

**RED SEA INTERNATIONAL COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**AND INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30  
SEPTEMBER 2022**

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

### Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Red Sea International Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2022, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2022, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to 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 that are 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services



Marwan Al-Afaliq  
Certified Public Accountant  
License No. 422



Alkhubar: 12 Rabi' al-Thani 1444H  
6 November 2022

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022	2021	2022	2021
		SR'000	SR'000	SR'000	SR'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	5	89,409	119,337	269,207	355,357
Cost of revenues		(121,668)	(127,970)	(332,344)	(379,128)
<b>GROSS LOSS</b>		<b>(32,259)</b>	<b>(8,633)</b>	<b>(63,137)</b>	<b>(23,771)</b>
<b>EXPENSES</b>					
Selling and distribution		(3,514)	(4,386)	(13,143)	(14,484)
General and administration		(15,492)	(14,752)	(42,975)	(44,322)
<b>OPERATING LOSS</b>		<b>(51,265)</b>	<b>(27,771)</b>	<b>(119,255)</b>	<b>(82,577)</b>
Share in result from investment in an associate		(398)	(395)	(1,248)	(1,724)
Other income, net		1,068	321	11,663	1,033
Finance costs		(3,729)	(2,598)	(8,551)	(7,439)
Finance income		8	33	21	43
<b>LOSS BEFORE ZAKAT AND INCOME TAX</b>		<b>(54,316)</b>	<b>(30,410)</b>	<b>(117,370)</b>	<b>(90,664)</b>
Zakat	8	(2,128)	(1,251)	(6,415)	(3,857)
<b>LOSS FOR THE PERIOD</b>		<b>(56,444)</b>	<b>(31,661)</b>	<b>(123,785)</b>	<b>(94,521)</b>
<b>ATTRIBUTABLE TO:</b>					
Shareholders of the Parent Company		(56,010)	(31,188)	(122,543)	(93,271)
Non-controlling interests		(434)	(473)	(1,242)	(1,250)
		<b>(56,444)</b>	<b>(31,661)</b>	<b>(123,785)</b>	<b>(94,521)</b>
<b>LOSS PER SHARE:</b>					
Basic and diluted losses per share attributable to the shareholders of the Parent Company (restated)	9	<b>(1.85)</b>	<b>(1.03)</b>	<b>(4.05)</b>	<b>(3.08)</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period	<b>(56,444)</b>	(31,661)	<b>(123,785)</b>	(94,521)
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of zakat and tax):</i>				
Exchange differences on translation of foreign operations	-	1	-	307
<b>Other comprehensive income, net of zakat and tax</b>	-	1	-	307
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(56,444)</b>	(31,660)	<b>(123,785)</b>	(94,214)
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the Parent Company	<b>(56,010)</b>	(31,187)	<b>(122,543)</b>	(92,964)
Non-controlling interests	<b>(434)</b>	(473)	<b>(1,242)</b>	(1,250)
	<b>(56,444)</b>	(31,660)	<b>(123,785)</b>	(94,214)

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 SR'000 (Unaudited)	31 December 2021 SR'000 (Audited)
	Notes		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		69,746	79,863
Investment properties		275,116	305,441
Intangible assets		2,678	3,330
Right-of-use assets		39,443	46,896
Trade receivables	6	31,495	31,495
Investment in an associate		6,673	7,921
<b>TOTAL NON-CURRENT ASSETS</b>		<b>425,151</b>	<b>474,946</b>
<b>CURRENT ASSETS</b>			
Inventories		99,041	141,367
Contract assets		47,060	46,050
Trade receivables		146,608	156,370
Advances to suppliers		66,031	77,906
Prepayments and other receivables		47,086	49,496
Cash and cash equivalents		26,374	5,838
<b>TOTAL CURRENT ASSETS</b>		<b>432,200</b>	<b>477,027</b>
<b>TOTAL ASSETS</b>		<b>857,351</b>	<b>951,973</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	7	302,344	600,000
Accumulated losses		(103,721)	(278,834)
Foreign currency translation reserve		(11,779)	(11,779)
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>		<b>186,844</b>	<b>309,387</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>(24,040)</b>	<b>(22,798)</b>
<b>TOTAL EQUITY</b>		<b>162,804</b>	<b>286,589</b>
<b>NON-CURRENT LIABILITIES</b>			
Employees' defined benefit liabilities		28,933	31,331
Other non-current liabilities		26,711	25,712
Non-current portion of lease liabilities		32,088	34,721
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>87,732</b>	<b>91,764</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		170,518	194,902
Accruals and other current liabilities		183,478	178,556
Short-term interest bearing loans and borrowings		114,077	118,656
Current portion of interest bearing loans and borrowings		7,714	21,429
Current portion of lease liabilities		7,949	14,281
Contract liabilities		90,835	15,839
Zakat and income tax payable	8	32,244	29,957
<b>TOTAL CURRENT LIABILITIES</b>		<b>606,815</b>	<b>573,620</b>
<b>TOTAL LIABILITIES</b>		<b>694,547</b>	<b>665,384</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>857,351</b>	<b>951,973</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

