is about to be finished to get final approval from High Commission for the Development of Riyadh.
5. Al Jazeerah Residential Compound is fully rented. The

compound is located in Al Ma'zar district of Riyadh City. The total area of the land is <13,309> m2. The compound consists of <73> housing units spread over different areas, health club and building for management, the total annual rent value is SR <11> million.

6. At present the study of the contractors offers is in progress to give the final touches to the second phase of Al Mostaqbal Homes. The project is owned by the company it is located in the DQ and consists of <35> up market villas.
7. The construction works for the third phase of Al Mostaqbal Homes has been assigned to a contractor to build <125> accommodation units in different areas. These housing units will meet the needs of those who are looking for housing in a distinguished district which provide first class facilities. The project is planned to be constructed on the land rented from the Higher Commission for the development of Riyadh.
8. Follow up with Riyadh Municipality is continued to get the necessary approval for final designs and to obtain building permits for the project allocated as housing for the staff of the new hotels. The land is owned by the company which is located in the west of Riyadh with a total area of <12,040> m2.
9. Design for developing the land owned by the company is progressing in Al Nasriyah District, Riyadh. The total area of land is <9,025> m2.
10. Follow up continues vigorously with the consultant to complete the design for developing the land which is located in Al-Hadah District south of Courtyard Marriott Hotel, Riyadh City. The total area of the land is <19,887> m2.
11. The company continues to renovate some of its properties to compete with new competitors in the hospitality, real estate and tourism market. This rehabilitation includes Makarim Tabuk Hotel, some of the public areas in Makarim Annakheel village and to build new shops in Al Takhassusi Plaza Centre.

## THIRD . INVESTMENTS

1. In 2011 the company has bought (4) new pieces of land on Riyadh-Jeddah Highway, with a total area of (10,338) m2. In addition to one other piece with a total area of (49,680) m2, located in Al Aarid District, Riyadh City on Olaya Road. The company is studying investment on these lands.
2. The building on Olaya street Riyadh, was sold and the sales value was added to the first quarter financial statement of 2011.
3. At present, the review of company's strategies related to development work plan is going on aiming towards expansion of business by utilizing the available opportunities in the market simultaneously.
4. Up to date Sharaco has invested in (7) limited liability companies which are established in the kingdom, in fields of hospitality, real estates, recreation and tourism. The companies are as follows:

Company Name	Main Activity	Capital SR	Property Name	%Sharaco Share	Total Revenue 2011	Location of Establishment
Makkah Hotels Co. Ltd.	Hotel	165,600,000	Makarim Ajjad Makkah Hotel	99.44	68,958,793	Saudia
Annakheel Resorts Areas Co.	Hotel-Tourism-Real Estates	59,250,000	Makarim Annakheel Resort	98.73	25,514,969	Saudia
Tabuk Hotels Co. Ltd.	Hotels	27,300,000	Makarim Tabuk Hotel	97.14	11,263,435	Saudia
Al Madinah Hotels Co. Ltd.	Hotels – Real Estates	25,000,000	-	50	4,392,168	Saudia
Saudi Hotels Services Co.	Hotels	100,000,000	Riyadh Palace Hotel	30	Final Report awaited.	Saudia
National Co. For Tourism	Hotels-Tourism-Real Estates	422,000,000	A number of Tourism Properties in Assir Province	1.65	Final Report awaited.	Saudia
Information Co. For Marketing Services <Under Liquidation>	Marketing-Public Relations	2,000,000	-	25	Under liquidation	Saudia

Bearing in mind that there are no debt's notifications against these companies.



#### FOURTH . MANAGEMENT & OPERATION

The company aims at growth in management and operation through the following:

1. Makarim Hospitality Group for operating hotels, resorts & compounds. The Group is operating (10) properties:

Property	Location	Owner	Details
Makarim Ajjad Makkah Hotel	Makkah	Makkah Hotels Co. Sharaco owned 99.44% of its capital.	A 5 star luxurious hotel located near the Holy Mosque it comprises of <409> rooms, restaurants, function and conference rooms.
Makarim Al-Riyadh Hotel	Riyadh	General Civil Aviation	Located near KKIA, it has <248> rooms, wing, restaurants, conference rooms, Ballroom for <400> persons, business centre, health club and different sports playgrounds.
Makarim Tabuk Hotel	Tabuk	Tabuk Hotels Co. Sharaco owned 97.19% of its share capital	Located on Al Madinah Al Munawwarah / Tabuk Road. It is the biggest hotel in Tabuk. It comprises of <80> rooms, restaurant and a conference room.
Makarim Umm Al Qura Hotel	Makkah	Assilah Company for investment.	Located on Ajjad Road and it consists of <336> rooms, <24> floors, restaurants, conference rooms and shops.
Makarim Al Bait Hotel	Makkah	Assilah Company For investment.	Located <3> KM away from the Holy Mosque in the Alshashah District, it consists of <216> rooms,<19> floors, restaurants, conference rooms and shops.
Makarim Mina Hotel	Makkah	Mr. Mohammed I. Al Ghamdi.	Located in Al Aziziah district, it consists of <272> rooms,<22> floors, restaurants, conference rooms and shops preparations are going on to start operation room.
Makarim Annakheel Resort	Jeddah	Annakheel Resorts Area Co. Sharaco owned 98.73% of its share capital.	Located in North Obhur, it consists of <112> luxurious villas, <12> hotel villas, a hotel of <50> rooms, conference rooms, restaurants, health club for men and another for ladies and sea harbor for sea sports activities.
Makarim Al Qamar Resort	Jeddah	Mr. Abdulrahman Al Othman Co.	Located on Obhur North, it consists of <47> villas with <2> bedrooms and <6> villas with <3> bedrooms and a special swimming pool.
Makarim Residence Al Andalus	Jeddah	Assilah Company for investment	Consists of <30> furnished villas, business services, sports and recreation facilities.
Makarim Residence Al-Rawadah	Jeddah	Assilah Company for investment.	Consists of <28> villas with different management, Car Park, Management building, support services and health club.

## <2> Al Jazeera Group

The properties which are operated by Al Jazeera Group are <9> listed as follows:

### <A> Real Estates Properties

Property	Location	Owner	Details
Al Mostaqbal Homes	Riyadh	Sharaco	Located in the Diplomatic Quarter, it consists of <150> housing units with different management. These were designed on upmarket specifications to meet the needs of upscale market.
Al Jazeera Residential Compound <Al Ma'zar>	Riyadh	Sharaco	Located in Al-Mazar District, it consists of <73> villas with different areas, health club and administrative offices.
Al Jazeera Bader Compound	Riyadh	Assilah Company for investment.	Located in Al Ryanah District and it consists of <40> well furnished villas.
Al Jazeera East Compound	Riyadh	Sharaco	Located in the east of Riyadh City, it consists of <19> villas and <59> rooms for bachelors in two separate buildings. There is a health club, swimming pool for men / kids and play area for kids.
Al Jazeera Compound	Al Madinah	Ministry for Islamic Affairs, Endowment, Dawa & Guidance	Located in the central area; around the Prophet Mosque on the first ring, it consists of <201> shops on 3 floors, the residential tower is of <10> floors with <72> apartments.
Al Dawoodiah Compound	Al Madinah	Ministry for Islamic Affairs, Endowment, Dawa & Guidance	Located in the central area of the Prophet Mosque and it consists of commercial Market including <97> offices and a set of shops.
Al Takhassusi Plaza Compound	Riyadh	Sharaco	Located on the junction of Makkah and Al Takhassusi Road, It is a commercial centre including Hyper Market <62> shops and <9> offices.

