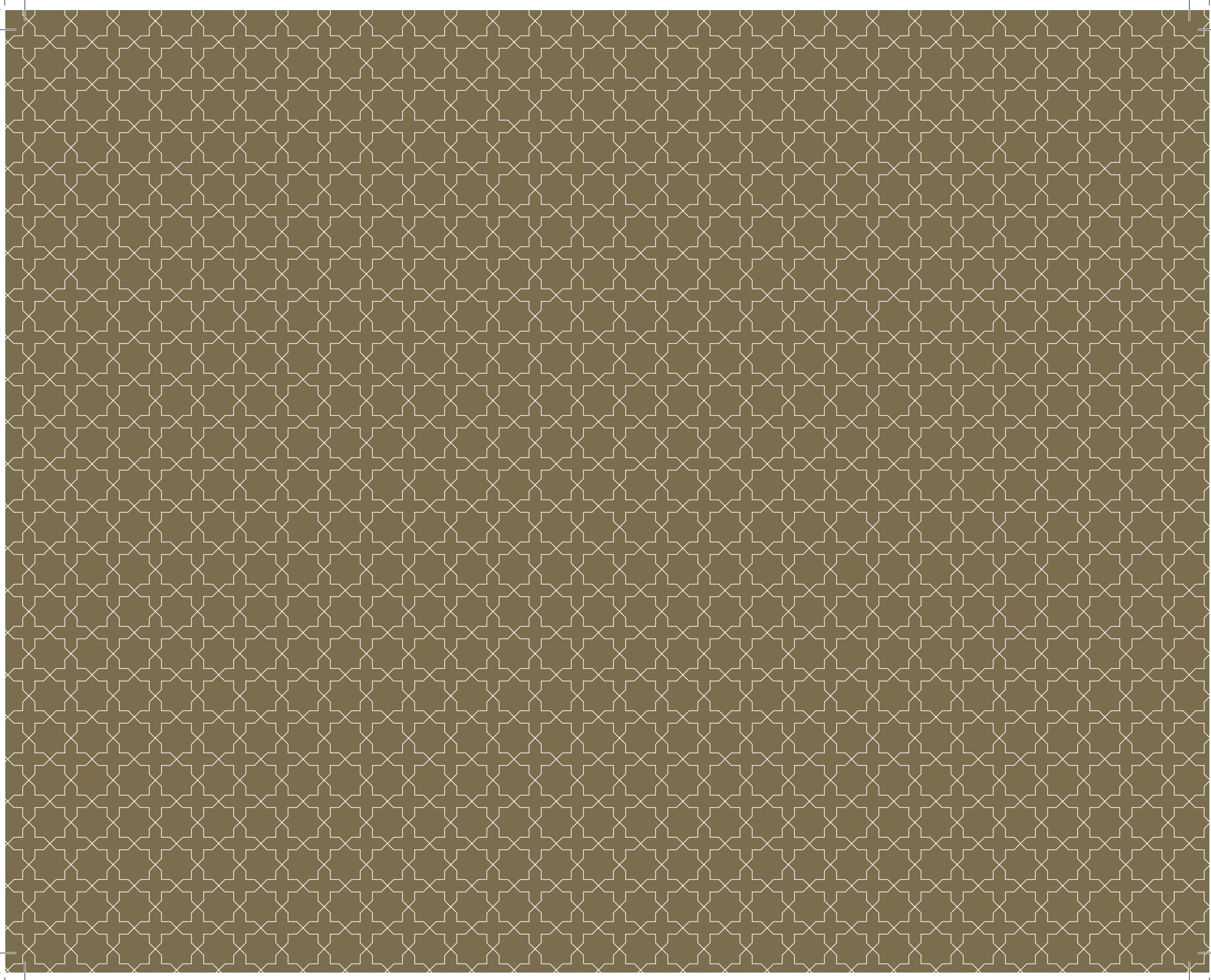
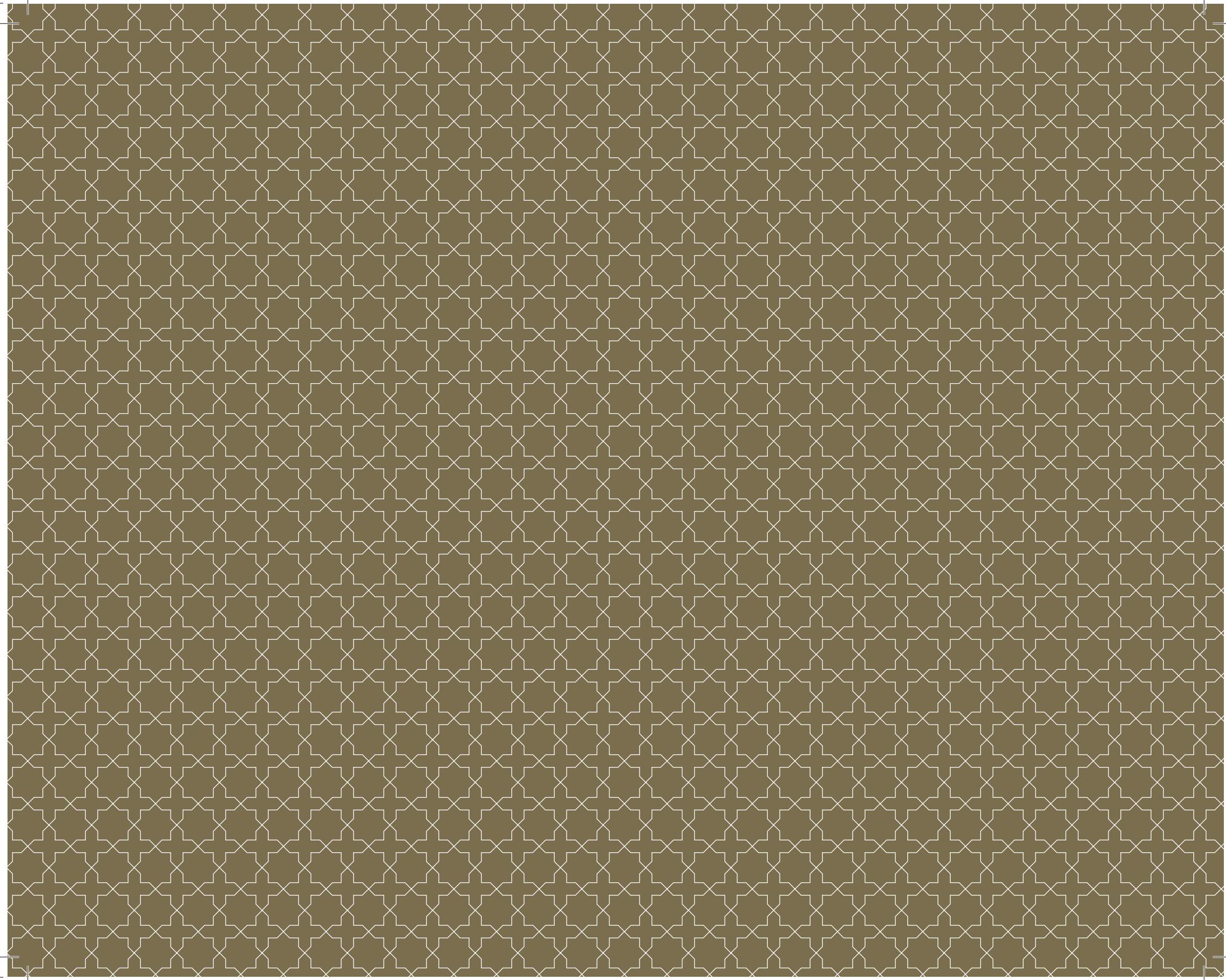


Saudi Hotels and Resorts Co.
Annual Report 2012



الشركة السعودية للفنادق والمناطق السياحية
SAUDI HOTELS AND RESORTS CO. (SHARACO)





SAUDI HOTELS & RESORTS CO. (SHARACO)
Business Units and Properties

Makarim Group ■
Al-Jazeera Group ■
Marriott Hotels ■

Tabuk

Riyadh

Mecca
Jeddah

4

**SAUDI HOTELS & RESORTS CO.
(SHARACO)**

SHARACO

Paid-up Capital:
1,000,000,000 SR

C.R
1010010726

Head Office
P.O.Box. 5500 Riyadh 11422
Kingdom of Saudi Arabia

Tel. (01) 4816666 Fax (01) 4801666

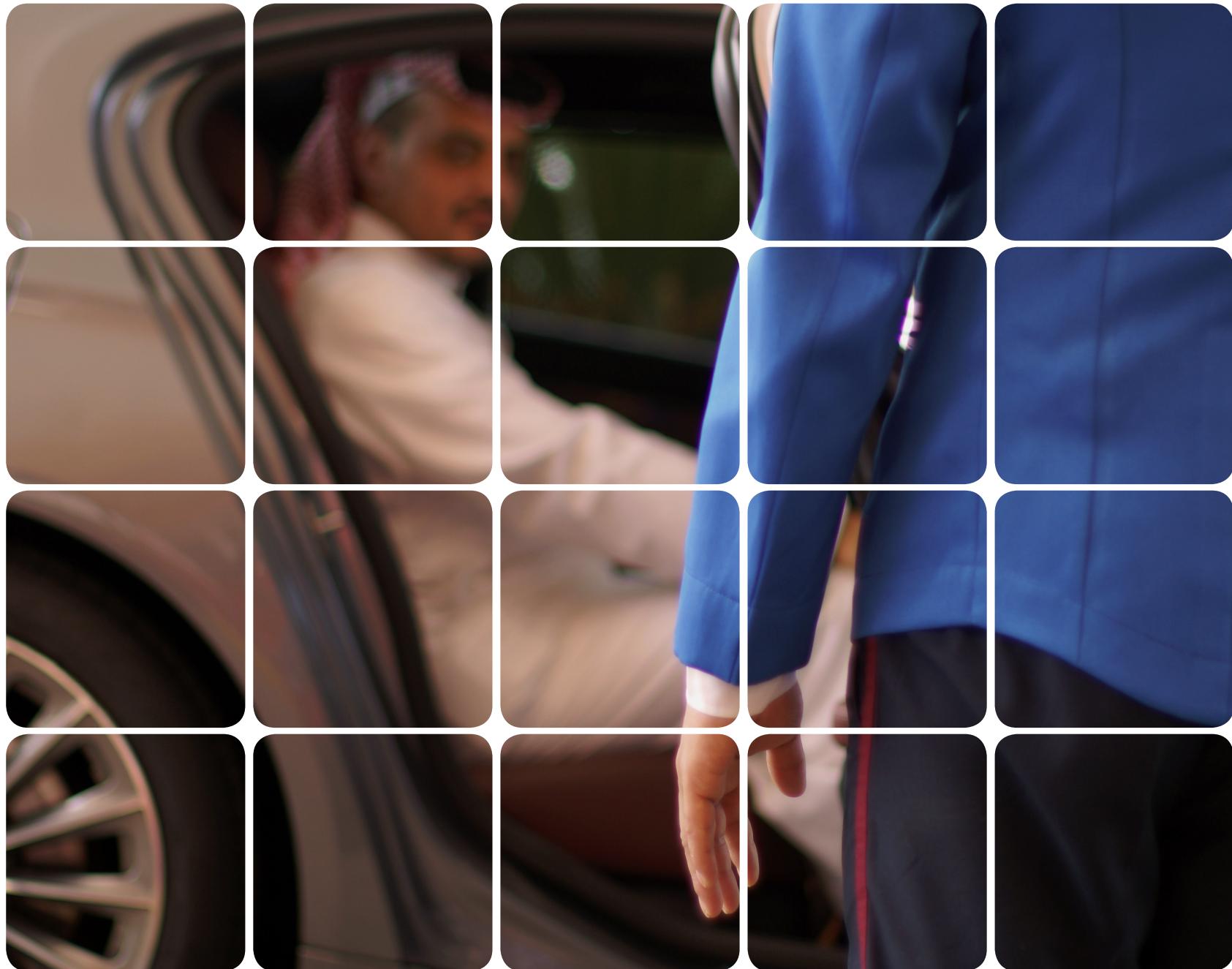
Website
www.sharaco.com.sa

Email
info@sharaco.com.sa

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الشركة السعودية للفنادق والمناطق السياحية
SAUDI HOTELS AND RESORTS CO. (SHARACO)



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Member of Board of Directors



Eng.
Abdullah bin Mohammed Al-Issa
Chairman

8



Mr.
Bader bin Abdullah Al-Issa
Member of Board of Directors



Dr.
Saleh bin Ali Al-Hathloul
Member of Board of Directors



Mr.
Abdullah bin Mohammed
Al Abduljabbar
Representative of the General
Organization for Social Insurance
Member of Board of Directors



Mr.
Ali bin Ibrahim Al-Ajlan
Representative of Public
Investment Fund
Member of Board of Directors



Mr.
Fahed bin Abdullah
Al-Qassim
Member of Board of Directors



Mr.
Misfer bin Ali Al-Hamdan
Representative of Public
Pension Agency
Member of Board of Directors



Mr.
Mos'ab bin Suliman
Al-Muhaidib
Member of Board of Directors



Mr.
Nasser bin Mohammed
Al-Sebaiei
Member of Board of Directors



Growth in operating
profit 5.5%



Messrs / Shareholders of Saudi Hotels and Resorts Company

May Allah's peace, mercy and blessing be upon you

Board of Directors is pleased to present the annual report on the significant operations and activities of the company for the financial year 2012, and it's statements ended on 31-12-2012, which had been prepared to comply with the requirements of companies regulations, registrations and governing rules issued by the Saudi Capital Market Authority.

