

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

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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, 2015**

	<b>Page</b>
Independent auditors' report	2
Consolidated balance sheet	3
Consolidated income statement	4
Consolidated statement of cash flows	5
Consolidated statement of changes in shareholders' equity	6
Notes to the consolidated financial statements	7 - 22



## **INDEPENDENT AUDITORS' REPORT**

February 24, 2016

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, 2015 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 these 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, 2015 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.

**PricewaterhouseCoopers**

A blue ink signature, appearing to read 'Yaseen A. Abu Alkheer', written over a horizontal line.

By: \_\_\_\_\_  
Yaseen A. Abu Alkheer  
License Number 375

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

		As at December 31,	
	Note	2015	2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	58,837	78,456
Accounts receivable	6	350,471	224,827
Advances to suppliers		16,620	21,127
Contract work-in-progress		5,885	135,656
Inventories	7	178,186	184,000
Prepayments and other receivable	8	35,988	30,624
		645,987	674,690
<b>Non-current assets</b>			
Properties for rentals	9	611,354	570,617
Property, plant and equipment	10	223,353	233,614
Long-term accounts receivable	6	64,778	-
Other non-current assets	8	40,154	38,748
		939,639	842,979
<b>Total assets</b>		1,585,626	1,517,669
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	11	103,592	113,594
Current portion of medium-term borrowings	12	106,033	76,667
Accounts payable		51,780	92,784
Advances from customers		24,191	17,654
Accrued and other liabilities	13	99,426	97,848
Provision for zakat and income taxes	14	16,428	17,757
		401,450	416,304
<b>Non-current liabilities</b>			
Medium-term borrowings	12	172,583	98,333
Employee termination benefits	15	43,073	32,936
Other non-current liabilities		12,490	11,664
		228,146	142,933
<b>Total liabilities</b>		629,596	559,237
<b>Equity</b>			
Equity attributable to shareholders of the Company:			
Share capital	17	600,000	600,000
Statutory reserve	18	120,463	112,853
Retained earnings		300,832	292,345
Currency translation adjustments		(52,190)	(34,261)
Total shareholders' equity		969,105	970,937
Non-controlling interests	1	(13,075)	(12,505)
<b>Total equity</b>		956,030	958,432
<b>Total liabilities and equity</b>		1,585,626	1,517,669
<b>Contingencies and commitments</b>	21,24		

The accompanying notes from 1 to 24 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 thousands unless otherwise stated)

		<b>Year ended December 31,</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
Revenues	4	<b>1,027,892</b>	1,104,948
Cost of revenues		<b>(778,664)</b>	(809,802)
Gross profit		<b>249,228</b>	295,146
<b>Operating expenses</b>			
Selling and marketing	19	<b>(51,545)</b>	(46,744)
General and administrative	20	<b>(101,294)</b>	(75,040)
Income from operations		<b>96,389</b>	173,362
<b>Other income (expenses)</b>			
Financial charges	11,12	<b>(9,299)</b>	(7,159)
Financial income	5	<b>400</b>	1,697
Other, net	10	<b>(2,896)</b>	(458)
Income before foreign income taxes, zakat and non-controlling interests		<b>84,594</b>	167,442
Foreign income taxes	14	<b>(468)</b>	(1,478)
Zakat	14	<b>(8,600)</b>	(10,750)
Income before non-controlling interests		<b>75,526</b>	155,214
Loss attributable to non-controlling interests	1	<b>571</b>	1,477
<b>Net income for the year</b>		<b>76,097</b>	156,691
<b>Earnings per share (Saudi Riyals):</b>			
Income from operations	22	<b>1.61</b>	2.89
Net income for the year	22	<b>1.27</b>	2.61

