RED SEA INTERNATIONAL COMPANY
(FORMERLY "RED SEA HOUSING SERVICES COMPANY")
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017 (UNAUDITED)
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

RED SEA INTERNATIONAL COMPANY (FORMERLY "RED SEA HOUSING SERVICES COMPANY")
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

Report on review of interim financial information

To the shareholders of Red Sea International Company
(formerly "Red Sea Housing Services Company"):
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Red Sea International Company (formerly "Red Sea Housing Services Company") and its subsidiaries (the "Group") as of March 31, 2017 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

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May 10, 2017

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RED SEA INTERNATIONAL COMPANY (FORMERLY "RED SEA HOUSING SERVICES COMPANY")
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at March 31, 2017 (Unaudited)	As at December 31, 2016 (Unaudited)	As at January 1, 2016 (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment		**173,653**	173,216	192,280
Investment properties		**517,982**	529,782	608,832
Intangible assets		**54,277**	51,328	26,953
Accounts receivable		**60,854**	65,917	42,895
Other non-current assets		**6,476**	6,583	7,014
		813,242	826,826	877,974
Current assets				
Inventories		**197,072**	203,650	178,186
Contract work-in-progress		**54,752**	25,182	5,885
Accounts receivable		**263,051**	307,512	341,423
Advances to suppliers		**18,590**	13,672	16,620
Prepayments and other receivable		**44,343**	41,878	35,988
Cash and cash equivalents		**76,548**	64,595	58,837
		654,356	656,489	636,939
Total assets		**1,467,598**	1,483,315	1,514,913
Equity and liabilities				
Equity				
Share capital		**600,000**	600,000	600,000
Statutory reserve		**129,260**	129,260	120,463
Retained earnings		**219,304**	210,601	175,008
Foreign operations translation reserve		**(5,736)**	(3,967)	-
Equity attributable to shareholders of Red Sea International Company		**942,828**	935,894	895,471
Non-controlling interests		**(3,256)**	(3,702)	(13,075)
Total equity		**939,572**	932,192	882,396
Non-current liabilities				
Borrowings	7	**104,010**	109,699	172,583
Employee benefit obligations	8	**41,509**	50,246	47,425
Other non-current liabilities		**32,103**	29,385	9,945
		177,622	189,330	229,953
Current liabilities				
Accounts payable		**56,052**	45,974	51,780
Provision for zakat and income taxes		**23,531**	20,410	16,428
Short-term borrowings		**69,339**	99,942	103,592
Current portion of borrowings	7	**77,926**	81,635	106,033
Advances from customers		**20,220**	18,101	24,191
Accrued and other liabilities		**103,336**	95,731	100,540
		350,404	361,793	402,564
Total liabilities		**528,026**	551,123	632,517
Total equity and liabilities		**1,467,598**	1,483,315	1,514,913
Contingencies and commitments	9			

The accompanying notes from 1 to 11 form an integral part of this condensed consolidated interim financial information.

RED SEA INTERNATIONAL COMPANY (FORMERLY "RED SEA HOUSING SERVICES COMPANY")
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three month period ended March 31, 2017 (Unaudited)	2016 (Unaudited)
Revenues		**227,333**	271,777
Cost of revenues		**(182,052)**	(196,825)
Gross profit		**45,281**	74,952
Operating expenses			
Selling and marketing		**(11,642)**	(13,767)
General and administrative		**(18,739)**	(22,059)
Other income (expenses) - net		**640**	(1,373)
Operating profit		**15,540**	37,753
Finance costs		**(3,015)**	(3,355)
Finance income		**152**	379
Profit before income tax and zakat		**12,677**	34,777
Income tax expense		**(1,824)**	(764)
Zakat		**(1,704)**	(2,150)
Profit for the period		**9,149**	31,863
Profit is attributable to:			
Shareholders of Red Sea International Company		**8,703**	31,774
Non-controlling interests		**446**	89
		9,149	31,863
Earnings per share (Saudi Riyals)			
Basic and diluted earnings per share	10	**0.15**	0.53

The accompanying notes from 1 to 11 form an integral part of this condensed consolidated interim financial information.

RED SEA INTERNATIONAL COMPANY (FORMERLY "RED SEA HOUSING SERVICES COMPANY")
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of comprehensive income (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three month period ended March 31,	
	2017 (Unaudited)	**2016 (Unaudited)**
Profit for the period	**9,149**	**31,863**
Other comprehensive loss		
Item that may be reclassified to profit or loss -		
Exchange differences on translation of foreign operations	(1,769)	(1,829)
Other comprehensive loss for the period	**(1,769)**	(1,829)
Total comprehensive income for the period	**7,380**	30,034
Total comprehensive income for the period is attributable to:		
Shareholders of Red Sea International company	**6,934**	29,945
Non-controlling interests	**446**	89
	7,380	30,034

The accompanying notes from 1 to 11 form an integral part of this condensed consolidated interim financial information.