We are also pleased to share with you the positive results that show net profits of (SR. 198,869,434) for the financial year 2012, versus (SR. 153,368,477) for the previous year with an increase of 29%. The net profits of the main activities of the company have increased in the year 2012 "Praise be to Allah" by (SR. 7,947,183), a 5.5% increase compared to the previous year. The company has also opened two properties during the year 2012, Diplomat Courtyard by Marriott, and Marriott Executive Apartments. Due to the improvement in the company's results, Board of Directors have declared dividends for the year against capital of (SR. 150 Million) showing an increase of 45% compared to the dividends of the previous year.

Since our inception as Saudi Hotels & Resorts Company in 1976, we continue to exert to develop the concept of residences with an authentic touch and impressive features that highlight the spirit of Arabian hospitality. We are the pioneer in providing hotel services in the Kingdom, with the distinct understanding of the needs of traveler and residents of this hospitable country.

As an integrated body, Makarim is the operating arm of SHARACO that successfully operates a group of important hotels in the Kingdom. The Makarim Mina has been an addition to our portfolio in 2012. On the other hand, Al-Jazeera is our operational arm for commercial facilities, real estate and residential compounds.

Our commitment to excellence in achieving high level of business, providing services and high quality products, urges us every day to maintain this level. We pursue the best talents to build national leaders in the field of hospitality. We are proud to maintain and increase the high rates of Saudization and develop our relations locally, regionally and internationally with our strategic partners. This embodies our strong belief in the spirit of partnership which is reflected in improvement the level of services and an increased profitability for the company.

The company is characterized by its values. Honesty and integrity is our title, continuous growth is our strategy, and our aim is to excel consistently. The spirit of partnerships is our method while responsibility is our nature. Above all this is our philosophy to ensure our investments are in conformity with the Shariah laws.

Your Sincerely,
Board of Directors



First: Core Business of the Company

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Saudi Hotels & Resorts Co. was established as a Saudi joint stock company. Its main activities include developing, own properties, management, operation, investment, purchasing, participation, lease and rent of hotel facilities and real estate. The company's activities also include acquisition, development of land and dividing plots to construct building or leasing.

**Dividend distribution for the year 2012
15% of capital**





Second: Properties Owned By the Company

1. Riyadh Marriott Hotel

Riyadh Marriott Hotel is one of the most significant and the best five star hotels in the Kingdom of Saudi Arabia.

The location is considered as eminent and strategic in central Riyadh, on Al-Maather Street, near Al-Olaya district, which is known as vital and notable location. In addition, King Khalid International Airport is just 30 minutes away.

The hotel consists of 391 guest rooms and suites, a number of luxury restaurants and meeting rooms equipped with latest technologies and services. The hotel also houses the Makarim Ballroom that has been specially built to conduct large meetings, conferences, weddings and other celebrations. This exclusive hall has already become a remarkable success with guests. Another significant attribute to the Marriott is a state-of-the-art health club that offers the finest and most luxurious services.

2. Marriott Executive Apartments (New Facility)

Strategically located adjacent to Riyadh Marriott Hotel, Marriott Executive Apartments caters specifically to the requirements of businessmen intending to stay in Riyadh for an extended period of time. and considered as a great option for them, with spacious suites and apartments. This elegant 14-floor building comprises of 117 spacious, one, two and three bedroom apartments and suites featuring the latest amenities. Marriott Executive Apartments also feature world-class restaurant and a health club.

The opening of the first Courtyard hotel in the Kingdom consists of 286 rooms and suites

3. Diplomat Courtyard by Marriott Hotel (New Facility)

The hotel is located opposite the southern entrance of the Diplomatic Quarter in Riyadh. The area is easily accessible and offers a calm and peaceful environment away from the hustle and bustle of city of Riyadh.

This hotel is the first of the Courtyard chain in the Kingdom. The hotel is characterized by its calm and relaxed ambience, provides an environment that integrates advanced technology into flexible spaces that enables guests to work and relax at the same time.

Courtyard by Marriott consists of 286 guest rooms equipped with world-class amenities, fine restaurants, state-of-the-art health club, business center and meeting rooms with the latest technologies to satisfy guest requirements.

4. Future Homes (First Stage)

The Future Homes project has been launched for those aspiring to rent world-class residences. Ideally located in the Diplomatic Quarter - a model district that contains all the services and facilities required by the residents.

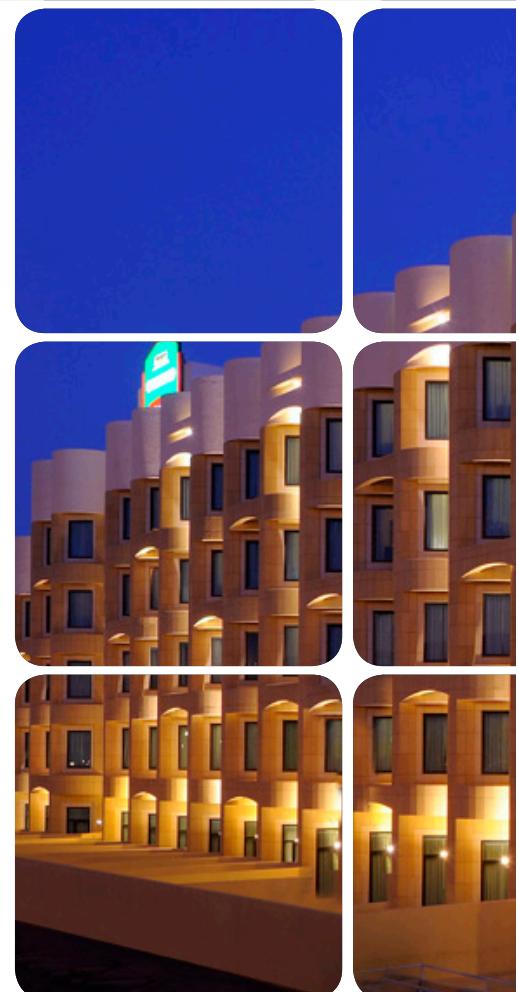
Future Homes consists of 144 residential units in 6 models ranging between villas and apartments.

The names of the units are derived from the local environment and Arabian culture. Al-Nakhlaa, Al-Sidraa and Al-Talhaa are a few examples of the unit names that evoke an arabesque impression with a modern ambience. The project provides complete privacy and around the clock maintenance services for the residents.

5. Al-Takhassusi Plaza Center

Al Takhassusi Plaza Center is one of the most important shopping centers in Riyadh. This Center, sprawling over 40,000 m², consist of a large supermarket, shop spaces and administrative offices, strategically located at the intersection of Makkah Road and Al-Takhassusi Street.

In addition to a lively environment, Al Takhassusi Plaza Center is in close proximity to King Faisal Specialized Hospital and Research Center. Because of its location, Al Takhassusi Plaza Center caters to all the needs of a family including foodstuff, garments, restaurants, coffee shops and fast food outlets.





6. Residential Compounds

Al Jazeera East compound located in the east of Riyadh consists of 19 centrally air-conditioned villas and two buildings of 59 individually furnished rooms. These buildings are separated from the villas with individual entrances. The intertwined facilities include a health club, garden and playground.

The health club comprises of two game halls, a steam bath and sauna and two separate swimming pools for adults and children. The compound has lush green spaces and playgrounds for children in addition to full maintenance services and transportation facilities to major shopping centers and schools.

The Al Jazeera Residential Complex is located at Al-Maather District in Riyadh, consists of 73 villas of different sizes and an integrated health club. The compound features complete privacy, security, tranquility and magnificent design that meets the aspirations and taste of residents.

Third: Properties Managed by the Company

Makarim Hospitality Group

The Makarim Hospitality Group was established in order to manage and operate the hotels owned by Saudi Hotels & Resorts Co. In addition, the Group also manages properties owned by other owners. The new strategy of the company focuses the expansion of operation and management.

The Group has an in depth understanding of the needs of the local market. A cohesive team experienced with the international standards in management and operation has helped tremendously to open new projects.

The team also effectively amalgamates the administrative system with the very latest trends and norms of the hospitality industry. The Group participates in known regional and international exhibitions of hospitality industry. The group is presently operating and managing the following properties:

1. Makarim Ajyad Makkah Hotel

Makarim Ajyad Makkah Hotel is within walking distance to the Holy Mosque. This luxurious property consist of (409) luxurious guest rooms and suites (Single, Double, Triple, Quad and Private rooms). Every suite in this magnificent property is designed with a distinctive charm and furnished with elegance.

The Makarim Ajyad Makkah Hotel is also famous for housing the largest hotel lobby in Makkah. There is also easy access to the Holy Sites including Mina, Muzdalifa and Arafat. Free internet service throughout the hotel is another distinct feature of the property. The Company owns 99.44% of Makkah Hotel Company the owning company of the hotel.

2. Makarim Um Alqura Hotel

Located in the Holy City of Makkah Al-Mukarramah on Ajyad street, the Makarim Umm Al-Qura Hotel features a striking geometric design with 12 floors, and is in proximity of the Holy Mosque with 5 minutes drive.

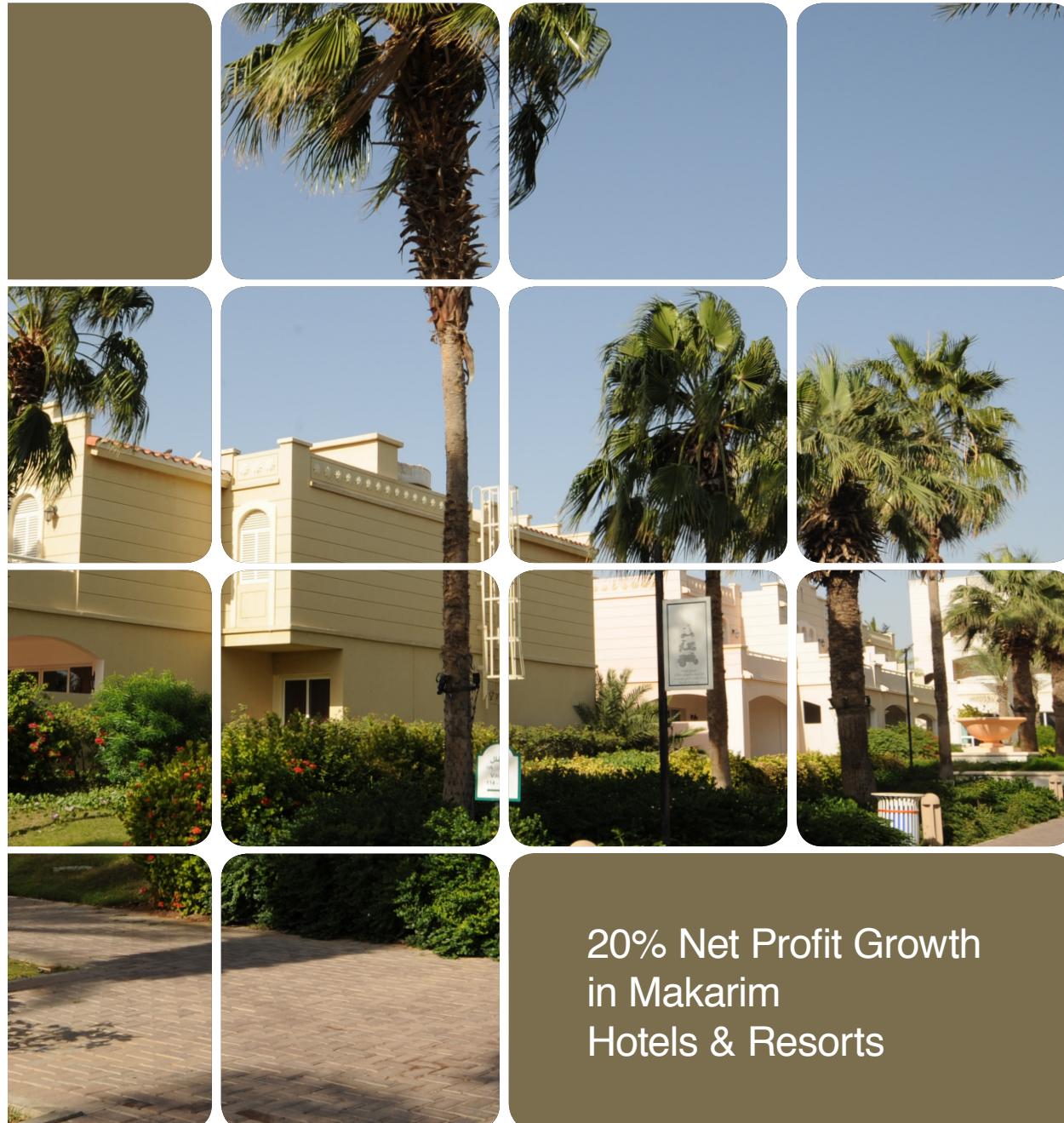
The hotel consists of 336 luxurious and elegant rooms and suites, complimenting with restaurants, meeting rooms and shops. The rooms are spacious. The hotel also offers triple and quadruple rooms for larger families.

