

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**AND INDEPENDENT AUDITORS' REPORT**

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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## **INDEPENDENT AUDITORS' REPORT**

February 23, 2014

To the Shareholders of Red Sea Housing Services Company:  
(A Saudi Joint Stock Company)

### **Scope of audit**

We have audited the accompanying consolidated balance sheet of Red Sea Housing Services Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 24 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Unqualified opinion**

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

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**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Consolidated balance sheet**  
(All amounts in Saudi Riyals unless otherwise stated)

		<b>As at December 31,</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	185,766,069	104,939,057
Accounts receivable	6	179,345,669	128,779,118
Advances to suppliers		12,628,353	7,665,407
Contract work-in-progress		98,691,555	169,199,447
Inventories	7	191,872,206	177,671,894
Prepayments and other receivable	8	33,338,494	27,978,278
		<b>701,642,346</b>	<b>616,233,201</b>
<b>Non-current assets</b>			
Properties for rentals	9	485,731,229	396,792,366
Property, plant and equipment	10	205,286,227	207,082,510
Other non-current assets	1,8	38,967,814	7,635,553
		<b>729,985,270</b>	<b>611,510,429</b>
<b>Total assets</b>		<b>1,431,627,616</b>	<b>1,227,743,630</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	11	48,931,580	60,410,596
Current portion of medium-term borrowings	12	87,030,303	86,060,617
Accounts payable		76,816,459	56,148,630
Advances from customers		36,835,485	14,602,903
Accrued and other liabilities	13	122,820,483	74,618,530
Provision for zakat and income taxes	14	23,621,239	17,532,670
		<b>396,055,549</b>	<b>309,373,946</b>
<b>Non-current liabilities</b>			
Medium-term borrowings	12	119,083,333	74,633,829
Employee termination benefits	15	32,983,623	29,509,461
Other non-current liabilities		1,137,959	-
		<b>153,204,915</b>	<b>104,143,290</b>
<b>Total liabilities</b>		<b>549,260,464</b>	<b>413,517,236</b>
<b>Equity</b>			
Equity attributable to shareholders of the Company:			
Share capital	17	400,000,000	400,000,000
Statutory reserve	18	97,183,920	81,906,835
Retained earnings		426,323,181	348,829,411
Currency translation differences		(28,912,392)	(8,212,137)
Total shareholders' equity		<b>894,594,709</b>	<b>822,524,109</b>
Non-controlling interests		<b>(12,227,557)</b>	<b>(8,297,715)</b>
<b>Total equity</b>		<b>882,367,152</b>	<b>814,226,394</b>
<b>Total liabilities and equity</b>		<b>1,431,627,616</b>	<b>1,227,743,630</b>
<b>Contingencies and commitments</b>	<b>24</b>		

The notes on pages 7 to 22 form an integral part of these consolidated financial statements.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Consolidated income statement**  
(All amounts in Saudi Riyals unless otherwise stated)

		<b>Year ended December 31,</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
Revenues	4	971,411,317	864,845,179
Cost of revenues		(695,176,573)	(641,190,435)
Gross profit		276,234,744	223,654,744
<b>Operating expenses</b>			
Selling and marketing	19	(52,476,843)	(37,439,429)
General and administrative	20	(57,127,166)	(51,532,037)
Income from operations		166,630,735	134,683,278
<b>Other income (expenses)</b>			
Financial charges	11,12	(7,480,504)	(7,490,304)
Financial income	5	2,473,291	1,714,226
Other, net		5,970,502	1,169,954
Income before foreign income taxes, zakat and non-controlling interests		167,594,024	130,077,154
Foreign income taxes	14	(8,866,800)	(111,100)
Zakat	14	(7,130,695)	(9,389,914)
Income before non-controlling interests		151,596,529	120,576,140
Loss attributable to non-controlling interests	1	1,174,326	45,290
<b>Net income for the year</b>		<b>152,770,855</b>	<b>120,621,430</b>
<b>Earnings per share (Saudi Riyals):</b>			
Operating income	22	4.17	3.37
Net income for the year	22	3.82	3.02

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**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Consolidated cash flow statement**  
(All amounts in Saudi Riyals unless otherwise stated)

