2013 ANNUAL REPORT

BOARD OF DIRECTORS ANNUAL REPORT
TO SHAREHOLDERS FOR FINANCIAL YEAR
ENDING 31 DECEMBER 2013

RED SEA
HOUSING SERVICES

BOARD OF DIRECTORS

H.E. MR.
AMR ABDULLAH AL DABBAGH
CHAIRMAN

Chairman and CEO of the Jeddah-based Al-Dabbagh Group, A family conglomerate founded in 1962 by His Excellency Abdullah Al-Dabbagh, former Saudi Minister of Agriculture. Al-Dabbagh Group employs in excess of 13,000 people globally through its 57 companies; with manufacturing presence in 35 countries and sales, services and projects in over 60 countries. It has four strategic business portfolios in Food, Housing, Petroleum & Auto-services and Packaging as well as an incubation portfolio.

His Excellency has enjoyed a 30-year career that began in 1984 when he joined Al-Dabbagh Group on a part-time basis at the age of seventeen while studying Business Administration at King Abdulaziz University in Jeddah, where he got his Bachelor's Degree, which he complemented with advanced executive programs at Harvard, Wharton and the London Business School. He has over the course of his career served in public office for two terms as the Governor (with a rank of a Minister) of the Saudi Arabian General Investment Authority (SAGIA), elected for two terms on the Jeddah Chamber of Commerce and appointed for two terms on the Makkah Regional Council.

His Excellency is currently the Chairman of the Board of Directors and Vice-Chairman of the Board of Trustees of The Centennial Fund based in Riyadh. He is the Chairman of the Board of Petromin. He also sits on the Board of Trustees of the Eisenhower Fellowship based in Philadelphia. He is also a member of the Cleveland Clinic International Leadership Board in Cleveland and is a Governor of the London Business School Governing Body.

MR. DON
BROWN SUMNER
CEO AND MANAGING DIRECTOR

Earned his certificate from Lindsey-Cooper Technical School in the United States. He joined Red Sea Housing back in 1986 as Project Manager.

In 2003, he was appointed as General Manager of Red Sea Housing. From 2006 till present, he has been serving as CEO and Managing Director of the Company.

MR. MOHAMED
HUSNEE JAZEEL
BOARD MEMBER

Earned his Certificate from the Chartered Institute of Management Accountants in the UK. He acquired a solid experience in the field of accounting that surpasses 25 years.

He served in several managerial roles in PriceWaterhouseCooper (PWC) in different offices around the world. In 1992, he joined Al Dabbagh Group and was appointed as the Chief Financial Officer. He also serves as a Board Member for Gulf General Cooperative Insurance Company.

MR. WAHEED
AHMED SHAIKH
BOARD MEMBER

Earned his Bachelor Degree in Mechanical Engineer from Pakistan and Master's in Business Administration from the US.

He started his career in 1978 as Flight Engineer with Pakistan National Airline (PIA). Since 1983, he has been associated with Oil and Gas downstream industry initially with Shell in Pakistan and then with Energy portfolio of Al Dabbagh Group in Saudi Arabia. He currently holds the position of Chief Operating Officer of Al Dabbagh Group. In 2006, he was elected as a member of the Board of Red Sea Housing Services Company.

DR. IBRAHIM
HASAN AL MADHOUN
BOARD MEMBER

He earned his Bachelor and Master Degrees in Civil Engineering from King Fahd University For Petroleum and Minerals (KFUPM).

He also earned his PhD in Civil Engineering from University of Arizona. He served as a General Manager and Head of Legal Department in SAVOLA. Currently, he is a Board Member in Almarai Company, Fitahi Holding Group, Herfy Company, and Obeikan Investment Group.

ENG. HUSSEIN
ABDULLAH AL DABBAGH
BOARD MEMBER

Obtained his Bachelor Degree in Civil Engineering from University of Texas at Arlington. He has more than 35 years of experience in the field of Architectural Consultancy, Project Management and Human Resources.

Among other positions, he is serving as General Manager for NACO, which executes different projects in airports around the Kingdom.

DR. MUHAMMAD
ALI HASAN IKHWAN
BOARD MEMBER

Obtained his Bachelor Degrees in General Engineering and System Engineering from King Fahd University for Petroleum and Minerals (KFUPM). Then he earned his Master Degree in Operations Research, and his PhD in Engineering Economic Systems (EES), both from Stanford University, USA. He served as the Chairman of Industrial Engineering Department in King Abdulaziz University. He was appointed in numerous high-ranking posts in SAVOLA including General Manager of the Packaging Division, CFO, Head of Business Development, and Head of Mergers and Acquisitions. He currently serves as a Board Member for several companies including Gulf General Cooperative Insurance Company, Fitaihi Group and GASCO.

MR. SAMI
AHMED BINMAHFOUZ
BOARD MEMBER

Acquired his Bachelor and Master Degrees in Finance from Ohio State University, and excelled the Executive Program in Darden School University in the United States.

He possesses solid experience that exceeds 30 years in Banking Operations, credit instruments and policies. He served in different leading positions in National Commercial Bank including the post of Head of Risk Management and Chief Risk
Officer.

MR. JAMAL
ABDULLAH AL DABBAGH
BOARD MEMBER

Earned his Bachelor and Master Degrees in Business Administration. Served as a Member of the Agricultural Committee in Riyadh Chamber of Commerce. He is currently the General Manager of Al Dabbagh Group, and the Chairman of the Board of Gulf General Cooperative Insurance Company.

In addition, he sits on the Board of National Scientific Company, Advance Petroleum Services Company, Agricultural Development Company, and International Project Development Company.

CHAIRMAN'S MESSAGE

H.E. Mr. AMR
ABDULLAH AL DABBAGH
CHAIRMAN

WE ARE OPTIMISTIC ABOUT 2014 AS THE KINGDOM OF SAUDI ARABIA IS WITNESSING A SIGNIFICANT BOOM IN DIFFERENT DEVELOPMENT PROJECTS.

WE ARE DETERMINED TO ACCOMPLISH THE THIRD PILLAR OF THE "2020 GROWTH STRATEGY" THROUGH THE PREPARATION OF THOROUGH ANALYSIS,TO ENTER THE AFFORDABLE HOUSING.

OUR ESTEEMED SHAREHOLDERS,

On behalf of the Board of Directors of Red Sea Housing Services Company, I am pleased to present the company's Annual Report, which summarizes the activities and achievements accomplished during the period January 1st and December 31st, 2013.

During 2012, Red Sea Housing Services Company adopted the "2020 Growth Strategy", which aims to expand the current activities of the company and penetrate new international markets; invest in the Building and Construction sector; and enter the Affordable Housing sector.

In 2013, we reaped the initial benefits of implementing the strategy, as the company has expanded its activities locally through the conclusion of several sizable contracts to provide high quality housing solutions for numerous companies in the Oil & Gas, and Mining sectors. Internationally, the company was able to penetrate promising markets, through the construction of a housing camp for the Australian Government-Department of Immigration and Citizenship. This project demonstrated the company's unparalleled logistical capabilities in executing such a challenging project in less than 70 days.

In addition, the company established several subsidiaries in different strategic locations around the world and equipped them with highly qualified human resources to ensure providing comprehensive housing solutions that meet the requirements of those regions.

The company also ensured diversification of its activities to mitigate potential risks through investments in the Building and Construction sector. This was accomplished when the company entered into a strategic agreement with Sherwin Williams, a leader in the manufacturing and distribution of decorative, industrial and marine paint products. This partnership is expected to contribute significantly to the company's revenues over the coming years, as the demand in the paint sector continues to grow locally and regionally.

In 2013, Red Sea Housing Services Company achieved a noticeable growth in Net Profits by 27%, reaching SAR 152.8 million, which is the highest over the past five years. To enhance shareholders' returns and highlight the company's sound financial position, the Board of Directors recommended the distribution of SAR 75 million as cash dividends to the shareholders for FY 2013. To support the capital base of the company and complement the objectives of the adopted strategy, the Board also recommended increasing the company's share capital from SAR 400 million to SAR 600 million through issuing 1 bonus share for every 2 shares owned by shareholders on the date of the General Assembly Meeting.

Looking forward, we are optimistic about 2014 as the Kingdom of Saudi Arabia is witnessing a significant boom in different development projects that offer a bright outlook to Red Sea Housing Services Company.

We are determined to accomplish the third pillar of the "2020 Growth Strategy" through the preparation of thorough analysis, harnessing qualified human resources and applying appropriate mechanisms to enter the Affordable Housing sector relative to the noticeable global shortage in this segment, in addition to the economic and social benefits associated with this initiative.

Finally, I would like to extend my sincere gratitude and appreciation to the esteemed Board Members, Executive Management and entire workforce of the company for their relentless effort, which resulted in positive outcomes on the company's performance through 2013.

I would also like to thank our shareholders for their valued confidence in our products and services, which contributed to strengthening the company's position locally, regionally and globally. We further thank our shareholders for their continuous support and contribution to make Red Sea Housing Services Company a leader in the Building and Construction sector.

MESSAGE FROM THE CEO AND MANAGING DIRECTOR

MESSAGE FROM THE CEO AND MANAGING DIRECTOR

OUR VISION IS TO BE THE "SUPPLIER OF CHOICE" FOR ALL MAJOR MULTI-NATIONAL OIL & GAS, MINING AND CONSTRUCTION COMPANIES OPPERATING THROUGHOUT THE WORLD.

DON BROWN SUMNER
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

DEAR SHAREHOLDERS,

It gives me great pleasure to present to you our FY2013 Annual Report, the eighth since becoming a public company in 2006. This has been another very profitable year for us and notable achievements include:

- Increase in Revenues by 12% to SAR 971.4 million.
- Increase in Net Profit by 27% to SAR 152.8 million
- Increase in Earning per Share by 26.49% from SR 3.02 to SR 3.82

Our dominant market continues to be Saudi Arabia.