### <B> Recreational Properties

Al Rawdah Recreation Park	Riyadh	Sharaco	Located in Al Rawdah district in a total area of <70,000> m2. In the park there are variety of rides suitable for all ages, besides that there is multipurpose hall.
Al Watan Park	Riyadh	Sharaco	Located in the city centre inside King Abdul Aziz Historical Centre. The Park has replica of the Kingdom, which shows the main cities of the kingdom. Inside the park there is Ar-Riyadh water tower, Rides Cabanas with heritage designs lakes and a group of fast food restaurants.

In addition to that Sharaco is supervising the operation of Riyadh Marriott Hotel, Marriott Courtyard Hotel and Marriott Executive Apartment which are owned by the company, and managed / operated by the Marriott International Corporation.

## FIFTH . FINANCIAL RESULTS

- On 31 / 12 / 2011 the total amount of the Shareholder's equity is SR <1,706,570,277> and on the same date the book value of the share is SR <24.7> with an increase of SR <14.7> over the par value and a percentage of <147%>. Whereas the value of the total assets is SR <1,961,671,605>.
- The consolidated income statement for the fiscal year ending 31 / 12 / 2011 shows that the total revenues are SR <379,440,452>, whereas the total expenditure is SR <220,251,101>, therefore, the net income for the year after deducting Zakat and minority's interest, is SR <153,368,477>, compared

with SR <122,738,039> with a increase of SR <30,630,438>, representing <25%> more than the last year <2010>. Bearing in mind the company's net profit resulted from the main activities improved in the year 2011 with an amount of SR <26,938,691> recording <21.6%> more than the year 2010. This increase is due to improvement of operation in all properties, beginning the operation of The Al Ma'zar compound and the sale of the building on Al Olaya Road which realized net profit of SR <6> millions. The following table shows the change in income of the year 2011 compared to last year.

Details	2011	2010	The Change <+> <->	% of Change
Operating Revenue	371,954,936	281,034,970	90,919,966	32
Operating Expenses	198,433,120	135,384,213	63,048,907	46
Gross Operating Profit	173,521,816	145,650,757	27,871,059	19
Fixed Assets Depreciation	21,817,981	20,885,613	932,368	4
Net Operating Profit	151,703,835	124,765,144	26,938,691	22
Other Revenue	737,076	4,235,765	<3,498,689>	<82>
Unrealized Gain	6,748,440	0	6,748,440	100
Net Profit before Zakat and Minority Interest	159,189,351	129,000,909	30,188,442	23
Zakat of associated companies	2,478,013	2,223,845	254,168	11
Minority interest in associated companies profit	545,361	1,572,460	<1,027,099>	<65>
Net Profit before Zakat	156,165,977	125,204,604	30,961,373	25
Levied Zakat	2,797,500	2,466,565	330,935	13
Net profit after levied zakat	153,368,477	122,738,039	30,630,438	25





3. Based on the previous discussion in the General Assembly Meeting that related to reserves in the financial statements and study of possible alternatives of the utilization of the reserves to serve the common interest of the shareholders. Based on that Capital Market Authority on 13 / 9 / 2011 has approved the recommendations of the board of Directors of Sharaco the share capital to be increased from SR <690,060,970> to SR <1,000,000,000> by issuing <30,993,903> shares at the total value of SR <309,939,030>, thru granting a free share for <2.23> share owned by the shareholders who are registered in the record of the shareholders at the end of Tadawal on the date of Extraordinary General Assembly. The above value in the share capital will be paid from the retained earnings and the contractual reserve.
4. In accordance with the clause <42> of the Article of Association, a <10%> provision from the net profit to from a statutory Reserve, the Ordinary General Assembly may discontinue this provision when this statutory reserve reached one-half of the share capital. As the balance of the statutory reserve after provision of <10%> of the year 2011 profit amounting SR <373,167,542> it is suggested to raise the Statutory Reserve to become SR <500,000,000> which makes <50%> of the company, a new share capital after the increase made by additional balance from the year's profit after the distribution amounting to SR <32,442,733> and transfer SR <94,389,725> from the Contractual Reserve.
5. Therefore the proposed appropriation account of the year 2011 will be as follows:

Details	Amount <SR>
Net Profit for the year <after levied Zakat>	153,368,477
Less:	
The Statutory Reserve <10%>	<15,616,598>
Dividend's <1st payment> as <5%> of the share capital	<34,503,049>
<b>Remainder for the year &lt;net income&gt;</b>	<b>103,248,830</b>
Less:	
Board of Director's Remuneration	<1,800,000>
Dividends' <2nd payment> as <10%> of the share capital on 31/2011/12/	<69,006,097>
<b>Balance to be added to the retained earnings</b>	<b>32,442,733</b>





6. The following table shows the summary of the financial results for the last five years:

<A> Income Statement

Details	2007	2008	2009	2010	2011
Operating Revenue	263,954,243	293,882,510	733,262,808	281,034,970	371,954,936
Operating Expenses	141,713,279	152,670,474	326,644,606	135,384,213	198,433,120
Gross Operating Profit	122,240,964	141,212,036	406,618,202	145,650,757	173,521,816
Depreciation	20,333,334	22,447,684	20,957,628	20,885,613	21,817,981
Net Operating Profit	101,907,630	118,764,352	385,660,574	124,765,144	151,703,835
Unrealized <loss> gain	30,102,597	0	0	0	6,748,440
Other revenues	8,948,955	11,316,792	6,935,345	4,235,765	737,076
Net Profit before Zakat and Minority Interest	140,959,182	130,081,144	392,595,919	129,000,909	159,189,351
Zakat of associated companies	8,739,425	2,870,173	2,472,448	2,223,845	2,478,013
Net profit after Zakat of associated companies	132,219,757	127,210,971	390,123,471	126,777,064	156,711,338
Minority interest in associated companies profit	53,931,161	373,463	102,518	1,572,460	545,361
Net Profit before Zakat	78,288,596	126,837,508	390,020,953	125,204,604	156,165,977
Levied Zakat for the year	636,602	3,817,213	9,453,799	2,466,565	2,797,500
Net profit for the year after levied zakat	77,651,994	123,020,295	380,567,154	122,738,039	153,368,477

<B> Balance Sheet



Details	2007	2008	2009	2010	2011
Total Current Assets	425,484,438	663,803,417	435,505,119	246,309,239	235,206,127
Total Fixed Assets	90,956,195	254,393,268	276,798,257	464,361,206	456,655,231
Net Fixed Assets	1,018,231,917	1,034,326,398	1,126,635,130	1,175,607,788	1,269,810,247
Total Assets	1,534,672,550	1,952,523,083	1,838,938,506	1,886,278,233	1,961,671,605
Total Current Liabilities	109,603,841	522,711,485	135,376,215	144,006,032	179,928,342
Total non current liabilities	69,725,702	68,351,350	63,490,647	60,903,621	57,722,664
Minority interest in associated companies	535,210,948	13,378,672	15,415,143	18,450,387	17,450,322
Total shareholder's equity	820,132,059	1,348,081,576	1,624,656,501	1,662,918,193	1,706,570,277

It's worth mentioning that as result of getting Makarim Riyadh Hotel on lease effective the beginning of 2011, the financial statements of the Hotel are amalgamated in Sharaco's accounts for the year 2011.

