

**RED SEA INTERNATIONAL COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**  
**30 September 2021**

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

---

**Table of contents**

	<b>Page</b>
Independent auditors' review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6-7
Notes to the interim condensed consolidated financial statements	8-17

## 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 2021, 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 2021, 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



Marwan Al-Afaliq  
Certified Public Accountant  
License No. 422

29 Rabi'l 1443 H  
4 November 2021

Alkhobar



**RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021**

	Note	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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>(Note 1.1)</i>		<i>(Note 1.1)</i>
Revenues	5	119,337	114,000	355,357	398,272
Cost of revenues		(127,970)	(137,323)	(379,128)	(415,061)
<b>GROSS LOSS</b>		<b>(8,633)</b>	<b>(23,323)</b>	<b>(23,771)</b>	<b>(16,789)</b>
<b>EXPENSES</b>					
Selling and distribution		(4,386)	(7,495)	(14,484)	(24,196)
General and administration		(14,752)	(10,695)	(44,322)	(46,288)
<b>OPERATING LOSS</b>		<b>(27,771)</b>	<b>(41,513)</b>	<b>(82,577)</b>	<b>(87,273)</b>
Share in result from investment in an associate		(395)	(1,061)	(1,724)	(1,696)
Other income		321	333	1,033	742
Finance costs		(2,598)	(2,831)	(7,439)	(9,446)
Finance income		33	41	43	265
<b>LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS</b>		<b>(30,410)</b>	<b>(45,031)</b>	<b>(90,664)</b>	<b>(97,408)</b>
Income tax	8	-	-	-	-
Zakat	8	(1,251)	(1,376)	(3,857)	(4,132)
<b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>(31,661)</b>	<b>(46,407)</b>	<b>(94,521)</b>	<b>(101,540)</b>
<b>DISCONTINUED OPERATIONS</b>					
Income after tax for the period from discontinued operations	1.1	-	-	-	180
<b>LOSS FOR THE PERIOD</b>		<b>(31,661)</b>	<b>(46,407)</b>	<b>(94,521)</b>	<b>(101,360)</b>
<b>ATTRIBUTABLE TO:</b>					
Shareholders of the Parent Company		(31,188)	(44,825)	(93,271)	(97,271)
Non-controlling interests		(473)	(1,582)	(1,250)	(4,089)
		<b>(31,661)</b>	<b>(46,407)</b>	<b>(94,521)</b>	<b>(101,360)</b>
<b>LOSS PER SHARE:</b>					
Basic and diluted losses per share attributable to the shareholders of the Parent Company	9	<b>(0.52)</b>	<b>(0.75)</b>	<b>(1.55)</b>	<b>(1.62)</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO CONTINUED OPERATIONS:</b>					
Basic and diluted losses per share attributable to the shareholders of the Parent Company	9	<b>(0.52)</b>	<b>(0.75)</b>	<b>(1.55)</b>	<b>(1.63)</b>

The attached notes 1 to 16 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**  
**(UNAUDITED)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021**

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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>
Loss for the period	(31,661)	(46,407)	(94,521)	(101,360)
<b>Other comprehensive income/(loss)</b>				
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods net of zakat and tax):</i>				
Exchange differences on translation of foreign operations	1	(137)	307	(2,065)
<b>Other comprehensive income/(loss), net of zakat and tax</b>	1	(137)	307	(2,065)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(31,660)</b>	<b>(46,544)</b>	<b>(94,214)</b>	<b>(103,425)</b>
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the Parent Company	(31,187)	(44,962)	(92,964)	(99,336)
Non-controlling interests	(473)	(1,582)	(1,250)	(4,089)
	<b>(31,660)</b>	<b>(46,544)</b>	<b>(94,214)</b>	<b>(103,425)</b>

*L. J. Ay*

*[Signature]*

The attached notes 1 to 16 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 2021