	<i>Attributed to shareholders of the Parent Company</i>					
	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
As at 1 January 2021 ( <i>audited</i> )	600,000	(146,217)	(12,087)	441,696	(20,870)	420,826
Loss for the period	-	(93,271)	-	(93,271)	(1,250)	(94,521)
Other comprehensive income	-	-	307	307	-	307
Total comprehensive loss	-	(93,271)	307	(92,964)	(1,250)	(94,214)
Balance at 30 September 2021 - ( <i>Unaudited</i> )	600,000	(239,488)	(11,780)	348,732	(22,120)	326,612
Balance at 1 January 2022 - ( <i>audited</i> )	<b>600,000</b>	<b>(278,834)</b>	<b>(11,779)</b>	<b>309,387</b>	<b>(22,798)</b>	<b>286,589</b>
Absorption of accumulated losses against share capital (note 7)	<b>(297,656)</b>	<b>297,656</b>	-	-	-	-
Loss for the period	-	(122,543)	-	(122,543)	(1,242)	(123,785)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(122,543)	-	(122,543)	(1,242)	(123,785)
<b>Balance at 30 September 2022 - (<i>Unaudited</i>)</b>	<b>302,344</b>	<b>(103,721)</b>	<b>(11,779)</b>	<b>186,844</b>	<b>(24,040)</b>	<b>162,804</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

	<i>For the nine-month period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Loss before zakat	(117,370)	(90,664)
Adjustments to reconcile losses before zakat to net cash flows:		
Depreciation of property, plant and equipment	7,583	8,598
Depreciation of investment properties	35,211	39,531
Amortization of intangible assets	652	681
Depreciation of right-of-use assets	7,453	7,840
Movement in employees' defined benefit liabilities, net	(2,398)	(1,518)
Financial costs	8,551	7,439
Share in results of investment in an associate	1,248	1,724
(Gain)/loss on disposal of property, plant and equipment and investment properties	(1,925)	34
Remeasurement gain on right of use assets and lease liabilities	-	(200)
	<b>(60,995)</b>	<b>(26,535)</b>
Working capital adjustments:		
Inventories	42,778	(21,596)
Contract assets	(1,010)	(13,324)
Trade receivables	9,762	36,924
Advances to suppliers	11,875	(24,466)
Prepayment and other receivables	2,410	5,234
Trade payables	(24,384)	21,456
Accruals and other current liabilities	4,922	13,602
Other non-current liabilities	999	476
Contract liabilities	74,996	10,690
<b>Cash from operations</b>	<b>61,353</b>	<b>2,461</b>
Finance cost paid	(6,974)	(5,492)
Zakat and income tax paid	(4,111)	(5,547)
<b>Net cash flows from/(used in) operating activities</b>	<b>50,268</b>	<b>(8,578)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and investment properties	(5,431)	(3,552)
Purchase of intangible assets	-	(7)
Proceeds from disposal of property, plant and equipment	4,541	-
<b>Net cash used in investing activities</b>	<b>(890)</b>	<b>(3,559)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the interest bearing loans and borrowings	19,000	120,295
Repayment of interest bearing loans and borrowings	(37,294)	(111,889)
Payments for lease liabilities	(10,548)	(8,098)
<b>Net cash (used in)/from financing activities</b>	<b>(28,842)</b>	<b>308</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,536</b>	<b>(11,829)</b>
Cash and cash equivalents at the beginning of the period	5,838	31,594
Movement in foreign currency translation reserve, net	-	307
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>26,374</b>	<b>20,072</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.



# RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT 30 SEPTEMBER 2022

### 1 CORPORATE INFORMATION

Red Sea International Company (the "Company") ("Parent 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 Company was registered in Jeddah, Kingdom of Saudi Arabia under commercial registration number 4030286984 pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427H (September 25, 2006). During 2021, the Company has changed its registered address to Riyadh, Kingdom of Saudi Arabia and converted a branch commercial registration number 1010566349 into Company's main commercial registration. The registered address of the Company is Riyadh Front, Al-Rimal District, Airport Street, Riyadh, Kingdom of Saudi Arabia. The Company have the following branches in the Kingdom of Saudi Arabia:

<i>Branch</i>	<i>Commercial registration number</i>	<i>Location</i>
Red Sea International Company	2055003672	Jubail
Red Sea International Company	2055006105	Jubail
Red Sea International Company	4030286984	Jeddah
Red Sea Housing Services Company	4030263716	Jeddah

The Group is controlled by Al Dabbagh Group Holding Company Limited, (including through its subsidiaries), which owns 70% (effective holding) of the Company's shares. Following is the list of principal operating subsidiaries included in the Group:

	<i>Country of incorporation</i>	<i>Effective ownership percentage</i>	
		<i>30 September 2022</i>	<i>31 December 2021</i>
<u><b>Subsidiaries</b></u>			
Red Sea Housing Services (Ghana) Limited ("RSG")	Ghana	<b>100%</b>	100%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Algeria	<b>98%</b>	98%
Red Sea Housing Services Company Dubai FZE ("RSD")	UAE	<b>100%</b>	100%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	Saudi Arabia	<b>100%</b>	100%
Premier Paints Company ("PPC")	Saudi Arabia	<b>81%</b>	81%
Red Sea Housing Services (Mozambique), LDA ("RSM")	Mozambique	<b>100%</b>	100%
Red Sea Housing Services LLC ("RSO")	Oman	<b>100%</b>	100%
Red Sea Modular Rentals LLC ("RSMR")	UAE	<b>100%</b>	100%
Red Sea Construction LLC ("RSC")	UAE	<b>100%</b>	100%
Red Sea Modular Rentals (Kuwait) WLL ("RSMK")	Kuwait	<b>100%</b>	100%
<u><b>Associates</b></u>			
Red Sea Housing Malaysia Sdn. Bhd. ("RSHM")	Malaysia	<b>49%</b>	49%
<u><b>Joint Operations</b></u>			
Red Sea Hanchi ("RSHC")	Algeria	<b>49%</b>	49%

In addition to the above, the Group owns other subsidiaries, registered in Nigeria, Libya, Saudi Arabia, Singapore and also has licenses to operate branches in Papua New Guinea and Abu Dhabi which are consolidated in these consolidated financial statements. These other subsidiaries and branches are either in early stages of operations or have not commenced any commercial operations at the reporting date.

The principal activities of the Group 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 activities also includes 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 interim condensed consolidated financial statements of the Group for the three-month and nine-month periods ended 30 September 2022 were authorised for issuance in accordance with the Board of Directors resolution dated 6 November 2022 (corresponding to 12 Rabi' al Thani 1444 H).

## **2 BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in compliance with IAS 34 “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements are to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021. An interim period is considered as integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

These interim condensed consolidated financial statements are prepared using historical cost convention.

These interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”) which is also the functional currency of the Group. All values are rounded to the nearest thousands (“SR ‘000”), except when otherwise indicated.

### **Going concern basis of accounting**

The Group incurred net loss of SR 123.79 million for the nine-month period ended 30 September 2022 (30 September 2021: SR 94.52 million) and as of 30 September 2022, its accumulated losses amounted to SR 103.72 million (31 December 2021: SR 278.8 million) which represent 34.31% (31 December 2021: 46.5%) of share capital as of the same date. Further, at 30 September 2022, the Group’s current liabilities exceeded its current assets and consequently the Group was not in compliance with a covenant relates to current ratio which is an event of default as per the borrowing agreements (31 December 2021: same). As a result, principal amount repayable, SR 7.7 million, as of the reporting date became repayable on demand and were classified under current liabilities in the interim condensed consolidated statement of financial position. The ability of the Group to continue its operations depends on restructuring its equity, entering into profitable contracts and increasing the volume of its revenue appropriately. The Group is in negotiations with the lending institutions for specific project based long-term financing to finance the contracts entered with the customers, which will reduce the short-term liabilities and improve the overall liquidity of the Group. Further, on 14 April 2022, the Company’s Board of Directors recommended to the Company’s shareholders to restructure its equity structure of which, amended by the Board of Directors on 19 May 2022 as follows:

- reducing the Company’s share capital from SR 600 million to SR 302.3 million through cancellation of 29.8 million shares against the Company’s accumulated losses, and
- increase the Company's share capital from SR 302.3 million to SR 452.3 million through right issue of 15 million shares.