With the strong Government commitment to expanding the Oil and Gas Industry, both upstream and downstream, we continue to see increasing demand for our Remote Site Housing Solutions. Almost 49% of our Revenue for 2013 was originated in Saudi Arabia.

To capitalize on this demand, we have concluded all the necessary preliminaries and have begun construction on our newest Manufacturing Facility. Located just north of Jeddah in King Abdullah Economic City, this new factory effectively doubles our production capacity in Saudi Arabia as well as increases our product line.

This will allow us to service our customers in the central and western regions of Saudi Arabia much more efficiently.
In keeping with our aggressive International Expansion Strategy, In 2013, we opened new offices in Maputo Mozambique, Muscat Oman and Brisbane Australia.

These new offices, combined with our existing operations centers, are located in areas of the world, which we feel, in both the short and medium term, should experience major growth of our premier clients in the Oil & Gas and Mining sectors. We want to be in a position to take advantage of these opportunities when they arise.

While Industrial Housing is currently the primary driver of our operations, we are rapidly moving forward with our other areas of interest, the Affordable Housing and Building Materials Divisions.

With low cost affordable housing in such high demand throughout many of our market areas in Africa, Middle East and Asia we are moving to capitalize on our considerable resources located throughout the region. With our ongoing Research and Development initiatives, we expect to provide some very exciting options for our potential clients and help alleviate the ever increasing shortfall in this area of the housing market.

We are going into 2014 with an order backlog of SAR 935 million and we believe that our strong brand, quality products and excellent service will continue to make us the preferred supplier of Remote Site Housing Solutions for the Oil & Gas and Mining Industries.

On behalf of the Board of Directors I sincerely thank all our people for another successful year and a job well done.

ANNUAL REPORT

1. COMPANY'S PROFILE

RED SEA HOUSING SERVICES COMPANY, A SAUDI PUBLIC JOINT STOCK COMPANY, WAS FOUNDED IN ACCORDANCE WITH THE MINISTERIAL DECREE NO.2532 DATED 09/02/1427H CORRESPONDING TO 25/12/2006. BEFORE BECOMING A JOINT STOCK COMPANY, RED SEA HOUSING SERVICES COMPANY WAS A LIMITED LIABILITY COMPANY REGISTERED IN THE KINGDOM OF SAUDI ARABIA UNDER COMMERCIAL REGISTRATION NO.2055006105 DATED 26/10/1424H CORRESPONDING TO 20/12/2003.

The company's core business and source of revenue is derived from providing housing solutions in remote areas for local and international clients in Oil & Gas and Mining industries, which include rental of properties and sale of housing units; and enable them to relocate their workforce to designated sites such as oil fields and gas plants.

The company uses products manufactured in its facilities to reach the quality aspired by its customers. The company also specializes in the production of Waste Treatment Plants, in addition to providing Power Plants to ensure that all elements are suitable to deliver the project according to the specifications, free of defects and on the agreed time. The ability of Red Sea Housing Services to coordinate between manufacturing facilities, shipping services and construction sites has made the company a leader in the field of providing comprehensive housing solutions in remote areas around the world.
The first manufacturing facility for the company is located in the city of Jubail in Saudi Arabia. In addition, the company has two other manufacturing facilities located in Jebel Ali, Dubai, and in Accra, Ghana.

The company also has a manufacturing facility in Libya, which has not commenced operations yet, and is currently in the process of constructing its newest manufacturing facility in King Abdullah Economic City in western Saudi Arabia, which is built according to the highest quality and safety standards. The operating facilities have a total production capacity of 770,000 square meters per year. The geographical spread of the company has helped to take advantage of the available housing opportunities and the ability to deliver housing solutions in numerous targeted areas. The company currently employs 2,552 skilled employees.

The management has a very high level of expertise in the field of manufacturing and housing solutions, in addition to possessing competent workforce, which is specialized in the Middle East and international markets.

The adoption of the company's extensive knowledge in the fields of designing, planning, production and execution of projects are some of the elements that enable Red Sea Housing Services to provide high quality products and services that are trustworthy. Red Sea Housing also generates revenue from Property Management, which falls into two main categories:

FIXED COMPOUND ACCOMMODATIONS:
such as the Desert Palms Compounds and Hotels located in Yanbu and Jubail, Saudi Arabia and Hassi Messaoud, Algeria. These are designed to be semi-permanent facilities. They are built, owned and operated by Red Sea Housing for the purpose of housing senior and junior staff in districts where quality accommodations are in short supply. In addition, to supplying residential and office needs, our compounds include restaurants, recreation facilities, security services, entertainment and dependable communications facilities.

REMOTE SITES ACCOMMODATION SOLUTIONS:
That are leased to customers for a specific period of time. It can be fully managed by Red Sea Housing Services if requested by our clients. These are generally purpose-built facilities with all services provided by professional workforce.

The company operates and maintains the facility over the course of the lease and upon expiration of the contract we remove all the buildings and infrastructure, salvaging whatever can be relocated. The buildings and equipment are refurbished and sold or held in inventory until a new lease is secured to start the cycle over again.

During 2013, the company expanded its activities and engaged in the production and distribution of paint and coating products, which include architectural paint, and industrial and marine coating, through entering into a shareholders agreement with Sherwin-Williams when it acquired 81% share of Premier Paint Company.

2. MAJOR ACHIEVEMENTS OF 2013

Red Sea Housing Services Company convened an Extraordinary General Assembly Meeting (EGM) on 24/04/2013, in which the shareholders approved the amendment of Article (4) of the company's by-laws to relocate the headquarter of the company from Jubail in the Eastern Province to King Abdullah Economic City in the Western Province.

The EGM also approved the distribution of SAR 60 million as Cash Dividends to shareholders for the year 2012, equivalent to SAR 1.50 per share.

In continuation of the company's strategy to expand locally, which is considered as one of the main pillars of the 2020 Growth Strategy, the company successfully won a contract that surpasses SAR 226 million in value from GS Engineering company to construct an industrial labor camp in Rabigh, Saudi Arabia, to accommodate more than 9,000 employees.

GS Engineering is executing phase II of the expansion of Petro Rabigh Refinery. The contract also includes providing comprehensive housing services throughout the lease period, which lasts for 30 months. In Addition, Red Sea Housing will organize the catering services for all staff residing in the camps, which exceeds 27,000 meals per day.

The contract also calls for the provision of electricity supply, fresh water, waste water treatment facilities, cleaning services and recreation facilities. The company was also awarded a SAR 91 million contract from Nabors Drilling International Limited to construct and renovate a total of 11 industrial labor camps nearby the company's drilling sites in the eastern part of Saudi Arabia. During the fourth quarter of 2013, Red Sea Housing entered into a three-year agreement with Saudi Arabian Mining Company (Ma'aden) in the amount of SAR 109 million to construct and operate an industrial labor camp to accommodate 400 Senior Executives at King Abdullah Project for the development of Waad Al Shamal (Northern Promise).

Red Sea Housing will provide all required services such as catering services for tenants, fresh water, electricity supply, waste water treatment facilities, cleaning services, indoor and outdoor recreation facilities, and provide all necessary Operations and Maintenance thru the duration of the contract, which lasts till April 2017.

Internationally, the subsidiary of Red Sea Housing in Australia successfully concluded a SAR 131 million contract with the Australian Government-Department of Immigration and Citizenship to construct a comprehensive housing camp at Manus Island Temporary Regional Processing Center, Lombrum Naval Base, Papua New Guinea, where the company was able to execute the project and hand it over to the Australian authorities in a record period of less than 70 days.

In light of the company's strategy that aims to invest in the Building and Construction sector, a subsidiary of Red Sea Housing Services Company entered into a shareholders agreement with Sherwin-William, the leader in the production and distribution of paints and coating products, through the acquisition of 81% of Premier Paint Company.

This strategic acquisition was ideal for Red Sea Housing to proceed with its expansion plans, which will have a significant impact on the company's footprint locally, regionally and internationally. In the fourth quarter of 2013, the company announced the commencement of commercial production in the paint factory located in the Second Industrial Zone in Jeddah, Saudi Arabia. The production facility will provide variety of products including architectural paint, industrial and marine coating.

The company has positioned its resources to increase its production capacity and improve its performance through the investment in a 193,000 square meters property in King Abdullah Economic City to establish the fifth manufacturing facility for the company, with total investments in the amount of SAR 85 million. The newly constructed facility will contribute in increasing the annual production capacity for Red Sea Housing Services Company by 35% to 1 million square meters per annum. The company also received two Investor Licenses to construct and operate industrial labor camps in King Abdullah Economic City and Jazan Economic City, with total accommodation capacity of 15,000 residents.

Due to the deterioration of the security situation in the Libya, which resulted in the deferral of numerous anticipated projects in the Oil and Gas sector, the company announced in the fourth quarter of 2013 that the Libyan subsidiary was unable to finalize the maintenance and preparation process for the factory.

The company will launch the operations once the security situation stabilizes and business conditions improve in the region.

3. EXPANSIONS IN 2014

In 2013, Red Sea Housing Services Company has implemented a number of the recommendations stipulated in the 2020 Growth Strategy, in which the company invested in the Building and Construction sector through the partnership with Sherwin-Williams, the globally renowned company in the paint and coating sector. In addition, the company was able to prove its competency to penetrate the international markets when it was awarded a substantial contract from the Australian – Department of Immigration and Citizenship.

During the coming period, the company plans to increase its activities locally and benefit from the significant developments taking place in the Kingdom of Saudi Arabia in the Oil & Gas and Mining sector, in addition to the expansions of the numerous Industrial and Economic Cities, which require the construction of various industrial labor camps to accommodate such large numbers of human resources and facilitate all requirments to related housing services.