		30 September 2021 SR'000 (Unaudited)	31 December 2020 SR'000 (Audited)
	Note		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		82,623	90,980
Investment properties		317,728	356,267
Intangible assets		3,556	4,230
Right-of-use assets		49,414	58,009
Trade receivables	6	31,495	31,495
Investment in an associate		8,421	10,146
<b>TOTAL NON-CURRENT ASSETS</b>		<b>493,237</b>	<b>551,127</b>
<b>CURRENT ASSETS</b>			
Inventories		146,999	123,117
Contract assets		57,088	43,764
Trade receivables		147,564	184,488
Advances to suppliers		72,564	48,098
Prepayments and other receivables		53,671	58,905
Cash and cash equivalents		20,072	31,594
<b>TOTAL CURRENT ASSETS</b>		<b>497,958</b>	<b>489,966</b>
<b>TOTAL ASSETS</b>		<b>991,195</b>	<b>1,041,093</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	7	600,000	600,000
Accumulated losses		(239,488)	(146,217)
Foreign currency translation reserve		(11,780)	(12,087)
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>		<b>348,732</b>	<b>441,696</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>(22,120)</b>	<b>(20,870)</b>
<b>TOTAL EQUITY</b>		<b>326,612</b>	<b>420,826</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings		-	36,608
Employees' defined benefit liabilities		31,479	32,997
Other non-current liabilities		25,551	25,075
Non-current portion of lease liabilities		38,348	43,509
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>95,378</b>	<b>138,189</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		159,616	138,160
Accruals and other current liabilities		192,296	178,694
Short-term interest bearing loans and borrowings		125,152	79,273
Current portion of interest bearing loans and borrowings		25,500	26,365
Current portion of lease liabilities		11,069	13,014
Advances from customers		33,293	22,603
Zakat and income tax payable	8	22,279	23,969
<b>TOTAL CURRENT LIABILITIES</b>		<b>569,205</b>	<b>482,078</b>
<b>TOTAL LIABILITIES</b>		<b>664,583</b>	<b>620,267</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>991,195</b>	<b>1,041,093</b>

The attached notes 1 to 16 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

	<i>Attributed to shareholders of the Parent Company</i>					<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Foreign currency translation reserve</i>	<i>Total</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>	<i>SR '000</i>
Balance at 1 January 2020	600,000	129,260	(87,986)	(10,511)	630,763	(10,756)	620,007
Adjustment for correction of error (note 16)	-	-	(27,755)	-	(27,755)	(6,510)	(34,265)
As at 1 January 2020 <i>Audited - restated (note 16)</i>	600,000	129,260	(115,741)	(10,511)	603,008	(17,266)	585,742
Loss for the period	-	-	(97,271)	-	(97,271)	(4,089)	(101,360)
Other comprehensive loss	-	-	-	(2,065)	(2,065)	-	(2,065)
Total comprehensive loss	-	-	(97,271)	(2,065)	(99,336)	(4,089)	(103,425)
Disposal of a subsidiary (note 1)	-	-	-	275	275	-	275
<b>Balance at 30 September 2020 - (Unaudited- restated (note 16))</b>	<b>600,000</b>	<b>129,260</b>	<b>(213,012)</b>	<b>(12,301)</b>	<b>503,947</b>	<b>(21,355)</b>	<b>482,592</b>
Balance at 1 January 2021 - (audited)	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)
<b>Balance at 30 September 2021 - (Unaudited)</b>	<b>600,000</b>	<b>-</b>	<b>(239,488)</b>	<b>(11,780)</b>	<b>348,732</b>	<b>(22,120)</b>	<b>326,612</b>

The attached notes 1 to 16 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 (UNAUDITED)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021**