In addition to rooms for people with special needs, hotel provides free internet, six large elevators and parking facility for 80 cars.

The hotel is located near the ring road leading to the Holy Sites including Mina, Muzdalifa and Arafat. The hotel is owned by Asseela Company for Investment.

More Than 2 million Visitors to Makarim Hotels & Resorts





3. Makarim Al-Bait Hotel

Makarim Al-Bait Hotel is located in the Al-Shisha district in the Holy city of Makkah on King Abdullaziz Street, just 3 kilometers from Al-Haram and close to Al-Jamrat. The hotel consists of 270 rooms and suites featuring unparalleled luxury and comfort.

It features all hotel amenities including restaurant, meeting rooms, shops, free internet service, transportation to and from Al-Haram in air-conditioned buses and free parking for 100 cars. The hotel is owned by Asseela Company for Investment.

4. Makarim Mina Hotel (New Property)

The hotel is located in the Al-Azizia district of Holy city of Makkah and consists of 294 rooms and suites. Other facilities include restaurants, meeting rooms, shops, free internet service. The hotel is owned by Mr. Mohammed Ibrahim Al-Ghamdi.

**20% Net Profit Growth
in Makarim
Hotels & Resorts**

5. Makarim Annakheel Village

Makarim Annakheel Village is located in North Obhur, in the city of Jeddah. It is about 20 minutes' drive from city center and 15 minutes from King Abdul-Aziz International Airport.

The village consists of 112 luxurious villas, 21 apartments and a hotel with 43 rooms and suites. It also features meeting rooms, restaurants, separate health clubs for men and women, berth for yachts and sandy beaches and offering an array of marine activities. The Plaza overlooking the sea, can accommodate up to 800 guests.

Privacy and comfort has been prime consideration while designing the Makarim Annakheel Village. 83% of the project area has been allocated for green areas that inspire comfort and tranquility. The village also offers free internet service throughout the property. The Company owns 98.73% of the Annakheel Resorts Company that owns the village.

6. Makarim Residence Al-Andalus

Makarim Residence Al Andalus is located at Al-Andalus branch of Al-Tahliah Street in Jeddah. The property consist of 30 luxury furnished villas that match five star hotel standard.

Each villa consists of ground floor that includes a reception hall, salon for guests, dining hall, a fully equipped kitchen, a nanny room with separate toilet and a laundry room. The upper floor includes the master bedroom suite and two bedrooms each with attached bathrooms. Apart from this, the top floor also has a private living room.

The compound features privacy, security, safety and a relaxed family atmosphere. In addition to this, the property also provides services to businessmen along with sports and recreational facilities and chauffeur rooms. The compound is owned by Asseela Company for Investment.

7. Makarim Residence Al-Rawdah

Makarim Residence Al-Rawdah is located in the Al-Rawdah District of Jeddah city. Al-Rawdah is one of the most elegant and prestigious residential districts in Jeddah.

The property is located next to Al-Tahliah Street and consists of 28 villas in various layouts, parking, administration building, support services and health club. The compound features tranquility, privacy, prestigious hotel services and magnificent design. The compound is owned by Asseela Company for Investment.

8. Makarim Al-Qamar Resort

Makarim Al-Qamar Resort is located in North Obhur , in the city of Jeddah. This is about 25 minutes from Jeddah and 15 minutes from King Abdul-Aziz International Airport. The resort consists of 53 two and three bedroom villas.

9. Makarim Riyadh Hotel

One of the most luxurious five-star hotels in Riyadh. The Makarim Riyadh Hotel is the closest hotel to the King Khalid International Airport, away from the bustling city. The hotel features 248 rooms and suites providing world-class amenities and hospitality standards.

The hotel features an exclusive Panorama Restaurant that serves some of the world's finest cuisine along with a fabulous view from the top floor of the hotel. The guests can enjoy a candle light dinner coupled with scenic panoramic views of the fabulous city and the airport and taking off and landing of aircrafts.

Makarim Riyadh Hotel also features multiple meeting rooms, a hall with a capacity of 400 guests, business center, health club and recreational areas. The vast areas



20% Revenue Growth in Makarim Hotels & Resorts



12% Occupancy Growth in Makarim Hotels & Resorts

of lush greenery are a sight to sooth eyes. Other facilities include free internet service, ample parking facility and rooms for guests with special needs. The hotel is leased from the General Authority of Civil Aviation.

10. Makarim Tabuk Hotel

Makarim Tabuk is located in the city of Tabuk, on the Medina - Tabuk road, and includes an impressive collection of 79 luxurious rooms and suites. The hotel also includes Al-Waleemah Restaurant that serves international and eastern cuisine. It also includes a banquet hall with a capacity to accommodate 250 guests.

It is the only hotel in Tabuk, offering health club and a tennis court for guests and businessmen. The 150-car parking area is designed to suit the large number of guests and to accommodate vehicles for events and weddings. Free internet service is available throughout the hotel. The company owns 97.14% of Tabuk Hotels Company that owns the hotel.

Al-Jazeera Group

The group is specializes in managing and operating real estate. The main aim of establishing Al-Jazeera was to provide the services to the Saudi Hotel and Resorts Company. The group did not stop there and started managing and operating third party facilities.

Experience from the hotel business was put to good use when the company decided to provide exclusive residential services with a five-star hotel spirit. The Al-Jazeera Group operates and manages the following facilities:

1. Al-Jazeera Badr Compound

Al-Jazeera Badr Compound is a collection of deluxe villas located in a unique location in east of Riyadh in Al-Rayan

district. The compound consists of 40 exclusively furnished villas. These two-story villas are built to offer complete privacy and serenity. Additional features of the Compound include satellite television channels, sports facilities and regular transportation services to shopping centers and schools. The compound is owned by Asseela Company For Investment.

2. Other Real Estate Facilities

The Group manages and operates Future Homes (first phase) Al-Jazeera Compound East, Al-Jazeera Residence Compound (Al-Maather) and Al-Takhassusi Plaza Center.





3. Al-Rawdah Park

Located on 70,000m² of land leased from the Riyadh Municipality in Al-Rawdah district, the park offers an array of games to suit different ages and a multipurpose hall.

4. Al-Watan Park

This park is located in King Abdul-Aziz Historical Centre in the centre of Riyadh city on land leased from High Commission for the Development of Arriyadh. This unique park contains a miniature site of the landmarks of the main cities of the Kingdom. The park is adorned with a water tower, a land mark of the city of Riyadh in addition to recreational games, chalets with cultural designs, water canal and a food court.

After The Success Of The First Phase, Work Is Underway to almost triple The Units Of Future Homes Within The Diplomatic Quarter In Riyadh

Fourth: Projects Under Construction

1. Future Homes (Second Phase)

Work is progressing rapidly for the second phase of Future Homes. This 35-villa project is owned by the Saudi Hotels and Resorts Company and is located in the Diplomatic Quarter. The project is scheduled to be completed in the third Quarter of 2013.

The third phase of the Future Homes project is also continuing at a brisk pace. This 125 residential unit project is being built on land leased from the High Commission for the Development of Arriyadh and is located in the Diplomatic Quarter. The project is scheduled to be completed in the second half of 2014.

We are also in the process of obtaining necessary approvals from the High Commission for the Development of Arriyadh of designs for the fourth phase of Future Homes.

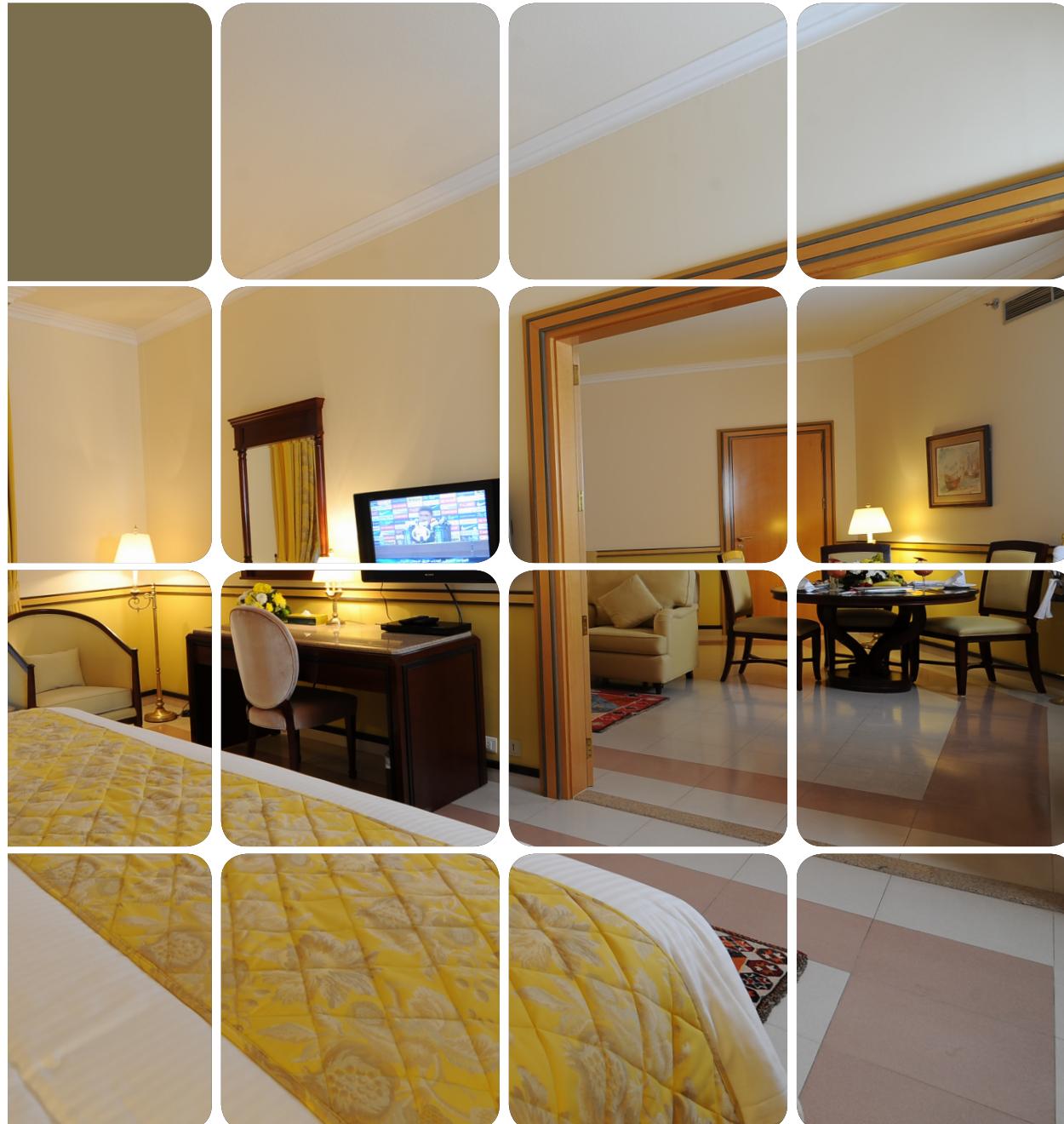
This phase of the project will include 33 residential units that will be built on land leased from the commission.

Some internal designs have been modified, to develop Future Homes units to match world-class development and demands of the modern homes.

2. Riyadh Marriott Hotel

The company is re-furnishing the rooms and corridors of the Riyadh Marriott Hotel to match international standards, and also to keep pace with the competition in the city of Riyadh. The project is being implemented in phases and is expected to be completed by the end of 2013.