The company also aspires to expanding its presence through the proliferation into new international markets, including the Americas. The company is currently allocating all required resources and preparing the necessary market studies to accomplish the third pillar of the 2020 Growth Strategy that targets the Affordable Housing Sector, which is expected to be the main focus for the company in 2014.

4. ASSETS, LIABILITIES AND OPERATING RESULTS

- Net Income achieved in 2013 was SAR 152.77 million, compared to SAR 120.62 million achieved in 2012, an increase of 26.65%, which is the highest in the past five years.
- Total Revenues have increased by 12.32%, reaching SAR 971.41 million in 2013, which is the second highest in the company's history, while reporting SAR 864.84 million in 2012.
- Gross Profit was SAR 276.23 million in 2013, compared to SAR 223.65 million for the previous year, an increase of 23.51%.
- Operating Profit for the company reached a total of SAR 166.63 million in 2013 compared to SAR 134.68 million achieved in 2012, an increase of 23.72%.
- Earning per share in 2013 was SAR 3.82, compared to SAR 3.02 in 2012, an increase of 0.4%.
- Shareholders' Equity increased by 8.76% compared to 2012 to reach a total of SAR 894.59 million in 2013.
- Current Assets in 2013 reached a total of SAR 701.64 million, compared to SAR 616.23 million in 2012.
- Total Assets increased from SAR 1,233.99 million in 2012 to SAR 1,431.63 million in 2013, an increase of 16.61%.

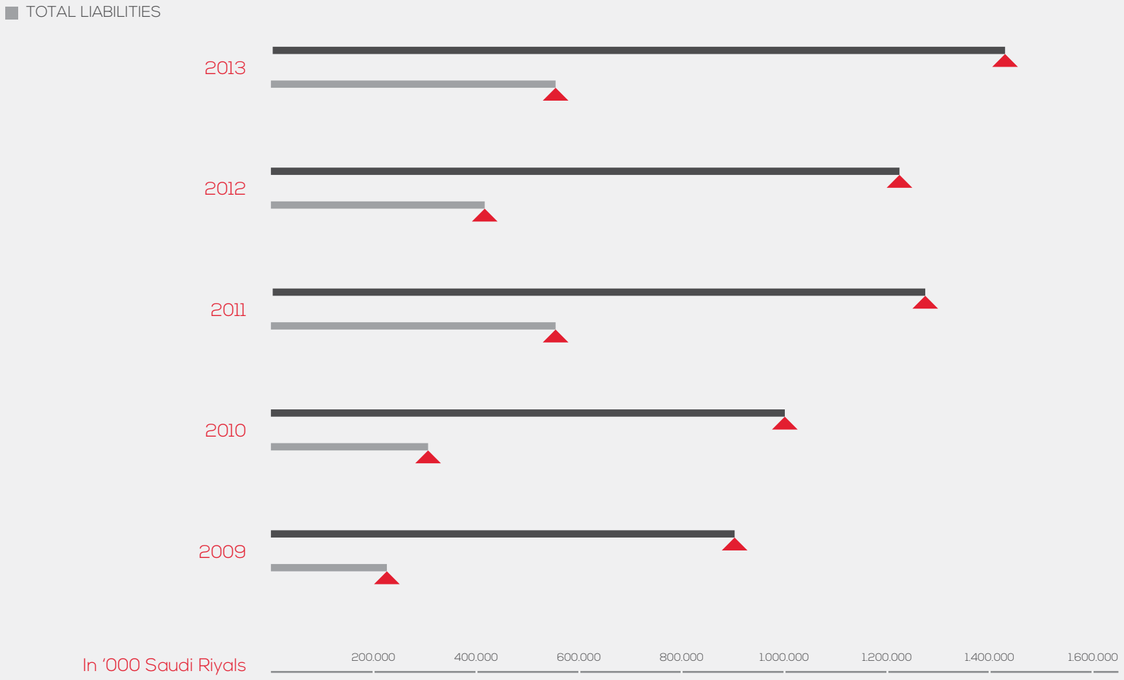
5. FINANCIAL RESULTS FOR THE PAST FIVE YEARS

The following table summarizes the financial results for the past five years.

(IN '000 RIYALS)

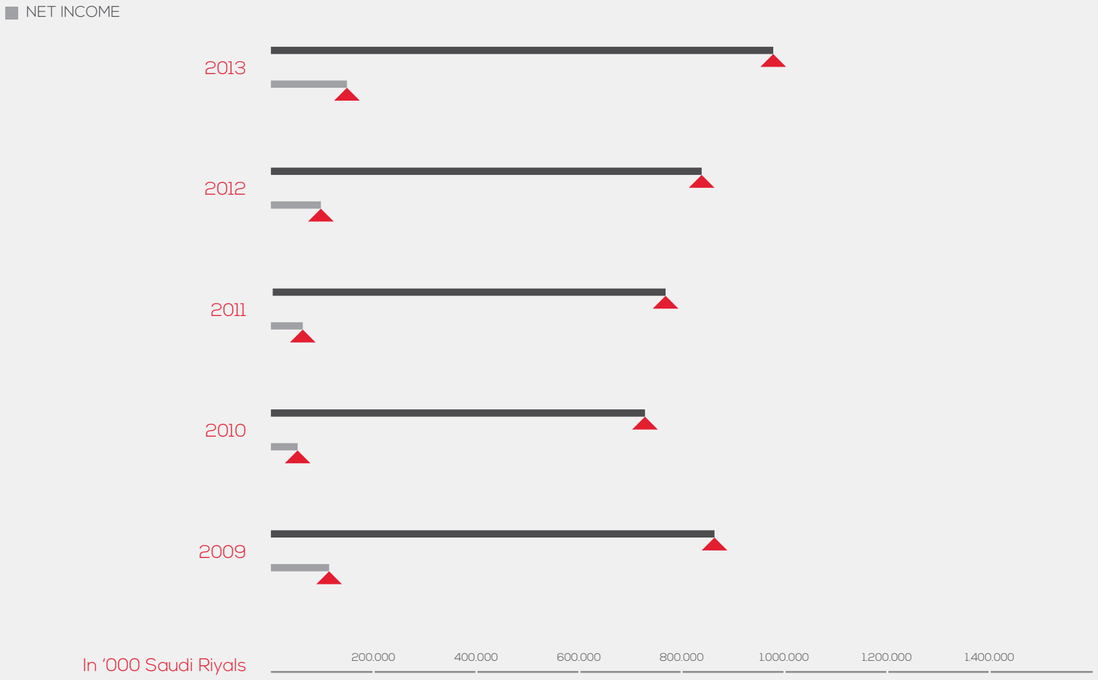
	2009	2010	2011	2012	2013
REVENUES	851,554	744,705	775,580	864,845	971,411
COST OF REVENUES	(652,578)	(555,759)	(627,393)	(641,190)	(695,177)
GROSS PROFIT	198,976	188,946	148,187	223,655	276,234
GROSS PROFIT %	23.37%	25.37%	19.11%	25.86%	28.44%
SELLING AND MARKETING EXPENSES	(35,757)	(19,914)	(21,884)	(37,440)	(52,477)
GENERAL AND ADMINISTRATIVE EXPENSES	(31,695)	(47,887)	(40,993)	(51,532)	(57,127)
INCOME FROM OPERATIONS	131,524	121,145	85,309	134,683	166,630
FINANCIAL INCOME	2,027	1,524	1,297	1,714	2,473
FINANCIAL CHARGES	(4,596)	(8,551)	(8,138)	(7,490)	(7,480)
PROVISIONS FOR LITIGATIONS	-	(40,726)	-	-	-
OTHER INCOME (EXPENSE)	1,263	3,325	1,616	1,170	5,971
INCOME BEFORE FOREIGN INCOMETAXES, ZAKAT AND MINORITY INTEREST	130,218	76,717	80,084	130,077	167,594
FOREIGN INCOME TAXES	(958)	(8,907)	8,420	(111)	(8,867)
ZAKAT	(12,662)	(9,304)	(10,884)	(9,390)	(7,131)
INCOME BEFORE MINORITY INTEREST	116,598	58,505	77,620	120,576	151,596
MINORITY INTEREST	6,198	2,528	275	45	1,174
NET INCOME	123,516	61,033	77,895	120,621	152,770
NET INCOME/SALES (%)	14.50%	8.20%	10.04%	13.95%	15.73%