	<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Loss before zakat and income tax from continuing operations	(90,664)	(97,408)
Profit before zakat and income tax from discontinued operations	-	180
	(90,664)	(97,228)
<i>Adjustments to reconcile losses before zakat and income tax to net cash flows:</i>		
Depreciation of property, plant and equipment	8,598	12,633
Depreciation of investment properties	39,531	39,474
Amortization of intangible assets	681	1,985
Depreciation of right-of-use assets	7,840	7,817
Movement in employees' defined benefit liabilities, net	(1,518)	(1,256)
Finance costs	7,439	9,446
Share in results of investment in associates	1,724	1,696
Loss on disposal of property, plant and equipment and investment properties	34	168
Gain on modification of right-of-use asset and related lease liabilities	(200)	-
Gain on disposal of a subsidiary	-	(180)
	(26,535)	(25,445)
<b>Working capital adjustments:</b>		
Inventories	(21,596)	(21,125)
Contract assets	(13,324)	(34,160)
Trade receivables	36,924	86,651
Advances to suppliers	(24,466)	(4,465)
Prepayment and other receivables	5,234	20,080
Trade payables	21,456	34,264
Accruals and other current liabilities	13,602	10,401
Other non-current liabilities	476	500
Advances from customers	10,690	8,849
	2,461	75,550
<b>Cash from operations</b>		
Finance cost paid	(5,492)	(7,191)
Zakat and income tax paid	(5,547)	(6)
	(8,578)	68,353
<b>Net cash flows (used in) / from operating activities</b>		
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and investment properties	(3,552)	(44,228)
Purchase of intangible assets	(7)	(828)
Proceeds from disposal of property, plant and equipment	-	42
	(3,559)	(45,014)
<b>Net cash used in investing activities</b>		
<b>FINANCING ACTIVITIES</b>		
Proceeds from the interest bearing loans and borrowings	120,295	96,348
Repayment of interest bearing loans and borrowings	(111,889)	(143,196)
Payments for lease liabilities	(8,098)	(7,401)
	308	(54,249)
<b>Net cash from / (used in) financing activities</b>		
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(11,829)	(30,910)
Cash and cash equivalents at the beginning of the period	31,594	107,079
Movement in foreign currency translation reserve, net	307	(823)
Cash and cash equivalents disposed off related to a subsidiary	-	(9,954)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>20,072</b>	<b>65,392</b>

(continued)

The attached notes 1 to 16 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 (UNAUDITED) (continued)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

SIGNIFICANT NON-CASH TRANSACTIONS:

Net assets disposed off related to a subsidiary  
Investment in an associate  
Financial charges on lease liabilities against right of use assets

<i>For the nine-month period ended 30 September</i>	
<i>2021</i>	<i>2020</i>
<i>SR'000</i>	<i>SR'000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>
-	18,570
-	(3,750)
<u>1,947</u>	<u>2,255</u>

1.5.24

The attached notes 1 to 16 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 (UNAUDITED) AT 30 SEPTEMBER 2021

### 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 is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010566349 pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427H (September 25, 2006). The registered address of the Company is Riyadh Front, Al-Rimal District, Airport Street, Riyadh, Kingdom of Saudi Arabia. During the period ended 30 September 2021, the Company has changed its registered address to Riyadh, Kingdom of Saudi Arabia and converted the branch's commercial registration number 1010566349 into Company's main commercial registration. Formerly, the Company was registered in Jeddah, Kingdom of Saudi Arabia under commercial registration No 4030286984, which was subsequently converted into a branch. 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

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 2021</i>	<i>31 December 2020</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 Housing Malaysia Services Sdn. Bhd ("RSHSM")	Malaysia	<b>-</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.

During the period, the Group liquidated Red Sea Housing Malaysia Services Sdn. Bhd, which had no significant impact on the financial statements of the Group due to the insignificant operations in the subsidiary.



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

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

AT 30 SEPTEMBER 2021

### 1 CORPORATE INFORMATION (continued)

The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2021 were authorised for issuance in accordance with the Board of Directors resolution dated 2 November 2021 (corresponding to 27 Rabi' al-Awwal 1443 H).