Fifth: Projects Under Study And Design

1. Updating designs for the new hotel in Diplomatic Quarter in Riyadh, we are currently following up with the High Commission for the Development of Arriyadh, to approve the design.
2. Specialized consulting firms has been assigned to conduct a study on the optimal utilization and best use of the land in the southern and western areas of Courtyard by Marriott. This will assist in establishing an appropriate project that will take full advantage by utilizing 28,580 m² land area.
3. Currently, studies are being conducted on the interior designs of Makarim Annakheel Hotel and Village and Makarim Tabuk Hotel. Numerous consultants have been invited to submit bids for the expansion of both these properties as well.
4. We are also exploring alternates to best utilize the land owned by the company in the west of Riyadh and on the plots in Al-Nasriya, so it can be developed according to the demand of the market.

Sixth: Investments

The company continues to implement the new strategy adopted by the Board of Directors. This encompasses developing new business plans, expansion of the existing business and exploiting market opportunities in parallel with building capabilities.

1. The land located at Dammam Abu Hadriyah in the eastern region was sold for 68 million raising a profit of SR. 56 million. This profit has been included in the financial results of the company for the first quarter of 2012.

2. The company signed a partnership agreement with the Economic Knowledge City Company under which the Makarim Al-Ma'arefa Hospitality Company (Limited Liability Company) was founded with a capital of SR. 21.4 million shared equally between the two companies.

This capital will be increased in stages to reach SR. 214 million and when it is required for development of the project. The Makarim Al-Ma'arefa Hospitality Company will execute an integrated complex project including hotel suites, offices, commercial shops and multipurpose halls on the land that was purchased by the Economic Knowledge City

Company, located within the Economic Knowledge City with an area of 10,500 m². Makarim Hospitality Group (the operational arm of the company) will take over the management and operation of the hotel project after its completion.

3. With regards to the capital of Al-Medinah Hotels Company, a company in which the Saudi Hotels and Resorts Company owns 50% shares, the partners have decided to decrease the capital of the company from SR. 25 million to SR. 1 million, with the partners continuing their ownership percentage in the company as is.

4. The Saudi Hotels and Resorts Company is investing in eight limited liability companies. These companies have been established and are performing all their activities in the kingdom of Saudi Arabia. There are no debts instruments issued by SHARACO to any one of these companies.

Status of companies whose activities are concentrated in the hotel and real estate industries are as follows:

Sr.	Company	The main Activity	Capital	Facility affiliated to the Company	Percentage of the Co. contribution %	Total Revenue of the Companies 2012
1	Makkah Hotels Co. Ltd	Hotels	165,600,000	Makarim Ajyad Hotel-Makkah	99.44	77,646,545
2	An-Nakheel Resorts Co.	Hotel – Real Estate	59,250,000	Makarim Al-Nakheel Village - Jeddah	98.73	33,187,279
3	Tabuk Hotels Co. Ltd	Hotels	27,300,000	Makarim Tabuk Hotel	97.14	14,262,934
4	Saudi Company for Hotels services	Hotel	100,000,000	Riyadh Palce Hotel – Riyadh	30	Final accountings is not finished yet
5	AL-Medinah Hotels Co. Ltd	Hotel – Real Estate	1,000,000 (After Capital Reduction)	-	50	4,458,693
6	Al-Wataniah Tourism Co.	Hotel – Real Estate	422,000,000	A number of facilities in Asseer Area	1.65	Final accounting is not finished yet
7	Makarim Al-Ma'arefah Hospitality Co.	Real estate	21,400,000	Under studying in Al-Medinah Al-Munawara	50	Established on 262/9/o12
8	Media Co. for Marketing Services(Under liquidation)	Marketing – promotion – Public Relations	2,000,000		25	Under liquidation

Seventh: Financial Results

1. Consolidated revenues for the financial year ended on 31/12/2012 show total revenues of an amount (SR. 456,020,088) while the costs reached (SR. 248,241,775).

Hence, net profit for the year after deducting Zakat and interest of minority amounts to (SR.198,869,434) as compared to (SR.153,368,477), an increase of 29% from the previous year. The net profits of the company from its main activities were increased in 2012 to (SR. 7,947,183), an increase of 5.5% compared to the previous year. This was due to start of the operation of the new facilities in addition to the improvements in the operation of most of the company facilities, and despite the decreasing revenues of Riyadh Marriott Hotel due to the partial closure of the hotel for refurbishing.

The table shows the changes in the revenue for the Year 2012 in comparison with last year

Description	2012	2011	Change Increase of Decrease	The Change %
Activities income	398,627,094	358,032,978	40,594,116	11
Activities expenses	203,613,821	179,194,291	24,419,530	14
Total profit of the activity	195,013,273	178,838,687	16,174,586	9
Administrative and General Expenses	15,973,760	14,582,570	1,391,190	9
Consumption of the fixed asset	28,654,194	21,817,981	6,836,213	31
Net profit of the activity	150,385,319	142,438,136	7,947,183	5.5
Unachieved profits	0	6,748,440	(6,748,440)	(100)
Other incomes	57,392,994	10,002,775	47,390,219	473
Net profit before Zakat and the minority portion	207,778,313	159,189,351	48,588,962	30
Zakat of the sister companies	2,528,240	2,478,013	50,227	2.03
Minority portion in the profit of sister companies	898,339	545,361	352,728	64
Year's net profit before the Zakat	204,351,734	156,165,977	48,184,508	31
Zakat	5,482,300	2,797,500	2,684,800	96
Net after the Zakat	198,869,434	153,368,477	45,500,957	29

2. On 31/12/2012 the total equity reached to a total of (SR.1,789,056,437), thus the nominal value of the share reached to (SR. 17.89) an increase in the nominal value of (SR.7.89) at (79%), and the total assets reached to (SR.2,051,552,570).

3. The Extraordinary General Assembly of shareholders agreed, in the meeting held on 19/12/2012, to Board of Directors recommendation to increase the capital from (SR. 690,060,970) to (SR. 1,000,000,000) by issuing (30,993,903) shares valued at (SR. 309,939,030) through issuing a bonus share of each (2.23) shares owned by the registered shareholders at the end of the trading day on the day of meeting of the Extraordinary General Assembly of shareholders.

The increase in paid up capital has been financed from the retained earnings – an amount of (SR. 139,005,671) and the contractual reserve – an amount of (SR. 170,933,359). The article No.6 of the company's article of association– regarding the capital – has been changed to reflect such increase in the paid up capital.

4. The Ordinary General Assembly of shareholders in its meeting on 8/4/2012 approved the recommendation of Board of Directors to increase the statutory reserve to (SR.500,000,000), which represents 50% of the new paid up capital of the company after the increase.

This is achieved by adding the retained earnings of 2011 after the dividends that amounted to (SR. 32,442,733) and transferring an amount of (SR. 94,389,725) of the agreed-upon reserve. The proposal included stopping the statuary reserve from 2012.

5. Thus, the calculation of dividends proposed in 2012 is the following:

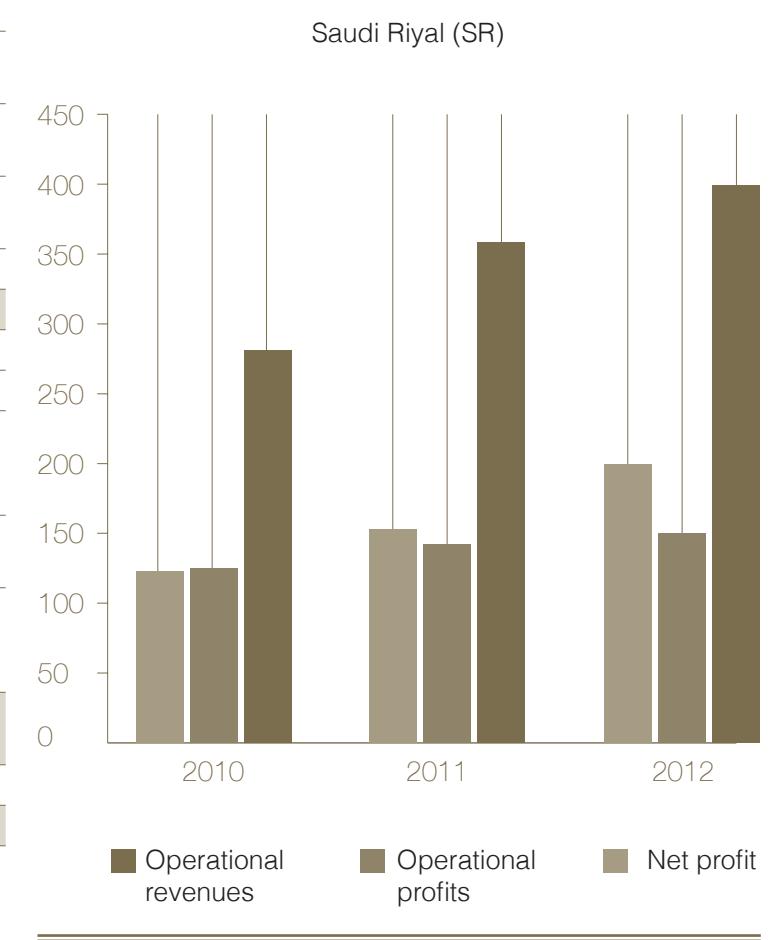
Description	Amount SR
Net income after the Zakat	198,869,434
Deducted	
Statuary Reserve (10%)	-
Shareholders first installment dividend 5% of the capital	50.000.000
What remain of net income of the year	148,869.434
Deducted	
Board of Directors bonus	000.18
Shareholders second installment dividend 10% of the capital	100.000.000
Remainder that added to the remaining profits	47.069.434

* There is no percentage for the statuary reserve this year for the reserve has reached 50% of the paid up capital.

The table below shows the financial results of the past five years:

1. Income statement

Description	2008	2009	2010	2011	2012
Operational income	293,882,510	733,262,808*	281,034,970	358,032,978	398,627,094
Operational expenses	152,670,474	326,644,606	135,384,213	179,194,291	203,613,821
Total profit from operations	141,212,036	406,618,202	145,650,757	178,838,687	195,013,273
Administrative and General Expenses	0	0	0	14,582,570	15,973,760
Depreciation	22,447,684	20,957,628	20,885,613	21,817,981	28,654,194
Operational profits	118,764,352	385,660,574	124,765,144	142,438,136	150,385,319
Unachieved profits	0	0	0	6,748,440	0
Other incomes	11,316,792	6,935,345	4,235,765	10,002,775	57,392,994
Net profit before Zakat and minority portion	130,081,144	392,595,919	129,000,909	159,189,351	207,778,313
Zakat of the sister companies	2,870,173	2,472,448	2,223,845	2,478,013	2,528,240
Minority portion in the profit of the sister companies	373,463	102,518	1,572,460	545,361	898,339
Year's net profit before the Zakat	126,837,508	390,020,953	125,204,604	156,165,977	204,351,734
Zakat	3,817,213	9,453,799	2,466,565	2,797,500	5,482,300
Net profit after Zakat	123,020,295	380,567,154	122,738,039	153,368,477	198,869,434

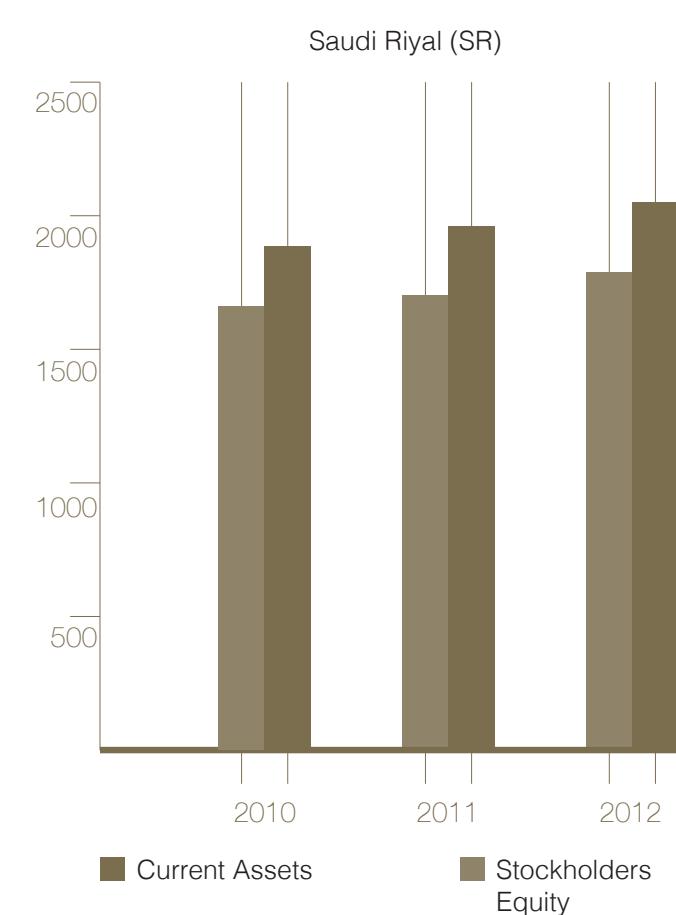


In 2012 the general and administrative expenditure has been separated as an independent item and the numbers of the year are amended accordingly.

