

# ANNUAL REPORT

**For The Fiscal Year 2007**

# Saudi Hotels and Resorts Co.

**(SHARCO)**

Paid-up Capital: SR.(690) Million

C.R.: 1010010726

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P. O. Box 5500 Riyadh – 11422

KINGDOM OF SAUDI ARABIA

<b>Properties Names</b>	<b>Tel.</b>	<b>Fax.</b>
1. Riyadh Marriott Hotel	(01) 4779300	(01) 4779089
2. Ajyad Makkah Makarim Hotel	(02) 5720500	(02) 5746061
3. Sahara Tabuk Hotel	(04) 4221212	(04) 4220101
4. Sahara Airport Hotel	(01) 2204500	(01) 2204505
5. Al-Rawdah Recreation Park	(01) 2319607	(01) 2377642
6. Al-Khaleej Makarim Village	(03) 8963666	(03) 8963700
7. Al-nnakheel Makarim Village	(02) 6562101	(02) 6562510
8. Al-Andalus Luxurious Villas	(02) 6695154	(02) 6601651
9. Al-Mostaqbal Homes	(01) 4816666	(01) 4801666
10. Al- Jazeera East Compound	(01) 2422970	(01) 2422905
11. Al-Jazeera Complex Al-Madinah	(04) 8292100	(04) 8292117
12. Al-Dawoodiah Complex Al-Madinah	(04) 8292100	(04) 8292117
13. Al-Jazeera Bader Compound	(01) 4921135	(01) 4921102
14. Al-Qamar Makarim Resort	(02) 6562655	(02) 6561192
15. Al-Thomama Wilderness Park	0504451166	(01)4040579
16. Al- Watan Park	(01) 4093121	(01) 4093119

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## **Board of Directors**



- |    |  |                       |
|----|--|-----------------------|
| 1- | His Excellency Mr. Musaad M. Al-Senany                                   | Chairman of the Board |
| 2- | Mr. Mohammed I. Al-Issa  | Vice Chairman         |
| 3- | Mr. Saad H. Al- Hamdan<br>(Representative of the Public Investment Fund) | Member of the Board   |
| 4- | Mr. Moneer N. Al-Nimer   | Member of the Board   |
| 5- | Dr. Saleh ali Al- Hazloul  | Member of the Board   |
| 6- | Mr. Mohammed A. Al-Ankary  | Member of the Board   |
| 7- | Mr. Nasser M. Al-Sebaiei   | Member of the Board   |
| 8- | Eng. Abdullah M. Al- Issa  | Member of the Board   |
| 9- | Eng. Abdulaziz S. Al-Anbar   | Member of the Board   |

# **Board of Directors Report**

**Messrs/Shareholders of Saudi Hotels & Resorts Company**

Dear Sirs:

The Board of Directors has the pleasure to meet you and expresses its gratitude and appreciation for your attending the Ordinary and Extraordinary General Assembly. The Board is also honored 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 31,2007.

We wish the company's continued progress and success, and God Crown conciliation,

With best regards,

**Board of Directors**

## ORDINARY GENERAL ASSEMBLY

### **FIRST: PROJECTS**

The Company is proceeding in executing a number of projects. Such projects will have a positive impact on the Company's business results.

A synopsis of these projects as follows:

1. The work in execution of the Diplomat Makarim is perfectly proceeding. Additional to that the Company has also obtained a license for horizontal and vertical expansion in the project. The location of the Hotel is facing the southern entrance of the Diplomatic Quarter in Riyadh City with total area of (140,095) m<sup>2</sup>. On the other hand the Company recently has owned a land near the hotel its total area is (8,685) m<sup>2</sup>, in which it's planned to build a residential compound as a part of the Hotel's premise.
2. Work is proceeding in the Hotel wings which located near Riyadh Marriott Hotel. The number of the wings are increased to become (153) Suites, as a result of the new increase in the building's floors. These wings will be integral part of Riyadh Marriott Hotel, Makarim Hall and the health Club. Which will become distinguished project compared with other similar projects?
3. Designs are completed to establish the Madinah Makarim Hotel. Which is located north of the prophetic Mosque in the center of Al Madinah Al Monawwarah, its total area is (942) m<sup>2</sup>. This project is joint venture with the endowments authority. The Hotel consists of two storied basement, ground floor, and fifteen typical floors.
4. At present the Company is following up with Al Dammam Municipality to get the necessary approvals to develop the land owned by the company on the road to Abu Hadriyah Dammam. It is expected that the architectural plan for this land includes establishments of hotel, hotel's wings, and group of office buildings.
5. The company has completed the final designs to establish a residential complex in Al Ma'zar area in Al Riyadh City. The Complex will be established in a land owned by the company with the total area of (13,309) m<sup>2</sup>. At present the Co. is preparing the tender documents to invite qualified contractors to offer their quotations to execute the project. The complex will be consist of (74) different areas of housing units and health club.