		<b>Year ended December 31,</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Cash flow from operating activities</b>			
Net income for the year		<b>152,770,855</b>	120,621,430
<u>Adjustments for non-cash items</u>			
Depreciation of property, plant and equipment and properties for rentals	9,10	<b>76,228,342</b>	73,842,217
Amortization of operating lease payments		<b>430,258</b>	531,572
Loss (gain) from disposal of property and equipment and properties for rentals		<b>141,337</b>	(207,644)
Loss attributable to non-controlling interests		<b>(1,174,326)</b>	(45,290)
Provision for doubtful debts	6,20	<b>217,008</b>	240,276
Provision for slow moving inventories		<b>3,222,117</b>	232,060
Impairment for property, plant and equipment and Properties for rentals		-	2,543,496
<u>Changes in working capital:</u>			
Accounts receivable		<b>(48,293,943)</b>	110,064,817
Advances to suppliers		<b>(4,962,946)</b>	19,604,125
Contract work-in-progress		<b>70,507,892</b>	(93,844,428)
Inventories		<b>(17,422,429)</b>	22,819,166
Prepayments and other receivable		<b>(5,360,216)</b>	4,195,413
Operating lease payments		<b>(701,282)</b>	(741,752)
Accounts payable		<b>(1,374,187)</b>	(35,883,344)
Advances from customers		<b>22,232,582</b>	2,612,250
Accrued and other liabilities		<b>28,639,657</b>	8,328,974
Provision for zakat and income taxes		<b>2,672,425</b>	5,985,446
Employee termination benefits		<b>3,474,162</b>	15,951,165
Net cash generated from operating activities		<b>281,247,306</b>	256,849,949
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and properties for rentals	9,10	<b>(162,291,088)</b>	(89,239,403)
Proceeds from disposal of property and equipment and properties for rentals		<b>306,185</b>	990,954
Acquisition of a subsidiary	1	<b>(13,674,667)</b>	-
Net cash utilized in investing activities		<b>(175,659,570)</b>	(88,248,449)
<b>Cash flow from financing activities</b>			
Decrease in short-term borrowings	11	<b>(11,479,016)</b>	(22,777,040)
Proceeds from medium-term borrowings	12	<b>169,000,000</b>	-
Repayments of medium-term borrowings	12	<b>(123,580,810)</b>	(98,355,555)
Dividends paid	23	<b>(60,000,000)</b>	(40,000,000)
Changes in non-controlling interests		<b>1,299,102</b>	-
Net cash utilized in financing activities		<b>(24,760,724)</b>	(161,132,595)
<b>Net increase in cash and cash equivalents</b>		<b>80,827,012</b>	7,468,905
Cash and cash equivalents at beginning of the year		<b>104,939,057</b>	97,470,152
<b>Cash and cash equivalents at end of the year</b>	<b>5</b>	<b>185,766,069</b>	104,939,057

The notes on pages 7 to 22 form an integral part of these consolidated financial statements.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
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**Consolidated statement of changes in shareholders' equity**  
(All amounts in Saudi Riyals unless otherwise stated)

		Share capital	Statutory reserve	Retained earnings	Currency translation differences	Total
	Note					
<b>January 1, 2013</b>		<b>400,000,000</b>	<b>81,906,835</b>	<b>348,829,411</b>	<b>(8,212,137)</b>	<b>822,524,109</b>
Net income for the year		-	-	152,770,855	-	152,770,855
Transfer to statutory reserve	18	-	15,277,085	(15,277,085)	-	-
Dividends	23	-	-	(60,000,000)	-	(60,000,000)
Currency translation differences		-	-	-	(20,700,255)	(20,700,255)
<b>December 31, 2013</b>		<b>400,000,000</b>	<b>97,183,920</b>	<b>426,323,181</b>	<b>(28,912,392)</b>	<b>894,594,709</b>
<b>January 1, 2012</b>		<b>300,000,000</b>	<b>69,844,692</b>	<b>380,270,124</b>	<b>(8,313,788)</b>	<b>741,801,028</b>
Transfer to share capital	17	100,000,000	-	(100,000,000)	-	-
Net income for the year		-	-	120,621,430	-	120,621,430
Transfer to statutory reserve	18	-	12,062,143	(12,062,143)	-	-
Dividends	23	-	-	(40,000,000)	-	(40,000,000)
Currency translation differences		-	-	-	101,651	101,651
<b>December 31, 2012</b>		<b>400,000,000</b>	<b>81,906,835</b>	<b>348,829,411</b>	<b>(8,212,137)</b>	<b>822,524,109</b>

The notes on pages 7 to 22 form an integral part of these consolidated financial statements.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2013**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 General information**

Red Sea Housing Services Company (the "Company") and Subsidiaries (collectively the "Group") consists of the Company, a Saudi joint stock company, and its Saudi and foreign subsidiaries and branches. The objectives of the Group, among others, are to purchase land and real estate for the purpose of developing them and to build residential and commercial buildings thereon, and to ultimately sell or lease them. The Group's objectives also include manufacturing non-concrete residential units, general contracting, maintenance, construction of utilities and civil work. In addition, the Group is also involved in manufacturing and sale of painting materials.

The Company is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No 2055006105, pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427 H (September 25, 2006). The registered address of the Company is P.O Box 1531, Jubail 31951, Saudi Arabia.