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

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

		<b>Year ended December 31,</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>			
Net income for the year		<b>76,097</b>	156,691
<u>Adjustments for non-cash items</u>			
Depreciation of property, plant and equipment and properties for rentals	9,10	<b>111,083</b>	116,055
Impairment for property, plant and equipment and properties for rentals	10	<b>3,061</b>	5,780
Loss (gain) from disposal of property and equipment and properties for rentals		<b>243</b>	(73)
Loss attributable to non-controlling interests		<b>(571)</b>	(1,477)
Provision for doubtful debts	6,20	<b>10,056</b>	2,862
Provision for slow moving inventories		<b>322</b>	407
<u>Changes in working capital:</u>			
Accounts receivable		<b>(200,478)</b>	(33,175)
Advances to suppliers		<b>4,507</b>	(8,499)
Contract work-in-progress		<b>129,771</b>	(52,133)
Inventories		<b>5,492</b>	7,465
Prepayments, other receivable and other assets		<b>(6,770)</b>	2,935
Accounts payable		<b>(41,004)</b>	15,967
Advances from customers		<b>6,537</b>	(19,182)
Accrued and other liabilities		<b>(15,525)</b>	(19,795)
Provision for zakat and income taxes		<b>(1,329)</b>	(5,865)
Employee termination benefits		<b>10,137</b>	(47)
<b>Net cash generated from operating activities</b>		<b>91,629</b>	167,916
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and properties for rentals, net	9,10	<b>(145,129)</b>	(241,017)
Proceeds from disposal of property and equipment and properties for rentals		<b>267</b>	6,042
<b>Net cash utilized in investing activities</b>		<b>(144,862)</b>	(234,975)
<b>Cash flows from financing activities</b>			
Change in short-term borrowings	11	<b>(10,002)</b>	64,662
Proceeds from medium-term borrowings	12	<b>195,517</b>	57,000
Repayments of medium-term borrowings	12	<b>(91,901)</b>	(88,113)
Dividends paid	23	<b>(60,000)</b>	(75,000)
Changes in non-controlling interests		<b>-</b>	1,200
<b>Net cash generated from (utilized in) financing activities</b>		<b>33,614</b>	(40,251)
<b>Net decrease in cash and cash equivalents</b>		<b>(19,619)</b>	(107,310)
Cash and cash equivalents at beginning of the year		<b>78,456</b>	185,766
<b>Cash and cash equivalents at end of the year</b>	5	<b>58,837</b>	78,456
<b>Non-cash investing activities</b>			
Transfers between properties for rentals; property, plant and equipment; and inventories (net book value)	7,9,10	<b>(2,803)</b>	(20,005)

The accompanying notes from 1 to 24 form an integral part of these consolidated financial statements.

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

	<b>Note</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Currency translation adjustments</b>	<b>Total</b>
<b>January 1, 2015</b>		600,000	112,853	292,345	(34,261)	<b>970,937</b>
Net income for the year		-	-	76,097	-	<b>76,097</b>
Transfer to statutory reserve	18	-	7,610	(7,610)	-	-
Dividends	23	-	-	(60,000)	-	<b>(60,000)</b>
Currency translation adjustments		-	-	-	(17,929)	<b>(17,929)</b>
<b>December 31, 2015</b>		<b>600,000</b>	<b>120,463</b>	<b>300,832</b>	<b>(52,190)</b>	<b>969,105</b>
<b>January 1, 2014</b>		400,000	97,184	426,323	(28,912)	894,595
Transfer to share capital	17	200,000	-	(200,000)	-	-
Net income for the year		-	-	156,691	-	156,691
Transfer to statutory reserve	18	-	15,669	(15,669)	-	-
Dividends	23	-	-	(75,000)	-	(75,000)
Currency translation adjustments		-	-	-	(5,349)	(5,349)
<b>December 31, 2014</b>		<b>600,000</b>	<b>112,853</b>	<b>292,345</b>	<b>(34,261)</b>	<b>970,937</b>

The accompanying notes from 1 to 24 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, 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 1 General information

Red Sea Housing Services Company (the "Company") and its subsidiaries (collectively the "Group") consist 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 paints and providing related services.