During the extraordinary general meeting held on 24 July 2022, the shareholders approved the recommendation to reduce the Company’s capital through absorbing accumulated losses of the Company as proposed by the Board of Directors. The legal formalities relating to this were completed during the period. The earning per share (note 9) for the comparative period has been adjusted retrospectively to reflect the treatment of effect of decrease in share capital as required by the relevant accounting standard.

Based on the above, the Group’s management has assessed its ability to continue as a going concern and is satisfied that the Group’s operations shall continue for a foreseeable future under the normal course of business. Accordingly, these interim condensed consolidated financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Group is not able to continue as a going concern.

### **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and judgements 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 judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

### **4 ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new amendments effective as of 1 January 2022, as disclose below.

#### **4.1 New standards, interpretations, and amendments**

Following standard, interpretation or amendment are effective as of 1 January 2022 and are adopted by the Group whenever applicable, however, these does not have any impact on the interim condensed consolidated financial statements for the period. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- i. Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- ii. Reference to the Conceptual Framework – Amendments to IFRS 3
- iii. Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- iv. IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- v. IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- vi. IAS 41 Agriculture – Taxation in fair value measurements

#### **4.2 Accounting standards issued but not yet effective**

- i. Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- ii. Definition of Accounting Estimates - Amendments to IAS 8
- iii. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- iv. Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction
- v. IFRS 17 Insurance contracts
- vi. A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts

**RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**AT 30 SEPTEMBER 2022**

**5 REVENUES**

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from the contract with customers</i>				
Contract revenue	<b>42,990</b>	69,798	<b>137,918</b>	190,246
Sale of paint and paint related products and services	<b>2,335</b>	3,061	<b>9,692</b>	16,694
	<b>45,325</b>	72,859	<b>147,610</b>	206,940
<i>Other revenue</i>				
Rental revenue from investment properties	<b>44,084</b>	46,478	<b>121,597</b>	148,417
	<b>89,409</b>	119,337	<b>269,207</b>	355,357

Reconciliation of the Group's disaggregated revenue for its reportable segments and timing of revenue recognition is disclosed in (note 13).

**6 TRADE RECEIVABLES**

In 2016, the Group filed a legal case in Houston, Texas, USA against one of its customers, its subsidiaries and its directors (for the construction of a camp facility based in Angola), demanding repayment of receivable balances due from this customer. The customer had failed to meet its obligations for timely transfer of funds to the Group as per the repayment schedule due to certain restrictions on repatriation of the funds in foreign currency out of Angola. However, following extended discussions and negotiations between the customer and Group, the customer agreed to execute legal documentation acknowledging the debt and giving the Company a claim over the assets of the customer's camp in Angola, which would allow the Company the right to take a secondary charge over these assets. Accordingly, the Group and customer subsequently withdraw from litigation proceedings in Houston, Texas, USA and filed its claim against the customer's camp and related assets with the relevant court in Angola and will proceed with next steps in accordance with local Angolan laws. At the balance sheet date, the decision on lawsuit is still pending.

Total outstanding balance from this customer included in the non-current portion amounted to SR 86.9 million as of 30 September 2022 (31 December 2021: SR 86.9 million). In the light of the above pending litigation and related outcome, the management of the Group has recorded an allowance against this balance amounting to SR 57.2 million (31 December 2021: SR 57.2 million). The Group management believes that the amount recorded as provision is sufficient to meet any future expected losses and the eventual outcome will not result in any additional significant loss to the Group.

**7 SHARE CAPITAL**

The share capital of the Company as at 30 September 2022 amounted to SR 302,344,000 (31 December 2021: SR 600,000,000) consisting of 30,234,400 shares (31 December 2021: 60,000,000 shares) fully paid and issued shares at a value of SR 10 per share.

During the period ended 30 September 2022, the Company has completed the legal formalities with respect of reduction of the Company's capital through absorbing the accumulates losses of the Company (refer note 2).

**8 ZAKAT AND INCOME TAX**

**a) Zakat**

The zakat assessments of the Parent Company and its wholly owned Saudi subsidiary as a whole have been agreed with the Zakat, Tax and Customs Authority ("the ZATCA") up to 2010.