RED SEA INTERNATIONAL COMPANY (FORMERLY "RED SEA HOUSING SERVICES COMPANY")
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Attributable to the shareholders of Red Sea International Company						
	Note	Share capital	Statutory reserve	Retained earnings	Foreign operations translation reserve	Total	Non-controlling interests	Total equity
January 1, 2016 (Unaudited)	5.2	600,000	120,463	175,008	-	895,471	(13,075)	882,396
Profit for the period		-	-	31,774	-	31,774	89	31,863
Other comprehensive loss		-	-	-	(1,829)	(1,829)	-	(1,829)
Total comprehensive income for the period		-	-	31,774	(1,829)	29,945	89	30,034
March 31, 2016 (Unaudited)		600,000	120,463	206,782	(1,829)	925,416	(12,986)	912,430
January 1, 2017 (Unaudited)	5.4	600,000	129,260	210,601	(3,967)	935,894	(3,702)	**932,192**
Profit for the period		-	-	8,703	-	8,703	446	**9,149**
Other comprehensive loss		-	-	-	(1,769)	(1,769)	-	**(1,769)**
Total comprehensive income for the period		-	-	8,703	(1,769)	6,934	446	**7,380**
March 31, 2017 (Unaudited)		**600,000**	**129,260**	**219,304**	**(5,736)**	**942,828**	**(3,256)**	**939,572**

The accompanying notes from 1 to 11 form an integral part of this condensed consolidated interim financial information.

RED SEA INTERNATIONAL COMPANY (FORMERLY "RED SEA HOUSING SERVICES COMPANY")
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three month period ended March 31,	
	2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities		
Profit before income tax and zakat	**12,677**	34,777
Adjustments for		
Depreciation	**25,901**	26,861
Impairment of property, plant and equipment and investment properties	**(222)**	1,020
Loss from disposal of property and equipment and investment properties	**9**	37
Amortisation of intangible assets	**1,443**	139
Employee benefit obligations	**(8,737)**	3,519
Finance cost	**3,015**	3,219
Changes in working capital		
Inventories	**3,857**	13,332
Contract work-in-progress	**(29,570)**	(39,599)
Advances to suppliers	**(4,918)**	(4,082)
Accounts receivable	**49,524**	82,978
Prepayments, other receivable and other non-current assets	**(639)**	(6,671)
Accounts payable	**10,078**	(856)
Advances from customers	**2,119**	1,321
Accrued and other liabilities	**2,487**	3,356
Cash generated from operations	**67,024**	119,351
Finance cost paid on borrowings	**(3,059)**	(2,953)
Zakat and income taxes paid	**(407)**	(916)
Net cash generated from operating activities	**63,558**	115,482
Cash flows from investing activities		
Payments for purchase of property, plant and equipment and investment properties	**(11,860)**	(30,346)
Proceeds from sale of property and equipment and investment properties	**256**	-
Net cash utilized in investing activities	**(11,604)**	(30,346)
Cash flows from financing activities		
Change in short-term borrowings	**(30,603)**	2,709
Proceeds from borrowings	**-**	5,806
Repayments of borrowings	**(9,398)**	(30,892)
Net cash utilized in financing activities	**(40,001)**	(22,377)
Net increase in cash and cash equivalents	**11,953**	62,759
Cash and cash equivalents at beginning of the period	**64,595**	58,837
Cash and cash equivalents at end of the period	**76,548**	121,596

The accompanying notes from 1 to 11 form an integral part of this condensed consolidated interim financial information.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Red Sea International Company (formerly "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 Arabian 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, supply of food, provision of food services and trade of food products. 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 1427H (September 25, 2006). The registered address of the Company is Jeddah, Al Rawdah District, Prince Mohammad Bin Abdulaziz Street, Kingdom of Saudi Arabia.

The Group is controlled by Al-Dabbagh Group, which owns 51% of the Company's shares.

Following is the list of principal operating subsidiaries included in the Group:

	Country of incorporation	Effective ownership (%) at March 31, 2017	Effective ownership (%) at December 31, 2016
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 Dubai FZE ("RSD")	UAE	**100%**	100%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	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 Housing Services Inc. ("RSC")	Canada	**100%**	100%
Red Sea Housing Malaysia Sdn. Bhd. (formerly "AM Modular Sdn. Bhd") ("RSHM")	Malaysia	**90%**	90%

The Company also has equity interests in subsidiaries, registered in Qatar, Nigeria, Libya, Saudi Arabia, Singapore and Malaysia, consolidated in this condensed consolidated interim financial information, which are either in early stages of operations or have not commenced any commercial operations. Further, the Company also has licenses to operate branches in Papua New Guinea, Abu Dhabi, Afghanistan and Equatorial Guinea. Branches in Abu Dhabi, Afghanistan and Equatorial Guinea did not have any commercial operations during the three month period ended March 31, 2017.

This condensed consolidated interim financial information has been reviewed, not audited.

The accompanying condensed consolidated interim financial information was authorized for issue by the Company's Board of Directors on May 10, 2017.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of this condensed consolidated interim financial information are set out below.