**8%**  
Increase of occupancy  
in Makarim Group

## SIXTH . BOARD OF DIRECTORS

1. The company has never entered into any contracts in which there was business interest of some of the Board Members or the Chief Executive Officer or Finance Manager or any concerned person, except the contracts for <10> years, those for management & operation of Makarim Residence <Al Andalus>, Makarim Umm Al Qura Hotel, Makarim Al Bait Hotel and Makarim Residence Al Rawadah and Al Jazeerah Bader Compound which is owned by Assilah Company for investment. Assilah's management includes Eng. Abdullah M. Al Issa and Bader A. Al

Issa who are members of the Board of Sharaco. It is worth mentioning that these are Operation and Management contracts. Accordingly Sharaco is operating these properties in return of a limited percentage from the gross income from the gross operating profit from each property. Sharaco has received a total amount of SR <4,096,750> during the year 2011 as fees against its operation and management.

2. The Board of Directors is composed of <9> members as follows:

Name	Membership Class	No. of Shares in Sharaco	% of Acquisition in the year beginning	% of Acquisition in the year end	Membership in other Boards
H.E. Mussad M. Al Senany	Non Executive	1,000	0,001	0,001	Al-Bilad Bank
Dr. Saleh Ali Al Hazloul	Independent Member	1,000	0,001	0,001	-
Mr. Missfer Ali Al Hamdan <Representative of the Public Pension Fund>	Independent Member	1,202,925	1,7	1,7	Saudi Pharmaceutical Industries & Medical Appliances
Eng. Abdul Aziz S. Al Anbar	Executive Member	50,000	0,07	0,07	Safco Cement Co.
Mr. Ali Ibrahim Al Ajlan <Representative of Public Investment Fund>	Non Executive Member	11,474,650	16,6	16,6	-
Eng. Abdullah M. Al Issa	Non Executive Member	1,000	0,001	0,001	1- Al Riyadh Bank 2- Arab Cement Co 3- Sabc Co
Mr. Nasser M. Al Sebaiei	Independent Member	1,095	0,003	0,001	Al Bilad Bank
Mr. Abdullah M. Al-Abdul Jabbar <Representative of the General Organization for Social Insurance>	Non Executive Member	4,513,407	6,5	6,5	-
Mr. Bader A. Al Issa	Non Executive Member	1,025	0,001	0,001	Safola Group

3. No shares are owned by the Board members spouses or their minor children and no shares are owned by any person or authority that is related to the Board members or their spouses or their minor children.
4. Neither Senior Executives working in the company nor their spouses nor their minor children own any shares in the company, except that mentioned above. Besides that no interest, or share issue in the share category which have the right to vote belongs to the Board members, senior executives or their spouses or their minor children in the shares or debts notification for Sharaco or any of its sister company.
5. As both members Mohammed I. Al Issa Company & sons and Abdullah Mohammed Al Issa & Sons Company are among the shareholders of Sharaco and as per the instructions of the Capital Market Authority, it is important to draw attention that Eng. Abdullah M. Al Issa <Board Member> has an interest in Mohammed I. Al Issa Co. & Sons, whereas both Eng. Abdullah M. Al Issa and Mr. Bader Abdullah <Board Members> also have interest in Abdullah M. Al Issa & Sons company.

The following statement shows the change in the shares' acquisition related to these organizations during the year 2011:

Name	Number of Shares in the year beginning	Number of Shares in the year end	The Net Change	%
Mohammed I. Al Issa Co. & Sons	3,159,030	3,159,030	No Change	No Change
Abdullah M. Al Issa Co. & Sons	20,000	20,000	No change	No Change

6. In the year 2011 the Board of Directors has held <4> meetings the attendance of the Board's members is shown as follows:

Name	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	Total	% Attendance
H.E. MUSAAD M. AL-SENANY	√	√	√	√	4	100%
Dr. Saleh Ali Al-Hazloul	√	√	√	√	4	100%
Mr. Missfer Ali Al- Hamdan <Representative of the Public Pension Fund>	√	√	√	√	4	100%
Eng. Abdulaziz S. Al-Anbar	√	√	√	√	4	100%
Mr. Ali Ibrahim Al Ajlan <Representative of the Public Investment Fund>	√	√	√	x	3	75%
Eng. Abdullah M. AL-Issa	√	√	√	√	4	100%
Mr. Nasser M. Al-Sebaiei	√	√	√	√	4	100%
Mr. Abdullah M. Al-Abdul-Jabbar <Representative of the General Organization for Social Insurance>	√	√	√	√	4	100%
Mr. Bader A. AL-Issa	√	√	√	√	4	100%

## SEVENTH . The Committee's Emanated from the Board

### 7 . Remunerations and Compensations

The following table shows the remunerations and compensations paid during the year 2011 to the Members of the Board of Directors and five senior executives in the company including the Chief Executive Officer and the Financial Manager as listed below:

Details	Executive Board Members	Non Executive Board Members & Independent	Senior Executives
Salaries & Compensations	1,440,00	360,000	2,381,000
Allowances	591,000	192,000	833,350
Remuneration	680,000	1,600,000	576,000
Total	2,711,000	2,152,000	3,790,350

### <A> Auditing Committee:

The General Assembly has approved certain disciplines to select the Auditing Committee Members. The duration of membership and appraisal of their performance. During the year the Auditing Committee has held <5> meetings and submitted its reports to the Board of Directors. The Committee is composed of the following:

Name	Position	No. of Attendance
Mr. Missfer A. Al-Hamdan	Chairman	5
Mr. Bader A. Al-Issa	Member	5
Mr. Mohammed H. Al-Jedabi	Member	3
Mr. Ibrahim S. Al-Riwais	Member	5

The function of the Auditing Committee is to summarize and supervise the Internal Auditing Department of the company, and study its system to make it effective and to study the reports of internal audit and follow up to carry out the corrective procedures for the remarks reported. In addition to recommend to the Board, the appointment of External Auditors and determine their Audit Fees. Study the remarks of the financial statement which are prepared by the External Auditors and to follow it up, study of annual and quarterly financial statements and to report any observations and any recommendations about it. The committee is also studies the Accounting policies which are implemented in the company and submit observations to the Board of Directors.

### <B> Committee of Nomination and Remuneration:

The General Assembly approved the formation of the Nomination & Remuneration Committee according to the bylaws of Corporate Governance. During the year 2011 the committee of nomination and remuneration has held <2> meetings. This committee is composed of:



## EIGHTH . THE COMPANY MANAGEMENT

As Eng. Abdul Aziz Al Anbar the Chief Executive Office has tendered his resignation voluntarily. Dr. Bader Hmoud Al Bader is appointed in the position of Chief Executive Officer of the Company effective 1 / 1 / 2012 On this occasion the Board of Directors expressed their thanks to Eng. Abdulaziz S. Al-Anbar for his distinguished efforts exerted during his tenure as company's Chief Executive. His efforts led to the development of company's business and its resources. The Board wishes Eng. Abulaziz S. Al-Anbar continuous progress and success. In the same time, the Board wishes the new CEO Dr. Bader success and progress in his new position and to become a good successor to his predecessor.