## **SECOND: ACQUISITION & INCREASE IN CAPITAL**

The shareholders of the company in their Extraordinary General Assembly meeting held on Safar 18, 1429 H. corresponding to February 25, 2008 approved to increase the capital of the company from SR (500,000,000) to SR (690,060,970), by issuing (19,006,097) ordinary shares to the majority of the partners in six of the sister companies. Therefore Sharaco will take the full ownership (100%) of Riyadh Hotels & Recreation Co. and Gulf Resort Areas Co., (99%) of the partner's allotments of Makkah Hotels Co. (94%) of the partners allotments of Tabuk Hotels Co., (97%) of the partner's allotments of Annakheel Resort areas Co. and (22%) of the partner's allotments of the Saudi Hotels Services Co.

It is expected that the acquisition God willing will contribute in achieving a transition for the company in the marketing field, profits and financial capabilities which enable the company to develop big projects in the coming years, and to implement its strategic goal to become with more capability for growth and profit increase for the interests of the company's shareholders and the National Economy in general.

The following table shows the Saudi Hotels & Resorts Company's contribution percentage in the other Companies before and after the acquisition:

<b>#</b>	<b>Company Name</b>	<b>Capital SR</b>	<b>% Before Acquisition</b>	<b>% After Acquisition</b>
1	Riyadh Hotels & Recreation Co.	302,500,000	50.41	100
2	Gulf Resort Areas Co. Ltd.	206,000,000	50.48	100
3	Makkah Hotels Co. Ltd.	165,600,000	51.11	99,44
4	Annakheel Resorts Areas Co.	59,250,000	50.63	98,73
5	Tabuk Hotels Co. Ltd.	27,300,000	52.38	97,14
6	Saudi Hotels Services Co.	100,000,000	10	30
7	Al Madinah Hotels Co.	25,000,000	50	50
8	National Co. for Tourism	107,000,000	2.5	2.5

It is worth to mention that the above mentioned Companies are limited liabilities Companies which are established inside the Kingdom, and its main purposes are hotels activities, real estates, recreation, tourism, acquisition, realty lease, participate in restaurants, rest areas, Motels, Beaches and engaged in all related businesses.

**THIRD: MANAGEMENT & OPERATION**

- A. The Company is currently manages and operates the following :  
(15) Properties:
- 1- Aiyad Makkah Makarim Hotel- Makkah
  - 2- Sahara Airport Hotel-Riyadh
  - 3- Sahara Tabuk Makarim Hotel-Tabuk
  - 4- Al-Rawdah Amusement Park –Riyadh
  - 5- Al-Khaleej Makarim Village- Jeddah
  - 6- Al-Andulus Luxurious Villas - Jeddah
  - 7- Al-Nakheel Makarim Village - Jeddah
  - 8- Al-Jazeera East Compound – Riyadh
  - 9- Al-Mostaqbal Homes - Riaydh
  - 10- Al-Jazeera Complex– Al-Madinah
  - 11- Al-Dawoodia Complex Al-Madinah
  - 12- Al-Jazeerah Bader Comound
  - 13- Al-Qamar Makarim Resort - Jeddah
  - 14- Al-Thomama Wilderness Park
  - 15- Al-Watan Park

Moreover, the company supervises the operation of Riyadh Marriott Hotel, which is managed by Marriott International Corporation.

God willing, new properties will be operated by the company when it has totally executed.