2.1 Basis of preparation

2.1.1 Statement of compliance

This condensed consolidated interim financial information of the Group has been prepared in compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and IFRS 1 "First-time adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

For all periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). The Group will prepare its first annual consolidated financial statements for the year ending December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. This condensed consolidated interim financial information for the three month period ended March 31, 2017 is the first general purpose condensed consolidated interim financial information which the Group has prepared in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia for part of the period covered by the first IFRS annual consolidated financial statements. Also see Note 5.

Condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than IFRS require in annual financial statements. However, since the Group's latest annual financial statements were prepared using previous GAAP, this (first) condensed consolidated interim financial information includes the accounting policies adopted and some additional disclosures to enable the users to understand how the transition to IFRS has affected previously reported amounts.

2.1.2 First time adoption of IFRS

The condensed consolidated interim financial information for the three month period ended March 31, 2017 is the first condensed consolidated interim financial information the Group has prepared in compliance with IAS 34 and IFRS 1 as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. For periods up to and including the year ended December 31, 2016, the Group prepared its interim financial statements in accordance with the previous GAAP as issued by SOCPA.

Refer to Note 5 for information on how the Group adopted IFRS.

2.1.3 Historical cost convention

The condensed consolidated interim financial information has been prepared under the historical cost convention, unless otherwise stated.

2.1.4 New and amended standards adopted by the Group

Certain new standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning January 1, 2018 or later periods, but have not been early adopted by the Group. Management is currently assessing the following standards and amendments, which are likely to have an impact on the Group's condensed consolidated interim financial information:

- IFRS 9, 'Financial instruments' (effective from January 1, 2018)

  IFRS 9 replaces the multiple classification and measurement models in IAS 39 "Financial instruments: Recognition and measurement" with a single model that has initially only two classification categories: amortised cost and fair value. IFRS 9 introduces a new impairment model for financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.

- IFRS 15, 'Revenue from contracts with customers' (effective from January 1, 2018)

  IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

- IFRS 16, 'Leases' (effective from January 1, 2019)

  IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective from January 1, 2018)

  IFRIC 22 addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

There are no other relevant IFRS or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Group's condensed consolidated interim financial information.

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the condensed interim financial information are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The condensed consolidated interim financial information is presented in "Saudi Riyals", which is the Company's functional and presentation currency.

(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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the condensed consolidated interim statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

(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 statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
(ii) income and expenses for each statement of profit or loss are translated at average exchange rates; and
(iii) components of the equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the condensed interim financial information of the foreign subsidiaries into Saudi Riyals are recognized in condensed consolidated interim statement of other comprehensive income.

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

2.3 Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 "Intangible assets" in the condensed consolidated interim statement of financial position. Goodwill is tested annually for impairment and carried at cost, net of impairment losses.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the condensed consolidated interim statements of financial position, profit or loss, comprehensive income and changes in equity, respectively.

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

2.4 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any, except assets under construction which are carried at cost less accumulated impairment losses, if any. Historical cost consists of purchase cost, together with any incidental expenses on acquisition.

Subsequent costs, if any, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be reliably measured.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful life of the assets concerned. Depreciation is charged to the condensed consolidated interim statement of profit or loss.

	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 condensed consolidated interim statement of profit or loss.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of impairment loss.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production.

2.5 Investment properties

Investment properties comprise of property held for capital appreciation, long term rental yields or both, and are carried at cost less accumulated depreciation and impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated. When the development of investment properties commences, it is classified under "Investment properties - construction work-in-progress" until development is complete, at which time it is transferred to the respective category, and depreciated on the straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected 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 condensed consolidated interim statement of profit or loss as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within Other income (expenses) - net in the condensed consolidated interim statement of profit or loss.

2.6 Capital work-in-progress

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or investment properties (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended by management. Capital work-in-progress is not depreciated.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognized at their fair value. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the condensed consolidated interim statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the cash generation unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the condensed consolidated interim statement of profit or loss when the asset is derecognised.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives as follows:

	Number of years
• Computer software	4 - 10
• Licensing rights	11 - 15

2.8 Financial Instruments

2.8.1 Financial assets

(i) Classification

The Company classifies its financial assets as loans and receivables.

(ii) Recognition and derecognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

2.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognized in the condensed consolidated interim statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the condensed consolidated interim statement of profit or loss.

2.10 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Significant difficulties of the issuer of the financial asset, probability that the issuer will enter bankruptcy or financial reorganization and default in payments are considered indicators that the financial assets are impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. The amount of the provision is charged to the condensed consolidated interim statement of profit or loss.

Assets carried at amortized cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the condensed consolidated interim statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the condensed consolidated interim statement of profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the condensed consolidated interim statement of profit or loss - is removed from other comprehensive income and recognized in the condensed consolidated interim statement of profit or loss.