The Company is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No 4030286984, pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427 H (September 25, 2006). The registered address of the Company is Jeddah, Al Rawdah District, Prince Mohammad Bin Abdulaziz Street, Kingdom of Saudi Arabia.

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

	Country of incorporation	Effective ownership (%) at December 31,	
		2015	2014
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%	100%
Red Sea for Specialized Investments Company ("RSSI")*	Saudi Arabia	100%	100%
Premier Paints Company ("PPC")	Saudi Arabia	81%	81%
Red Sea Housing Services (Mozambique), LDA ("RSM")	Mozambique	100%	100%
Red Sea Housing Services LLC ("RSO")	Oman	100%	100%
Red Sea Housing Services Pty Ltd.	Australia	100%	100%
Red Sea Affordable Housing Company ("RSAHC")*	Saudi Arabia	100%	100%
Red Sea Real Estate Development Company ("RSREDC")*	Saudi Arabia	100%	100%
Red Sea Residential City Company ("RSRCC")*	Saudi Arabia	100%	100%
Red Sea Housing Services Singapore Pte. Ltd. ("RSHS")*	Singapore	100%	-
Red Sea Housing Services Malaysia Sdn. Bhd. ("RSSM")*	Malaysia	100%	-
Red Sea Housing Services Inc. ("RSC")	Canada	100%	-

\* These subsidiaries have not yet started commercial operations.

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, 2015.

The accompanying consolidated financial statements were approved by the Company's Board of Directors on February 24, 2016.

### 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").

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with generally accepted accounting standards 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 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.

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.

**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.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

(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 on the weighted-average method. The cost of finished products includes the cost of raw materials, direct labor and manufacturing 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 25 years.

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

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**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.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**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 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.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**3 Financial instruments and risk management**

Financial instruments carried on the consolidated 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 consolidated financial statements. The Group's management monitors such exposures and believes that foreign currency exposure applicable to Group's operations 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 Price Risk**

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

**3.4 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, 2015 approximately 74.0% of accounts receivable were due from 8 customers (2014: 10 customers accounting for 68.3%). 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.

**3.5 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.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**3.6 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.

**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, 2015 and 2014 and for the years then ended, summarized by the above business segments, is as follows:

	<b>Non-concrete residential and commercial buildings</b>	<b>Rentals of properties</b>	<b>Paints and related services</b>	<b>Total</b>
<b><u>2015</u></b>				
Total assets	728,671	780,598	76,357	1,585,626
Revenues	545,334	438,771	43,787	1,027,892
Net income (loss)	10,224	73,931	(8,058)	76,097
<b><u>2014</u></b>				
Total assets	811,012	645,413	61,244	1,517,669
Revenues	724,133	360,461	20,354	1,104,948
Net income (loss)	80,231	86,287	(9,827)	156,691

Revenues of Saudi Riyals 125.1 million and Saudi Riyals 161.4 million under the non-concrete residential and commercial buildings and rental segments, respectively, were earned from 2 customers and 1 customer respectively, for the year ended December 31, 2015 (2014: Saudi Riyals 112.2 million and Saudi Riyals 171.7 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:

	<b>Saudi Arabia</b>	<b>UAE</b>	<b>Ghana</b>	<b>Papua New Guinea</b>	<b>Algeria</b>	<b>Australia</b>	<b>Other</b>	<b>Total</b>
<b><u>2015</u></b>								
Properties for rentals	552,559	3,548	-	2,908	26,331	-	26,008	611,354
Property, plant and equipment	90,483	49,947	33,718	19,483	800	480	28,442	223,353
Revenues	743,497	153,378	34,365	74,581	9,144	1,752	11,175	1,027,892
Net income (loss)	99,098	2,671	(15,258)	2,568	(409)	(3,763)	(8,810)	76,097
<b><u>2014</u></b>								
Properties for rentals	509,472	2,042	-	2,052	27,536	-	29,515	570,617
Property, plant and equipment	81,032	53,678	34,261	25,425	348	619	38,251	233,614
Revenues	577,757	317,028	111,423	60,859	10,569	16,776	10,536	1,104,948
Net income (loss)	82,667	62,977	6,181	5,596	172	(1,725)	823	156,691