## NINTH . SENIOR SHAREHOLDERS

The following table shows the senior shareholders who owned 5% and more out of the share capital of the company which remains the same without changes during the year :

Name	Owned Shares On 31 / 12 / 2011	Ownership %
Mr. Mohammed I. Al-Issa	15,460,561	22.4
Public Investment Fund	11,474,650	16.6
General Organization for Social Insurance	4,513,407	6.5

Regarding the notifications related to the changing percentage of the increase and decrease in ownership of senior shareholders as mentioned in the Article <30> of the recording principles. The company confirms that there are no notifications from the senior shareholders that there is no change in the ownership during the year 2011. The company depends on the statements issued by the records of the Saudi Capital Market <Tadawal>.

Name	Position	No. of Attendance
H.E. MUSAAD M. AL-SENANY	Chairman	2
Dr. Saleh Ali Al-Hazloul	Member	2
Mr. Abdullah M. Abdul Jabbar	Member	2

The tasks of the Nomination and Remuneration Committee is summarized in the recommendation of nomination of the new member of the Board. The standard and annual audit requires special skills for the Board members, and the annual verification of the independent members continue that no conflict of interest exists. And to review the structure of the Board, and highlight the strong and weak areas. In addition to that the committee will devise policies for the compensations and remunerations of the Board members and senior Executives.

### <C> Executive Committee

In the year 2011 the executive committee held one meeting which was attended by its members and discussed the subject related to Company's projects. It's recommendations were submitted to the Board of Directors. The committee is composed of <4> members listed below:

1. H.E. MUSAAD M. AL-SENANY	Chairman
2. Mr. Ali Ibrahim Al-Ajlan	Member
3. Eng. Abulaziz S. Al-Anbar	Member
4. Eng. Abdullah M. Al-Issa	Member

The task of Executive Committee is summarized as follows:

1. To look into and export the urgent matters to the Board.
2. To approve buying & selling of real estates within certain limits.
3. To approve the designs of new projects and owned building contracts.
4. To study any amendments in the Company's bylaws and submit recommendations about these amendments to the Board for approval.
5. Any other issues assigned by the Board.

**TENTH . LOANS**

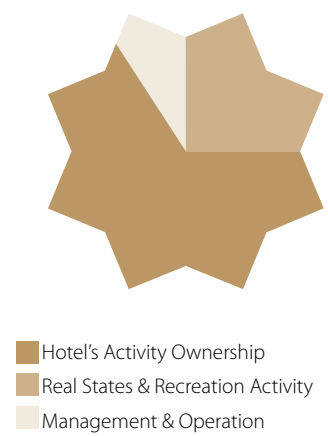
The company has obtained <2> loans from the Ministry of Finance to contribute in financing on some of the recreation and tourism properties which are established by the company. These loans are as follows :

The Loan	Development of Annakheel Village	Development of Al Watan Park
Loan Date	21 / 12 / 1419 H	25 / 11 / 1430 H
Loan Duration	20 Years	10 years
Loan Amount	50,000,000	30,000,000
Due Date	21 / 12 / 1438 H	25 / 11 / 1440 H
Amount Paid	35,000,000	5,000,000
Balance	15,000,000	25,000,000

**ELEVENTH: THE MAIN ACTIVITIES OF THE COMPANY**

In the year 2011, the main activities of the company efficiently contributed in improving the company's results compared with the year 2010. The following table shows the percentage of the contribution of each activity in the total revenue of the company.

Details	% to the Total revenues in 2011
Hotel's Activity Ownership	67%
Real States & Recreation Activity	25%
Management & Operation	8%

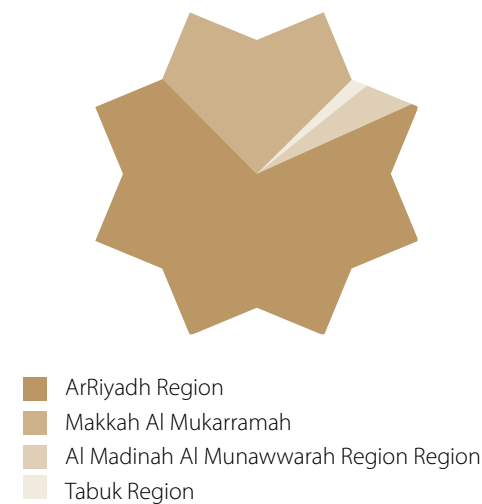


**TWELFTH . STATUTORY DUE PAYMENTS**

In the year 2011 the Zakat amount of SR <5,277,904> is due from Sharaco and its Sister companies, whereas there is an amount of SR <336,302> as dues payable to the General Organization for Social Insurance as regular contribution of the staff of the Sharaco and its properties. Besides that the company is paying the annual fees payable to the Government Department like Passports and immigration, Traffic, Commercial Registration Fees and the subscriptions of the Chamber of Commerce.

**THIRTEENTH . GEOGRAPHICAL ANALYSIS OF THE INCOME**

All the company's revenues are realized inside the Kingdom, the revenues are as follows:



Details	Amount <SR>	Percentage
ArRiyadh Region	263,164,488	71%
Makkah Al Mukarramah Region	94,321,622	25%
Al Madinah Al Munawwarah Region	4,338,110	1%
Tabuk Region	11,242,794	3%
<b>Total</b>	<b>373,067,004</b>	<b>100%</b>

The company has no branches or properties outside the kingdom.

**FOURTEENTH . DIVIDEND POLICY**

A- In accordance with the Article <42> of the Article of Association, the net profit will be distributed as follows:

1. Provision of the Levied Zakat.
  2. 10% of the net profit to be allocated to form statutory reserve. The Ordinary General Assembly may discontinue this provision when the statutory reserve reached one-half of the share capital.
  3. Also 5% of the net profits to form contractual reserve allocated to meet maintenance works, and other purposes determined by the Board of Directors and it may be discontinued when that reserve reached one-tenth of the share capital.
  4. From the balance, equivalent to 5% of the share capital to be distributed among the shareholders as <1st payment> dividend.
  5. Provision of a percentage from the balance to be allocated as remuneration for the Board of Directors within the limits approved by the concern authority. The balance to be distributed partially or fully among the shareholders as additional amount in the profits, or to be carried forward for the succeeding years.
- B- In view of that the company is adhered to response to the shareholder's expectations to realize the best returns to them specially in the light of the expansion, and the continuous growth in the company's activities. The Board of Directors has decided to distribute dividends among the shareholders for the first half of the year 2011 amounting <50 hallah> for the share. As the proposed appropriation account includes a recommendation to distribute dividends for the year 2011 an amount of SR <103,509,146> at the rate of <15%> from the share capital as on 31 / 12 / 2011 , and to deduct the dividends that the Board decided to distribute for the first half. The balance from the dividend amounting SR <69,006,097> based on the shares of the new Capital after the increase after approval of General Assembly.

**FIFTEENTH . CORPORATE GOVERNANCE**

- A- The company is adhered to implement the Corporate Governance by-laws issued by the Capital Market Authority, except the use of accumulative voting method in selecting the members of the Board of Directors until it is approved by the General Assembly.
- B- The company has received from the Ministry of Commerce a Circular No.222/2929 dated 1/3/1433H., in which the Ministry requested the implementation of the accumulative voting method to select the Board members which included in the bylaws of the Corporate Governance issued by the Capital Market Authority in conformity with the decree of the Authority No. 1 / 212 / 2006 dated 21 / 10 / 1427H., corresponding to 12 / 11 / 2006. However this will require the approval of the General Assembly to amend the Clause No. 33 of the Company's Article of Association to implement these instructions.