Impairment losses on equity instruments that were recognized in the condensed consolidated interim statement of profit or loss are not reversed through the condensed consolidated interim statement of profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in the condensed consolidated interim statement of profit or loss, the impairment loss is reversed through the condensed consolidated interim statement of profit or loss.

2.11 Inventories

Finished goods

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 and all other costs necessary to bring the goods to their existing condition and location.

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

Raw materials

Raw materials are valued at the lower of cost or net realizable value. Cost is determined on the weighted average cost basis.

2.12 Accounts receivable

Trade receivables under accounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to the condensed consolidated interim statement of profit or loss.

2.13 Cash and cash equivalents

For the purpose of statement of financial position, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the condensed consolidated interim statement of financial position.

2.14 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Service warranties

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

Decommissioning costs

Provision for decommissioning obligation are recognized when the Group has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset. Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

2.16 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the condensed consolidated interim statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the condensed consolidated interim statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred in the condensed consolidated interim statement of profit or loss.

2.17 Employee benefit obligations

The Group provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the condensed consolidated interim statement of profit or loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the condensed consolidated interim statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the condensed consolidated interim statement of profit or loss as past service costs.

The calculation of defined benefit obligations is performed periodically using the projected unit credit method.

2.18 Revenues

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities net of discounts and returns. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

(a) Contract revenue

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.

(b) Rent income

Revenue from investment properties is generally recognized in the accounting period in which the services are rendered, using a straight-line basis, over the term of the lease contract.

(c) Sale of paint and paint related products/services

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

(d) Revenue from maintenance and installation services

Revenue from maintenance and installation services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2.19 Interest income

Interest income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the condensed consolidated interim statement of profit or loss.

2.20 Operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the condensed consolidated interim statement of profit or loss on a straight-line basis over the period of the 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 asset in the condensed consolidated interim statement of financial position and is amortized over the period of the related lease agreements.

Group as a lessor

The Group has entered into leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognized in the condensed consolidated interim statement of profit or loss using a straight-line basis over the term of the lease contract.

2.21 Dividends

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's condensed consolidated interim financial information in the period in which the dividends are approved by the Company's shareholders.

2.22 Zakat and taxes

The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat, for the Company and its Saudi Arabian subsidiaries, is calculated based on higher of approximate zakat base and adjusted profit. Foreign shareholders in the Company and its Saudi Arabian subsidiaries are subject to income taxes. Zakat and income tax is charged to the condensed consolidated interim statement of profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

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 United Arab Emirates ("UAE"). Such income taxes are charged to the condensed consolidated interim statement of profit or loss.

Zakat and income tax expense are recognized in each interim period based on the best estimate of the weighted average annual zakat and income tax charge expected for the full financial year. Amounts accrued for zakat and income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual zakat and income tax charge changes.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the condensed consolidated interim statement of financial position. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Company has appointed a Managing Director, who assesses the financial performance and position of the Group, and makes strategic decisions. Managing Director has been identified as being the chief operating decision maker.

A operating 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.

2.24 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the period.

2.25 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value as of the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the condensed consolidated interim statement of profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized in the condensed consolidated interim statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

3 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established practices with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.
The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at March 31, 2017 and December 31, 2016, the fair values of the Group's financial instruments are estimated to approximate their carrying values.

4 Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial information in conformity with IFRS 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

- Revenue from contracts

  Revenue on long-term contracts is recognized on the basis of percentage of completion when management can reliably estimate the outcome of the said contracts. The management prepares estimates for the costs to complete the contracts which are in progress as of the reporting date keeping in view the costs incurred to date, variation in initial estimates and stage of completion of the contracts. These estimates are used in the determination of the percentage of completion of the contracts based on which revenues and profits are recognized on the such contracts. Subsequent changes in circumstances could result in actual cost differing from the initial estimates.

- Impairment of non-financial assets

  Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

5 First time adoption of IFRS

The condensed consolidated interim financial information for the three month period ended March 31, 2017 is the first condensed consolidated interim financial information the Group has prepared in compliance with IAS 34 and IFRS 1 as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. For periods up to and including the year ended December 31, 2016, the Group prepared its interim financial statements in accordance with the previous GAAP as issued by SOCPA.

Accordingly, the Group has prepared condensed consolidated interim financial information that comply with IFRS applicable as at March 31, 2017, together with the comparative period data for the period ended March 31, 2016, as described in the summary of significant accounting policies. In preparing the condensed consolidated interim financial information, the Group's opening condensed consolidated interim statement of financial position was prepared as at January 1, 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its SOCPA condensed consolidated interim financial information, including the condensed consolidated interim statement of financial position as at December 31, 2016 and the condensed consolidated interim financial information for the period ended March 31, 2016.