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**5 Cash and cash equivalents**

	2015	2014
Cash at bank	54,105	77,167
Short-term deposits	3,624	316
Cash in hand	1,108	973
	<b>58,837</b>	<b>78,456</b>

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

**6 Accounts receivable**

	2015	2014
Trade:		
Billed	375,213	204,062
Unbilled	30,168	16,107
Less: provision for doubtful debts	(2,886)	(2,948)
	<b>402,495</b>	<b>217,221</b>
Retentions receivable	12,754	7,606
	<b>415,249</b>	<b>224,827</b>
Less: long-term receivable	(64,778)	-
	<b>350,471</b>	<b>224,827</b>

Retentions receivable are collectable upon completion of certain milestones in accordance with respective contract terms and presentation of final zakat certificates for certain years.

Movement in provision for doubtful debts is as follows:

	2015	2014
January 1	2,948	1,817
Additions (reversals)	10,056	2,862
Write-offs	(10,118)	(1,731)
December 31	<b>2,886</b>	<b>2,948</b>

**7 Inventories**

	2015	2014
Raw materials	126,786	124,755
Finished products	57,864	65,674
Goods in transit	640	353
	<b>185,290</b>	<b>190,782</b>
Less: provision for inventory obsolescence	(7,104)	(6,782)
	<b>178,186</b>	<b>184,000</b>

The movement in provision for inventory obsolescence is as follows:

	2015	2014
January 1	6,782	6,375
Additions	1,358	2,356
Reversals	(1,036)	(1,949)
December 31	<b>7,104</b>	<b>6,782</b>

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**8 Prepayments and other receivable**

	2015	2014
Prepaid expenses and deposits	19,576	14,139
Prepaid lease rentals	15,469	15,413
Advances to employees	4,246	4,066
Other	2,710	3,449
	<b>42,001</b>	37,067
Less: Prepaid lease rentals - long-term portion	<b>(6,013)</b>	(6,443)
	<b>35,988</b>	30,624

**9 Properties for rentals**

	Land	Buildings and residential houses	Projects under construction	Total
<b>2015</b>				
<b>Cost</b>				
January 1	4,228	682,103	171,912	858,243
Additions	-	7,616	125,135	132,751
Disposals	-	(5,567)	-	(5,567)
Transfer to inventories	-	(2,643)	-	(2,643)
Transfers	-	205,750	(205,750)	-
Currency translation differences	-	(311)	-	(311)
December 31	<b>4,228</b>	<b>886,948</b>	<b>91,297</b>	<b>982,473</b>
<b>Accumulated depreciation</b>				
January 1	-	(287,626)	-	(287,626)
Additions	-	(91,222)	-	(91,222)
Disposals	-	5,345	-	5,345
Transfer to inventories	-	2,320	-	2,320
Currency translation differences	-	64	-	64
December 31	-	<b>(371,119)</b>	-	<b>(371,119)</b>
	<b>4,228</b>	<b>515,829</b>	<b>91,297</b>	<b>611,354</b>
<b>2014</b>				
<b>Cost</b>				
January 1	4,228	530,878	179,307	714,413
Additions	-	23,118	180,582	203,700
Disposals	-	(38,615)	-	(38,615)
Transfer to inventories	-	(6,750)	-	(6,750)
Transfer to property, plant and equipment	-	(14,123)	-	(14,123)
Transfers	-	187,977	(187,977)	-
Currency translation differences	-	(382)	-	(382)
December 31	<b>4,228</b>	<b>682,103</b>	<b>171,912</b>	<b>858,243</b>
<b>Accumulated depreciation</b>				
January 1	-	(228,682)	-	(228,682)
Additions	-	(97,379)	-	(97,379)
Disposals	-	33,698	-	33,698
Transfer to inventories	-	3,894	-	3,894
Transfer to property, plant and equipment	-	782	-	782
Currency translation differences	-	61	-	61
December 31	-	<b>(287,626)</b>	-	<b>(287,626)</b>
	<b>4,228</b>	<b>394,477</b>	<b>171,912</b>	<b>570,617</b>