* Includes the sale revenue of Al Khaleej Village, Half Moon beach by (485 million SR).

1. Balance Sheet

Description	2008	2009	2010	2011	2012
Current Assets	663,803,417	435,505,119	246,309,239	235,206,127	301,401,741
Non-current Assets	254,393,268	276,798,257	464,361,206	456,655,231	206,661,254
Fixed Assets	1,034,326,398	1,126,635,130	1,175,607,788	1,269,810,247	1,543,489,575
Fixed Assets	1,952,523,083	1,838,938,506	1,886,278,233	1,961,671,605	2,051,552,570
Current Liabilities	522,711,485	135,376,215	144,006,032	179,928,342	201,154,507
Long term liabilities	68,351,350	63,490,647	63,490,647	57,722,664	54,257,632
Minority Interest	13,378,672	15,415,143	18,450,387	17,450,322	7,083,994
Total stockholders equity	1,348,081,576	1,624,656,501	1,662,918,193	1,706,570,277	1,789,056,437
Total liabilities and stockholders equity	1,952,523,083	1,838,938,506	1,886,278,233	1,961,671,605	2,051,552,570



Eighth: Board of Directors

Since the term of Board had ended on 31/12/2012, the General Assembly in its ordinary meeting has elected new members from 1/1/2013 for three years and the members include:

Item	Name	Membership Description
1	Eng. Abdullah Mohammed Al Issa	Non-executive
2	Dr. Saleh Abdullah Al-Hathloul	Independent
3	Mr. Ali Ibrahim Al-Ajlan Representative of the Public Investment Fund	Non-executive
4	Mr. Abdullah Mohammed Al-Abduljabbar Representative of the General Organization for Social Insurance	Non-executive
5	Misfer Ali Al-Hamdan Representative of the Public Pension Fund	Independent
6	Mr. Nasir Mohammed Al-Sebaiei	Independent
7	Mr. Badr Abdullah Al Issa	Non-executive
8	Mr. Fahad Abdullah Al-Qassim	Independent
9	Mr. Musab Suliman Al-Muhaidib	Independent

2. Eng. Abdullah Mohammed Al Issa has been elected as Chairman of the Board of Directors for the new term. Board of Directors takes this opportunity to show their appreciation for Mr. Masad Mohammed Al-Sinani and Eng. Abdulaziz Saleh Al-Anbar, whose term in the Board of Directors has ended, for their relentless efforts during the previous period.

Board of Directors welcomes Mr. Fahad Abdullah Al-Qassim and Mr. Musab Suliman Al-Muhaidib who joined the board in its current term.

3. There are no new contracts with the company that the members of Board of Directors, Chief Financial Officer, or anyone associated with them, have interest in.

There are operation and management contracts for ten years for Makarim Residence Complex (Al-Andalus); Makarim Um-Alqura Hotel, Makarim Al-Bait Hotel and Makarim Residence Complex (Rawda); and Al-Jazeera Badr Complex that belong to Aseela Investment Company, where Eng. Abdullah Mohammed Al Issa and Mr.Badr Abdullah Al-Issa are per both members of its managements.

It is worth mentioning that these contracts are operation and management contract through which the company operates these establishments for specified percentage of the total income and percentage of the total operational profit for each facility.

The company acquired an amount of 3,919,859 SR as fees for operating and managing these establishments during 2012.

4. Board of Directors in its term that ended on 31/12/2012 consisted of nine members according to the following information:

Item	Name	Membership Category	The number of the shares that the member or his agent own	The percentage of ownership at the beginning of % the year	The percentage of ownership at the % end of the year	Other shared companies that a member of their board of Director participate
1	HE Mr. Masad Mohammed Al-Sinani	Non-executive	1.449	0,001	0,001	Bilad Bank
2	Eng. Abdullah Mohammed Al Issa	Non-executive	1.449	0,001	0,001	1-Riyadh Bank 2-Arabian Cement 3-SABIC
3	Mr. Ali Ibrahim Al-Ajlan, the representative of the Public Investment Fund	Non-executive	16.628.458	16,6	16,6	-
4	Dr. Saleh Ali Al-Hathloul	Independent Member	1.449	0,001	0,001	-
5	Mr. Misfer Ali Al-Hamdan, the Representative of the Public the Public Pension Funds	Independent Member	1.743.215	1,7	1,7	The Saudi Company for Pharmaceutical manufactoryes
6	Mr. Abdulaziz Saleh Al-Anbar	Non-executive	72.457	0,07	0,07	SAFCO
7	Mr. Nasir Mohammed Al-Subaiei	Independent Member	1.586	0,003	0,001	Bilad Bank
8	Mr. Abdullah Mohammed Al-Abduljabbar the representative of the General Organization for Social Insurance	Non-executive	6.540.591	6,5	6,5	-
9	Mr. Badr Abdullah Al Issa	Non-executive	1.485	0,001	0,001	Safola Group

5. There are no shares owned by the wives or minor children of the Board of Directors Members. and there are no shares owned by the representatives of the legal advisors or their wives or minor children except 1,000 shares owned by Mr. Ali Ibrahim Al-Ajlan, the member of Board of Directors and representative of Public Investment Fund.

6. There are no shares owned by the senior executives of the company or their spouses or minor children except for 1,249 shares owned by the CEO of the Company Dr. Badr Hamud Al-Badr. Beside that there is no interest or share issue in that share category which have the right to vote belongs to Board members, senior executive or their spouses or their minor children in the share or debts notification for Sharaco or any of its sister companies.

7. Since Masik Holding Company, Abdulla Mohammed Al Issa and Sons Company are amongst the shareholders of SHARACO, and in accordance with the Saudi Financial Market Authority, it should be mentioned that Eng. Abdullah Mohammed Al Issa the Chairman of the Board of Directors has an interest in the Masik Holding Company.

Both Eng. Abdullah Mohammed Al Issa and Mr. Badr Abdullah Al Issa have interests in Abdullah Mohammed Al Issa and Sons Co.

The table below shows the change in the ownership of the share for these companies during 2012:

Item	Name	The number of share at the start of the year	The number of share at the end of the year	The change
1	Masik Holding Company	0	26,315,109	26,315,109
2	Abdullah Mohammed Al Issa and Sons Company	20,000	28,982	8,982

Board of Directors held four meeting in 2012 and the table below shows the names of the members who attended the meetings:

Item Name	First Meeting	Second meeting	Third meeting	Fourth meeting	Total	The attendance %
1 HE Mr. Masa'ad Mohammed Al-Sinani	4	100%
2 Eng. Abdullah Mohammed Al Issa	4	100%
3 Mr. Ali Ibrahim Al-Ajlan, Representative of the Public Investment Fund	4	100%
4 Dr. Saleh Ali Al-Hathloul	4	100%
5 Mr. Misfer Ali Al-Hamdan, Representative of the Public Pension Agency	4	100%
6 Mr. Abdulaziz Saleh Al-Anbar	4	100%
7 Mr. Nasir Mohammed Al-Sebaiei	.	.	.	-	3	75%
8 Mr. Abdullah Mohammed Al-Abduljabbar, Representative of the General Organization for Social Insurance	4	100%
9 Mr. Badr Abdullah Al Issa	4	100%

9. The compensations and the bonuses:

The table blow shows the compensations and bonuses paid for each member of the Board of Directors and five Senior Executives of the company including Chief Executive Officer and Finance Manager during 2012:

Description	Executive member of the board	Executive member of the board	Senior executive
Salaries and compensations	*4.724.000	360.000	4.008.000
Allowances		195.000	1.797.000
Bonuses		1.800.000	852.000
Total	4.724.000	2.355.000	6.657.000

* End of service benefits that were paid to former CEO based on the Contract and Labor Law.

Ninth: Board of Directors Committees

1. The Committee of Nomination and Bonus

The Committee of Nomination and Bonus held two meetings during 2012 and submitted its reports to Board of Directors. The Committee consists of:

Name	Position	Times of attendance
HE Mr. Mohammed Masa'ad Al-Sinani	President	2
Dr. Saleh Mohammed Al-Hathloul	Member	2
Mr. Abdullah Mohammed Al-Abduljabbar	Member	2

Since the term of Board of Directors has expired on 31/12/2012, Board of Directors have decided to restructure the committee from 1/1/2013 for three years, and the committee consists of:

Name	Position
Eng. Abdulla Mohammed Al Issa	President
Dr. Saleh Mohammed Al-Hathloul	Member
Mr. Misfer Ali Al-Hamdan	Member
Mr. Abdullah Mohammed Al-Abduljabbar	Member

Tasks of the Committee of Nomination and Bonus:

- To recommend to Board of Directors the new nominees are as per authorized policies and measures, and confirming that they have not been convicted for crime of dishonesty.
- The Annual review of required skills for a membership of Board of Directors. Preparing descriptions for the skills and qualifications required for a membership of Board of Directors and that includes the necessary time that a member should spend in the work of Board of Directors.
- Reviewing the structure of Board of Directors and submitting recommendations regarding the possible changes.
- Identifying the strength and weaknesses in the Board of Directors, and recommending solutions in accordance with the company's interest.
- Ensure annually, independence of non-executive members and that there is no conflict of interest where the member is in Board of Directors of another company.
- Put forward clear policies for compensation and bonuses of the members of Board of Directors and Senior Executives. The Committee should take into consideration the performance of members when putting these polices.

2. Audit Committee

The Auditing Committee held five meetings during 2012 and submitted its reports to Board of Directors. The Committee consists of:

Name	Position	Times of attendance
Mr. Misfer Ali Al-Hamdan	President	5
Mr. Badr Abdullah Al Issa	Member	5
Mr. Mohammed Bin Hamad Al-Judaibi	Member	1
Mr. Ibrahim Salem Al-Rwais	Member	5

Since the term of Board of Directors has expired on 31/12/2012, the new Board of Directors have decided to restructure the committee from 1/1/2013 for three years, and the committee consists of:

Name	Position
Mr. Ali Ibrahim Al-Ajlan	President
Mr. Musab Suliman Al-Muhaidib	Member
Mr. Ibrahim Salem Al-Rwais	Member
Mr. Abdulrahman Saleh Al-Khulaifi	Member

Tasks of Audit Committee include:

- Supervise internal auditing department to ensure its effectiveness in executing their work and the tasks assigned by Board of Directors..
- Studying the system of internal auditing and submit a written report of their opinions and recommendations to the Board of Directors.
- Studying the internal audit reports and monitoring the execution of corrective measures contained therein.
- Recommendation to Board of Directors for the appointment and termination of external auditors, identifying their fees and the independence during the period of their appointment.
- To monitor the work of the external auditors and authorize any work outside of the scope of the audit work, that may be assigned to them during the audit.
- To study auditing plan with the external auditors and put forward their recommendations regarding their plan.
- Studying and monitoring the notices of external accountant regarding the financial statements.
- Studying the draft of financial statements before presenting it to board of directors and stating their opinions and recommendations concerning it.
- Studying the existing accounting policies and presenting their opinions and recommendations regarding these policies.