5.1 Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the exemption related to currency translation differences and, as a result, cumulative currency translation differences for all foreign operations are deemed zero as at January 1, 2016.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.2 Reconciliation of condensed consolidated statement of financial position as at January 1, 2016 (date of transition)

	Note	As at December 31, 2015 (Under SOCPA) (Audited)	Re-measurements due to conversion (Unaudited)	As at January 1, 2016 (Under IFRS) (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment	5.9.1	223,353	(31,073)	192,280
Investment properties	5.9.2	611,354	(2,522)	608,832
Intangible assets	5.9.3	33,140	(6,187)	26,953
Accounts receivable	5.9.4	64,778	(21,883)	42,895
Other non-current assets	5.9.3	7,014	-	7,014
		939,639	(61,665)	877,974
Current assets				
Inventories		178,186	-	178,186
Contract work-in-progress		5,885	-	5,885
Accounts receivable	5.9.4	350,471	(9,048)	341,423
Advances to suppliers		16,620	-	16,620
Prepayments and other receivable		35,988	-	35,988
Cash and cash equivalents		58,837	-	58,837
		645,987	(9,048)	636,939
Total assets		1,585,626	(70,713)	1,514,913
Equity and Liabilities				
Equity				
Share capital		600,000	-	600,000
Statutory reserve		120,463	-	120,463
Retained earnings		300,832	(125,824)	175,008
Foreign operations translation reserve	5.1	(52,190)	52,190	-
Equity attributable to shareholders of Red Sea International Company		969,105	(73,634)	895,471
Non-controlling interests		(13,075)	-	(13,075)
Total equity		956,030	(73,634)	882,396
Non-current liabilities				
Borrowings		172,583	-	172,583
Employee benefit obligations	5.9.5	43,073	4,352	47,425
Other non-current liabilities	5.9.2	12,490	(2,545)	9,945
		228,146	1,807	229,953
Current liabilities				
Accounts payable		51,780	-	51,780
Provision for zakat and income taxes		16,428	-	16,428
Short-term borrowings		103,592	-	103,592
Current portion of borrowings		106,033	-	106,033
Advances from customers		24,191	-	24,191
Accrued and other liabilities	5.9.6	99,426	1,114	100,540
		401,450	1,114	402,564
Total liabilities		629,596	2,921	632,517
Total equity and liabilities		1,585,626	(70,713)	1,514,913

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.3 Reconciliation of condensed consolidated interim statement of financial position as at March 31, 2016

	Note	As at March 31, 2016 (Under SOCPA) (Unaudited)	Re-measurements due to conversion (Unaudited)	As at March 31, 2016 (Under IFRS) (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment	5.9.1	225,992	(30,831)	195,161
Investment properties	5.9.2	542,625	(2,887)	539,738
Intangible assets	5.9.3	32,995	(6,729)	26,266
Accounts receivable	5.9.4	67,028	(21,883)	45,145
Other non-current assets	5.9.3	6,906	-	6,906
		875,546	(62,330)	813,216
Current assets				
Inventories		233,495	-	233,495
Contract work-in-progress		45,484	-	45,484
Accounts receivable	5.9.4	265,243	(9,048)	256,195
Advances to suppliers		20,702	-	20,702
Prepayments and other receivable		43,315	-	43,315
Cash and cash equivalents		121,596	-	121,596
		729,835	(9,048)	720,787
Total assets		1,605,381	(71,378)	1,534,003
Equity and Liabilities				
Equity				
Share capital		600,000	-	600,000
Statutory reserve		120,463	-	120,463
Retained earnings		332,911	(126,129)	206,782
Foreign operations translation reserve	5.1	(54,016)	52,187	(1,829)
Equity attributable to shareholders of Red Sea International Company		999,358	(73,942)	925,416
Non-controlling interests		(12,986)	-	(12,986)
Total equity		986,372	(73,942)	912,430
Non-current liabilities				
Borrowings		153,830	-	153,830
Employee benefit obligations	5.9.5	46,592	4,352	50,944
Other non-current liabilities	5.9.2	29,763	(2,902)	26,861
		230,185	1,450	231,635
Current liabilities				
Accounts payable		50,924	-	50,924
Provision for zakat and income taxes		18,426	-	18,426
Short-term borrowings		106,301	-	106,301
Current portion of borrowings		99,700	-	99,700
Advances from customers		25,512	-	25,512
Accrued and other liabilities	5.9.6	87,961	1,114	89,075
		388,824	1,114	389,938
Total liabilities		619,009	2,564	621,573
Total equity and liabilities		1,605,381	(71,378)	1,534,003

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.4 Reconciliation of condensed consolidated statement of financial position as at December 31, 2016