The accompanying consolidated financial statements include the accounts of the Company and its following subsidiaries, operating under individual commercial registrations:

	<u>Country of incorporation</u>	<u>Effective ownership (%) at December 31,</u>	
		<u>2013</u>	<u>2012</u>
Red Sea Housing Services (Ghana) Limited ("RSG")	Ghana	100%	100%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Algeria	98%	98%
Red Sea Housing Services Company Qatar LLC ("RSQ")	Qatar	49%	49%
Red Sea Housing Services Company Nigeria Limited ("RSN")*	Nigeria	97%	97%
Red Sea Housing Services Company Dubai FZE ("RSD")	UAE	100%	100%
Red Sea Housing Services Company Libya ("RSL")*	Libya	90%	90%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	Saudi Arabia	100%	95%
Red Sea for Specialized Investments Company ("RSSI")*	Saudi Arabia	100%	-
Premier Paints Company ("PPC")	Saudi Arabia	81%	-
Red Sea Housing Services (Mozambique), LDA ("RSM")*	Mozambique	100%	-
Red Sea Housing Services LLC ("RSO")	Oman	100%	-
Red Sea Housing Services Pty Ltd	Australia	100%	-

\* These subsidiaries have not yet started commercial operations.

In accordance with the articles of association of RSQ, the Company has the power to govern the financial and operating policies of RSQ. Accordingly, RSQ accounts have been consolidated in the accompanying consolidated financial statements.

The Company also has licenses to operate branches in Papua New Guinea, Abu Dhabi, Afghanistan and Equatorial Guinea. Abu Dhabi, Afghanistan and Equatorial Guinea did not have any operations through December 31, 2013.

During 2013, the Group acquired 81% equity interest of PPC, a Saudi Arabian limited liability company. The excess of the purchase consideration, amounting to Saudi Riyals 13.69 million, over the preliminary fair values assigned to the Group's share of net liabilities of Saudi Riyals 17.28 million, acquired resulted in a goodwill of Saudi Riyals 30.97 million which is included in the "Other non-current assets" in the accompanying consolidated balance sheet as at December 31, 2013. However, the fair values of the net liabilities acquired are yet to be finalized by the Group management and therefore the goodwill amount is provisional as at December 31, 2013. The purchase consideration has been paid and net liabilities assumed by the Group for acquisition of the operations of PPC, including the customers' base and knowhow.

These accompanying consolidated financial statements were approved by the Company's Board of Directors on February 23, 2014.



**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
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**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

**2.1 Basis of preparation**

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

**2.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**2.3 Investments in subsidiaries**

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill, if any, arising from acquisition of subsidiaries is reported under "Other non-current assets" in the consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any.

Inter-company transactions, balances and unrealized gains and losses on transactions between the Group companies are eliminated.

**2.4 Segment reporting**

**(a) Business segment**

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

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

**(b) Geographical segment**

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

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**2.5 Foreign currency translations**

**(a) Reporting currency**

These consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

**(b) Transactions and balances**

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the consolidated income statement.

**(c) Group companies**

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of the foreign subsidiaries into Saudi Riyals are reported as a separate component of equity.

When investment in foreign subsidiaries is disposed off or sold, currency translation differences that were recorded in equity are recognized in consolidated income statement as part of gain or loss on disposal or sale.

**2.6 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

**2.7 Accounts receivable**

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is a significant doubt evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When accounts receivable are uncollectible, they are written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

**2.8 Inventories**

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**2.9 Properties for rentals**

Properties held for long-term rental yields, which are not occupied by the Group, are recorded at cost less accumulated depreciation. Land is not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the estimated useful lives of 4 to 20 years.

Expenditures for maintenance and repairs that do not materially extend the asset's life are charged to the consolidated income statement as and when incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the consolidated income statement.

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**Notes to the consolidated financial statements for the year ended December 31, 2013**  
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**2.10 Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any, except projects under construction which is carried at cost. Land is not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Buildings and residential houses	10 - 40
• Machinery and equipment	4 - 15
• Furniture, fixtures and office equipment	4 - 5
• Vehicles	4 - 8

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

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

**2.11 Impairment of non-current assets**

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses on goodwill are not reversible.

**2.12 Borrowings**

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

**2.13 Accounts payable and accruals**

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

**2.14 Provisions**

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

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**2.15 Zakat and income taxes**

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provision related to the foreign shareholders in such subsidiaries are charged to the non-controlling interests. Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated income statement. Additional zakat payable, if any, at the finalization of the Company's assessments are accounted for when determined by the DZIT.

Foreign subsidiaries and branches are subject to income taxes in their respective countries of domicile, except RSG, which has a 10 year tax holiday period from the date of commencement of its operations up to November 2015 and RSD, which is not subject to any zakat or income taxes in the UAE. Such income taxes are charged to the consolidated income statement.