- B. The company is also seeking to satisfy some owners, of hotels, residential compounds, recreation and tourism properties, that SHARACO can manage and operate their properties.

**FOURTH: FINANCIAL RESULTS OF THE YEAR**

1. The consolidated income statement for the fiscal year ending 31.12.2007 showing that the total revenues is (SR 303,005,795 ) whereas the total expenditure is (SR 162,046,613). Therefore the net profit after deducting Zakat and minority's interest will be (SR 77,651,994) compared with the (SR 41,195,909) with an increase of (SR 36,456,085) representing (88%) more than last year 2006, bearing in mind that the profits resulting from the company's main operational resources is increased (Thanks God ) by (SR 31,479,047) representing (45%) compared with the last year 2006.
2. On 31-12-2007 the total amount of the shareholders' equity is (SR 820,132,059) on the same date the book value of the share is (SR 16.4) with an increase over the par value by (SR 6.4). Whereas the total value of the assets is SR (1,534,672,550).

3- The following table shows the change in the Company's assets, liabilities, shareholders equity revenues, and expenditures for the last five years :

Details	2002	2003	2004	2005	2006	2007
<b>Total Assets</b>	1,383,926,892	1,392,023,841	1,402,701,235	1,496,223,129	1,433,899,625	1,534,672,550
<b>Total Liabilities</b>	647,016,239	649,974,944	651,975,028	697,361,575	663,265,942	714,540,491
<b>Shareholders Equity</b>	736,910,653	742,048,897	750,726,207	798,861,554	770,633,683	820,132,059
<b>Total Revenues</b>	167,264,540	176,025,026	187,301,911	279,028,711	228,435,806	303,005,795
<b>Total Burden</b>	126,768,588	127,241,595	119,903,756	136,932,943	180,617,481	162,683,215
<b>Minority Interest and Zakat of Sister Companies</b>	13,696,188	18,636,520	27,010,917	62,516,059	6,622,416	62,670,586
<b>Net Profit</b>	26,799,764	30,146.911	40,387.238	79,579,709	41,195,909	77,651,994

**FIFTH: Subsequent events & appropriation account.**

1. Based on the approval of Saudi Capital Market Authority dated 08-01-2008. The company has acquired some partners' allotments in the sister companies. According to the "Capital Market Bulletin" issued for that purpose the company has the right to acquire the Shares of the profits of these acquired companies. In return the shareholders of the sister companies have the right in Sharaco's profits in that year. The Company's profit after the acquisition is increased to (SR 127,071,251). Consequently the Board of Directors suggests that the appropriation account will be as follows:

Details	Amount (SR)
Add : Net profit of the year (after Levied Zakat)	77,651,994
Acquired share profit from sister companies	49,419,257
Total	<b>127,071,521</b>
Less : Statutory Reserve	(7,828,860)
Dividends' (1 <sup>st</sup> Payment) as 5% of the Share capital	(34,503,049)
Remainder of the year income	<b>84,739,342</b>
Less :	
Board of Directors Remuneration	(1,800,000)
Dividends (2 <sup>nd</sup> Payment) as ( 5 %) of the share capital	(34,503,048)
Remainder to be added to the retained profit	<b>(48,436,294)</b>

2. The result of the acquisition has shown that an amount of (SR 286,912,280) representing the differences between the estimated price of the company's share and its par value after deducting the differences resulting from the appraisal of the acquired shares. This amount will be used to increase contractual reserve.