**SIXTEENTH . POTENTIAL RISK**

- The Company's diversified fields in the sector of the hotel, tourism and real estate in the kingdom of Saudi Arabia enable the company to enhance its chances for further success. Expectations indicate there are that chances of growth in the hotels and real estates in the kingdom and this is what the company undertaking to expand after conducting the necessary studies. The diversity of the company's activities and the geographical distribution of the investments inside the kingdom will limit any big fluctuation in the revenues of these investments.
- There are potential risks that the company faces as there are possibilities that the hotels of the company in Riyadh and Makkah Al Makarrama will be effected negatively by the reduction in the percentage of the occupancy, especially when the new hotel projects are completed in these two cities. However the risks may be reduced by the increasing number of Umrah and Pilgrimage guests. In addition to that the distinguished locations, equipments and furnishings of Sharaco's hotel in Riyadh. Beside the nature of the company's investment is taking long time between the initial concept of establishing a project and its execution and achieving the returns of the project. During that long period the market's characteristics may change.



## SEVENTEENTH . DISCLOSURES

### The Board of Directors has confirmed the following:

1. The financial statement has been prepared correctly in accordance with the recognized accounting standards and in accordance with the company's circumstances in conformity with the company's regulations and the company Articles of Association and the standards issued by the Saudi Organization for Certified Public Accountants. Except the valuation of the investments of Sharaco in the Saudi Hotels Services Co. Ltd. by voting of ownership right for the year 2010. Its financial statements are not yet prepared. Also the valuation of Sharaco's investment in Information Co. for Marketing Services is not yet done as it is under liquidation.
2. The internal monitoring system has been prepared on sound principles, which is effectively implemented, and there is no reasonable doubt regarding the company's capability to carry out its activities. Besides that there is an Internal Auditing Department in the company to ascertain that the control systems are suitably implemented and determine the general idea of the risks that encounter the company and present it with transparency, beside performing the auditing works of all the revenues and the expenditures on regular basis, and be acquainted with all the documents and transactions and finally submitted its reports periodically to the chairman of the board. During the year the Internal Auditing Department has submitted reports about the department's performance and recommendations from which it appears that there is no material observations that call for corrective procedures and all the observations are followed and avoided.
3. The company has never been subject to any penalty or precaution restrain from the Capital Market Authority or form any other Authority whether it is administrative organizational or judicial.
4. There are no doubts that the company is capable to carry out its business activities.
5. The members of the Board of Directors do not possess any share in the sister companies.
6. The company does not grant any kind of cash loan to any member of the Board and does not guarantee any loan contracted by any member of the Board.
7. There is no debt's documents that can be transferred into shares any option rights or recording right notes similar rights issued by the company during the year, plus there is no interest option rights or recording rights belong to the members of the Board, Senior Executives or their spouses and minor sons in the shares of the debt document for the company or any of its sister companies.
8. There is no transfer rights record according to the debt documents that can be transferred into Sharaco's option rights recording rights similar rights that issued by the company.
9. There is no recovery of purchasing, cancellation from the company for any debt documents that can be recovered.
10. There is no agreement contract or abandon with any of shareholders, member of the Board or the Executives in the company that one of them abandon from profits, salaries or compensations.

## EIGHTEENTH : RECOMMENDATIONS

Finally, and after the review of the report, the Board of Directors suggests the following:

1. Approval of the Board of Directors Report.
2. Approval of the Financial Statement for the Fiscal Year 2011.
3. Approval of the Board's suggestion related to the appropriation accounts of the year 2011, amounting SR <1.5> for the share which is equivalent to <15%> of the share capital as on 31 / 12 / 2011 as the total profit suggested to be distributed for the year is SR <103,509,146>. Bearing in mind that an amount of SR <34,503,049> was paid as <50> Halala for share as dividends for the first half of the year 2011. The balance which amounts to SR <69,006,097> will be distributed at the rate of <69> Halala for each share based on the new share capital after the increase as dividends for the first half of the year 2011. The ownership of the dividends will be for the shareholders those recorded in Tadawul Records at the end of Tadawul on the date of the General Assembly, the distribution of dividends will be within one month from the date of General Assembly meeting.
4. Approval to raise the balance of the statutory reserve to become SR <500,000,000> as 50% of the Company's new share capital after the increase resulting from the adding of the balance from the year's profits after the distributions which amount of SR <32,442,733> and transfer an amount of SR <94,389,725> from the contractual reserve.
5. Approval of the renewal of the contracts related to the operation & management of Makarim Residence Compound, <Al Andalus>, Makarim Umm Al Qura Hotel, Makarim Al Bait Hotel and Makrim Residence Compound <Al Rawadah> and Al Jazeerah Bader Compound which are owned by Asseelah company for Investment for one year effective the date of General Assembly meeting.

6. Approval of the method of accumulative voting to select the members of the Board of Directors for next tenure and amend the clause No. <33> of the company's article of Association to be read as follows: The votes in the ordinary and extraordinary General Assemblies are counted as one vote for each <20> shares and in spite of this the Board has no right to vote in the General Assembly decisions that relates to the exemption of their liabilities, beside the following of accumulative voting in selecting the Board of Director's Members in the General Assembly.
7. Approval of the selection of the External Auditors from the candidates that recommended by the Auditing Committee, for auditing the financial statements of the fiscal year 2011 and the quarterly financial statements and to determine their audit fees.

**By the grace of Allah, we wish the company continuous progress and success.**

## REPORT OF INDEPENDENT ACCOUNTANTS

January 19, 2012

### To The Shareholders Saudi Hotels and Resorts Company

We have audited the accompanying consolidated balance sheet of the Saudi Hotels and Resorts Company <"the Company"> and its subsidiaries companies as of December 31, 2011 and the related consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the year then ended, including the accompanying Notes from <1> to <16> which represent an integral part of these financial statements. The accompanying financial statements are prepared in accordance with Article 123 of the regulations for Saudi Companies and the Company's articles of association. These financial statements, the underlying records of which are maintained in Arabic and in the Kingdom, are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

### In our opinion, the financial statements :

- Present fairly, in all material respects, the consolidated financial position of Saudi Hotels and Resorts company as of December 31, 2011 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year That ended in conformity with generally, accepted accounting standards in Saudi Arabia and appropriate to circumstance of the company.
- Comply with regulations of companies and the company's articles of association regarding the preparation and presentation of the financial statements.

The automated accounting records maintained by the company, comply with its financial statements.