TOTAL ASSETS AND TOTAL LIABILITIES



THE CHART SUMMARIZES THE FINANCIAL RESULTS FOR THE PAST FIVE YEARS

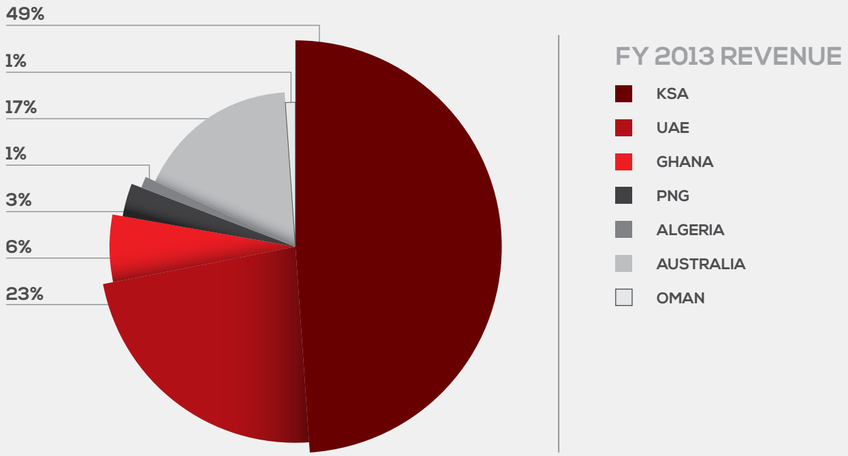
TOTAL REVENUES AND NET INCOME



THE CHART SUMMARIZES THE FINANCIAL RESULTS FOR THE PAST FIVE YEARS

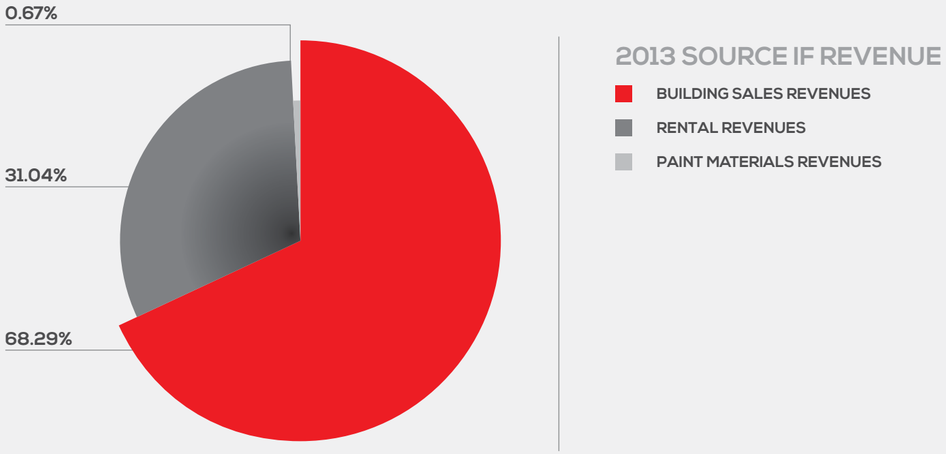
6. REVENUE BY GEOGRAPHICAL AREAS

THE FOLLOWING CHART ILLUSTRATES THE REVENUES FOR FY2013 ACCORDING TO THE GEOGRAPHICAL LOCATIONS



THE PIE CHART DID NOT INCLUDE REVENUES FOR THE SUBSIDIARIES IN QATAR, LIBYA AND NIGERIA AS THEY DID NOT GENERATE ANY INCOME THROUGH THE FINANCIAL YEAR ENDING 31 DECEMBER 2013.

THE FOLLOWING CHART ILLUSTRATES REVENUES FOR FY2013 ACCORDING TO THE SOURCE OF REVENUES:



The following tables and charts provide more details of the sources of revenues that the company generated during FY2013 and FY2012 according to the geographical locations.

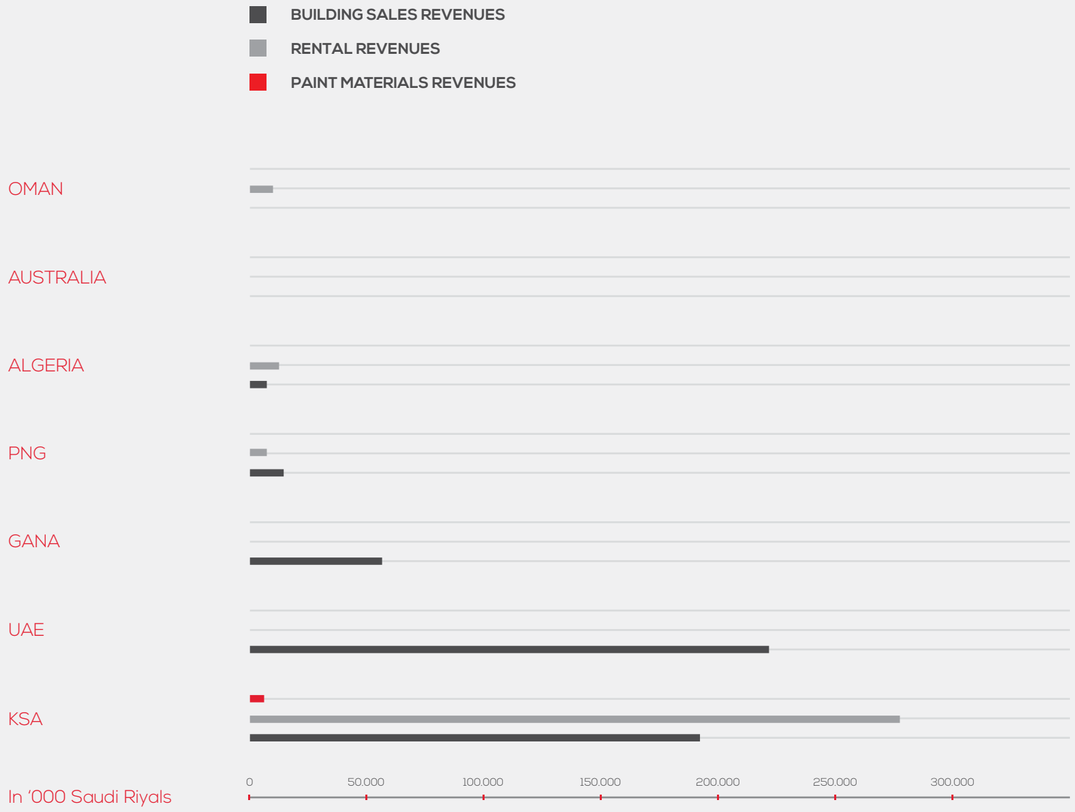
(IN '000 RIYALS)

2013	SAUDI ARABIA	UAE	GHANA	PNG	ALGERIA	AUSTRALIA	OMAN	TOTAL
BUILDING SALES REVENUES	194,013	228,516	54,678	19,043	1,931	165,159	-	663,340
RENTAL REVENUES	279,070	-	85	7,736	9,314	-	5,348	301,553
PAINT MATERIALS	6,518	-	-	-	-	-	-	6,518
BUILDING SALES REVENUES %	40.45%	100.00%	99.84%	71.11%	17.17%	100.00%	-	68.29%
RENTAL REVENUE %	58.19%	-	0.16%	28.89%	82.83%	-	100.00%	31.04%
PAINT MATERIALS %	1.36%	-	-	-	-	-	-	0.67%
TOTAL REVENUES	479,601	228,516	54,763	26,779	11,245	165,159	5,348	971,411

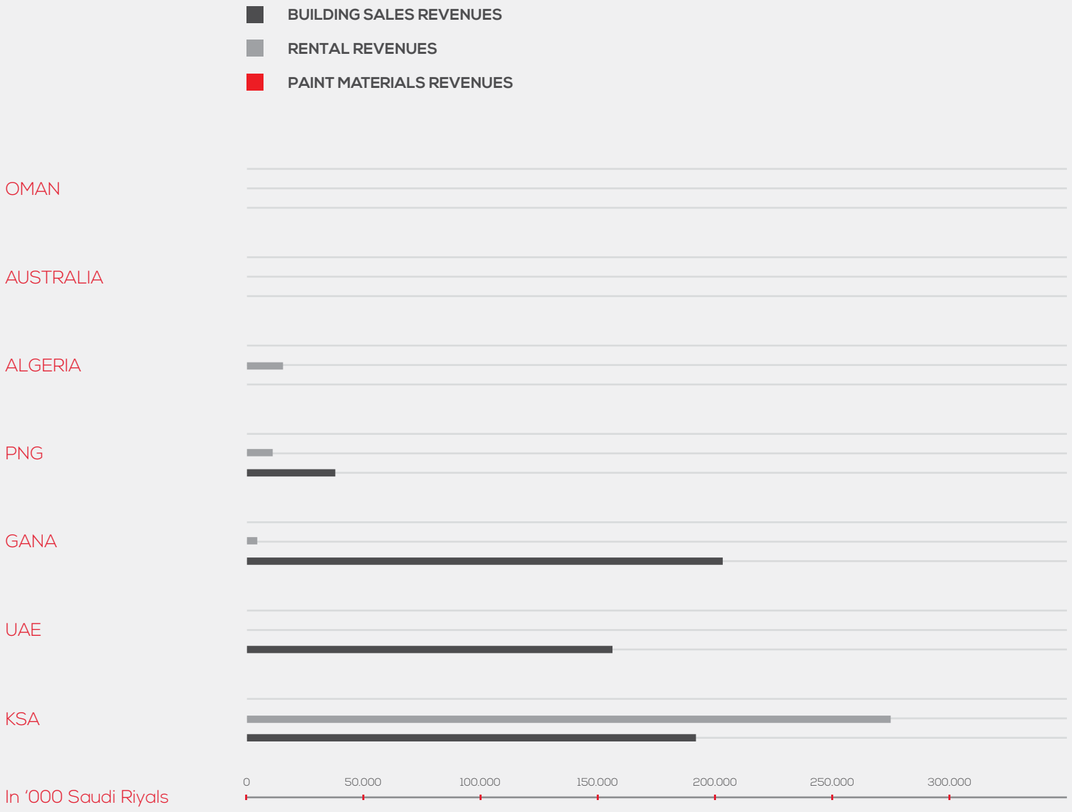
(IN '000 RIYALS)

2012	SAUDI ARABIA	UAE	GHANA	PNG	ALGERIA	AUSTRALIA	OMAN	TOTAL
BUILDING SALES REVENUES	187,035	155,332	200,099	36,525	1,702	-	-	580,693
RENTAL REVENUES	274,607	134	395	3,759	5,257	-	-	284,152
PAINT MATERIALS	-	-	-	-	-	-	-	-
BUILDING SALES REVENUES %	40.52%	99.91%	99.80%	90.67%	24.46%	-	-	67.14%
RENTAL REVENUE %	59.48%	0.09%	0.20%	9.33%	75.54%	-	-	32.86%
PAINT MATERIALS %	-	-	-	-	-	-	-	-
TOTAL REVENUES	461,642	155,466	200,494	40,284	6,959	-	-	864,845

2013 SOURCE OF REVENUES



2012 SOURCE OF REVENUES



7. MAJOR CHANGES IN OPERATING RESULTS

Below are the major changes in the Income Statement for the twelve-month periods ending 31 December 2012 and 31 December 2013.