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

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**10 Property, plant and equipment**

	Land	Buildings and residential houses	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
<b>2015</b>							
<b>Cost</b>							
January 1	2,250	170,493	64,032	18,240	44,347	75,395	<b>374,757</b>
Additions	-	4,019	7,861	3,477	2,875	4,951	<b>23,183</b>
Disposals	-	(60)	(3)	(24)	(557)	(147)	<b>(791)</b>
Transfers	-	3,113	3,483	688	334	(7,618)	<b>-</b>
Transfers to other non-current assets	-	-	-	(2)	-	(1,406)	<b>(1,408)</b>
Transfer to inventories	-	(1,700)	-	(3)	(52)	-	<b>(1,755)</b>
Currency translation differences	-	(1,752)	(528)	(387)	(2,225)	(6,745)	<b>(11,637)</b>
December 31	<b>2,250</b>	<b>174,113</b>	<b>74,845</b>	<b>21,989</b>	<b>44,722</b>	<b>64,430</b>	<b>382,349</b>
<b>Accumulated depreciation and impairment</b>							
January 1	-	(56,176)	(42,384)	(10,452)	(20,098)	(12,033)	<b>(141,143)</b>
Additions	-	(7,674)	(6,004)	(618)	(3,230)	(3,061)	<b>(20,587)</b>
Disposals	-	12	-	12	479	-	<b>503</b>
Transfers to other non-current assets	-	-	-	1	-	-	<b>1</b>
Transfer to inventories	-	307	-	-	52	-	<b>359</b>
Currency translation differences	-	475	330	290	776	-	<b>1,871</b>
December 31	<b>-</b>	<b>(63,056)</b>	<b>(48,058)</b>	<b>(10,767)</b>	<b>(22,021)</b>	<b>(15,094)</b>	<b>(158,996)</b>
	<b>2,250</b>	<b>111,057</b>	<b>26,787</b>	<b>11,222</b>	<b>22,701</b>	<b>49,336</b>	<b>223,353</b>

At December 31, 2015, projects under construction includes facilities related to RSL with a carrying value of Saudi Riyals 28.0 million (2014: Saudi Riyals 37.7 million), net of impairment loss of Saudi Riyals 15.1 million (2014: Saudi Riyals 12.0 million). Due to the geo-political situation in Libya, management is continuously monitoring and assessing the carrying value of property, plant and equipment.

The Group production facilities are located on plots of land leased under various operating lease arrangements. Also see Note 21.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**

**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Land	Buildings and residential houses	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Projects under construction	Total
<b>2014</b>							
<b>Cost</b>							
January 1	2,250	150,955	56,933	14,696	47,081	57,639	329,554
Additions	-	4,585	6,833	5,331	5,152	23,733	45,634
Disposals	-	-	(79)	(1,558)	(6,082)	-	(7,719)
Transfers	-	6,895	659	4	(358)	(7,200)	-
Transfers from properties for rental	-	14,123	-	-	-	-	14,123
Transfer to inventories	-	(4,460)	-	-	-	-	(4,460)
Currency translation differences	-	(1,605)	(314)	(233)	(1,446)	1,223	(2,375)
December 31	2,250	170,493	64,032	18,240	44,347	75,395	374,757
<b>Accumulated depreciation and impairment</b>							
January 1	-	(49,126)	(36,515)	(10,365)	(22,008)	(6,253)	(124,267)
Additions	-	(7,218)	(6,181)	(1,741)	(3,535)	(5,780)	(24,455)
Disposals	-	-	86	1,549	5,047	-	6,682
Transfers	-	-	54	(51)	(3)	-	-
Transfers from properties for rental	-	(782)	-	-	-	-	(782)
Transfer to inventories	-	652	-	-	-	-	652
Currency translation differences	-	298	172	156	401	-	1,027
December 31	-	(56,176)	(42,384)	(10,452)	(20,098)	(12,033)	(141,143)
	2,250	114,317	21,648	7,788	24,249	63,362	233,614