3. Investment Committee

Board of Directors has decided to form a committee for investment. This committee has held only one meeting during 2012, where in all the members were in attendance, and they submitted its report to Board of Directors. The committee consists of:

Name	Position
HE Mr. Masad Mohammed Al-Sinani	President
Mr. Saleh Ali Al-Hathloul	Member
Mr. Abdullah Nassir Al Issa	Member
Mr. Nasir Mohammed Al-Sebaiei	Member

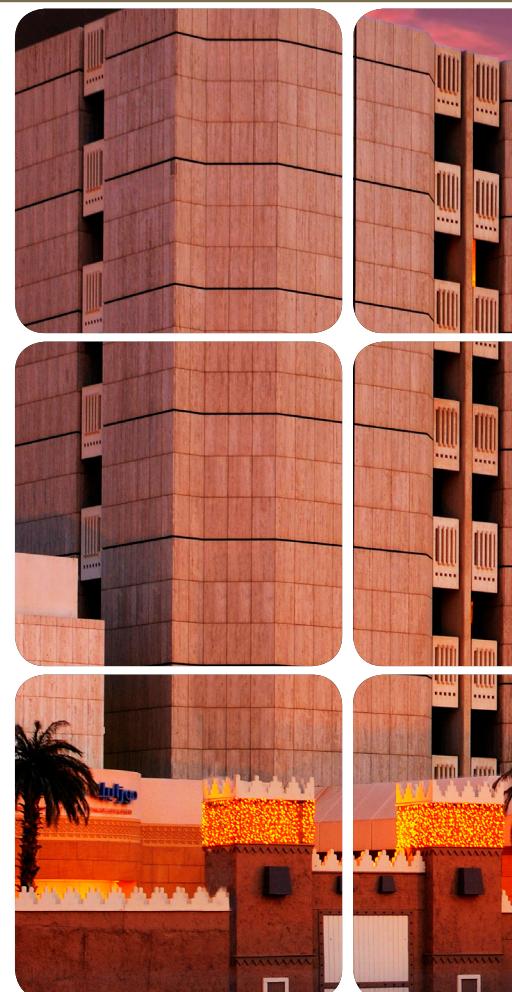
The committee has been restructured from 1/1/2013 for three years as below:

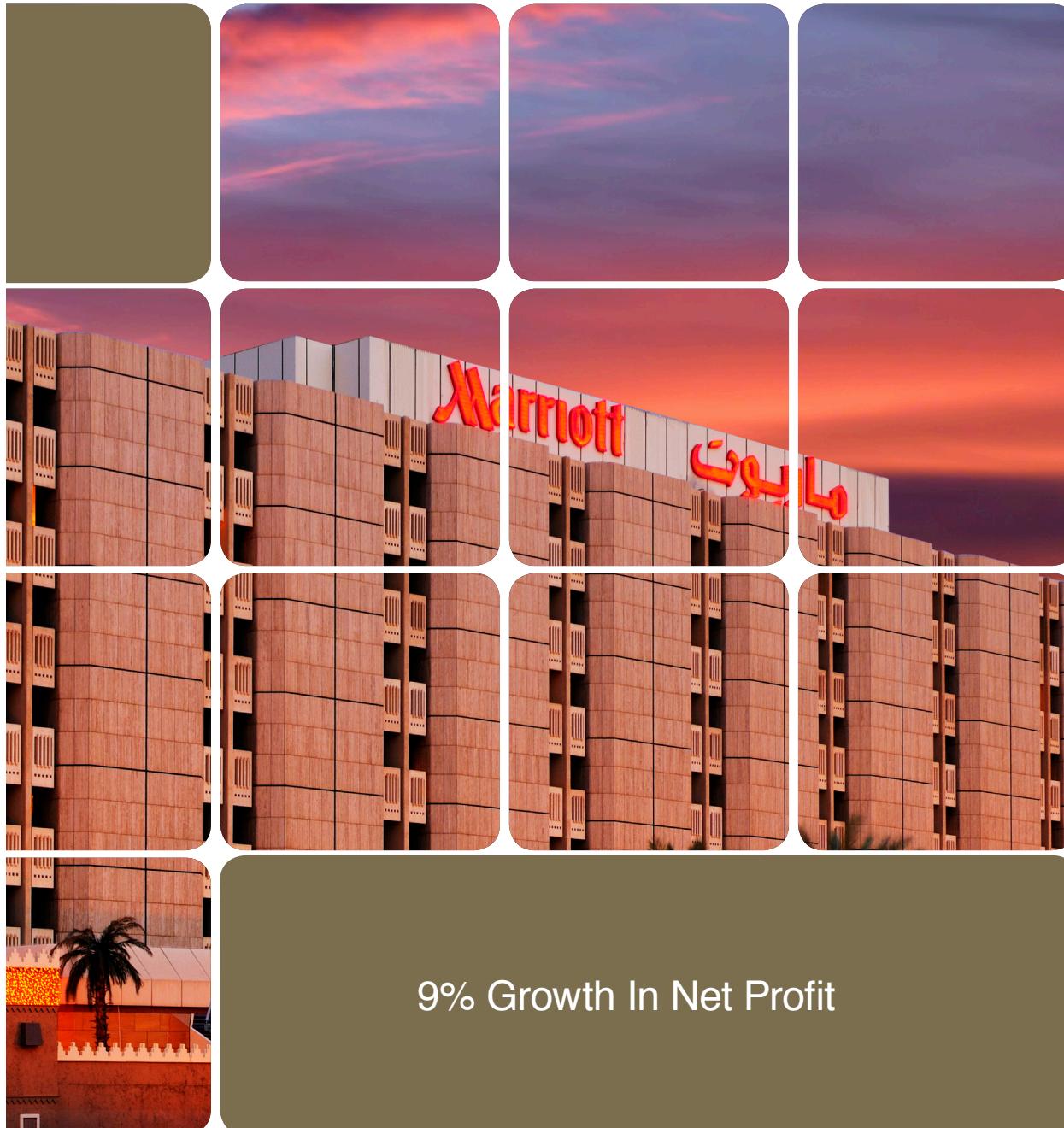
Name	Position
Mr. Nasir Mohamed Al-Sebaiei	President
Mr. Fahad Abdullah Al-Qassim	Member
Mr. Badr Abdullah Al Issa	Member

Tasks of Investment Committee

- Preparing appropriate investment policies in the best interests of the company, and submitting recommendations regarding the policies to Board of Directors.
- Recommending to the Board to approve the principal investment in the company and identifying the investment channels.
- Study the investment opportunities that the company will participate in and submit their opinion regarding them to Board of Directors.

11% Growth in Activities Income





Tenth: Major shareholders

The table below shows a list of senior shareholders who own 5% or more of the paid up capital of the company as of 31/12/2012.

Name	The shares owned at the end of the year	The percentage of the ownership	The shares owned at the beginning of the year	The change
Masik Holding Co	26.315.109	26.3%	0	26.315.109
Public Investment Fund	16.628.458	16,6%	11.474.650	5.153.808
Mr. Mohamed Ibrahim Al Issa	12.828.675	12.8%	15.460.561	(2.631.886)
GOSI	6.540.591	6,5%	4.513.407	2.027.184

The company depends on Saudi Stock Exchange (Tadawul) in stating this information on 31/12/2012.

Eleven: Loans

1. The company had acquired two loans from the Ministry of Finance, without interest, for some of the establishments that the company and some of its partner companies have established. Details are given below:

Loan	Development of Annakheel Village	Development of Al-Watan Park
Date of the loan	21 / 12 / 1419 H	5 / 11 / 1430 H
Period of the loan	20 year	10 years
Total value of the loan	50,000,000	30,000,000
Date of its end	21 / 12 / 1438 H	25 / 11 / 1440 H
What has been paid back from the loan during the year	2.500.000	12.857.143
Totally amount paid from the loan until the end of 2012	37.500.000	17.857.143
Remainder	12.500.000	12.142.857

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2. A bank facility agreement has been signed with the Saudi Fransi Bank - Morabaha - for an amount of SR. 241.9 Million. The facility includes:

* Providing the necessary finance for furnishing the third stage, of the Future Homes in the Diplomatic Quarter - Riyadh costing SR. 291 Million. The investment should be paid in 7 installments, the first of which is due after three years from the first withdraw.

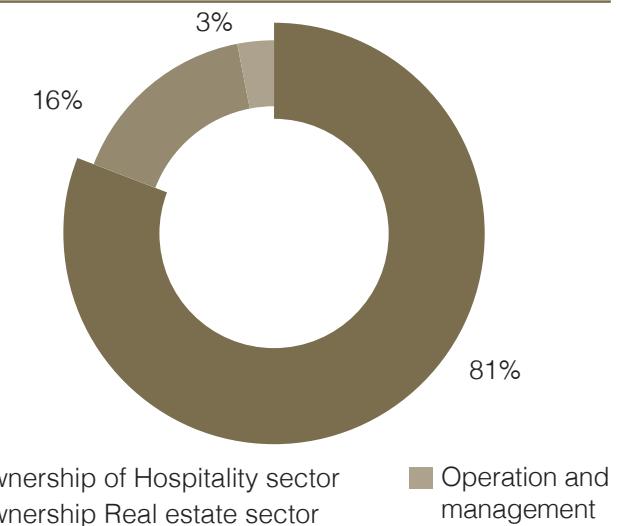
* Multi Purpose facilities in the form of Letters of Credit with the amount of SR 23 Million to be utilized when needed.

The Company did not receive any of the above facilities until the end of 2012.

Twelfth: Contribution of Company's Main Operations

The main activities of the company have effectively contributed to the improvement of the company's performance in 2012, when compared to 2011 and the table below identifies the percentage of each activity contributing to the total income:

Description	Percentage of the total revenue for 2012
Ownership of Hospitality sector	81%
Ownership of Real estate sector	16%
Operation and management	3%

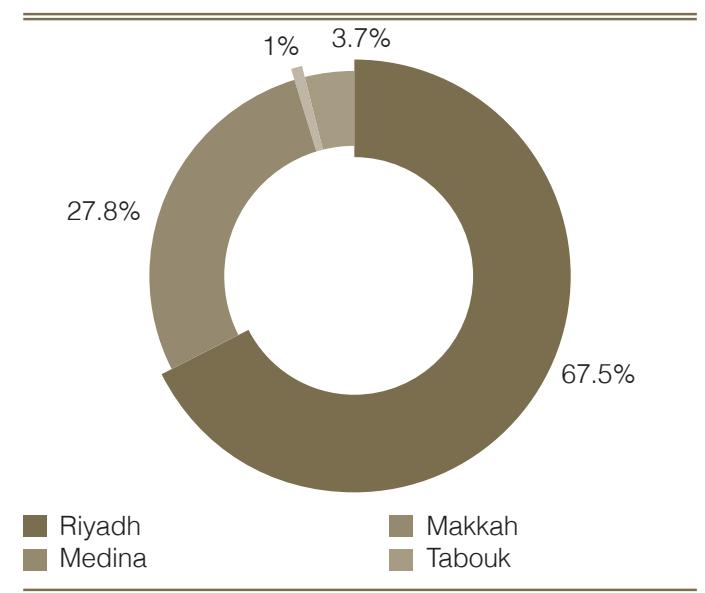


Thirteen: Geographical Analysis of the Activities

All the income of the activities of the company are in the Kingdom of Saudi Arabia according to the following:

Description	Amount	Percentage
Riyadh	269.329.724	67.5%
Makkah	110.776.233	27.8%
Medina	4.323.191	1%
Tabouk	14.203.907	3.7%
Total	398.633.055	

The Company does not have any Branches or establishments outside the Kingdom of Saudi Arabia.



Fourteenth: Statutory Payments

The amount of Zakat in 2012 for the company and its subsidiaries reached to SR. 8,014,137 and the dues of General Organization of Social Insurance reached SR. 289,600 as the statutory subscription of the company's employees. The company pays its annual dues for the government departments like Iqama fees, traffic fees, commercial registration and subscriptions to the Chamber of Commerce



Fifteenth: Dividends Policy

A) Net profit distributed according to the Article (42) of the company's article of associations as follow:

1. Deducting the legal Zakat
2. Deducting 10% of the net profit to establish statutory reserve. The normal General Assembly may discontinue such deductions when the reserve reaches 50% of the paid up capital and keeping in mind the reserve account has already reached 50% of the paid up capital.
3. Deducting 5% of the profit to form an contractual reserve for the maintenance work and purposes that are identified by the Board of Directors. This reserve can be discontinued when it reaches 10% of the paid up capital and keeping in mind the account of this reserve has already reached 10% of the capital.
4. A first installment that equals 5% of the paid up capital to the shareholders.
5. After the above mentioned, a percentage for the bonus of Board of Directors is to be allocated from the remainder, an amount in accordance with the regulations of the authorized bodies. Then the remaining balance will be distributed among shareholders partially or totally as additional portion of the profit or it is carried forward to the succeeding years.



B) As expected from the company to take care of shareholders expectations regarding higher rewards and in view of new expansions and continuous growth of the company's activities, the Board of Directors has decided to distribute dividends in the first half of 2012 as 60 Halala for each share.

The proposed account of the dividends include the distribution of SR. 150,000,000 from 2012 profits which represent 15% of the paid up capital. The profit that the Board has decided to be distributed is to be deducted from the first half and the remaining part of the profit which is SR. 90,000,000, that is 90 Halala for a share, to be distributed after the decision of the General Assembly of Shareholders.