	Note	As at December 31, 2016 (Under SOCPA) (Audited)	Re-measurements due to conversion (Unaudited)	As at December 31, 2016 (Under IFRS) (Unaudited)
Assets				
Non-current assets				
Property, plant and equipment	5.9.1	202,880	(29,664)	173,216
Investment properties	5.9.2	529,847	(65)	529,782
Intangible assets	5.9.3	59,684	(8,356)	51,328
Accounts receivable	5.9.4	89,659	(23,742)	65,917
Other non-current assets	5.9.3	6,583	-	6,583
		888,653	(61,827)	826,826
Current assets				
Inventories		203,650	-	203,650
Contract work-in-progress		25,182	-	25,182
Accounts receivable	5.9.4	316,560	(9,048)	307,512
Advances to suppliers		13,672	-	13,672
Prepayments and other receivable		41,878	-	41,878
Cash and cash equivalents		64,595	-	64,595
		665,537	(9,048)	656,489
Total assets		1,554,190	(70,875)	1,483,315
Equity and Liabilities				
Equity				
Share capital		600,000	-	600,000
Statutory reserve		129,260	-	129,260
Retained earnings		335,004	(124,403)	210,601
Foreign operations translation reserve	5.1	(56,647)	52,680	(3,967)
Equity attributable to shareholders of Red Sea International Company		1,007,617	(71,723)	935,894
Non-controlling interests		(3,702)	-	(3,702)
Total equity		1,003,915	(71,723)	932,192
Non-current liabilities				
Borrowings		109,699	-	109,699
Employee benefit obligations	5.9.5	50,426	(180)	50,246
Other non-current liabilities	5.9.2	29,471	(86)	29,385
		189,596	(266)	189,330
Current liabilities				
Accounts payable		45,974	-	45,974
Provision for zakat and income taxes		20,410	-	20,410
Short-term borrowings		99,942	-	99,942
Current portion of borrowings		81,635	-	81,635
Advances from customers		18,101	-	18,101
Accrued and other liabilities	5.9.6	94,617	1,114	95,731
		360,679	1,114	361,793
Total liabilities		550,275	(848)	551,123
Total equity and liabilities		1,554,190	(70,875)	1,483,315

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.5 Reconciliation of condensed consolidated interim statement of profit or loss for the period ended March 31, 2016

	Note	For the period ended March 31, 2016 (Under SOCPA)	Re-measurements due to conversion	For the period ended March 31,2016 (Under IFRS)
		(Unaudited)	(Unaudited)	(Unaudited)
Revenues		271,777	-	271,777
Cost of revenues	5.9.1, 5.9.2, 5.9.3	(196,656)	(169)	(196,825)
Gross profit		75,121	(169)	74,952
Operating expenses				
Selling and marketing expenses		(13,767)	-	(13,767)
General and administrative expenses		(22,059)	-	(22,059)
Other expenses - net		(1,373)	-	(1,373)
Operating profit		37,922	(169)	37,753
Finance costs	5.9.2	(3,219)	(136)	(3,355)
Finance income		379	-	379
Profit before income tax and zakat		35,082	(305)	34,777
Income tax expense		(764)	-	(764)
Zakat		(2,150)	-	(2,150)
Profit for the period		32,168	(305)	31,863
Profit is attributable to:				
Shareholders of the Company		32,079	(305)	31,774
Non-controlling interests		89	-	89
		32,168	(305)	31,863

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.6 Reconciliation of condensed consolidated interim statement of total comprehensive income for the period ended March 31, 2016

	For the period ended March 31, 2016 (Under SOCPA)	Re-measurements due to conversion	For the period ended March 31, 2016 (Under IFRS)
	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	32,168	(305)	31,863
Other comprehensive income (loss)			
Item that may be reclassified to profit or loss -			
Exchange differences on translation of foreign operations	(1,826)	(3)	(1,829)
Other comprehensive income (loss) for the period	(1,826)	(3)	(1,829)
Total comprehensive income for the period	30,342	(308)	30,034
Total comprehensive income for the period is attributable to:			
Shareholders of the Company	30,253	(308)	29,945
Non-controlling interests	89	-	89
	30,342	(308)	30,034

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.7 Reconciliation of condensed consolidated statement of profit or loss for the year ended December 31, 2016

	Note	For the year ended December 31, 2016 (Under SOCPA)	Re-measurements due to conversion	For the year ended December 31,2016 (Under IFRS)
		(Audited)	(Unaudited)	(Unaudited)
Revenues		1,030,417	-	1,030,417
Cost of revenues	5.9.1, 5.9.2, 5.9.3	(769,783)	(589)	(770,372)
Gross profit		260,634	(589)	260,045
Operating expenses				
Selling and marketing expenses		(47,984)	-	(47,984)
General and administrative expenses		(96,538)	-	(96,538)
Other expenses - net		(6,177)	-	(6,177)
Operating profit		109,935	(589)	109,346
Finance costs	5.9.2, 5.9.4	(13,202)	(2,522)	(15,724)
Finance income		1,580	-	1,580
Profit before income tax and zakat		98,313	(3,111)	95,202
Income tax expense		(5,882)	-	(5,882)
Zakat		(2,577)	-	(2,577)
Profit for the year		89,854	(3,111)	86,743
Profit is attributable to:				
Shareholders of the Company		87,969	(3,111)	84,858
Non-controlling interests		1,885	-	1,885
		89,854	(3,111)	86,743

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.8 Reconciliation of condensed consolidated statement of total comprehensive income for the year ended December 31, 2016