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the Saudi Arabian subsidiaries, if any, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

**2.16 Employee termination benefits**

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

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries.

**2.17 Revenues**

Revenues from sale of goods are recognized upon delivery of products.

Revenues from contracts are recognized on the percentage-of-completion method, measured by the percentage of actual cost incurred to-date to estimated total cost for each contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognized to the extent of costs incurred, which are considered recoverable. Contract costs include all direct material and labor costs and those indirect costs related to the contracts. Changes in cost estimates and losses on uncompleted contracts are recognized in the period they are determined. Costs and estimated earnings in excess of billings on uncompleted contracts are included in current assets and billings in excess of costs incurred and estimated earnings, if any, are included in current liabilities as contract work-in-progress.

Rental income is recognized on the accrual basis in accordance with terms of the contracts entered into with tenants.

**2.18 Selling, marketing, general and administrative expenses**

Selling, marketing, general and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles. Allocations between cost of revenues and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

**2.19 Dividends**

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

**2.20 Operating leases**

Rental expense under operating leases is charged to the consolidated income statement over the terms of the respective lease. Long-term prepayments of annual rentals for operating leases related to leasehold land and lump sum consideration paid to acquire the right to lease a plot of land from a previous lessee is classified as non-current in the consolidated balance sheet and is amortized over the period of the related lease agreements.

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**2.21 Reclassifications**

Certain amounts in the accompanying 2012 consolidated financial statements have been reclassified to conform to 2013 presentation.

**3 Financial instruments and risk management**

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, other receivable, borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

**3.1 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US dollars, Australian dollars, UAE Dirhams, Ghanaian Cedi and Papua New Guinea Kina.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals against Papua New Guinea Kina, Australian dollars and certain other currencies and are recorded as a separate component of shareholders' equity in the accompanying financial statements. The Group's management monitors such exposures and it believes that foreign currency exposure applicable to Group's operation are not significant.

**3.2 Fair value and cash flow interest rate risks**

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from short-term deposits and borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the cash flow and fair value interest rate risk to the Group is not significant.

**3.3 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. At December 31, 2013 approximately 76.0% of accounts receivable were due from 6 customers (2012: 11 customers accounting for 73.3%). Management believes that this concentration of credit risk is mitigated as such proportion of balances are outstanding mainly from customers with whom there has been a sound relationship and an established track record of payments. Cash and short-term deposit balances are placed with banks of sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

**3.4 Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

**3.5 Fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.



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**4 Segment information**

The Group's operations are principally in the following business segments:

- Manufacturing and sale of non-concrete residential and commercial buildings;
- Rentals of properties; and
- Manufacturing and sale of painting materials.

Selected financial information as of December 31, 2013 and 2012 and for the years then ended, summarized by the above business segments, is as follows (Saudi Riyals 000's):

	<b>Non-concrete residential and commercial buildings</b>	<b>Rentals of properties</b>	<b>Painting material</b>	<b>Total</b>
<b><u>2013</u></b>				
Total assets	814,604	572,302	44,722	<b>1,431,628</b>
Revenues	663,340	301,553	6,518	<b>971,411</b>
Net income (loss)	88,856	71,428	(7,513)	<b>152,771</b>
	<b>Non-concrete residential and commercial buildings</b>	<b>Rentals of properties</b>	<b>Painting material</b>	<b>Total</b>
<b><u>2012</u></b>				
Total assets	744,151	483,593	-	<b>1,227,744</b>
Revenues	580,693	284,152	-	<b>864,845</b>
Net income	56,797	63,824	-	<b>120,621</b>

Revenues of Saudi Riyals 165.16 million and Saudi Riyals 202.91 million under the non-concrete residential and commercial buildings and rental segments, respectively, were earned from 1 customer each for the year ended December 31, 2013 (2012: Saudi Riyals 94.41 million and Saudi Riyals 195.77 million from 1 customer each) which represent more than 10% of the total revenues of the Group.