#### 1.1 Sales of shares in subsidiaries and discontinued operations

##### Sale of shares in RSHP

During 2020, the Group disposed off its interest in Red Sea Housing Company PNG Limited ("RSHP") to a third party, the disposal occurred in two stages. At 1 January 2020, the Group disposed off its 80% of equity interest for a consideration of SR 15 million. The gain on disposal was calculated as follows:

	<i>SR'000</i> (Unaudited)
Total sale consideration	15,000
Carrying value of equity interest disposed off net of bargain purchase	(14,820)
Gain on disposal	<u>180</u>

The Group has derecognised the assets and liabilities of RSHP and de-consolidated from the consolidated financial position of the Group at the date when control is lost (i.e 1 January 2020).

In accordance with IFRS 5, the disposal of RSHP is classified and presented in the interim condensed consolidated statement of profit or loss as discontinued operations for which, the results are as follows:

	<i>For the nine-month period ended 30 September</i>	
	<i>2021</i> <i>SR'000</i> (Unaudited)	<i>2020</i> <i>SR'000</i> (Unaudited)
Revenue	-	-
Expenses	-	-
Loss for the period from discontinued operations	-	-
Gain on disposal of discontinued operations	-	180
Profit from discontinued operations	<u>-</u>	<u>180</u>
<i>Attributable to:</i>		
Equity holders of the Parent Company	-	180
Non controlling interest	-	-
	<u>-</u>	<u>180</u>
	<i>For the nine-month period ended 30 September</i>	
	<i>2021</i> (Unaudited)	<i>2020</i> (Unaudited)
Profit for the period from discontinued operations attributable to the shareholders of the Parent Company ("SR 000")	-	180
Weighted average number of outstanding shares during the period (share '000)	60,000	60,000
Basic and diluted earning per share attributable to the shareholders of the Parent Company ("SR 000")	<u>-</u>	<u>0.01</u>

At 31 December 2020, the Group sold remaining 20% equity interest in RSHP for a consideration of SR 3.75 million, which is equivalent to the carrying value. As a result, the equity interest in RSHP reduced to nil.

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

---

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

AT 30 SEPTEMBER 2021

#### **2 BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as endorsed in Kingdom of Saudi Arabia (KSA). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020. In addition the results of the operations for the period ended 30 September 2021 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2021.

These interim condensed consolidated financial statements are prepared using historical cost convention except for employees defined benefits for which the actuarial present value calculation is used.

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.

At 30 September 2021, the Group’s current liabilities exceeded its current assets which is primarily due to the upfront cost incurred on the recent projects awarded in KSA which has resulted in higher trade payables and accruals. The Group is in advanced stage of negotiations with the lending institutions for specific project based long-term financing to refinance initial expenses incurred by the Company, which will reduce the short-term liabilities and improve the overall liquidity of the Group. Accordingly, the management has prepared the accompanying condensed interim financial information on a going concern basis.

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

The preparation of the Group’s interim condensed 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. The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Group’s management to revisit its significant judgments in applying the Group’s accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group’s management carried out an impact assessment on the overall Group’s operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

#### **4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

The accounting policies adopted 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 2020, except for the amendments that have to be mandatorily applied from 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.



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

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

(continued)

AT 30 SEPTEMBER 2021

### 5 REVENUES

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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>69,798</b>	70,911	<b>190,246</b>	230,475
Sale of paint and paint related products and services	<b>3,061</b>	4,260	<b>16,694</b>	15,873
	<b>72,859</b>	75,171	<b>206,940</b>	246,348
<i>Other revenue</i>				
Rental revenue from investment properties	<b>46,478</b>	38,829	<b>148,417</b>	151,924
	<b>119,337</b>	114,000	<b>355,357</b>	398,272

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.

### 7 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (31 December 2020: same) of SR 10 each.

### 8 ZAKAT AND INCOME TAX

#### a) Zakat

The zakat assessments of the Company and its wholly owned Saudi subsidiaries as a whole have been agreed with the Zakat, Tax and Customs Authority ("the ZATCA") up to 2010. The zakat declarations until years 2020 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA from 2011 through 2013 and for the years 2018.