(IN '000 RIYALS, EXCEPT FOR EPS)

INCOME STATEMENT	2012	2013	DIFFERENCE (+/-)	DIFFERENCE (+/-) %
REVENUES	864,845	971,411	106,566	12.32%
COST OF REVENUES	(641,190)	(695,177)	(53,987)	-7.77%
GROSS PROFIT	223,655	276,234	52,579	23.51%
SELLING & MARKETING EXPENSES	(37,440)	(52,477)	(15,037)	-40.16%
GENERAL & ADMINISTRATIVE EXPENSES	(51,532)	(57,127)	(5,595)	-10.86%
INCOME FROM OPERATIONS	134,683	166,630	31,947	23.72%
FINANCIAL INCOME	1,714	2,473	759	44.28%
FINANCIAL CHARGES	(7,490)	(7,480)	10	0.13%
OTHER INCOME	1,170	5,971	4,801	410.34%
INCOME BEFORE ZAKAT, TAXES & MINORITY INTEREST	130,077	167,594	37,517	28.84%
FOREIGN INCOME TAXES	(111)	(8,867)	(8,756)	-7,888.29%
ZAKAT	(9,390)	(7,131)	2,259	31.68%
INCOME BEFORE MINORITY INTEREST	120,576	151,596	31,020	25.73%
MINORITY INTEREST	45	1,174	1,129	2,508%
NET INCOME FOR THE YEAR	120,621	152,770	32,149	26.65%
EPS FROM OPERATING INCOME	3.37	4.17	0.80	23.72%
EPS	3.02	3.82	0.80	26.65%

The increase in Net Income in FY2013 compared to last year is due to the increase in Total Revenues by 12.32%, as a result of the increase in buildings sales by 14.23% and rental revenues by 6.12%. The increase in Gross Margin percentage to 28.44% in FY2013 as compared to Gross Margins of 25.86% for FY2012 is mainly attributed to the increase in revenues and lower project installation costs.

8. ACCOUNTING DECLARATION

The Financial Statements for the year ending 31 December 2013, have been prepared in accordance to the accounting standards generally accepted in the Kingdom of Saudi Arabia, issued by the Saudi Organization for Certified Public Accountants (SOCPA).

9. FOREIGN SUBSIDIARIES AND BRANCHES

Red Sea Housing Services Company (the "company") holds a group of companies located in different locations throughout the world (the "Group"). Red Sea Housing Services is a Public Joint Stock Company registered in the Kingdom of Saudi Arabia under the Ministerial Decree No. 2532 dated 02/09/1427, with its headquarter located in King Abdullah Economic City.

RED SEA HOUSING SERVICES (GHANA) LIMITED

- **Incorporation Country:** Accra, Ghana
- **Incorporation Date:** 2005
- **Main Activities:** Manufacturing of Sitemaster 25, Steel Roughneck and Seaway Series buildings. This facility predominantly serves our customers located in North and West Africa.
- 100% owned by Red Sea Housing Services Company.

RED SEA HOUSING SERVICES COMPANY (ALGERIA) LIMITED

- **Incorporation Country:** Algiers, Algeria
- **Incorporation Date:** 2006
- **Main Activities:** Importing of the company's products for local sales and rentals and to support the parent company by way of executing the local installation and general contracting works. It also manages and operates Desert Palm Hotel located in Hassi Masoud.
- 98% owned by Red Sea Housing Services Company, while Mr. Jamal Al Dabbagh (Board Member) owns the remaining 2%.

RED SEA HOUSING SERVICES COMPANY (QATAR)

- **Incorporation Country:** Doha, Qatar
- **Incorporation Date:** 2006
- **Main Activities:** General contracting, installation of prefabricated buildings and general maintenance and operations.
- 49% owned by Red Sea Housing Services Company. Red Sea Housing Services Company has the power to govern the financial and operating policies of Qatari subsidiary.

RED SEA HOUSING SERVICES COMPANY (NIGERIA) LIMITED

- **Incorporation Country:** Nigeria
- **Incorporation Date:** 2008
- **Main Activities:** General contracting, construction, and general maintenance, construction of utilities, civil work and subcontracting.
- 97% owned by Red Sea Housing Services Company.

As of 31 December 2013, the subsidiary has not generated any revenues.

RED SEA HOUSING SERVICES COMPANY DUBAI FZE, UAE

- **Incorporation Country:** UAE, Dubai, Jebel Ali Free Zone
- **Incorporation Date:** 2009
- **Main Activities:** Manufacturing of prefabricated housing units, in addition to general contracting, construction, and general maintenance, construction of utilities and civil work and subcontracting.
- 100% owned by Red Sea Housing Services Company

RED SEA HOUSING SERVICES COMPANY (PAPUA NEW GUINEA) LTD.

- **Incorporation Country:** Port Moresby, Papua New Guinea
- **Incorporation Date:** 2009
- **Main Activities:** General contracting, construction, Installation, construction of utilities and civil work and subcontracting.
- 100% owned by Red Sea Housing Services Company

RED SEA HOUSING SERVICES COMPANY (LIBYA)

- **Incorporation Country:** Libya
- **Incorporation Date:** 2009
- **Main Activities:** Manufacturing of prefabricated housing units, in addition to general contracting, construction, and general maintenance, construction of utilities and civil work and subcontracting.
- 90% owned by Red Sea Housing Services Company.
- Due to the deterioration of the security situation in the region, which resulted in the deferral of numerous anticipated projects in the Oil & Gas sector the company announced that it was unable to finalized the maintenance and preparation process for the factory. The company shall commence the operations once the security situation stabilizes and business conditions improve in the region. As of 31 December 2012, the subsidiary has not generated any revenues.

RED SEA BUILDING MATERIALS AND EQUIPMENTS TRADING COMPANY

- **Incorporation Country:** Jeddah, Saudi Arabia
- **Incorporation Date:** 2012
- **Main Activities:** It specializes in wholesale and retail trading of sanitary and electrical equipments, in addition to all types of paints and coating. It also specializes in building machineries and equipments.
- 100% owned by Red Sea Housing Services Company.

PREMIER PAINT COMPANY

- **Incorporation Country:** Jeddah, Saudi Arabia
- **Incorporation Date:** 2012
- **Main Activities:** The production and distribution of Architectural paints, and industrial and marine coating.
- 81% owned by Red Sea Housing Services Company

RED SEA SPECIALIZED INVESTMENTS

- **Incorporation Country:** Jeddah, Saudi Arabia
- **Incorporation Date:** 2013
- **Main Activities:** It specializes in the investment in industrial, commercial, agricultural, services and real estate projects.
- 100% owned by Red Sea Housing Services Company

RED SEA HOUSING SERVICES (MOZAMBIQUE)

- **Incorporation Country:** Maputo, Mozambique
- **Incorporation Date:** 2013
- **Main Activities:** The Subsidiary specializes in the construction of industrial camps, import, sell, lease, install & maintain prefab buildings and related equipment.
- 100% owned by Red Sea Housing Services Company.
- The subsidiary has not generated any revenues as of 31 December 2013.

RED SEA HOUSING SERVICES OMAN

- **Incorporation Country:** Masqat, Oman
- **Incorporation Date:** 2013
- **Main Activities:** The Subsidiary specializes in the construction of industrial camps, import, sell, lease, install & maintain prefab buildings and related equipment.
- 100% owned by Red Sea Housing Services Company

RED SEA HOUSING SERVICES COMPANY AUSTRALIA

- **Incorporation Country:** Brisbane, Australia
- **Incorporation Date:** 2013
- **Main Activities:** The Subsidiary specializes in the construction of industrial camps, import, sell, lease, install & maintain prefab buildings and related equipment.
- 100% owned by Red Sea Housing Services Company.

The below table summarizes the ownership of Red Sea Housing Services Company in other subsidiaries:

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%) AT DECEMBER 31,		PAID UP CAPITAL	NO. OF SHARES
		2012	2013		
RED SEA HOUSING SERVICES (GHANA) LIMITED ("RSG")	GHANA	100%	100%	USD. 50,000	450,000
SARL RED SEA HOUSING SERVICES ALGERIA LIMITED ("RSA")	ALGERIA	98%	98%	DZD. 20,000,000	20,000
RED SEA HOUSING SERVICES COMPANY QATAR ("RSQ")	QATAR	49%	49%	QAR. 1,000,000	1,000
RED SEA HOUSING SERVICES COMPANY NIGERIA LIMITED ("RSN")	FEDERAL REPUBLIC OF NIGERIA	97%	97%	NGN. 2,000,000	2,000,000
RED SEA HOUSING SERVICES COMPANY DUBAI FZE ("RSD")	UAE	100%	100%	AED. 1,000,000	1
RED SEA HOUSING SERVICES COMPANY LIBYA ("RSL")	LIBYA	90%	90%	LYD. 300,000	10,000
RED SEA BUILDING MATERIALS AND EQUIPMENT TRADING COMPANY (RSBM&ET)	KINGDOM OF SAUDI ARABIA	95%	100%	SR. 50,000	500
PREMIER PAINTS COMPANY ("PPC")	KINGDOM OF SAUDI ARABIA	-	81%	SR. 10,000,000	10,000
RED SEA SPECIALIZED INVESTMENTS	KINGDOM OF SAUDI ARABIA	-	100%	SAR 50,000	500
RED SEA HOUSING SERVICES (MOZAMBIQUE), LDA ("RSM")	MOZAMBIQUE	-	100%	MT. 15,000,000	-
RED SEA HOUSING SERVICES LLC, ("RSO")	OMAN	-	100%	OMR. 250,000	250,000
RED SEA HOUSING SERVICES PTY LTD	AUSTRALIA	-	100%	AUD. 1.00	1

Red Sea Housing Services Company PNG is a branch fully owned by Red Sea Housing Services Company and is considered a subsidiary. The company also has licenses to operate branches in Abu Dhabi, Afghanistan and Equatorial Guinea, however, none of these subsidiaries had any operations during the period ending 31 December 2013.