Sixteenth: Governance

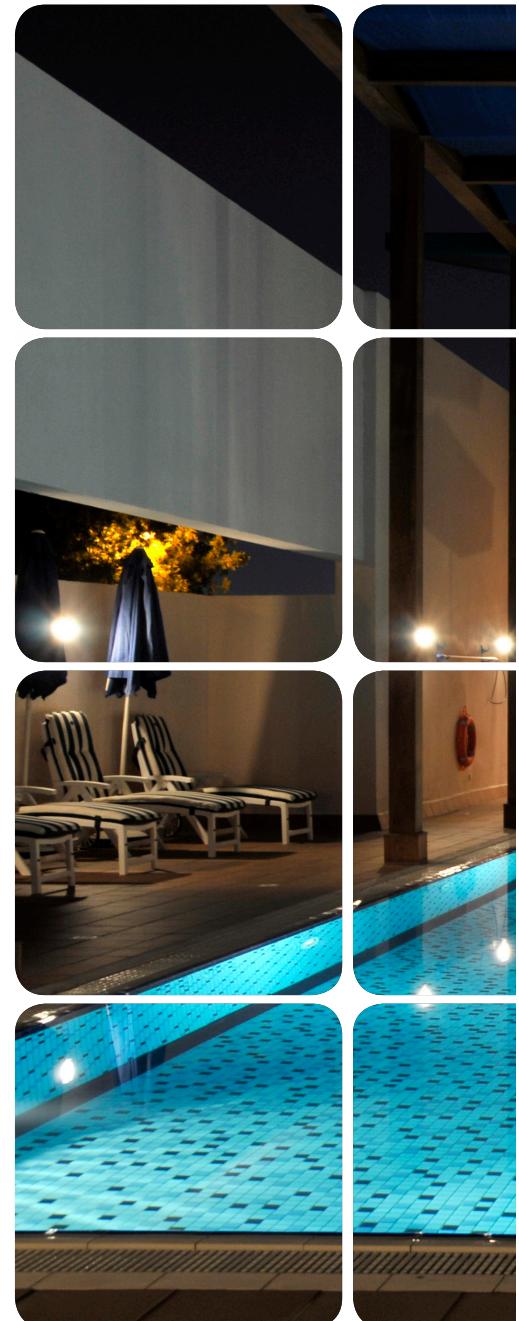
The Company applies the corporate governance regulation for companies issued by the Saudi Capital Authority except for the method of using accumulative voting when choosing the members of Board of Directors, approved by the General Assembly on such a decision. The authorization of the procedure of choosing the members of the nomination and bonuses committee and the method of its work and the authorizing of an effective measure of choosing the members of the auditing committee and the method of its work took place during this General Assembly.

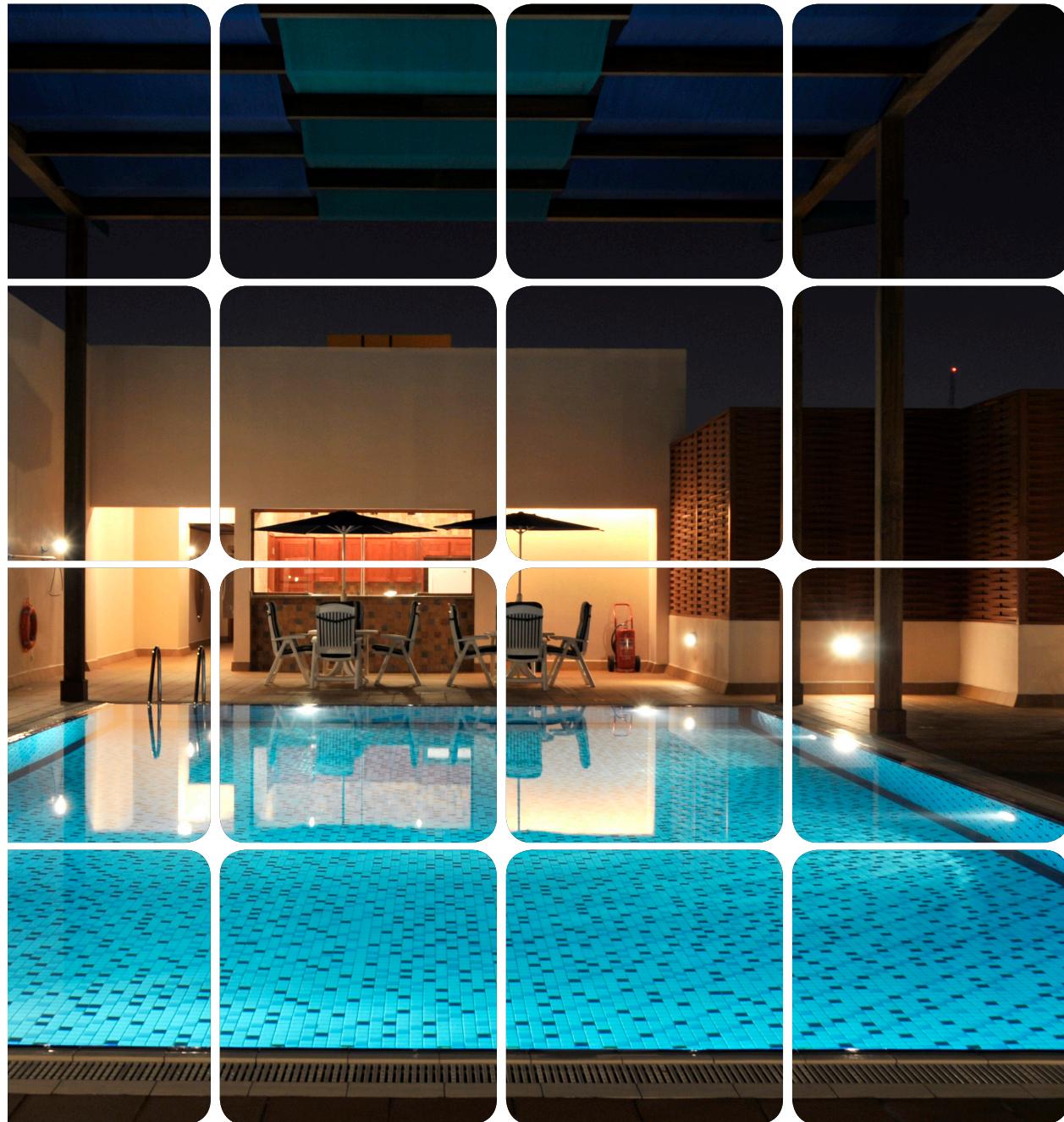
Seventeenth: Company Contingent Risks

There are a number of possible risks that the company faces, some of these are:

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1. The company's hotel properties in Riyadh may be affected by the decline of occupancy due to the increase in number of new hotels in Riyadh. However, the increase of infrastructure projects of Riyadh will decrease such risks in addition to the uniqueness of the location and facilities of the company hotels.
2. The properties of Makkah may be affected by a decrease in the number of visas of Haj and Umrah and health or other reasons. What mitigate these risks and limits any major fluctuation in this regard are the variety of the company's activities and the geographical distribution of its investments in the Kingdom.
3. The nature of the company's projects takes a long time from conception to completion therefore, the Company is very keen in keeping up to date with all market changes so that it may respond to any of these accordingly





Eighteenth: Board of Directors Disclosures

The Board of Directors confirm the following:

1. The accounting records has been prepared accurately according to the general accepted accounting standards, to the circumstances that agree with the company's policy and the standards issued by the SOCPA, except for submitting the company's investment in Saudi Company for Hotels Services and the Media Company for Marketing Services, who couldn't prepare their financial statements, because of the liquidation stage, and also the financial statement for Makarim Al-Marefa for Hospitality, where the company has 50% shares, because the company did not start it's commercial activities and does not issue financial statements since it was established on 26/09/2012.
2. The internal auditing system has been prepared accurately and the company is continuously working to develop the internal auditing system. It has been executed effectively and there is no skepticism about the company's ability in continuing with its activities. The company has an internal auditing system that ensures the application of the most suitable auditing system and to identify the main scope of risks that the company faces, review all the income and expenses in a periodical manner, and check the documents, transactions and submit a periodical report to the committee and Chairman of Board of Directors. The internal auditing department has submitted its report on its opinions and recommendations. It has become clear that there are no major observations for any corrective measures and whatever is included in its reports are being monitored and action taken.
3. There is no penalty or sanction or precaution or restrain against the company from the Saudi Capital Market Authority or any other supervisory, regulatory or judicial entity.
4. The members of Board of Directors do not own any portion in the associated companies.
5. The company does not lend any cash loan of any kind for any member of the board and the company does not guarantee any loan taken by any board member.
6. There is no debt instruments convertible to shares or any other rights or notices of subscription rights or similar rights that the company has issued during the financial year. There is no interest or rights of subscription for Board of Directors and Senior Executives, their spouses or minor children in the shares or the debt instruments in the company or any of its associated companies.
7. There are no conversion rights or subscriptions right that can be transferred to convertible debt, share options or notices of subscription rights or similar rights that are issued by the company.
8. There is no recovery on purchase or cancellations from the company's side to any recoverable debt instruments.
9. There is no agreement or waiver with any of the shareholders or any of members of Board of Directors or executives in the company's name according to which they waive profits, salaries or compensation.

Nineteenth: Board of Directors Recommendations

After presenting the foregoing, Board of Directors have recommended the following to the shareholders:

1. Approval of the Board of Directors report.
2. Approval of the financial statements and the External Auditors report for the financial year 2012.
3. Approval of the proposal of the Board of Directors regarding the distribution of 15% of the capital, as dividend for 2012 by amounting to (SR. 1.5) per share and taking into consideration that a dividend of 60 Halala has been distributed in the first half, and what remain is 90 Halala for each share as dividend for the second half of 2012 for shareholders registered in Tadawul at the end of trading day of the General Assembly meeting.
4. Discontinue deducting a percentage for the statutory reserve from this year and going forward because the account of the statutory reserve has already reached 50% of the capital.
5. Discharge the members of the Board of Directors during its previous term that ended in 31/12/2012.
6. The Approval of a procedure to select a member for of the nomination and bonuses committee and the method of its work.
7. The Approval of a procedure to select a member for the Audit Committee and the method of its work.
8. Approval of the renewal of contract for managing and operating Makarim Residence Complex (Al-Andalus), Makarim Um-Alqura Hotel, Makarim Al-Bait Hotel and Makarim Residence (Al Rawdah), and Al-Jazeera Badr Compound, all belongs to Asseela Investment Company, for one year from the date of convention of the assembly.
9. Approval of the selection of the external auditor from those who have been nominated by the Audit committee to audit the company's financial statements for the year 2013 and the quarterly financial statements, in addition to determining their fees.

Wishing the company a steady progress,



REPORT OF EXTERNAL AUDITOR

February 7, 2013

To the Shareholders
Saudi Hotels and Resorts Company

We have audited the accompanying consolidated financial position of the Saudi Hotels and Resorts Company ("the Company") and its subsidiaries companies as of December 31, 2012 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 (17) 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, 2012 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended in conformity with generally accepted accounting standards in Kingdoom of 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.