The Group's operations are conducted in Saudi Arabia, UAE, Ghana, Papua New Guinea, Algeria, Australia and certain other geographical areas. Selected financial information as of December 31 and for the years then ended, summarized by geographic area, is as follows (Saudi Riyals 000's):

	<b><u>Saudi Arabia</u></b>	<b><u>UAE</u></b>	<b><u>Ghana</u></b>	<b><u>Papua New Guinea</u></b>	<b><u>Algeria</u></b>	<b><u>Australia</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
<b><u>2013</u></b>								
Properties for rentals	441,582	-	-	4,040	28,912	-	11,197	<b>485,731</b>
Property, plant and equipment	36,055	57,272	35,390	33,545	277	510	42,237	<b>205,286</b>
Revenues	479,601	228,516	54,763	26,779	11,245	165,159	5,348	<b>971,411</b>
Net income	77,534	43,408	4,746	11,853	581	13,246	1,403	<b>152,771</b>
	<b><u>Saudi Arabia</u></b>	<b><u>UAE</u></b>	<b><u>Ghana</u></b>	<b><u>Papua New Guinea</u></b>	<b><u>Algeria</u></b>	<b><u>Australia</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
<b><u>2012</u></b>								
Properties for rentals	360,802	-	-	5,735	30,255	-	-	<b>396,792</b>
Property, plant and equipment	19,480	50,298	37,848	53,611	436	-	45,410	<b>207,083</b>
Revenues	461,642	155,466	200,494	40,284	6,959	-	-	<b>864,845</b>
Net income (loss)	89,520	17,673	36,200	(21,234)	(1,376)	-	(162)	<b>120,621</b>

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**5 Cash and cash equivalents**

	2013	2012
Short-term deposits	76,551,449	61,266,000
Cash at banks	108,751,247	43,200,209
Cash in hand	463,373	472,848
	<b>185,766,069</b>	<b>104,939,057</b>

Short-term deposits are held with commercial banks and yield financial income at prevailing market rates.

**6 Accounts receivable**

	2013	2012
Trade	164,994,954	117,842,919
Less: provision for doubtful debts	(1,817,486)	(8,608,788)
	<b>163,177,468</b>	<b>109,234,131</b>
Retentions receivable	16,168,201	19,544,987
	<b>179,345,669</b>	<b>128,779,118</b>

Retentions represent withholding from periodic contract billings and are due in accordance with the contractual terms.

Movement in provision for doubtful debts is as follows:

	2013	2012
January 1	8,608,788	9,523,178
Additions / reversals, net	217,008	240,276
Write-offs	(7,008,310)	(1,154,666)
December 31	<b>1,817,486</b>	<b>8,608,788</b>

**7 Inventories**

	2013	2012
Raw materials	109,765,085	102,302,115
Finished products	86,249,615	77,901,090
Goods in transit	2,232,197	621,263
	<b>198,246,897</b>	<b>180,824,468</b>
Less: provision for inventory obsolescence	(6,374,691)	(3,152,574)
	<b>191,872,206</b>	<b>177,671,894</b>

The movement in provision for inventory obsolescence is as follows:

	2013	2012
January 1	3,152,574	2,920,514
Additions	3,423,723	640,159
Reversals	(201,606)	(408,099)
December 31	<b>6,374,691</b>	<b>3,152,574</b>

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**8 Prepayments and other receivable**

	2013	2012
Prepaid expenses and deposits	9,372,997	16,428,939
Prepaid lease rentals	18,831,339	8,060,463
Advances to employees	3,127,703	2,325,445
Other	8,879,779	8,798,984
	<b>40,211,818</b>	<b>35,613,831</b>
Less : Prepaid lease rentals - long-term portion	<b>(6,873,324)</b>	<b>(7,635,553)</b>
	<b>33,338,494</b>	<b>27,978,278</b>

**9 Properties for rentals**

	Land	Buildings and residential houses	Projects under construction	Total
<b>2013</b>				
<b>Cost</b>				
January 1	4,227,897	502,846,908	59,259,771	566,334,576
Additions	-	32,398,640	170,716,770	203,115,410
Disposals	-	(231,000)	-	(231,000)
Transfer to inventories	-	(3,277,062)	(50,669,597)	(53,946,659)
Currency translation differences	-	(859,020)	-	(859,020)
December 31	<b>4,227,897</b>	<b>530,878,466</b>	<b>179,306,944</b>	<b>714,413,307</b>
<b>Accumulated depreciation</b>				
January 1	-	(169,542,210)	-	(169,542,210)
Additions	-	(60,818,827)	-	(60,818,827)
Disposals	-	49,724	-	49,724
Transfer to inventories	-	1,544,942	-	1,544,942
Currency translation differences	-	84,293	-	84,293
December 31	-	<b>(228,682,078)</b>	-	<b>(228,682,078)</b>
	<b>4,227,897</b>	<b>302,196,388</b>	<b>179,306,944</b>	<b>485,731,229</b>
	Land	Buildings and residential houses	Projects under construction	Total
<b>2012</b>				
<b>Cost</b>				
January 1	4,227,897	481,523,510	36,935,652	522,687,059
Additions	-	4,867,815	56,638,231	61,506,046
Transfer	-	23,604,772	(23,604,772)	-
Transfer to property, plant and equipment	-	(108,037)	(10,709,340)	(10,817,377)
Transfer to inventories	-	(2,730,403)	-	(2,730,403)
Currency translation differences	-	(128,372)	-	(128,372)
December 31	<b>4,227,897</b>	<b>507,029,285</b>	<b>59,259,771</b>	<b>570,516,953</b>
<b>Accumulated depreciation</b>				
January 1	-	(112,861,656)	-	(112,861,656)
Additions	-	(58,777,830)	-	(58,777,830)
Impairment	-	(2,526,854)	-	(2,526,854)
Transfer to property, plant and equipment	-	36,648	-	36,648
Transfer to inventories	-	398,285	-	398,285
Currency translation differences	-	6,820	-	6,820
December 31	-	<b>(173,724,587)</b>	-	<b>(173,724,587)</b>
	<b>4,227,897</b>	<b>333,304,698</b>	<b>59,259,771</b>	<b>396,792,366</b>