	Note	For the year ended December 31, 2016 (Under SOCPA)	Re-measurements due to conversion	For the year ended December 31, 2016 (Under IFRS)
		(Audited)	(Unaudited)	(Unaudited)
Profit for the year		**89,854**	(3,111)	**86,743**
Other comprehensive income (loss)				
Item that may be reclassified to profit or loss -				
Exchange differences on translation of foreign operations		**(4,457)**	490	**(3,967)**
Item that will not to be reclassified to profit or loss -				
Re-measurements of retirement benefit obligations	5.9.5	**-**	4,532	**4,532**
Other comprehensive income (loss) for the year		**(4,457)**	5,022	**565**
Total comprehensive income for the year		**85,397**	1,911	**87,308**
Total comprehensive income for the year is attributable to:				
Shareholders of the Company		**83,512**	1,911	**85,423**
Non-controlling interests		**1,885**	-	**1,885**
		85,397	1,911	**87,308**

5.9 Notes to the reconciliation of equity as at January 1, 2016 and December 31, 2016 and total comprehensive income for the year ended December 31, 2016

5.9.1 Property, plant and equipment

Under accounting standards generally accepted in the Kingdom of Saudi Arabia issued by SOCPA (hereafter referred as "Local GAAP" or "SOCPA"), long-lived assets were reviewed for impairment when events or changes in circumstances indicated that their carrying value may exceed the sum of the undiscounted future cash flows expected from use and eventual disposal. For the purposes of assessing impairment, assets were grouped at the lowest level for which identifiable cash flows were largely independent of the cash flows of other assets. If the estimated undiscounted cash flows for the asset group were less than the asset group's carrying amount, only then the impairment loss was measured as the excess of the carrying value over fair value determined based on discounted cash flows. However, under IFRS, if the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, which is defined under IAS 36 as the higher of an asset's fair value less costs of sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or a CGU.

At the date of transition to IFRS, as a result of the changes in methodology in determining the impairment between SOCPA and IFRS, the Group determined that the recoverable values of its following CGUs were lower than their carrying values:

a) Assets of Red Sea Housing Services Company, Libya (Subsidiary)
b) Assets of Papua New Guinea - (Branch)
c) Assets of Red Sea Housing Services, Mozambique (Subsidiary)

The Group retrospectively re-assessed the additional impairment provisions. This resulted in an increase provision for impairment by Saudi Riyals 31.1 million. This amount has been recognized against retained earnings.

5.9.2 Decommissioning liabilities

Under SOCPA, the Group recognized the undiscounted decommissioning liabilities and capitalized such cost with the related investment properties. At the date of transition to IFRS (January 1, 2016), decommissioning liabilities and related costs capitalized with investment properties were remeasured in accordance with the requirements of IAS 39 and IAS 37, which resulted in a decrease of investment properties by Saudi Riyals 2.5 million and a decrease of decommissioning liabilities by Saudi Riyals 2.5 million. The net difference resulted in an increase in retained earnings by Saudi Riyals 0.02 million.

5.9.3 Business combinations

At the date of transition to IFRS, the Group has applied IFRS 3 retrospectively and has valued intangible assets, with finite useful lives, amounting to Saudi Riyals 23.9 million with a corresponding decrease to goodwill by the same amount. Due to recognizing these intangible assets, the Group has recognized an accumulated amortization amounting to Saudi Riyals 6.2 million at the date of transition.

5.9.4 Accounts receivable

At the date of transition to IFRS, receivables were remeasured in accordance with the requirements of IAS 39, which resulted in a decrease of the non-current receivables by Saudi Riyals 21.9 million and a decrease of current receivables, by Saudi Riyals 9.0 million. These amounts have been recognized against retained earnings.

5.9.5 Employee benefit obligations

Under the local GAAP, the Group was not required to measure the defined benefit liability in accordance with the projected unit credit method. However, as at the date of transition to IFRS, the Group remeasured the defined benefit liability in accordance with the projected unit credit method (as required by IAS 19). This resulted in an increase of liability by Saudi Riyals 4.4 million. This amount has been recognized against retained earnings.

5.9.6 Provision for warranties

At the date of transition to IFRS, provision for warranties was remeasured in accordance with the requirements of IAS 37, which resulted in an increase of provision for warranties by Saudi Riyals 1.1 million. This amount has been recognized against retained earnings.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.9.7 First time adoption of IFRS - effect on condensed consolidated interim statement of cash flows

The transition from SOCPA to IFRS has not had a material impact on the condensed consolidated interim statement of cash flows.

6 Segment information

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

- Manufacturing and sale of non-concrete residential and commercial buildings;
- Rentals from investment properties; and
- Manufacturing and sale of paints and related services.