10. MAJOR SHAREHOLDERS

The following table includes the list of major shareholders who have previously disclosed their interests of shares in the company and are not Board Members or Senior Executives of the company or any of their relatives:

NO.	NAME	PERCENTAGE	NUMBER OF SHARES AT YEAR START	NUMBER OF SHARES AT YEAR END	PERCENTAGE CHANGE
1	Dabbagh Company Holding Company Limited	51%	20,400,000	20,400,000	0%
2	Supreme Foods Company Limited	5%	2,000,000	2,000,000	0%
3	National Scientific Company Limited	5%	2,000,000	2,000,000	0%
4	Marketing and Commercial Agencies Limited	5%	2,000,000	2,000,000	0%
5	Tanmiah Commercial Company Limited	4%	1,600,000	1,600,000	0%
6	Mr. Amin Mohammed Shaker	6.6%	-	2,641,149	-

11. DIVIDENDS POLICY

At the General Assembly held on 24/04/2013, the company has complied with the By-laws and allocated ten percent (10%) of the annual Net Profits to form a statutory reserve, and dividends payout was approved by the shareholders.

The company did not issue any preferred shares therefore all dividends are distributed to common stock shareholders.

The shareholders have also approved the distribution of SAR 60 million as Cash Dividends for FY2012, SAR 1.50 per share or 15% of the share capital, which complies with the policies stated in the By-laws.

The declared dividends were distributed by direct deposit into the shareholders bank account within 30 days from the General Assembly Meeting date convened in 2013.

According to Article (45) of the company's By-laws, dividends shall be distributed after deducting all general expenses and other costs. The company's annual Net Income shall be allocated as follows:

A. Ten percent (10%) of the annual Net Income shall be set aside to form a statutory reserve. Such reserves may be discontinued by the Ordinary General Assembly when the reserves reach one-half (1/2) of the company's capital.

B. Dividends shall be paid to the holders of preferred shares as per the specified percentage pertaining to such shares. The Ordinary General Assembly may, upon request of the Board of Directors, allocate a percentage of the annual Net Income to form an additional reserve to be allocated for the purposes decided by the Ordinary General Assembly.

C. Out of the balance of the profits, if any, there shall be paid to the shareholders an initial payment of not less than five (5%) percent of the paid-up capital.

D. The balance shall be distributed among the shareholders as an additional share of the profits.

12. DIRECTORS AND SENIOR EXECUTIVES SHAREHOLDINGS

With respect to the company and all its subsidiaries, none of the Board Members or Senior Executives or any of their spouses and minor children were entitled for options or subscription rights during FY2013.

The interests of Board Members, their wives and minor children in the company's shares, debt instruments or any of its subsidiaries, in addition to the changes in ownership during FY2013 are shown in the following table:

DESCRIPTION OF BOARD MEMBERS' INTERESTS IN THE COMPANY'S AND ITS SUBSIDIARIES IN THE FORM OF SHARES OR DEBT INSTRUMENTS

NAME OF THE BOARD MEMBER	START OF YEAR		END OF YEAR		NET CHANGE	PERCENTAGE CHANGE
	NO. OF SHARES	DEBT INSTRUMENTS	NO. OF SHARES	DEBT INSTRUMENTS		
H.E. Mr. Amr A. Al Dabbagh	1,000	-	1,000	-	0	0.00%
Dr. Ibrahim H. Al Madhoun	630,000	-	1,000,000	-	370,000	58.73%
Mr. Don Brown Sumner	1,333	-	1,333	-	0	0.00%
Eng. Hussein A. Al Dabbagh	1,333	-	1,333	-	0	0.00%
Mr. Jamal A. Al Dabbagh	1,333	-	1,333	-	0	0.00%
Mr. Mohamed Husnee Jazeel	1,333	-	1,333	-	0	0.00%
Dr. Muhammad A. Ikhwan	4,000	-	6,000	-	2,000	50%
Mr. Sami Ahmed Binmahfouz	1,026	-	1,026	-	0	0.00%
Mr. Waheed Ahmed Shaikh	1,333	-	1,333	-	0	0.00%

The interest of Mr. Jamal Al Dabbagh in Red Sea Housing Service Company (Algeria) as of 31 December 2013 is shown in the table below:

	01 JANUARY 2013		31 DECEMBER 2013		NET CHANGE	PERCENTGE CHANGE
	SHARES	DEBT INSTUMENTS	SHARES	DEBT INSTUMENTS		
Mr. Jamal Al Dabbagh	200	0	200	0	0	0.00%

The interest of Mr. Jamal Al Dabbagh in Red Sea Building Materials and Equipments Trading Company as of 31 December 2013 is shown in the table below:

	01 JANUARY 2013		31 DECEMBER 2013		NET CHANGE	PERCENTGE CHANGE
	SHARES	DEBT INSTUMENTS	SHARES	DEBT INSTUMENTS		
Mr. Jamal Al Dabbagh	200	0	0	0	(200)	(100%)

The interests of Senior Executives, their wives and minor children in the company's shares, debt instruments or any of its subsidiaries, in addition and any changes made during FY2013 are shown in the following table:

DESCRIPTION OF SENIOR EXECUTIVES' INTERESTS IN THE COMPANY'S AND ITS SUBSIDIARIES IN THE FORM OF SHARES OR DEBT INSTRUMENTS

NO.	NAME OF THE SENIOR EXECUTIVE	POSITION	START OF YEAR		END OF YEAR		NET CHANGE	PERCENTAGE CHANGE
			NO. OF SHARES	DEBT INSTRUMENT	NO. OF SHARES	DEBT INSTRUMENT		
1	Mr. Don Brown Sumner (Sr.)	CEO	1,333	-	1,333	-	0	0.00%
2	Mr. Sanjay Wadhwani	CFO	0	-	0	-	0	-
3	Mr. Mohammed Mallawi	Compliance / Investor Relations Manager	26	-	26	-	0	0.00%
4	Mr. Don Brown Sumner (Jr.)	VP Operations - KSA	0	-	0	-	0	-
5	Mr. Craig Conklin	General Manager - Jubail	0	-	0	-	0	-
6	Mr. Bassam Al Warith	Chief Strategy Officer	0	-	0	-	0	-
7	Mr. Waseem Ijaz	CEO - RSBM&ET Co.	0	-	0	-	0	-
8	Mr. Mohammed Noor Rumaiz	CFO - RSBM&ET Co.	0	-	0	-	0	-

13. BANK BORROWINGS

During the first quarter of 2011, the company signed a medium-term loan agreement with one of the local banks in Saudi Arabia in the amount of SAR 225 million to construct industrial labor camps and facilities for Saudi Arabian Mining Company (Ma'aden) in Ras Al-Khair, Saudi Arabia. The loan was fully utilized through the project's execution period.

The loan is repayable over 33 monthly installments starting from 31/01/2012 till 30/09/2014. As of 31 December 2013, total amount repaid reached SAR 182.39 million and the outstanding loan amount is SAR 42.61 million, which shall be paid during 2014.

During the first quarter of 2013, the company signed a medium-term loan agreement with one of the local banks in Saudi Arabia for the amount of SAR 125 million to construct industrial labor camps and facilities for GS Engineering in the western province of Saudi Arabia. The loan was fully utilized through the project's execution period. The loan is repayable over 30 equal monthly installments starting from 31/03/2014 till 31/08/2016.

During the second quarter of 2013, the company signed a medium-term loan agreement with one of the local banks in Saudi Arabia in the amount of SAR 50 million to finance the acquisition of 81% share in Premier Paint Company by the subsidiary Red Sea Building Materials and Equipments Trading Company. In addition, a portion of loan was allocated for capital expenditure to upgrade the paint factory and its assets.

As of 31 December 2013, loan utilization reached 44 million. An early settlement of SAR 5.50 million was paid against this loan in December, 2013. Accordingly, the outstanding loan amount as of 31 December is SAR 38.50 million. The loan is repaid over 14 quarterly installments starting from 02/10/2014 till 02/01/2018.