Properties for rentals are held for long-term rental yields and are not occupied by the Company. Also see Note 21.



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**10 Property, plant and equipment**

	Land	Buildings and residential houses	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
<b>2013</b>							
<b>Cost</b>							
January 1	2,250,000	139,732,615	43,754,836	12,117,792	44,231,586	56,408,903	298,495,732
Additions	-	9,057,162	7,051,933	2,014,862	3,216,286	6,893,638	28,233,881
Disposals	-	-	(152,559)	(5,556)	(899,911)	-	(1,058,026)
Transfers	-	457,914	15,686	9,227	3,111,093	(3,593,920)	-
Reclassifications	-	-	-	(504,050)	-	-	(504,050)
Acquisition of subsidiary	-	13,265,681	7,190,452	1,522,001	777,310	-	22,755,444
Transfer to inventories	-	(7,834,865)	(366,151)	-	-	(2,647,512)	(10,848,528)
Currency translation differences	-	(3,723,491)	(560,783)	(458,128)	(3,355,634)	577,734	(7,520,302)
December 31	2,250,000	150,955,016	56,933,414	14,696,148	47,080,730	57,638,843	329,554,151
<b>Accumulated depreciation and impairment</b>							
January 1	-	(33,147,584)	(25,074,858)	(8,011,682)	(18,923,144)	(6,255,954)	(91,413,222)
Additions	-	(6,001,163)	(5,112,914)	(1,492,351)	(2,803,087)	-	(15,409,515)
Disposals	-	-	60,337	129	731,314	-	791,780
Transfers	-	-	677,211	-	(677,211)	-	-
Reclassifications	-	-	-	413,340	-	-	413,340
Acquisition of subsidiary	-	(11,620,105)	(7,286,763)	(1,453,201)	(777,309)	-	(21,137,378)
Transfer to inventories	-	1,240,013	13,212	-	-	-	1,253,225
Currency translation differences	-	402,439	209,118	178,773	440,979	2,537	1,233,846
December 31	-	(49,126,400)	(36,514,657)	(10,364,992)	(22,008,458)	(6,253,417)	(124,267,924)
	2,250,000	101,828,616	20,418,757	4,331,156	25,072,272	51,385,426	205,286,227

At December 31, 2013, property, plant and equipment of RSL include approximately Saudi Riyals 48.49 million related to facilities which are under construction in Libya. Due to the political crisis in Libya, management is continuously monitoring and assessing the carrying value of property, plant and equipment. During 2012, management has written-off Saudi Riyals 3.7 million of the assets of RSL based on the initial examination of the facilities and recorded an impairment loss amounting to Saudi Riyals 6.3 million against any unidentified damages to the facilities.

The Group has various operating lease arrangements for plots of land upon which the Group and its subsidiaries' production facilities are located. Also see Note 21.

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	Land	Buildings and residential houses	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
<b>2012</b>							
<b>Cost</b>							
January 1	2,250,000	135,438,375	42,125,127	11,505,922	43,976,861	40,991,398	276,287,683
Additions	-	1,206,103	3,263,286	648,138	2,425,243	20,190,588	27,733,358
Disposals	-	-	(2,049)	(18,920)	(1,654,693)	-	(1,675,662)
Transfer	-	407,772	-	-	-	(407,772)	-
Transfer from properties for rentals	-	10,767,382	-	49,995	-	-	10,817,377
Transfer to inventories	-	(7,549,276)	(1,555,917)	-	-	-	(9,105,193)
Currency translation differences	-	(537,741)	(75,611)	(62,416)	(464,747)	(648,017)	(1,788,532)
Assets written-off	-	-	-	(4,927)	(51,078)	(3,717,294)	(3,773,299)
December 31	2,250,000	139,732,615	43,754,836	12,117,792	44,231,586	56,408,903	298,495,732
<b>Accumulated depreciation and impairment</b>							
January 1	-	(30,284,253)	(20,822,086)	(6,542,655)	(16,545,443)	(9,965,462)	(84,159,899)
Additions	-	(5,650,730)	(4,609,718)	(1,464,216)	(3,339,723)	-	(15,064,387)
Disposals	-	-	1,963	1,910	888,478	-	892,351
Transfer from properties for rentals	-	(12,320)	-	(24,328)	-	-	(36,648)
Transfer to inventories	-	2,773,240	341,861	-	-	-	3,115,101
Currency translation differences	-	26,479	13,122	13,005	38,783	(7,786)	83,603
Assets written-off	-	-	-	4,602	34,761	3,717,294	3,756,657
December 31	-	(33,147,584)	(25,074,858)	(8,011,682)	(18,923,144)	(6,255,954)	(91,413,222)
	2,250,000	106,585,031	18,679,978	4,106,110	25,308,442	50,152,949	207,082,510