Sulaiman A. Al-Kharashi  
C.A License No.91



CONSOLIDATED  
BALANCE SHEET

	NOTE	DECEMBER 31	
		2011 <SR>	2010 <SR>
<b>Current Assets</b>			
Cash		47,534,863	38,460,243
Short term investments	3	108,644,547	137,699,884
Accounts receivable, net	4	44,607,523	31,194,920
Inventories	5	18,972,645	15,261,608
Prepaid expenses and other current assets	6	15,446,549	23,692,584
<b>Total current assets</b>		<b>235,206,127</b>	<b>246,309,239</b>
Long term investments	7	145,344,429	182,051,634
Fixed assets, net	8	1,269,810,247	1,175,607,788
Projects under study and in progress		309,866,065	281,845,209
Deferred expenses		1,444,737	464,363
<b>Total assets</b>		<b>1,961,671,605</b>	<b>1,886,278,233</b>

CONSOLIDATED  
BALANCE SHEET <continue>

Liabilities & shareholders' Equity	NOTE	DECEMBER 31	
		2011 <SR>	2010 <SR>
<b>Current Liabilities :</b>			
Current portion of loans	9	14,642,857	12,357,143
Accounts payable		32,582,026	24,685,497
Dividends payables		41,482,075	36,643,963
Accrued expenses and other current liabilities	10	91,221,384	70,319,429
<b>Total current liabilities</b>		<b>179,928,342</b>	<b>144,006,032</b>
Long term loans	9	25,357,143	32,142,857
End of service indemnity	2	32,365,521	28,760,764
Minority interest in subsidiaries companies		17,450,322	18,450,387
<b>Total liabilities</b>		<b>255,101,328</b>	<b>223,360,040</b>
<b>Shareholders' Equity :</b>			
Share capital	1	690,060,970	690,060,970
Statutory reserve		357,550,945	345,030,485
Contractual reserve		408,443,096	408,493,096
Retained earnings		257,871,100	222,725,789
Unrealized <loss> gain on investment		<7,355,834>	<3,392,147>
<b>Total shareholders' equity</b>		<b>1,706,570,277</b>	<b>1,662,918,193</b>
<b>Total Liabilities and shareholders' equity</b>		<b>1,961,671,605</b>	<b>1,886,278,233</b>

The accompanying notes are an integral part of these financial statements.



## CONSOLIDATED INCOME STATEMENT

	NOTE	FOR THE YEAR ENDED DECEMBER 31	
		2011	2010
		<SR>	<SR>
Operating revenues	11	371,954,936	281,034,970
Operating expenses	12	<198,433,120>	<135,384,213>
<b>Gross Operating Profit</b>		<b>173,521,816</b>	<b>145,650,757</b>
Depreciation		<21,817,981>	<20,885,613>
Net operating profit		151,703,835	124,765,144
Other revenues	13	737,076	4,235,765
Unrealized gain on investment		6,748,440	-
Net profit before Zakat and minority interest		159,189,351	129,000,909
Zakat of associated companies	14	<2,478,013>	<2,223,845>
Net profit after Zakat of subsidiaries companies		156,711,338	126,777,064
Minority interest in subsidiaries companies		<545,361>	<1,572,460>
Net profit before Zakat		156,165,977	125,204,604
Zakat for the year	14	<2,797,500>	<2,466,565>
<b>Net profit of the year</b>		<b>153,368,477</b>	<b>122,738,039</b>
Earning per share from main activities		2,20	1,81
Earning per share from other activities		0,11	0,06
Earning per share		2,22	1,78



The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	FOR THE YEAR ENDED DECEMBER 31		FOR THE YEAR ENDED DECEMBER 31		
	2011	2010	2011	2010	
	<SR>	<SR>	<SR>	<SR>	
<b>Net Income</b>	<b>156,165,977</b>	<b>125,204,604</b>	<increase> in deferred expenses	<1,128,869>	<94,398>
<b>Adjustments To Reconcile Net Income To Net Cash Provided From &lt;Used In&gt; Operating Activities:</b>			Decrease in investments	68,547,294	146,664,287
Depreciation	21,817,981	20,885,613	<Increase> in project under study and in progress	<28,020,856>	<107,867,581>
Amortization of deferred expenses	148,495	148,495	Net cash <used in> investing activities	<76,622,871>	31,155,963>
End of service provision	9,464,187	5,216,098	<b>Cash Flows From Financing Activities</b>		
Unrealized gain on investment	<6,748,440>	-	Loans paid during the year	<4,500,000>	<5,500,000>
<increase> in accounts receivable	<13,412,602>	<2,152,863>	Dividends	<105,258,185>	<98,302,234>
<increase> in inventories	<3,711,037>	<304,285>	Previous years adjustments	<444,521>	<84,434>
Decrease <Increase> in prepaid expenses and other current assets	8,246,035	<14,929,643>	Used from reserves	<50,000>	-
Increase in accounts payable	7,896,529	1,427,280	Changes in minority interest	<1,000,065>	3,035,244
Increase in dividends payables	4,838,112	6,777,493	Net cash <used in> financing activities	<111,252,771>	<100,851,424>
Increase in accrued expenses and other current liabilities	21,842,725	7,502,241	Net increase in cash	9,074,620	5,920,760
Zakat paid	<3,738,270>	<10,829,477>	Cash at beginning of the year	38,460,243	32,539,483
End of service indemnity paid	<5,859,430>	<1,017,409>	Cash at end of the year	<b>47,534,863</b>	<b>38,460,243</b>
Net cash provided from operating activities	196,950,262	137,928,147			
<b>Cash Flows From Investing Activities</b>					
Fixed assets additions	<148,506,292>	<69,864,551>			
Fixed assets disposal	32,470,777	-			
Depreciation on project in progress	15,075	6,280			



The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED CHANGES IN SHAREHOLDERS EQUITY

	Capital	Statutory reserve	Contractual reserve	Retained earnings	gain <loss> on investment	Total
<b>Balance at January 1, 2010</b>	<b>690,060,970</b>	<b>162,989,715</b>	<b>354,171,651</b>	<b>434,736,633</b>	<b>&lt;17,302,468&gt;</b>	<b>1,624,656,501</b>
<b>Dividends</b>	-	-	-	<98,302,234>	-	<98,302,234>
<b>Adjustments on retained earning</b>	-	-	-	<84,434>	-	<84,434>
<b>Net income for the year 2010</b>	-	-	-	125,204,604	-	125,204,604
Appropriation to statutory reserve	-	182,040,770	-	<182,040,770>	-	-
Appropriation to contractual reserve	-	-	54,321,445	<54,321,445>	-	-
Zakat of the year	-	-	-	<2,466,565>	-	<2,466,565>
Unrealized gain on investment	-	-	-	-	13,910,321	13,910,321
<b>Balance at December 31, 2010</b>	<b>690,060,970</b>	<b>345,030,485</b>	<b>408,493,096</b>	<b>222,725,789</b>	<b>&lt;3,392,147&gt;</b>	<b>1,662,918,192</b>
Dividends	-	-	-	<105,258,185>	-	<105,258,185>
Adjustments on retained earning	-	-	-	<444,521>	-	<444,521>
Net income for the year 2011	-	-	-	156,165,977	-	156,165,977
Appropriation to statutory reserve	-	12,520,460	-	<12,520,460>	-	-
Appropriation from contractual reserve	-	-	<50,000>	-	-	<50,000>
Zakat for the year	-	-	-	<2,797,500>	-	<2,797,500>
Unrealized <loss> on investment	-	-	-	-	<3,963,687>	<3,963,687>
<b>Balance at December 31, 2011</b>	<b>690,060,970</b>	<b>357,550,945</b>	<b>408,443,096</b>	<b>257,871,100</b>	<b>&lt;7,355,834&gt;</b>	<b>1,706,570,276</b>

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

### 1 . The Company And Nature Of Business

• **Saudi Hotels and Resorts Company** <"the Company"> is a Saudi Joint Stock Company and was incorporated on Muharram 6, 1397 H. <corresponding to December 27, 1976> under Royal Decree No. M/69 and operates under Commercial Registration Number **1010010726** issued in Riyadh.