## SIXTH : The Board of Directors :

### A. The board is composed of (9) member Their Excellency as follows:-

Serial	Name	Membership Class	Meetings attended in 2007	Membership in other Boards.	No. Of shares
1	His Excellency Mussad M. Al.Senany	Independent Member	4	- Al Bilad Bank	1,000
2	Mr. Mohammed Ibrahim Al Issa	Independent Member	3	- Al Rajhi investment Co. - Makkah for Construction Co. - Jabel Omer Co.	13,000,000
3	Mr. Saad H. Al Hamdan (Representative of the Public Investment Fund)	Independent Member	4		11,474,650
4	Mr. Moneer N. Al Nimer	Independent Member	3		20,000
5	Mr. Saleh Ali Al Hazloul	Independent Member	4		1,000
6	Mr. Mohammed A. Al Ankary	Independent Member	3	-Al Jazira Bank.	50,000
7	Mr. Naser M. Al Sebaiei	Independent Member	4	- Riyadh Construction Co. - Al Bilad Bank.	1,000
8	Eng. Abdullah M. Al Issa	Independent Member	4	- Arab Cement Co. - Sabic Co. - Al Riyadh Bank	301,000
9	Eng. Abdul Aziz S. Al anbar	Executive Member	4	- Safco -Co - South Cement Co.	1,000

Neither Senior Executives of the company nor their spouses or their minors sons own any share in the company.

- B. The Board of the Directors in the year 2007 received lump sum amount of SR (183,360) as allowance for attending the Board and its sub-committee meetings.

The suggested appropriation accounts includes an amount of (SR 1,800,000) calculated according to the company's Articles of Association as the Board of Directors' Remuneration.

In the year 2007, the Board of Directors has held (4) meetings and (4) meetings in 2006, while the executive committee held (4) meetings in 2007 and (2) meetings in 2006 whereas the other committees held (2) meeting in 2007, and (4) meetings in 2006.

Whereas in the year 2007 total a amount of (SR 3,209,760) are paid to five Senior Executives in the Company.

- C. The Board of Directors has confirmed that the company has never been subject of any penalty or precaution restrain from the Capital Mark Authority or from any other authority whether administrative, organization or judicial. Moreover, the company has never enter into any contracts in which there was an interest for some of the Board of the Directors except those contract for manage and operate Al-jazeera Bader and Al-Andlus Luxurious villas which approval by General Assembly Meeting on 25-02-2008.
- D. The company doesn't grant any kind of cash loan to any member and doesn't grantee any loan contracted by a Board member.

## **SEVENTH:**

### **Auditing Committee**

#### **Nomination and Remuneration Committee:**

During this year the auditing committee has held (2) meetings and submitted its report to Board of Directors, this Committee is composed of the following members:

1. Mr. Mohammed A. Al-angry
2. Mr. Nasser Al-Subaiei
3. Eng. Abdullah M. Al-Issa.

The Extra ordinary General Assembly held on 25-02-08, approved forming the nomination and remuneration Committee which composed from:

1. His Excellency Musaad M. Al-Senany
2. Mr. Mohammed Ibrahim Al – Issa.
3. Dr. Salih Ali Al-Hazloul

## **EIGHTH : THE MAIN ACTIVITIES OF THE COMPANY**

In the year 2007 the main activities of the company efficiently contribute in improving the company's results.

The following table shows the percentage of the contribution of each activity in the total revenues.

Details	% of the Total revenues in 2007
Hotel & Recreation Activity	84%
Reality	10%
Management & Operation	6%

## **NINTH : GEOGRAPHICAL ANALYSIS OF THE INCOME**

All the Company's revenues are realized inside the Kingdom of Saudi Arabia.

## **TENTH: DIVIDEND POLICY**

In a 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 remainder that equivalent to 5% of the share capital to be distributed among the shareholders as (1<sup>st</sup> Payment ) dividend.
5. Provision of a percentage from the remainder to be allocated as remuneration for the Board of Directors within the limits approved by the authorized concern, then the remainder to be distributed partially or completely as additional amount in the profits, or to be carried forward for the coming years.

**ELEVENTH: CORPORATE GOVERNANCE**

1. The company is adhered to implement the Corporate Governance bylaws issued by the Capital Market Authority, and it is cared about the supplement the policies and procedures that regulating the implementation of this bylaws. The company also will undertake the use of accumulative voting method in selecting the members of the Board of Directors, after obtaining the approval of the Extraordinary General Assembly.

**TWELVETH: POTENTIAL RISK**

The Company's convergent fields in the sector of the hotel, tourism and reality enable the company to increase its experience to improve chances for more success. Whereas the company is affected by the negative changes that may occur in these sectors.