The below table provides details of the availed loans according to banks:

LOAN TYPE (BANK)	LOAN STARTING DATE	REPAY-MENT TYPE	REPAY-MENT PERIOD	LOAN AMOUNT	UTILIZED AMOUNT	AMOUNT PAID	OUT - STANDING BALANCE
Medium Term Loan (Saudi Bank)	31.12.2011	Monthly	33 Months	225,000,000	225,000,000	(182,386,364)	42,613,636
Medium Term Loan (Saudi Bank)	31.12.2013	Monthly	30 Months	125,000,000	125,000,000	-	125,000,000
Medium Term Loan (Saudi Bank)	02.07.2013	Quarterly	4 years	50,000,000	44,000,000	(5,500,000)	38,500,000
Short term Loan (Saudi Bank)	-	On due date	365 Days	50,000,000	39,900,000	(24,900,000)	15,000,000
Islamic Financing - Murabaha (Saudi Bank)	-	On due date	180 Days	70,000,000	39,979,997	(19,982,977)	19,997,020
Short term Loan (UAE Bank)	-	On due date	180 Days	25,000,000	4,519,110	(2,927,562)	1,591,548
Short term Loan (UAE Bank)	-	On due date	180 days	49,000,000	24,943,070	(12,600,058)	12,343,012
Total				594,000,000	503,342,177	(248,296,961)	255,045,216

Bank borrowings for the periods ending 31 December, comprise of the following:

CURRENT PORTION	2013	2012
SHORT-TERM BANK BORROWINGS	48,931,580	60,410,597
CURRENT PORTION OF MEDIUM - TERM BORROWINGS	87,030,303	86,060,616
NON-CURRENT PORTION OF MEDIUM-TERM BORROWINGS	119,083,333	74,633,829
TOTAL OUTSTANDING BANK BORROWINGS	255,045,216	221,105,042

The maturity profile of the non-current portion of the medium-term borrowings are as follows:

	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	---
TOTAL	206,113,636	160,694,446

14. DECLARATIONS RELATED TO DEBT INSTRUMENTS

1. CONVERTIBLE DEBT INSTRUMENTS
The company, including all of its subsidiaries did not grant, nor issue, nor convert, any convertible debt instruments, options, warrants or similar rights issues during and prior to 2013.

2. CALLABLE DEBT INSTRUMENTS
The company, including all of its subsidiaries did not issue or cancelled any callable debt instruments during 2013.

3. CONVERSION OR SUBSCRIPTION RIGHTS
The company, including all of its subsidiaries did not issue or grant any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights during and prior 2013.

15. BOARD OF DIRECTORS

The company's Board of Directors is composed of (9) members. Below is a table detailing the composition of the Board and classification of its members.

	BOARD NAME	CLASSIFICATION	MEMBERSHIP IN OTHER COMPANIES	MEMBERSHIP IN RSH COMMITTEES
1	H.E. Mr. Amr Abdullah Al Dabbagh (Chairman of the Board)	Non-Executive	-	Executive Committee (Chairman)
2	Dr. Ibrahim Hassan Al Madhoun	Independent	ALMARAI COMPANY FITAHI HOLDING GROUP HERFY COMPANY AL OBEIKAN INVESTMENT GROUP	Executive Committee N&C Committee (Chairman)
3	Mr. Don Brown Sumner (CEO & Managing Director)	Executive	-	Executive Committee N&C Committee
4	Eng. Hussien Abdullah Al Dabbagh	Non-Executive	-	-
5	Mr. Jamal Abdullah Al Dabbagh	Non-Executive	GULF GENERAL COOPERATIVE INSURANCE COMPANY	Audit Committee N&C Committee
6	Dr. Muhammad Ali Ikhwan	Independent	FITAHI HOLDING GROUP GULF GENERAL COOPERATIVE INSURANCE COMPANY NATIONAL GAZ & INDUSTRIALIZATION COMPANY.	Audit Committee (Chairman)
7	Mr. Mohamed Husnee Jazeel	Non-Executive	GULF GENERAL COOPERATIVE INSURANCE COMPANY SAUDI ARABIAN LUBRICATING OIL COMPANY (PETROMIN)	Executive Committee Audit Committee
8	Mr. Sami Ahmed Binmahfouz	Independent	-	Audit Committee
9	Mr. Waheed Ahmed Shaikh	Non-Executive	SAUDI ARABIAN LUBRICATING OIL COMPANY (PETROMIN)	-

16. BOARD MEETINGS AND RECORD OF ATTENDANCE

The Board of Directors of Red Sea Housing Company had (5) meetings during FY2013. Below is a table summarizing the record of attendance for these meetings:

	MEMBER	1ST MEETING	2ND MEETING	3RD MEETING	4TH MEETNG	5TH MEETING	TOTAL
		19/01/2013	24/04/2013	24/07/2013	20/10/2013	24/11/2013	
1	H.E. Mr. Amr A. Al Dabbagh	Present	Present	Present	Present	Present	5
2	Dr. Ibrahim H. Al Madhoun	Present	Present	Present	Present	Present	5
3	Mr. Don B. Sumner	Present	Present	Present	Present	Present	5
5	Eng. Hussein A. Al Dabbagh	Present	Present	Present	Present	Present	5
4	Mr. Jamal A. Al Dabbagh	Present	Present	Present	Present	Present	5
6	Dr. Muhammad A. Ikhwan	Present	Present	Present	Present	Present	5
7	Mr. Mohamed H. Jazeel	Present	Present	Present	Present	Present	5
8	Mr. Sami Ahmed Binmahfouz	Present	Present	Present	Present	Present	5
9	Mr. Waheed A. Shaikh	Present	Present	Present	Present	X	4

17. RELATED PARTY TRANSACTIONS

During FY2013, the company continued the involvement in some of the contracts where some Board Members have interests in. These contracts have been concluded during the previous years and are extension of ongoing relationships that began before 2013. These contracts are summarized in the table below:

	BOARD MEMBER	COMPANY	DETAILS OF THE INTEREST
1	Mr. Jamal Al Dabbagh	SARL Red Sea Housing Services Company Ltd. (Algeria)	Mr. Jamal Al Dabbagh owns 2% of SARL Red Sea Housing Ltd (Algeria). There were no contracts between the companies in 2013. This item will be included in the Agenda for the coming General Assembly for voting by shareholders, and to approve the contracts for 2014, to purchase housing units.
2	Mr. Jamal Al Dabbagh	Gulf General Cooperative Insurance Company	The company concluded contracts with Gulf General Cooperative Insurance Company (GGCIC) in the amount of SAR 1,462,632.90 to provide insurance products and services to RSH, where Mr. Jamal A. Al Dabbagh is the Chairman of GGCIC.
3	Mr. Mohamed Jazeel	Gulf General Cooperative Insurance Company	The company concluded contracts with Gulf General Cooperative Insurance Company in the amount of SAR 1,462,632.90 to provide insurance products and services to RSH, where Mr. Mohamed H. Jazeel is a Board Member in both companies.
4	Dr. Muhammad Ikhwan	Gulf General Cooperative Insurance Company	The company concluded contracts with Gulf General Cooperative Insurance Company in the amount of SAR 1,462,632.90 to provide insurance products and services to RSH, where Dr. Muhammad Ikhwan is a Board Member in both companies.
5	Mr. Jamal Al Dabbagh	Red Sea Building Materials and Equipments Trading Company	Mr. Jamal Al Dabbagh owned 5% of the capital of Red Sea for Building Materials and Equipments Trading Company, which specializes in wholesale and retail trading of sanitary and electrical equipments, in addition to all types of paints and coating. In the second quarter of 2013, Red Sea Specialized Investment acquired the 5% shareholding of Mr. Jamal Al Dabbagh. There were no contracts between the companies during 2013.

As per the received report from the External Auditor, Red Sea Housing Services Company paid a total of SAR 1,462,632.90 to Gulf General Cooperative Insurance Company for insurance services and products that were rendered during FY2013.

Related parties principally comprise of Al Dabbagh Group Holding Company Limited and its affiliated entities (collectively the "Dabbagh Group") which are the major shareholders of the company, and the Group's minority shareholders and their affiliated entities.

As at December 31, 2013, an amount of SAR 57,790,59 was due to Al Dabbagh Group Holding Company Limited in respect of payments made for air tickets and hotel arrangement on behalf of the company. An amount of SAR 528,286,56 due from Eurotech, a minority shareholder of the Group, as at December 31, 2012 was written off during the year ended December 31, 2013.

During the year ended December 31, 2013 and 2012, there were no other major transactions with the related parties.

The below tables summarizes the transactions for related parties during FY2013:

NAME OF THE ENTITY	RELATIONSHIP
Dabbagh Group Holding, Kingdom of Saudi Arabia	Major Shareholder of the company with 51% shareholding.
Eurotech Projects Development, Qatar	Minority Shareholder in subsidiary company, Red Sea Housing Services Company LLC, Qatar.

Related party Transaction details:

DABBAGH GROUP HOLDING COMPANY, KINGDOM OF SAUDI ARABIA	2013	2012
Opening Balance – Payable/(Receivable)	8,845.15	309.15
Purchases – (Air Tickets, Hotel bookings on behalf of company)	59,921.00	8,536.00
Payments	(10,975.56)	---
Closing Balance - Payable/(Receivable)	57,790.59	8,845.15

EUROTECH PROJECT DEVELOPMENT, QATAR	2013	2012
Opening Balance – Payable/(Receivable)	(528,286.56)	(528,286.56)
Purchases	---	---
Receipts – Minority shareholder outstanding written off	528,286.56	---
Closing Balance - Payable/(Receivable)	---	(528,286.56)

18. Remuneration of Board Members and Senior Executives

The following table shows the remuneration and compensations paid to Board Members and Senior Executives during FY2013:

(IN '000 RIYALS)

	EXECUTIVE MEMBERS	** NON-EXECUTIVES / INDEPENDENT MEMBERS	FIVE TOP PAID EXECUTIVES INCLUDING CEO & CFO
Salaries	2,700	--	6,586
Allowances & Compensations	8,447	--	19,498
Annual & Periodic Remunerations	200	1,600	---
Total	11,347	1,600	26,084

19. WAIVING OF REMUNERATIONS AND COMPENSATIONS

There are no arrangements or agreements under which a Board Member or Senior Executive has waived his right to any salary or compensation.

20. WAIVING OF DIVIDENDS

There are no arrangements or agreements under which a shareholder has waived his right in receiving dividends.

21. STATUTORY OBLIGATIONS

The company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is charged to the consolidated statement of income. Additional zakat payable, if any on the finalization of the company's assessments are accounted for when determined by the DZIT.

The company has finalized its zakat status and obtained the zakat clearance certificates up to 2006. The company has not received final assessments from DZIT for the years 2007 through 2013. Income tax related to foreign subsidiaries and branches amounted to approximately SAR 8.90 million for the year ending 31 December 2013 (2012: Tax expenses of SAR 0.11 million).