• The capital amounted to SR. 690,060,970 is fully paid and divided into 69,006,097 shares of nominal value SR. 10 per share. Based on the approval of Capital Market Authority on 13 / 10 / 1432 H corresponding to 11 / 9 / 2011 under no. <2011 - 27 - 1> to increase the capital to become SR. 1,000,000,000 using retained earning and contractual reserve through distributing free one stock for each 2,23 stocks. The processing will be completed during next period.

• The purposes of the company are the construction, acquisition, management operations, investments, purchasing, joint venture of hotels, restaurants, motels, rest areas, amusement parks, tourist and travel agencies and private beaches inside cities, highways and in public resort areas. Also acquisition, renting and development of real estate and constructing buildings. As well as performing all related catering services. The Company shall carry out its purposes by itself or through contracting others jointly or separately.

### 2 . Summary of Significant Accounting Policies

#### Basis Of Accounting :

The financial statements, which are expressed in Saudi Riyals <SR>, have been prepared under the historical cost convention, and with the standard of general presentation and disclosure and in accordance with accounting principles generally accepted in Saudi Arabia and in accordance with the requirements of the regulations for companies and the company's articles of association.

The consolidated financial statements include the assets, liabilities, revenues and expenses of the company and all subsidiaries after accounting for minority interests in subsidiaries companies on the date of financial statements. The ownership for the subsidiaries was :

Subsidiaries	Ownership %
■ Makkah Hotels Company Ltd.	99.44%
■ Tabouk Hotels Company Ltd.	97.14%
■ Al-Medinah Hotels Company Ltd.	50.00%
■ Al Nakheel Resort Areas Company Ltd.	98.73%

All debit and credit balances have been eliminated between the company and the subsidiaries from the consolidated statements in accordance with the requirements of consolidated financial statements standard.

## CONSOLIDATED FINANCIAL STATEMENTS

### Revenue Recognition

Revenues for the company and subsidiaries are recognized in this consolidated statement when services are rendered to guests. Revenues between the company and the subsidiaries are eliminated from the consolidated statements, or between subsidiaries themselves.

### Expenses Recognition

Expenses for the company and subsidiaries are recognized in this consolidated statements and subsidiaries after eliminating expenses between the company & the subsidiaries, or between subsidiaries themselves.

### Investments

- The investments in share capital of other companies with ownership percentage which less than 50% and over 20% are recorded in accordance to the equity method & variation of revaluation is recorded in the shareholders' equity.
- The investments of the company in the share capital of other companies with ownership percentage 20% or less are recorded at historical cost & the revenues of the investments are recorded in other revenues when they are approved for distribution.

The company provides provision against investment losses realised or expected.

### Inventories

Inventories are valued at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items. Cost is determined on average cost.

### Allowance for doubtful accounts

The allowance for doubtful accounts is established through a charge against income, & is based on management's estimate for possible loss on realization of account receivable.

### Foreign Currencies

Foreign currency transactions are recorded at the rates of exchange prevailing at the time of the respective transactions. At the balance sheet date, foreign currency assets and liabilities are revalued into Saudi Riyals at the prevailing market rates. Revaluation and exchange gain or losses are included in income statement.

### Fixed Assets

Fixed assets are stated at cost with additions and improvements, which extend the assets' capacity, and useful lives being capitalized. Depreciation is provided on as straight-line basis as following:

- Buildings 50 – 75 years
- Furniture and Fixture 10 years
- Equipments and Machineries 10 years
- Vehicles 4 years

### Employees' End of Service Indemnity

Provision is made for amount payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service to the date of the balance sheet and compensated vacation and air tickets costs as of the balance sheet date are accrued currently through a charge to expenses.

### Statutory Reserve

In accordance with the Company's articles of association and the regulations for companies in the Kingdom of Saudi Arabia, the Company allocates 10% of its net profit each year to form a statutory reserve. The company may discontinue this practice when this reserve reaches one-half of its share capital.

### Contractual Reserve

In accordance with the Company's articles of associations, the company allocates 5% of its net profit each year to form a contractual reserve. The company may discontinue this practice when the reserve reaches 10% of its share capital. This reserve is used for maintenance and the loss of investments or as decided by the Board.

### Zakat

In accordance with regulations of the department of Zakat and Income Tax in the Kingdom of Saudi Arabia the company is subject to Zakat.

## NOTE 3 SHORT TERM INVESTMENTS

	DECEMBER 31	
	2011 <SR>	2010 <SR>
Investments in Islamic Murabaha	91,713,221	126,976,548
Investments in portfolio belonge to subsidiaries	10,864,250	-
Investments in real estate	6,067,076	10,723,336
<b>Total</b>	<b>108,644,547</b>	<b>137,699,884</b>

The short term investment belong to the company and some subsidiaries which the company shared in its capitals. During current year some investments in portfolio had been reclassified.



## NOTE 4 ACCOUNTS RECEIVABLE

	DECEMBER 31	
	2011 <SR>	2010 <SR>
Trade accounts receivable	39,475,825	30,948,601
Provision for doubtful debts	<5,657,673>	<3,042,775>
Net trade account re ceivable	33,818,152	27,905,826
Other receivable	10,789,371	3,289,094
<b>Total</b>	<b>44,607,523</b>	<b>31,194,920</b>



NOTE 5  
INVENTORIES

	DECEMBER 31	
	2011 <SR>	2010 <SR>
Operating supplies	17,571,253	14,407,320
Food and beverage	1,401,392	854,288
<b>Total</b>	<b>18,972,645</b>	<b>15,261,608</b>



NOTE 6  
PREPAID EXPENSES & OTHER  
CURRENT ASSETS

	DECEMBER 31	
	2011 <SR>	2010 <SR>
Prepaid expenses	12,306,410	20,348,474
Accrued revenues and other current assets	3,140,139	3,344,110
<b>Total</b>	<b>15,446,549</b>	<b>23,692,584</b>

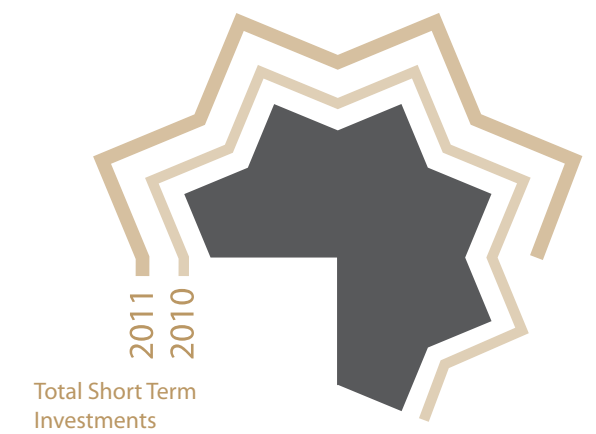


NOTE 7  
SHORT TERM INVESTMENTS

	Percentage of ownership	DECEMBER 31	
		2011 <SR>	2010 <SR>
Investments in portfolio		103,018,179	140,190,253
Saudi Hotel Services Co.	30%	34,818,650	34,353,781
National Co. for Development Tourism Investment	1.65%	7,000,000	7,000,000
* Al-Ealamia Co. for marketing services	25%	500,000	500,000
Others		7,600	7,600
<b>Total</b>		<b>145,344,429</b>	<b>182,051,634</b>

\*The equity method in accounting for the investment in the Al-Ealamia Company for marketing services has not been used because of its entry in the liquidation process.