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**11 Short-term borrowings**

At December 31, 2015 and 2014, short-term borrowings represent bank loans obtained from various 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, 2015 were approximately Saudi Riyals 299.4 million (2014: Saudi Riyals 286.9 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, of which the Group was in compliance with at December 31, 2015, and are secured by promissory notes, inventories and assignment of contract proceeds.

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

	2015	2014
Saudi Riyals	84,984	79,996
UAE Dirhams	18,608	33,598
	<b>103,592</b>	<b>113,594</b>

**12 Medium-term borrowings**

	2015	2014
Medium-term borrowings	278,616	175,000
Less: current portion of medium-term borrowings	(106,033)	(76,667)
	<b>172,583</b>	<b>98,333</b>

These represent medium-term loans obtained from commercial banks in Saudi Arabia and UAE mainly. These loans are denominated in Saudi Riyals and UAE Dirhams 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 2016 through 2021. 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, of which the Group is in compliance with at December 31, 2015.

Unused medium-term bank loans available to the Company at December 31, 2015 amounted to Saudi Riyals 20.0 million (2014: Nil).

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

Year ending December 31:	2015	2014
2015	-	76,667
2016	106,033	55,833
2017	74,196	22,500
2018	57,316	20,000
2019	21,189	-
2020	16,246	-
2021	3,636	-
	<b>278,616</b>	<b>175,000</b>

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**13 Accrued and other liabilities**

	2015	2014
Employee salaries and benefits	41,229	48,375
Accrued for project operation and catering cost	18,041	24,523
Provision for demobilization cost	15,329	6,111
Unearned rental revenue	4,883	2,978
Accrued and other expenses	19,944	15,861
	<b>99,426</b>	<b>97,848</b>

**14 Zakat and income taxes matters**

**14.1 Components of zakat base**

The significant components of the Company's zakat base are comprised of shareholders' equity at the beginning of the year, 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**

	Note	2015	2014
Zakat for the Group	14.3	16,036	17,246
Income taxes for a foreign branch and subsidiaries	14.4	392	511
		<b>16,428</b>	<b>17,757</b>

**14.3 Provision for zakat**

	2015	2014
January 1	17,246	15,595
Provisions	8,600	10,750
Payments	(9,810)	(9,099)
December 31	<b>16,036</b>	<b>17,246</b>

**14.4 Provision for income taxes**

	2015	2014
January 1	511	8,027
Provisions	468	1,478
Payments	(587)	(8,994)
December 31	<b>392</b>	<b>511</b>

**14.5 Status of final assessments**

The Company has obtained the zakat certificates for the years through 2013. 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 2014.

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.

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**15 Employee termination benefits**

	<b>2015</b>	<b>2014</b>
January 1	<b>32,936</b>	32,984
Provisions	<b>13,339</b>	7,963
Payments	<b>(3,202)</b>	(8,010)
Currency translation differences	-	(1)
December 31	<b>43,073</b>	32,936

**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, 2015, an amount of Saudi Riyals 0.2 million was due to Dabbagh Group Holding Company Limited in respect of payments made for air tickets and hotel arrangement on behalf of the Company.