**THIRTEENTH: DISCLOSURES**

The financial statement has been prepared correctly in accordance with recognized accounting standards and in accordance with the company's circumstances in conformity with the company's regulations and the company Articles of Association. Also the internal monitoring system has been prepared on sound principles which were effectively implemented and there is no reasonable doubt regarding the company's capability to carry out its activities.

#### **FOURTEENTH: RECOMMENDATIONS :**

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

1. Approval of the Board of Director Report.
2. Approval of the Financial Statement for the Fiscal Year 2007.
3. Approval of the proposed distribution of net profit, provided that the (10%) of the Share Capital dividends will be distributed within one month from the date of General Assembly Meeting.
4. Appointment of External Auditors to audit the company's accounts for the fiscal year ending 31.12.2008 and determining his Audit fees according to the recommendation of the Auditing Committee

In conclusion, the Board of Directors extends their thanks and appreciations to the shareholders for their support and care of the company's matters, and wishes the continuing of this support to achieve the objectives of the company.

## Extra Ordinary General Assembly

To implement the Governance bylaws which are issued by The Capital Market Authority in accordance to its Resolution No. 1-212-2006 dated Shawwal / 21 / 1427 corresponding to November /12 /2006. It is required from Your Honorable General Assembly to approve some amendments to the Company's Articles of Association these Articles are as follows:-

Article No.	Text in accordance with the Articles of Association	Proposed Text to comply with the Corporate Governance Bylaws
15	The company is managed by Board of Directors consists of (9) members appointed by The Ordinary General Assembly for (3) years	The company is managed by Board of Directors consists of (9) members appointed by The Ordinary General Assembly <u>for (3) years through cumulative voting.</u>
17	The end of the membership of the Board of Directors will be effective when its term is elapse, the member is abstained from attending the Board's meetings, he is absent for more than (3) successive sessions without accepted pardon of the Board, or due to his resignation, and in all cases his liability will not be released unless it is approved by General Assembly. During the year, if a seat of one member is become vacant, the Board shall appoint new member who has got maximum votes in the last Board's election. This appointment will be proffer to first General Assembly. If the numbers of the Board is come down to (5) members the General Assembly is summoned as soon as possible to appoint the necessary number of the members	The end of the membership of the Board of Directors will be effective when its term is elapse, the member is abstained from attending the Board's meetings, he is absent for more than (3) successive sessions without accepted pardon of the Board, or due to his resignation, and in all cases his liability will not be released unless it is approved by General Assembly. If the numbers of the Board is come down to (5) members, the General Assembly is summoned as soon as possible to appoint the necessary number of the members. <u>In any time the General Assembly may depose all the Board of Director or part of them.</u>
35	Every shareholder shall have the right to discuss the matters listed in the agenda of the General Assembly, and to address questions to the Board of Director and the External Auditor. The Board of Directors or External Auditor shall answer shareholder's questions to such an extent as would not jeopardize the company's interests. If the shareholder feels that the answer to his question is unsatisfactory, he may appeal to the General Assembly whose decision shall be final in this respect.	Every shareholder shall have the right to discuss the matters listed in the agenda of the General Assembly, and to address questions to the Board of Director and the External Auditor. <u>when the agenda of the General Assembly, is prepared the Board of Directors shall put into consideration any issues raised by shareholders'</u> <u>The shareholders whom own at least (5%) of company's shares may at the time when the agenda of the General Assembly, is prepared add one issue or more.</u> The Board of Directors or External Auditor shall answer shareholder's questions to such an extent as would not jeopardize the company's interests. If the shareholder feels that the answer to his question is unsatisfactory, he may appeal to the General Assembly whose decision shall be final in this respect.
26	The valid formed Ordinary General Assembly represents all the shareholders and its meeting shall be held only in Riyadh City. Every shareholder who holds twenty shares shall have the right to attend the general assembly. The shareholder may, in writing give proxy to another shareholder other than the Board of Directors to attend the General Assembly on his behalf.	The valid formed Ordinary General Assembly represents all the shareholders and its meeting shall be held only in Riyadh City. <u>Every shareholder who's whatsoever number of shares he has</u> shall have the right to attend the general assembly. The shareholder may, in writing give proxy to another shareholder other than the Board of Directors to attend the General Assembly on his behalf.