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2013****(All amounts in Saudi Riyals unless otherwise stated)****11 Short-term borrowings**

At December 31, 2013 and 2012, short-term borrowings represent bank loans obtained from commercial banks and bear financial charges at prevailing market rates which are based on Saudi and Emirates inter-bank offer rates. Total unused credit facilities available to the Group at December 31, 2013 were approximately Saudi Riyals 310.8 million (2012: Saudi Riyals 327.4 million) principally representing overdrafts, short-term loans and letters of credit and guarantee. Certain credit facility agreements contain covenants requiring maintenance of certain financial ratios and other matters and are secured by assignment of contract proceeds, inventories and guarantees provided by the Company's majority shareholder.

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

	2013	2012
Saudi Riyals	34,997,020	-
UAE Dirhams	13,934,560	60,410,596
	<b>48,931,580</b>	<b>60,410,596</b>

**12 Medium-term borrowings**

	2013	2012
Medium-term borrowings	206,113,636	160,694,446
Less: current portion of medium-term borrowings	(87,030,303)	(86,060,617)
	<b>119,083,333</b>	<b>74,633,829</b>

These represent medium-term loans obtained from commercial banks in Saudi Arabia. These loans are denominated in Saudi Riyals and generally bear financial charges based on prevailing market rates which are based on inter-bank offer rates. The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2014 through 2018. These loans are principally secured by promissory notes and assignment of contract proceeds. The medium-term borrowing agreements contain covenants requiring maintenance of certain financial ratios, lenders' prior approval for change in ownership structure of the Company, retention of a certain proportion of profits in the business and certain other matters.

Unused medium-term bank loans available to the Company at December 31, 2013 amounted to Saudi Riyals 11.5 million (2012: Nil).

The maturity profile of the medium-term borrowings is as follows:

Year ending December 31:	2013	2012
2013	-	86,060,617
2014	87,030,303	74,633,829
2015	61,000,000	-
2016	44,333,333	-
2017	11,000,000	-
2018	2,750,000	-
	<b>206,113,636</b>	<b>160,694,446</b>

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**13 Accrued and other liabilities**

	2013	2012
Employee salaries and benefits	63,798,328	27,728,526
Accrued for project operation and catering cost	19,133,392	15,968,196
Provision for demobilization cost	10,138,650	10,638,650
Unearned rental revenue	3,884,210	7,839,633
Accrued foreign value added taxes	11,776,210	859,400
Accrued sales commissions	2,215,005	835,791
Other	11,874,688	10,748,334
	<b>122,820,483</b>	<b>74,618,530</b>

**14 Zakat and tax matters**

**14.1 Components of zakat base**

The significant components of the Company's zakat base are comprised of shareholders' equity, provisions at the beginning of the year, medium-term borrowings and adjusted net income, less deductions for the net book value of property, plant and equipment and properties for rentals adjusted as per the DZIT regulations, and certain other items.

**14.2 Provision for zakat and income taxes at December 31**

	2013	2012
Zakat for the Group	15,594,705	17,532,670
Income taxes for foreign branch and subsidiaries	8,026,534	-
	<b>23,621,239</b>	<b>17,532,670</b>

**14.3 Provision for zakat**

	2013	2012
January 1	17,532,670	11,547,224
Provision	7,130,695	9,389,914
Payments	(9,068,660)	(3,404,468)
December 31	<b>15,594,705</b>	<b>17,532,670</b>

**14.4 Provision for income taxes**

	2013	2012
January 1	-	-
Provision	8,866,800	111,100
Payments	(55,748)	(111,100)
Currency translation differences	(784,518)	-
December 31	<b>8,026,534</b>	<b>-</b>

**14.5 Status of final assessments**

The Company has obtained the zakat certificates for the years through 2012. The DZIT has finalized the zakat assessments for the Company through the years 2006. The Company has not received final assessments from the DZIT for the years 2007 through 2012.