During 2020, the ZATCA had issued an assessment for the years 2014 through 2017 amounting to SR 67.1 million for the Parent Company and its wholly owned subsidiaries. The Parent Company filed an appeal against the ZATCA assessment for the said period. During 2021, the ZATCA issued a revised assessment for the years 2014 through 2017 amounting to SR 62.8 million for the Company and its wholly owned subsidiaries. The Company has escalated the appeal against the ZATCA assessments for the above-mentioned period with the General Secretariat of Tax Committees ("GSTC") and the case is still under review by the committees.

**RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**AT 30 SEPTEMBER 2022**

**8 ZAKAT AND INCOME TAX (continued)**

**a) Zakat (continued)**

Further, during 2021, the ZATCA issued an assessment for the years 2019 and 2020 amounting to SR 11.6 million for the Parent Company and its wholly owned subsidiaries. During the period, the management of the Group submitted an appeal with ZATCA on the assessment raised and the ZATCA issued revised assessment for the period with additional liability of SR 10.8 million. The Company has escalated the appeal against the ZATCA assessments for the above-mentioned period with the General Secretariat of Tax Committees ("GSTC") and the case is still under review by the committees. The zakat assessment for the years 2011 to 2013 and for 2018 have not yet being raised by the ZATCA.

During 2018, Premier Paints Company (PPC, a subsidiary) received Zakat, tax and WHT assessments for the years 1999 to 2014 amounting to SR 2.6 million, which was subsequently reduced to SR 2.59 million and the PPC filled an appeal with GSTC on the revised assessment. During the 2021, ZATCA issued amnesty scheme whereby, the ZATCA waived the delay penalties and fines and PPC settled WHT liability of SR 0.95 million and agreed to settled SR 1.22 million of zakat liability on installments basis. Further, during 2021, PPC received an assessment for the years 2017 and 2018 with additional zakat liability of SR 0.8 million. The management of PPC has recognized the provision against the assessment raised.

Based on management's best estimate, the management believes that the provision recognised as of 30 September 2022 with respect of the assessments raised is appropriate and no additional provision is required.

**b) Income tax**

Income tax provision is provided for in accordance with authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia. Income tax has been computed based on the managements' understanding of the income tax regulations enforced in their respective countries. The income tax regulations are subject to different interpretations, and the assessments to be raised by the tax authorities could be different from the income tax returns filed by the respective company. No income tax provided during the period due to the taxable losses.

**9 LOSSES PER SHARE**

Basic and diluted losses per share is calculated by dividing the loss for the period attributable to the Shareholders of the Parent Company by the weighted average number of outstanding shares during the period.

The losses per share for the comparative period has been adjusted retrospectively as explained in note 2.

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to the shareholders of the Parent Company (share '000)	<b>(56,010)</b>	(31,188)	<b>(122,543)</b>	(93,271)
Adjusted number of outstanding shares during the period (share '000) (restated)	<b>30,234</b>	30,234	<b>30,234</b>	30,234
Basic and diluted loss per share attributable to the shareholders of the Parent Company (SR)	<b>(1.85)</b>	(1.03)	<b>(4.05)</b>	(3.08)

**10 CONTINGENT LIABILITIES**

At the reporting date, the Group had outstanding bank guarantees and letter of credit amounting to approximately SR 38.45 million (31 December 2021: SR SR 85.05 million) issued in the normal course of business.

**11 CAPITAL COMMITMENTS**

At the reporting date, the capital commitments amounted to SR 45.1 million (31 December 2021:SR 45.1 million).

**RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**AT 30 SEPTEMBER 2022**

**12 RELATED PARTY TRANSACTIONS' AND BALANCES**

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. The ultimate Parent Company of the Group is Al Dabbagh Group Holding Company Limited ( Limited Liability Company) registered in Jeddah, Kingdom of Saudi Arabia.

The Group in the normal course of business carries out transactions with various related parties. Transactions with related parties' included in the interim condensed consolidated statement of income are as follows:

<i>Relationship and name of related party</i>	<i>Nature of transactions</i>	<i>For the nine-month period ended 30 September</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Ultimate Parent Company</i>			
Al Dabbagh Group Holding Company Limited (a Limited Liability Company)	Expenses paid by the ultimate Parent Company on behalf of the Group	-	350
<i>Other related parties</i>			
	Rental charges	-	662
	Expenses paid on behalf of associate	-	7
	Expenses paid on behalf of the Company	294	-

The remuneration of the key management personnel during the period was as follows:

	<i>For the nine-month period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term benefits	6,882	5,784
Employees' end-of-service benefits	297	186
	<b>7,179</b>	<b>5,970</b>

Pricing policies and terms of payments of transactions with related parties are approved by the Board of Directors. Outstanding balances at the period-end are unsecured, interest free and settled in cash.