**Key management remuneration**

The total remuneration of the key management personnel for the year ended December 31, 2015 amounted to Saudi Riyals 24.4 million (2014: Saudi Riyals 27.5 million). The remuneration includes salaries and other benefits as per the Group's policy.

**17 Share capital**

The shareholders of the Company in their extra ordinary general assembly meeting ("EGM") held on April 24, 2014, resolved to increase the share capital of the Company from Saudi Riyals 400 million to Saudi Riyals 600 million, and increase the number of shares outstanding from 40 million shares to 60 million shares by issuing 1 bonus share for every 2 shares held by the shareholders on the day of the EGM. Legal formalities related to such increase have been completed.

**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**

	<b>2015</b>	<b>2014</b>
Employee salaries and benefits	<b>39,546</b>	38,672
Marketing fee	<b>3,420</b>	2,712
Other	<b>8,579</b>	5,360
	<b>51,545</b>	46,744

**RED SEA HOUSING SERVICES COMPANY AND SUBSIDIARIES**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2015**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**20 General and administrative expenses**

	<b>2015</b>	<b>2014</b>
Employee salaries and benefits	<b>53,072</b>	38,652
Professional fees	<b>12,650</b>	12,676
Provision for doubtful debts	<b>10,056</b>	2,862
Rent	<b>4,494</b>	3,352
Traveling	<b>4,428</b>	4,358
Depreciation	<b>2,541</b>	2,771
Utilities	<b>2,528</b>	2,518
Insurance	<b>729</b>	425
Other	<b>10,796</b>	7,426
	<b>101,294</b>	75,040

**21 Operating leases**

The Group has various operating leases for its offices, warehouses and production facilities. Rental expense for the year ended December 31, 2015 amounted to Saudi Riyals 17.4 million (2014: Saudi Riyals 16.7 million). Future rental commitments under these operating leases at December 31, 2015 are as follows (Saudi Riyals million):

<b>Year ending December 31:</b>	<b>2015</b>	<b>2014</b>
2015	-	5.2
2016	<b>4.4</b>	6.6
2017	<b>5.2</b>	5.4
2018	<b>5.3</b>	4.8
2019	<b>2.4</b>	1.9
2020	<b>0.7</b>	0.2
Thereafter	<b>10.1</b>	3.7
	<b>28.1</b>	27.8

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, 2015 amounted to Saudi Riyals 438.8 million (2014: Saudi Riyals 360.5 million).

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

<b>Year ending December 31:</b>	<b>2015</b>	<b>2014</b>
2015	-	290
2016	<b>291</b>	125
2017	<b>97</b>	56
2018	<b>21</b>	6
2019	<b>6</b>	16
2020	<b>6</b>	-
Thereafter	<b>7</b>	-
	<b>428</b>	493

**22 Earnings per share**

Earnings per share for the years ended December 31, 2015 and 2014 has been computed by dividing the income from operations and net income for each year by the weighted average number of 60 million shares outstanding during such years after taking the effect of the bonus shares issued during the year 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, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**23 Dividends**

The shareholders of the Company in their General Assembly meeting held on 1 Rajab 1436 H (April 20, 2015) approved dividends of Saudi Riyals 1.00 per share (2014: Saudi Riyals 1.25 per share) amounting to Saudi Riyals 60 million (2014: Saudi Riyals 75.0 million) which were fully paid during the year ended December 31, 2015.

Also, on January 26, 2016, the Company's board of directors recommended dividends amounting to Saudi Riyals 45.0 million to the shareholders of the Company at Saudi Riyals 0.75 per share, to be approved in the upcoming shareholders general assembly meeting.

**24 Contingencies and commitments**

At December 31, 2015, the Group had outstanding bank guarantees and letters of credit amounting to approximately Saudi Riyals 46.7 million and Saudi Riyals 1.8 million, respectively (2014: Saudi Riyals 49.9 million and Saudi Riyals 6.9 million, respectively), issued in the normal course of business. Also see Note 21 for operating lease commitments.