Selected financial information as of March 31, 2017 and December 31, 2016 and for the three month periods ended March 31, 2017 and 2016, summarized by the above operating segments, is as follows:

March 31, 2017 (Unaudited)	Non-concrete residential and commercial buildings	Rentals from investment properties	Paints and related services	Total
Total segment revenue	128,221	84,723	15,153	**228,097**
Intersegment revenue	-	-	(764)	**(764)**
Revenue from external customers	**128,221**	**84,723**	**14,389**	**227,333**
Profit (loss) for the period	**3,809**	**6,258**	**(918)**	**9,149**
March 31, 2016 (Unaudited)				
Total segment revenue	144,898	109,310	17,992	272,200
Intersegment revenue	-	-	(423)	(423)
Revenue from external customers	144,898	109,310	17,569	271,777
Profit (loss) for the period	7,226	24,797	(160)	31,863
Total segment assets				
March 31, 2017 (Unaudited)	**709,182**	**678,730**	**79,686**	**1,467,598**
December 31, 2016 (Unaudited)	749,138	655,531	78,646	1,483,315

During the period ended March 31, 2017, approximately 72% of the total revenues from non-concrete residential and commercial buildings segment were derived from 6 customers (2016: approximately 78% from 6 customers).

During the period ended March 31, 2017, approximately 76% of the total revenues from rental segment were derived from 5 customers (2016: approximately 74% from 4 customers).

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Group's operations are conducted in Saudi Arabia, UAE, Ghana, Papua New Guinea, Algeria, Malaysia and certain other locations. Selected financial information as of March 31, 2017 and December 31, 2016 and for the three month periods ended March 31, 2017 and 2016, summarized by geographic area, is as follows:

March 31, 2017 (Unaudited)	**Saudi Arabia**	**UAE**	**Ghana**	**Papua New Guinea**	**Algeria**	**Malaysia**	**Other**	**Total**
Total segment revenue	132,898	34,087	14,059	6,704	7,379	36,881	561	**232,569**
Intersegment revenue	(764)	(733)	(3,739)	-	-	-	-	**(5,236)**
Revenue from external customers	**132,134**	**33,354**	**10,320**	**6,704**	**7,379**	**36,881**	**561**	**227,333**
Profit (loss) for the period	**12,742**	**522**	**(3,555)**	**(716)**	**223**	**695**	**(762)**	**9,149**
March 31, 2016 (Unaudited)								
Total segment revenue	199,464	35,026	20,310	13,595	5,756	-	2,627	276,778
Intersegment revenue	(423)	(4,554)	-	-	-	-	(24)	(5,001)
Revenue from external customers	199,041	30,472	20,310	13,595	5,756	-	2,603	271,777
Profit (loss) for the period	34,169	692	174	467	264	(71)	(3,832)	31,863
Total segment assets								
March 31, 2017 (Unaudited)	**944,262**	**171,718**	**149,374**	**71,673**	**48,572**	**63,954**	**18,045**	**1,467,598**
December 31, 2016 (Unaudited)	988,262	142,028	160,649	75,888	47,898	49,726	18,864	1,483,315

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Borrowings

These represent loans obtained mainly from commercial banks in Saudi Arabia and UAE. 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 2017 through 2021. These loans are principally secured by promissory notes and assignment of contract proceeds. The 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.

8 Employee benefit obligations

	31 March 2017 (Unaudited)	31 December 2016 (Unaudited)
Employee benefit obligation	**41,586**	50,563
Advance payments	**(77)**	(317)
	41,509	50,246

Movement in employee benefit obligations is as follows:

	31 March 2017 (Unaudited)	31 December 2016 (Unaudited)
Balance at beginning of period / year	**50,563**	47,741
Charge for the period / year	**2,017**	11,555
Remeasurements	**-**	(4,532)
Payments	**(10,994)**	(4,201)
Balance at end of period / year	**41,586**	50,563

Key actuarial assumptions used are as follows:

	31 March 2017 (Unaudited)	31 December 2016 (Unaudited)
Discount rate	**3.1% - 3.4%**	3.1% - 3.4%
Salary growth rate	**2.5% - 4.0%**	2.5% - 4.0%
Retirement age	**60 years**	60 years

9 Contingencies and commitments

At March 31, 2017, the Group had outstanding bank guarantees and letters of credit amounting to approximately Saudi Riyals 69.9 million and Saudi Riyals 0.1 million, respectively (December 31, 2016: Saudi Riyals 68.9 million and Saudi Riyals 0.02 million, respectively), issued in the normal course of business.

Rental commitments under operating lease contracts amounted to Saudi Riyals 14.9 million at March 31, 2017 (December 31, 2016: Saudi Riyals 20.9 million) over a period ranging from one to thirty-six years.

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the three month period ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to the shareholders of the Company	**8,703**	31,774
Weighted average number of ordinary shares for basic and diluted earnings per share	**60,000,000**	60,000,000
Earnings per share	**0.15**	0.53

11 Dividends

The Board of Directors of the Company in its meeting held on February 15, 2017 proposed a dividend of Saudi Riyals 0.75 per share for the year ended December 31, 2016, amounting to Saudi Riyals 45 million for approval of shareholders at the Annual General Meeting to be held on May 21, 2017. The condensed consolidated interim financial information for the three month period ended March 31, 2017 does not include the effect of the proposed dividend which will be accounted for in the condensed consolidated interim financial information for the six month period ending June 30, 2017.