Prepayments and other receivables at 30 September 2022 includes an amount of SR 13.29 million (31 December 2021: SR 12.13 million) due from affiliate companies. Amounts due to related parties at 30 September 2022 amounting to SR 6.85 million (31 December 2021: SR 6.56 million) have been included in the accounts payable in interim condensed consolidated statement of financial position.

**13 SEGMENTAL INFORMATION**

For management purposes, the Group is organised into business units based on its products and services and has following reportable segments:

- Manufacturing and sale of non-concrete residential and commercial buildings ("Non-concrete residential and commercial buildings");
- Rentals from investment properties; and
- Manufacturing and sale of paints and related services ("Paints and related services")

The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
AT 30 SEPTEMBER 2022

**13 SEGMENTAL INFORMATION (continued)**

The following tables present revenue and (loss)/profit information for the Group's operating segments for the three-month and nine-month periods ended 30 September 2022 and 2021, respectively:

**Business segments**

	<i>For the three-month period ended 30 September 2022</i>				<i>For the three-month period ended 30 September 2021</i>			
	<i>Non-concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non- concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>
	<i>Unaudited (SR'000)</i>				<i>Unaudited (SR'000)</i>			
<i>Revenue:</i>								
Total segment revenue	<b>68,146</b>	<b>44,084</b>	<b>3,525</b>	<b>115,755</b>	69,798	46,478	3,061	119,337
Intersegment revenue elimination	<b>(25,156)</b>	-	<b>(1,190)</b>	<b>(26,346)</b>	-	-	-	-
<b>Revenue from external customers</b>	<b>42,990</b>	<b>44,084</b>	<b>2,335</b>	<b>89,409</b>	69,798	46,478	3,061	119,337
<i>Timing of revenue recognition:</i>								
At a point in time	<b>21,243</b>	-	<b>2,335</b>	<b>23,578</b>	20,250	-	3,061	23,311
Over time	<b>21,747</b>	<b>44,084</b>	-	<b>65,831</b>	49,548	46,478	-	96,026
	<b>42,990</b>	<b>44,084</b>	<b>2,335</b>	<b>89,409</b>	69,798	46,478	3,061	119,337
Segment (loss)/profit	<b>(68,910)</b>	<b>14,880</b>	<b>(2,414)</b>	<b>(56,444)</b>	(29,538)	243	(2,366)	(31,661)
	<i>For the nine-month period ended 30 September 2022</i>				<i>For the nine-month period ended 30 September 2021</i>			
	<i>Non-concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non- concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>
	<i>Unaudited (SR'000)</i>				<i>Unaudited (SR'000)</i>			
<i>Revenue:</i>								
Total segment revenue	<b>163,074</b>	<b>121,597</b>	<b>10,882</b>	<b>295,553</b>	190,246	148,417	16,897	355,560
Intersegment revenue elimination	<b>(25,156)</b>	-	<b>(1,190)</b>	<b>(26,346)</b>	-	-	(203)	(203)
<b>Revenue from external customers</b>	<b>137,918</b>	<b>121,597</b>	<b>9,692</b>	<b>269,207</b>	190,246	148,417	16,694	355,357
<i>Timing of revenue recognition:</i>								
At a point in time	<b>59,958</b>	-	<b>9,692</b>	<b>69,650</b>	108,386	-	16,694	125,080
Over time	<b>77,960</b>	<b>121,597</b>	-	<b>199,557</b>	81,860	148,417	-	230,277
	<b>137,918</b>	<b>121,597</b>	<b>9,692</b>	<b>269,207</b>	190,246	148,417	16,694	355,357
Segment (loss)/profit	<b>(155,533)</b>	<b>38,173</b>	<b>(6,425)</b>	<b>(123,785)</b>	(88,914)	786	(6,393)	(94,521)

# RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 SEPTEMBER 2022

### 13 SEGMENTAL INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2022 and 31 December 2021, respectively:

	<i>At 30 September 2022</i>				<i>At 31 December 2021</i>			
	<i>Non-concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non- concrete residential and commercial buildings</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>
	<i>Unaudited (SR '000)</i>				<i>Audited (SR '000)</i>			
Total assets	<b>412,293</b>	<b>430,916</b>	<b>14,142</b>	<b>857,351</b>	471,812	466,342	13,819	951,973
Total liabilities	<b>443,667</b>	<b>211,929</b>	<b>38,951</b>	<b>694,547</b>	397,147	233,118	35,119	665,384

During the nine-month period ended 30 September 2022, approximately 71% of the total revenues from non-concrete residential and commercial buildings segment were derived from 5 customers (30 September 2021: approximately 66% from 10 customers). During the nine-month period ended 30 September 2022, approximately 86.8% of the total revenues from rental segment were derived from 6 customers (30 September 2021: approximately 78% from 8 customers).

The Group's operations are conducted in Saudi Arabia, UAE, Ghana, Algeria and certain other locations. The following tables present revenue and (loss)/profit information for the Group's geographical segments for the three-month and nine month periods ended 30 September 2022.

	<i>For the three-month period ended 30 September 2022</i>					
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	77,765	18,593	833	244	96	97,531
Intersegment revenue elimination	(1,096)	(7,026)	-	-	-	(8,122)
Revenue from external customers	76,669	11,567	833	244	96	89,409
<b>Segmental loss for the period</b>	<b>(46,496)</b>	<b>(6,930)</b>	<b>(2,263)</b>	<b>(689)</b>	<b>(66)</b>	<b>(56,444)</b>

	<i>For the three-month period ended 30 September 2021</i>					
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	77,418	37,782	3,617	1,017	96	119,930
Intersegment revenue elimination	-	(593)	-	-	-	(593)
Revenue from external customers	77,418	37,189	3,617	1,017	96	119,337
<b>Segmental loss for the period</b>	<b>(18,560)</b>	<b>(9,207)</b>	<b>(2,358)</b>	<b>(1,307)</b>	<b>(229)</b>	<b>(31,661)</b>



RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
AT 30 SEPTEMBER 2022

**13 SEGMENTAL INFORMATION (continued)**

<i>For the nine-month period ended 30 September 2022</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	225,648	60,090	9,001	527	287	295,553
Intersegment revenue elimination	(1,190)	(25,156)	-	-	-	(26,346)
Revenue from external customers	224,458	34,934	9,001	527	287	269,207
<b>Segmental loss for the period</b>	<b>(93,963)</b>	<b>(20,025)</b>	<b>(6,035)</b>	<b>(3,183)</b>	<b>(579)</b>	<b>(123,785)</b>
<i>For the nine-month period ended 30 September 2021</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	235,677	108,287	11,251	3,455	565	359,235
Intersegment revenue elimination	(203)	(3,675)	-	-	-	(3,878)
Revenue from external customers	235,474	104,612	11,251	3,455	565	355,357
<b>Segmental loss for the period</b>	<b>(54,594)</b>	<b>(28,998)</b>	<b>(8,144)</b>	<b>(2,330)</b>	<b>(455)</b>	<b>(94,521)</b>

The following table presents assets and liabilities information for the Group's geographical segments as at 30 September 2022 and 31 December 2021, respectively:

<i>At 30 September 2022</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
<b>Total assets</b>	<b>602,430</b>	<b>172,370</b>	<b>58,630</b>	<b>20,779</b>	<b>3,142</b>	<b>857,351</b>
<b>Total liabilities</b>	<b>558,844</b>	<b>123,116</b>	<b>7,855</b>	<b>4,009</b>	<b>723</b>	<b>694,547</b>
<i>At 31 December 2021</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Audited (SR '000)</i>					
Total assets	719,482	131,231	74,545	23,141	3,574	951,973
Total liabilities	556,964	91,961	12,479	3,244	736	665,384

**14 FAIR VALUES OF FINANCIAL INSTRUMENTS**

The management assessed that the fair values of cash and cash equivalents, trade receivable, contract assets, other current assets, trade payable, term and short-term loans and other current liabilities approximate their carrying values largely due to the short-term maturities of these financial instruments.

The management has assessed the fair value of non-current trade receivables, term loans and other non-current liabilities based on level 2 hierarchy, which is not materially different from their respective carrying values.

**15 SUBSEQUENT EVENTS**

In the opinion of management, there have been no significant subsequent events since the period ended 30 September 2022 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.