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

CONSOLIDATED BALANCE SHEET

ASSETS	NOTE	DECEMBER 31,	
		2012 (SR)	2011 (SR)
CURRENT ASSETS			
Cash		70,264,983	47,534,863
Short term investments	3	115,728,309	108,644,547
Accounts receivable, net	4	63,962,165	44,607,523
Inventories	5	19,450,038	18,972,645
Prepaid expenses and other current assets	6	31,996,246	15,446,549
Total current assets		301,401,741	235,206,127
Long term investments	7	176,588,332	145,344,429
Fixed assets, net	8	1,543,489,575	1,269,810,247
Projects under study and in progress		29,002,454	309,866,065
Deferred expenses		1,070,468	1,444,737
Total assets		2,051,552,570	1,961,671,605

CONSOLIDATED BALANCE SHEET (CONTINUE)

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	DECEMBER 31,	
		2012 (SR)	2011 (SR)
CURRENT LIABILITIES			
Current portion of loans	9	6,785,713	14,642,857
Accounts payable		49,900,523	32,582,026
Dividends payables		36,666,543	41,482,075
Accrued expenses and other current liabilities	10	107,801,728	91,221,384
Total current liabilities		201,154,507	179,928,342
Long term loans	9	18,571,429	25,357,143
End of service indemnity	2	35,686,203	32,365,521
Minority interest in subsidiaries companies		7,083,994	17,450,322
Total liabilities		262,496,133	255,101,328
SHAREHOLDERS' EQUITY			
Share capital	1	1,000,000,000	690,060,970
Statutory reserve		500,000,000	357,550,945
Contractual reserve		143,002,490	408,443,096
Retained earnings		138,869,435	257,871,100
Unrealized (loss) gain on investment		7,184,512	(7,355,834)
Total shareholders' equity		1,789,056,437	1,706,570,277
Total liabilities and shareholders' equity		2,051,552,570	1,961,671,605

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

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED DECEMBER 31,	
	NOTE	2012	2011
		(SR)	(SR)
Operating revenues	11	398,627,094	358,032,978
Operating expenses	12	(203,613,821)	(179,194,291)
Gross operating profit		195,013,273	178,838,687
General and Adminstrative expenses		(15,973,760)	(14,582,570)
Depreciation		(28,654,194)	(21,817,981)
Net operating profit		150,385,319	142,438,136
Other revenues	13	57,392,994	10,002,775
Unrealized gain on investment		-	6,748,440
Net profit before Zakat and minority interest		207,778,313	159,189,351
Zakat of associated companies	14	(2,528,240)	(2,478,013)
Net profit after Zakat of subsidiaries companies		205,250,073	156,711,338
Minority interest in subsidiaries companies		(898,339)	(545,361)
Net profit before Zakat		204,351,734	156,165,977
Zakat for the year	14	(5,482,300)	(2,797,500)
Net profit of the year		198,869,434	153,368,477
Earning per share from main activities		1.50	1.42
Earning per share from other activities		0.57	0.17
Earning per share		1.99	1.53

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

CONSOLIDATED CASH FLOW STATEMENT

	FOR THE YEAR ENDED DECEMBER 31,	
	2012 (SR)	2011 (SR)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	204,351,734	156,165,977
Adjustments to reconcile net income to net cash		
Provided from (used in) operating activities		
Depreciation	28,654,194	21,817,981
Amortization of deferred expenses	374,269	148,495
End of service provision	3,867,772	9,464,187
Unrealized gain on investment	-	(6,748,440)
(increase) in accounts receivable	(19,354,641)	(13,412,602)
(Increase) in inventories	(477,392)	(3,711,037)
(Increase) Decrease in prepaid expenses and other current assets	(16,549,696)	8,246,035
Increase in accounts payable	17,318,497	7,896,529
(Decrease) Increase in dividends payables	(4,815,532)	4,838,112
Increase in accrued expenses and other current liabilities	20,477,604	21,842,725
Zakat paid	(9,379,563)	(3,738,270)
End of service indemnity paid	(547,090)	(5,859,430)
Net cash provided from operating activities	223,920,156	196,950,262

CONSOLIDATED CASH FLOW STATEMENT (CONTINUE)

	FOR THE YEAR ENDED DECEMBER 31,	
	2012	2011
	(SR)	(SR)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets additions	(313,838,292)	(148,506,292)
Fixed assets disposal	11,489,696	32,470,777
Depreciation on project in progress	15,074	15,075
(Increase) in deferred expenses	-	(1,128,869)
Decrease in investments	(23,787,319)	68,547,294
Decrease (Increase) in project under study and in progress	280,863,611	(28,020,856)
Net cash (used in) investing activities	(45,257,230)	(76,622,871)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans paid during the year	(14,642,858)	(4,500,000)
Dividends	(130,806,098)	(105,258,185)
Previous years adjustments	-	(444,521)
Used from reserves	(117,522)	(50,000)
Changes in minority interest	(10,366,328)	(1,000,065)
Net cash (used in) financing activities	(155,932,806)	(111,252,771)
Net increase in cash	22,730,120	9,074,620
Cash at beginning of the year	47,534,863	38,460,243
Cash at end of the year	70,264,983	47,534,863

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

STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

	Capital	Statutory reserve	Contractual reserve	Retained earnings	Unrealised gain (loss) on investment	Total
Balance at January 1, 2011	690,060,970	345,030,485	408,493,096	222,725,789	(3,392,147)	1,662,918,193
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)	-	-
Used from contractual reserve			(50,000)			(50,000)
Zakat for the year	-	-	-	(2,797,500)	-	(2,797,500)
Unrealized gain on investment	-	-	-	-	(3,963,687)	(3,963,687)
Balance at December 31, 2011	690,060,970	357,550,945	408,443,096	257,871,100	(7,355,834)	1,706,570,277
Appropriation to increase capital	309,939,030	-	(170,933,359)	(139,005,671)	-	-
Appropriation from retained earnings to statutory reserve	-	48,059,330	-	(48,059,330)	-	-
Appropriation from contractual reserve to statutory reserve	-	94,389,725	(94,389,725)	-	-	-
Used from contractual reserve	-	-	(117,522)	-	-	(117,522)
Dividends	-	-	-	(130,806,098)	-	(130,806,098)
Net income for the year 2012	-	-	-	204,351,734	-	204,351,734
Zakat for the year	-	-	-	(5,482,300)	-	(5,482,300)
Unrealized (loss) on investment	-	-	-	-	14,540,346	14,540,346
Balance at December 31, 2012	1,000,000,000	500,000,000	143,002,490	138,869,435	7,184,512	1,789,056,437

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

Notes to the Consolidated Financial Statements December 31, 2011

NOTE 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. (27 / 1 / 2011) 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 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.

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NOTE 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.

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 recognised in this consolidated statements and subsidiaries after eliminating expenses between the company and the subsidiaries or between subsidiaries themselves .

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 and is based on management's estimate for possible loss on realization of account receivable.

Investments

The investments in share capital of other companies with ownership percentage which is less than 50% and over 20% are recorded in accordance to the equity method and 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 and 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

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

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.

NOTE 3 : SHORT TERM INVESTMENTS

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.

	DECEMBER 31,	
	2012	2011
	(SR)	(SR)
Investments in Islamic «Murabaha»	110,344,468	91,713,221
* Investments in portfolio belongs to subsidiaries	-	10,864,250
Investments in real estate	5,383,841	6,067,076
Total	115,728,309	108,644,547

* The short term investment belongs to the company and some subsidiaries which the company shared in its capitals.

NOTE 4 : ACCOUNTS RECEIVABLE

	DECEMBER 31,	
	2012	2011
	(SR)	(SR)
Trade accounts receivable	44,429,811	39,475,825
Provision for doubtful debts	(8,152,980)	(5,657,673)
Net trade account receivable	36,276,831	33,818,152
* Other receivable	27,685,334	10,789,371
Total	63,962,165	44,607,523

* the other receivables includes a amount of 17,353,900 SAR which represent the accrue debit balance due from contractor for the project of the court yard hotel and the residential tower hotel. The company have Bank guarantees presented by the contractor that covers this debit balance.

NOTE 5 : INVENTORIES

	DECEMBER 31,	
	2012 (SR)	2011 (SR)
Operating supplies	17,641,605	17,571,253
Food and beverage	1,808,433	1,401,392
Total	19,450,038	18,972,645

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NOTE 6 : OTHER RECEIVABLES

	DECEMBER 31,	
	2012 (SR)	2011 (SR)
Prepaid expenses	11,034,576	12,306,410
Accrued revenues and other current assets	20,961,670	3,140,139
Total	31,996,246	15,446,549

NOTE 7 : LONG TERM INVESTMENTS

	Percentage of ownership	DECEMBER 31,	
		2012 (SR)	2011 (SR)
Investments in portfolio		123,575,848	103,018,179
* Saudi Hotel Services Co.	30%	34,804,884	34,818,650
National Co. for Development Tourism Investment	1.65%	7,000,000	7,000,000
** Makarem Almaarfa hospitality Co.	50.00%	10,700,000	-
*** Al-Ealamia Co. for marketing services	25%	500,000	500,000
Others		7,600	7,600
Total		176,588,332	145,344,429

* Investments in Saudi Hotel Services Co. are being evaluated using the equity method.

** During the financial year 2012 the Company invested by 50% of the capital of Makarem Almaarfa Hospitality Co.(Ltd) which practice its commercial activities but didn't issue any financial statements yet.

*** 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.

NOTE 8 : FIXED ASSETS

	Land	Buildings	Furnitures and fixtures	Plant and equipment	Motor vehicles	Total
Cost						
At January 1, 2012	609,354,771	942,749,291	172,578,838	42,197,407	7,470,681	1,774,350,988
Additions dur- ing the year	-	248,145,425	63,670,341	179,826	1,842,700	313,838,292
Desposal and adjustments	(11,280,087)	-	(4,739,369)	-	(792,500)	(16,811,956)
At December 31, 2012	598,074,684	1,190,894,716	231,509,810	42,377,233	8,520,881	2,071,377,324
Depreciation						
At January 1, 2012	-	324,866,854	136,123,001	37,327,408	6,223,478	504,540,741
Depreciation for the year	-	16,008,338	10,743,442	1,268,317	649,171	28,669,268
Desposal and adjustments	-	-	(4,737,892)	-	(584,368)	(5,322,260)
At December 31, 2012	-	340,875,192	142,128,551	38,595,725	6,288,281	527,887,749
Net book value						
At December 31, 2012	598,074,684	850,019,524	89,381,259	3,781,508	2,232,600	1,543,489,575
At December 31, 2011	609,354,771	617,882,437	36,455,837	4,869,999	1,247,203	1,269,810,247

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. 25,357,142 at December 31, 2012.(SR. 40,000,000 at December 31, 2011).

NOTE 9 : LOANS

Included in loans are two loans from the Ministry of finance with no interest to create two projects pledged by lands and building.

The aggregate installments payments due on the balance outstanding are summarized as follows:

	DECEMBER 31,	
	2012	2011
	(SR)	(SR)
Portions of short term loans	6,785,713	14,642,857
Portions of long term loans	18,571,429	25,357,143
Total	25,357,142	40,000,000

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NOTE 10 : ACCRUED EXPENSES

AND OTHER CURRENT LIABILITIES

NOTE 11 : OPERATING REVENUES

	DECEMBER 31,	
	2012	2011
	(SR)	(SR)
Zakat provisions	27,850,488	29,218,511
Deferred income	26,610,706	24,744,028
Accrued expenses	33,915,085	26,508,058
Other liabilities	19,425,449	10,750,787
Total	107,801,728	91,221,384

	DECEMBER 31	
	2012	2011
	(SR)	(SR)
Hotels and recreational areas revenues	339,656,186	305,366,767
Revenue from owned real estate	48,182,878	43,681,145
Services and operations fees	19,333,143	17,763,801
Revenue from investment in other companies	5,986,234	4,064,869
Total	413,158,441	370,876,582
Less: revenue earned from subsidiaries companies	(14,531,347)	(12,843,604)
Net revenues	398,627,094	358,032,978

NOTE 12 : OPERATING EXPENSES

	DECEMBER 31	
	2012	2011
	(SR)	(SR)
Hotels and recreational areas expenses	199,488,663	175,586,249
Services and operations cost	4,662,072	4,050,564
Cost of owned real estate	10,336,384	8,742,588
Other operating costs	3,658,049	3,658,494
Total	218,145,168	192,037,895
Less: expenses charged to subsidiaries companies	(14,531,347)	(12,843,604)
Net	203,613,821	179,194,291

NOTE 13 : OTHER REVENUE

	DECEMBER 31	
	2012	2011
	(SR)	(SR)
Revenues from Islamic Murabaha	430,936	314,024
* Real estate Revenue	56,173,377	9,265,699
Other revenues	788,681	423,052
Total	57,392,994	10,002,775

* The Real estate revenue for 2012 represent the net income from selling the Company's land in Sharkia and Eastern Province of KSA

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 2,528,240 for the year 2012 and SR 2,478,013 for the year 2011.

The computation of Zakat provisions for the holding company as follow:

	DECEMBER 31	
	2012	2011
	(SR)	(SR)
Net income as per book	204,351,734	156,165,977
Less : Profit share in subsidiaries	(59,199,375)	(46,067,796)
Provisions during the year	3,363,202	1,801,829
	148,515,561	111,900,010
Zakat base		
Adjusted net income	148,515,561	111,900,010
Total added items	1,729,263,787	1,652,753,891
Total deducted items	(1,658,487,345)	(1,663,084,879)
Zakat base	219,292,003	101,569,022
Zakat at 2.5%	5,482,300	2,797,500

The company has submitted the Zakat assessments up to year 2011. The company received the final Zakat assessment and final Zakat certificate for the year 2009.

NOTE 15 : CONTIGENT LIABILITIES

	DECEMBER 31,	
	2012	2011
	(SR)	(SR)
Guarantee loans to subsidiaries	12,500,000	15,000,000
Letters of Guarantee issued to others	28,259,879	28,259,879
Total	40,759,879	43,259,879

NOTE 16 : INCREASE IN CAPITAL

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Capital market authority approved the increase capital issued from the SR. 690,060,970 to become SR. 1,000,000,000 whith there approval no. (2011 - 27 1) using retained earning and contractual reserve through the distribution of One Free Share against 2.23 shares in stock.

NOTE 17 : RECLASSIFICATIONS

Certain 2011 accounts have been reclassified to confirm to the 2012 financial statement presentation.