Foreign branches and subsidiaries are subject to income taxes in their respective countries of domicile expect for Red Sea Housing Services (Ghana), which has a 10 year tax holiday period from the date of commencing operations. The company's subsidiary in UAE is not subject to any zakat or income taxes in UAE.

The below tables detail the Statuary Obligations paid by the company:

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	15,594,705	17,532,670

CUSTOMS	2013	2012
JANUARY 1	----	----
PROVISION	2,896,179	3,666,172
PAYMENTS	(2,896,179)	(3,666,172)
DECEMBER 31	----	----

PROVISION FOR GOSI	2013	2012
JANUARY 1	--	14,591
PROVISION	926,135	819,621
PAYMENTS	(793,777)	(834,212)
DECEMBER 31	132,358	--

PROVISION FOR FOREIGN INCOME TAXES	2013	2012
JANUARY 1	--	--
PROVISION	8,866,800	111,101
PAYMENTS	(55,748)	(111,101)
CURRENCY TRANSLATION DIFFERENCES	(784,518)	--
DECEMBER 31	8,026,534	(1,023,052)

The company does not have any other outstanding statutory government payments as of 31 December 2013.

22. RESERVES FOR EMPLOYEE BENEFITS

The below tables illustrates the benefits allocated to the company's staff during 2013 as stated in the financial statements:

TERMINATION BENEFITS	2013	2012
START OF THE YEAR	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)	---
END OF THE YEAR	32,983,623	29,509,461

23. DECLARATION OF BOARD OF DIRECTORS

The Board of Directors declares the following:

- All accounting records have been prepared properly.
- Internal Control system is established on sound basis and is implemented effectively.
- There is no single doubt of the company's ability to continue its business.

24. AUDIT REPORT AND FINANCIAL STATEMENTS

AUDIT REPORT CONFIRMS THAT CONSOLIDATED FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENTS, AND ACCOUNTS HAVE NOT BEEN QUALIFIED.

25. COMMITTEES OF THE BOARD

The company has (3) Committees that emerge from the Board of Directors. These committees were formed by the Board and have a crucial role in assisting the Board to carry out its entrusted duties to achieve the optimum performance and to benefit from the expertise of their members. The committees are also responsible for developing policies and plans, enforce the rules of authorities and make their recommendations to the Board as requested.

EXECUTIVE COMMITTEES

The Executive Committee is comprised of (4) members from the Board. It is chaired by H.E. Mr. Amr Al Dabbagh and the membership of Dr. Ibrahim Al Madhoun, Mr. Don Sumner and Mr. Mohamed Jazeel.

The committee takes the responsibility of proposing major executive and strategic decisions to the Board of Directors in accordance with the specified powers, and then recommend them to the Board for its approval. The Executive Committee met (4) times in FY2013.

AUDIT COMMITTEE

The Audit Committee consists of (4) members from the Board. It is chaired by Dr. Muhammad Ikhwan and the membership of Mr. Mohamed Jazeel, Mr. Sami Binmahfouz and Mr. Jamal Al Dabbagh. The committee is responsible for overseeing the risk assessment, administrative procedures, financial transactions and reports and examinations of Internal Control procedures. During FY2013, the committee met (5) times.

NOMINATION AND COMPENSATION COMMITTEE

The Nomination and Compensation Committee contains (3) members from the Board of Directors. It is chaired by Dr. Ibrahim Al Madhoun and membership of Mr. Don Sumner, and Mr. Jamal Al Dabbagh. The committee is responsible to review all actions and policies, programs and requirements related to the Members of the Board and membership of the Board.

It is also responsible for developing clear policies for the remuneration and compensation of Board Members and Senior Executives and recommend them to the Board for approval. The Nomination and Compensation Committee met (4) times during FY2013.

26. RISKS RELATED TO THE BUSINESS

The company's business and financial condition or results of operations could be materially affected by any of the following risks. Whilst the list is not exhaustive, it indicates some of the major risks encountered by Red Sea Housing.

COST AND AVAILABILITY OF RAW MATERIALS

Prices and availability of raw materials to manufacture the company's products can change significantly due to fluctuations in supply and demand. The company has historically been able to have an adequate supply of raw materials by maintaining good relations with its vendors and stock piling high volume materials. In addition, increased prices have historically been passed on to customers by raising the prices. There is no certainty that the company will be able to pass on future price increases and maintain adequate supply of raw materials. The inability to raise the price of its products and to maintain a proper supply of materials could have a negative impact on sales, operating results and cash flows.

COMPETITION

The company operates in competitive markets. There are a number of companies which compete directly with Red Sea Housing and such competition may put pressure on the margins for the company's products. In addition, the company's future performance might be adversely impacted by new entrants to its markets.

CYCLICAL NATURE OF BUSINESS

Although the economies of the Middle East and parts of Africa continue to pursue a policy of diversification to enhance the contribution of non-oil sectors to their GDPs, oil related revenues continue to play a dominant role in those economies.

The downturn in the price of oil could suddenly turn market conditions unfavorable to new investments which could reduce the demand for remote camps and employee accommodations. In the event such a situation materializes, it may have an effect on the company's results of operations and financial condition.

BUSINESS INTERRUPTION

Red Sea's business is dependent on the on-going, efficient operations of its manufacturing facilities in Saudi Arabia, UAE and Ghana. Inherent risks include natural disasters, war, accidents to key personnel, power, water supply, and computer equipment failure. Although the company maintains insurance policies consistent with industry norms and has put in place safety and protective measures to minimise the effects of such risks such measures may not adequately compensate the company for losses that may occur and any losses and/or damages incurred could have a material adverse effect on revenue.

GOVERNMENTAL REGULATIONS

The company is subject to various governmental regulations. Implementation of new regulations or amendments to existing regulations could significantly increase the cost of the company's products. In addition, failure to comply with present or future regulations could result in fines or potential civil or criminal liability. Both scenarios could negatively impact sales, operating results and cash flows.

DEPENDENCE ON EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL

The company depends on the efforts of its executive officers and certain key employees. The loss of the service of one or more of these individuals could have an adverse effect on the sales, operating results and cash flows of the company.

CURRENCY EXCHANGE

The Companies' expenses and revenues involve a number of currencies due to the raw materials procurement from a number of different markets, manufacturing facilities located in more than one country, and sales being generated from a number of different markets. A significant movement of exchange rate between the Saudi Arabian Riyal and the other currencies in which the company might do any trade may have a material adverse effect on the company's profitability. The company examines foreign exchange risk management tools; however it still affects the company's profitability due to the added cost of employing such tools.

POLITICAL RISK

Red Sea Housing Services Company has executed contracts in more than 60 countries. It concentrates in Middle East, Africa and East Asia. The major customers of the company are Mining, Oil and Gas Companies having drilling and refining sites in the region. Some of the countries catered for by the Company have instable political and economic framework, which could substantially affect the performance of the company.

27. SANCTIONS AND PENALTIES IMPOSED ON THE COMPANY

The company did not receive any sanctions or penalties in FY2013.

28. RESULTS OF ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL PROCEDURES

In 2013, the company's operations were subjected to periodic reviews by Internal Control Department and External Auditor to ensure the effectiveness of internal control procedures in protecting the assets of the company, assess operational risks and measure efficiency of overall performance. The External Auditor has also evaluated the effectiveness of systems and procedures through the performance of consolidated review where no material weaknesses were found in the Internal Control system of the company. This reflects the assurance of the Audit Committee on the effectiveness of the internal control procedures.

29. SOCIAL CORPORATE RESPONSIBILITIES

As part of a company-wide green policy that aims to promote greater use of electronic communications to reduce emissions and alleviate the strain on the environment, the budget that the company usually allocate for paper consumption was spent on corporate responsibility initiatives and educational projects, in particular Health, Safety and Environmental courses. In addition, Red Sea Housing Services Company continued its pursuit to care for the families of our staff who were affected by floods and other natural disasters that took place in regions where our branches and projects are. The company provided aids in the form of housing shelters, food and monetary aids. The company continuously aims to developing and enhancing its initiatives towards it social responsibility.

30. SHAREHOLDERS AND INVESTORS RELATIONS

Red Sea Housing Services takes the responsibility of keeping investors and shareholders informed of its performance and activities during the year through the Annual Report as well as the ongoing announcements of significant developments that may arise and could have an impact on its financial situation, which are posted on the official website of Tadawul and RSH website in addition to other media channels as per the rules and regulations of CMA and other authority parties.

The company also takes the necessary measures to ensure the delivery of unclaimed dividends that clients failed to receive them due to not properly updating their banking information.

31. LIST OF CORPORATE GOVERNANCE RULES ISSUED BY CMA

Red Sea Housing Services Company ensures the adherence to the rules and regulations related to corporate governance that are stated in the company's Bylaws and are published by Ministry of Commerce and Industry with respect to rights of shareholders and obligations towards continuous transparency. Below is a table stating the rules that have not been implemented, and shall be rectified in the near future.

	ARTICLE NO.	ARTICLE	COMMENTS
2	6 (b)	In voting in the General Assembly for the nomination to the Board Members, the accumulative voting method shall be applied.	When Members of the Board were elected during the EGM that was convened on 18/04/2012 for the current cycle, Cumulative Voting was not included in the company's By-laws. Afterwards, the By-laws was amended and accordingly Cumulative Voting shall be implemented in future elections.
3	11 (b)	The responsibilities of the Board of Directors should be clearly stated in the company's Article of Association.	The company's By-laws does not clearly state the responsibilities of BOD. However, they were clearly stated in Section (3) of Corporate Governance Charter, Page (3).

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