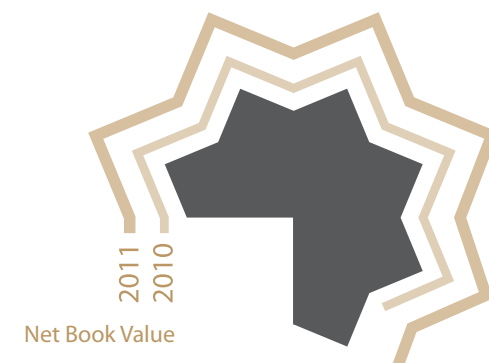
During current year some investments in portfolio had been reclassified.



## NOTE 8 FIXED ASSETS

	Land	Buildings	Furnitures & fixtures	Plant and equipment	Motor vehicles	Total
<b>Cost :</b>						
At January 1, 2011	553,738,467	913,267,172	169,428,655	42,159,187	7,337,531	1,685,931,012
Additions during the year	65,616,304	79,031,775	3,513,643	38,220	306,350	148,506,292
Desposal and adjustments	<10,000,000>	<49,549,656>	<363,460>	-	<173,200>	<60,086,316>
At December 31, 2011	609,354,771	942,749,291	172,578,838	42,197,407	7,470,681	1,774,350,988
<b>Depreciation:</b>						
At January 1, 2011	-	338,914,213	129,744,599	35,995,340	5,669,072	510,323,224
Depreciation for the year	-	13,038,870	6,734,517	1,332,068	727,601	21,833,056
Desposal and adjustments	-	<27,086,229>	<356,115>	-	<173,195>	<27,615,539>
At December 31, 2011	-	324,866,854	136,123,001	37,327,408	6,223,478	504,540,741
<b>Net book value:</b>						
At December 31, 2011	609,354,771	617,882,437	36,455,837	4,869,999	1,247,203	1,269,810,247
At December 31, 2010	553,738,467	574,352,959	39,684,056	6,163,847	1,668,459	1,175,607,788

\* Certain fixed assets including lands and related building are pledged as collateral against two loans received from Ministry of Finance, the balance of the two loans amounted to SR. 40,000,000 at December 31, 2011. <SR. 44,500,000 at December 31, 2010.>



## NOTE 9 LOANS

Included in loans are two loans from the Ministry of finance to create two projects pledged by lands and building. The aggregate installments payments due on the balance outstanding are summarized as follows:

	DECEMBER 31	
	2011 <SR>	2010 <SR>
Portions of short term loans	14,642,857	12,357,143
Portions of long term loans	25,357,143	32,142,857
<b>Total</b>	<b>40,000,000</b>	<b>44,500,000</b>



## NOTE 10 ACCRUED EXPENSES & OTHER CURRENT LIABILITIES

	DECEMBER 31	
	2011 <SR>	2010 <SR>
Zakat provisions	29,218,511	27,681,268
Deferred income	24,744,028	18,229,210
Accrued expenses & other liabilities	37,258,845	24,408,951
<b>Total</b>	<b>91,221,384</b>	<b>70,319,429</b>



NOTE 11  
OPERATING REVENUES

	DECEMBER 31	
	2011 <SR>	2010 <SR>
Hotels and recreational areas revenues	305,366,767	230,636,372
Revenue from owned real estate	43,681,145	37,456,056
Services and operations fees	17,763,801	18,878,373
Revenue from real estate	13,921,958	-
Revenue from investment in other companies	4,064,869	4,651,972
<b>Total</b>	<b>384,798,540</b>	<b>291,622,773</b>
<b>Less: revenue earned from subsidiaries companies</b>	<b>&lt;12,843,604&gt;</b>	<b>&lt;10,587,803&gt;</b>
<b>Net revenues</b>	<b>371,954,936</b>	<b>281,034,970</b>



NOTE 12  
OPERATING EXPENSES

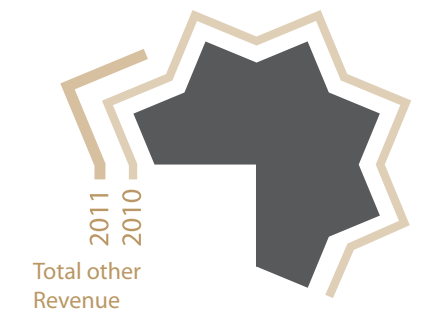
	DECEMBER 31	
	2011 <SR>	2010 <SR>
Hotels and recreational areas expenses	175,586,249	121,948,271
Services and operations cost	8,891,084	6,259,633
Real estate cost	4,656,259	-
Cost of owned real estate	4,050,564	4,095,053
Other operating costs	18,092,568	13,669,059
<b>Total</b>	<b>211,276,724</b>	<b>145,972,016</b>
<b>Total Less: expenses charged to subsidiaries companies</b>	<b>&lt;12,843,604&gt;</b>	<b>&lt;10,587,803&gt;</b>
<b>Net revenues</b>	<b>198,433,120</b>	<b>135,384,213</b>



NOTE 13  
OTHER REVENUE

Other revenue consists of:

	FOR THE YEAR ENDED DECEMBER 31	
	2011 <SR>	2010 <SR>
Revenues from Islamic Murabaha	314,024	814,521
Other revenues	423,052	3,421,244
<b>Total</b>	<b>737,076</b>	<b>4,235,765</b>



## NOTE 14 ZAKAT PROVISION

- Zakat provisions for subsidiaries which are part of these consolidated statements are made and effected in income statements with amount SR.2,478,013 for the year 2011 and SR.2,223,845 for the year 2010.
- The computation of Zakat provisions for the holding company as follow:

	FOR THE YEAR ENDED DECEMBER 31	
	2011	2010
	<SR>	<SR>
Net income as per book	156,165,977	125,204,604
Less : Profit share in subsidiaries	<46,067,796>	<30,018,986>
Provisions during the year	1,801,829	3,477,001
	111,900,010	98,662,619
<b>Zakat base:</b>		
Adjusted net income	111,900,010	98,662,619
Total added items	1,652,753,891	1,388,718,579
Total deducted items	<1,663,084,879>	<1,388,718,579>
Zakat base	101,569,022	98,662,619
<b>Zakat at 2.5%</b>	<b>2,797,500</b>	<b>2,466,565</b>

The company has submitted the Zakat assessments up to year 2010. The company received the final Zakat assessment and final Zakat certificate for the year 2009.



## NOTE 15 CONTINGENT LIABILITIES

Included in loans are two loans from the Ministry of finance to create two projects pledged by lands and building. The aggregate installments payments due on the balance outstanding are summarized as follows:

	DECEMBER 31	
	2011	2010
	<SR>	<SR>
Guarantee loans to subsidiaries	15,000,000	17,500,000
Guarantee letters issued to others	28,259,879	28,259,879
<b>Total</b>	<b>43,259,879</b>	<b>45,759,879</b>

## NOTE 16 INCREASE IN CAPITAL

The approval of increase the capital issued from the capital market authority under no. <2011 - 27 - 11> dated 11 / 9 / 2011 from SR. 690,060,970 to become SR. 1,000,000,000 using retained earning and contractual reserve through distributing free one stock for each 2,23 stocks. The processing will be completed during next period.