There are no pending income tax assessments or tax notices received in relation to the operations of subsidiaries in foreign countries, by their respective taxation authorities.

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**15 Employee termination benefits**

	2013	2012
January 1	29,509,461	13,558,296
Provisions	5,493,621	18,470,955
Payments	(1,898,042)	(2,519,790)
Currency translation differences	(121,417)	-
December 31	32,983,623	29,509,461

**16 Related party matters**

Related parties principally comprise of Dabbagh Group Holding Company Limited and its affiliated entities (collectively the "Dabbagh Group"), majority shareholder of the Company, and the Group's minority shareholders and their affiliated entities.

As at December 31, 2013, an amount of Saudi Riyals 57,791 was due to Dabbagh Group Holding Company Limited in respect of payments made for air tickets and hotel arrangement on behalf of the Company.

An amount of Saudi Riyals 528,287, due from Eurotech, a minority shareholder of the Group, as at December 31, 2012 was written-off during the year ended December 31, 2013.

There were no other significant transactions with the related parties during the year ended December 31, 2013 and 2012.

**Key management remuneration**

The total remuneration of the key management personnel for the year ended December 31, 2013 amounted to Saudi Riyals 37.4 million (2012: Saudi Riyals 33.5 million). The remuneration includes salaries and other benefits as per the Group's policy.

The Managing Director and the Vice Presidents of Ghana and Jubail operations are each entitled to a fixed monthly salary as well as to an annual bonus and an additional incentive as approved by the Board of Directors.

**17 Share capital**

The shareholders of the Company, in their extra ordinary general assembly meeting (EGM) held on April 18, 2012, approved to increase the Company's share capital from Saudi Riyals 300 million to Saudi Riyals 400 million, and increase the number of shares outstanding from 30 million shares to 40 million shares by issuing 1 bonus share for each 3 shares held by the shareholders on the day of the EGM.

**18 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

**19 Selling and marketing expenses**

	2013	2012
Employee salaries and benefits	42,353,112	31,142,120
Sales commission	7,011,042	3,368,100
Other	3,112,689	2,929,209
	52,476,843	37,439,429

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**20 General and administrative expenses**

	2013	2012
Employee salaries and benefits	35,794,201	35,106,646
Professional fees	4,631,399	3,320,381
Depreciation	2,992,374	2,298,587
Traveling	2,425,702	2,042,026
Insurance	656,200	989,052
Provision for doubtful debts	217,008	240,276
Utilities	1,345,863	950,967
Other	9,064,419	6,584,102
	<b>57,127,166</b>	<b>51,532,037</b>

**21 Operating leases**

The Group has various operating leases for its offices, warehouses and production facilities. Rental expense for the year ended December 31, 2013 amounted to Saudi Riyals 15.6 million (2012: Saudi Riyals 17.1 million). Future rental commitments under these operating leases at December 31, 2013 are as follows (Saudi Riyals million):

Year ending December 31:	2013	2012
2013	-	6.4
2014	3.5	7.5
2015	6.3	6.6
2016	6.5	6.5
2017	5.3	5.3
2018	4.7	4.7
Thereafter	3.7	4.0
	<b>30.0</b>	<b>41.0</b>

The Group leased out various residential houses (See Note 9) under operating lease agreements. Rental income from such leases for the year ended December 31, 2013 amounted to Saudi Riyals 301.6 million (2012: Saudi Riyals 284.1 million).

Operating leases for rental income with terms expiring within one year and in excess of one year as of December 31, 2013 are as follows (Saudi Riyals million):

Year ending December 31:	2013	2012
2013	-	277
2014	266	141
2015	150	-
2016	117	-
2017	18	-
	<b>551</b>	<b>418</b>

**22 Earnings per share**

Earnings per share for the years ended December 31, 2013 and 2012 has been computed by dividing the operating income and net income for each year by the weighted average number of 40 million shares outstanding during such years after taking the effect of the bonus shares issued in 2012 as described under Note 17.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2013**

**(All amounts in Saudi Riyals unless otherwise stated)**

**23 Dividends**

The shareholders of the Company approved dividends of Saudi Riyals 1.5 per share, amounting to Saudi Riyals 60.0 million in their meeting held on 14 Jumada II 1434 H (April 24, 2013) which were fully paid during the year ended December 31, 2013 (2012: Saudi Riyals 40.0 million approved and paid in 2012).

**24 Contingencies and commitments**

At December 31, 2013, the Group had outstanding bank guarantees and letters of credit amounting to approximately Saudi Riyals 58.2 million and Saudi Riyals 15.6 million, respectively (2012: Saudi Riyals 70.4 million and Saudi Riyals 5.8 million, respectively), issued in the normal course of business. Also see Note 21 for operating lease commitments.