During 2020, the Zakat, Tax and Customs Authority ("the ZATCA") had issued an assessment for the years 2014 through 2017 amounting to SR 67.1 million for the Company and its wholly owned subsidiaries. The Company filed an appeal against the ZATCA assessment for the said period. During the current period, 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. However, the Parent Company maintains sufficient provision in the books to account for any liability arising upon the ultimate resolution of these issued assessment.

Further, subsequent to the reporting date on 25 October 2021, the ZATCA issued an assessment for the years 2019 and 2020 amounting to SR 11.6 million for the Company and its wholly owned subsidiaries. The management of the company is in process of evaluation for such assessment and preparing to file an appeal against the assessment.

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

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

(continued)

AT 30 SEPTEMBER 2021

### 8 ZAKAT AND INCOME TAX (continued)

#### a) Zakat (continued)

During 2019, PPC received a revised additional zakat assessment from the ZATCA for the years 1999 to 2014 amounting to SR 2.6 million. During the period, the ZATCA issued amnesty and waived the delay fines. The Company has settled the principal withholding tax amounting SR 0.95 million and principal zakat amount of SR 1.22 million will be settled in instalments.

#### 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.

Zakat and income tax has been computed based on the Group's understanding and interpretation of the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia. The ZATCA continues to issue circulars to clarify certain zakat and tax regulations which are usually enforced on all open years. The zakat regulations in Saudi Arabia are subject to different interpretations and new zakat regulations have been issued by the ZATCA dated 1 Jumada II 1438H (corresponding to 28 February 2017). The zakat and income tax liability as computed by the Group could be different from zakat and income tax liability as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

### 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 as follows:

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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>(31,188)</b>	(44,825)	<b>(93,271)</b>	(97,271)
Weighted average number of outstanding shares during the period (share '000)	<b>60,000</b>	60,000	<b>60,000</b>	60,000
Basic and diluted loss per share attributable to the shareholders of the Parent Company (SR)	<b>(0.52)</b>	(0.75)	<b>(1.55)</b>	(1.63)

At the reporting date, the discontinued operations of RSHP had no significant impact on the loss per share of the Group. Refer note 1.1 for further details.

### 10 CONTINGENT LIABILITIES

At the reporting date, the Group had outstanding bank guarantees and letter of credit amounting to approximately SR 91.82 million (31 December 2020: SR 97.48 million) issued in the normal course of business.

### 11 CAPITAL COMMITMENTS

At the reporting date, the capital commitments amounted to Nil (31 December 2020: SR 1.5 million).



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

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

(continued)

AT 30 SEPTEMBER 2021

### 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>2021</i>	<i>2020</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	<b>350</b>	338
	Payment on behalf of the ultimate Parent Company	-	100
<i>Other related parties</i>			
	Rental charges	<b>662</b>	663
	Expenses paid on behalf of associate	<b>7</b>	3,170
	Other income	-	938

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

	<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term benefits	<b>5,784</b>	7,011
Employees' end-of-service benefits	<b>186</b>	254
	<b>5,970</b>	7,265

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 2021 includes an amount of SR 21.62 million (31 December 2020: SR 22.64 million) due from affiliate companies. Amounts due to related parties at 30 September 2021 amounting to SR 2.37 million (31 December 2020: SR 1.54 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 (UNAUDITED)

(continued)

AT 30 SEPTEMBER 2021

### 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 2021 and 2020, respectively:

#### Business segments

	<i>For the three-month period ended 30 September 2021</i>				<i>For the three-month period ended 30 September 2020</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>69,798</b>	<b>46,478</b>	<b>3,061</b>	<b>119,337</b>	70,911	38,829	4,841	114,581
Intersegment revenue elimination	-	-	-	-	-	-	(581)	(581)
<b>Revenue from external customers</b>	<b>69,798</b>	<b>46,478</b>	<b>3,061</b>	<b>119,337</b>	70,911	38,829	4,260	114,000
<i>Timing of revenue recognition:</i>								
At a point in time	<b>20,250</b>	-	<b>3,061</b>	<b>23,311</b>	63,886	-	4,260	68,146
Over time	<b>49,548</b>	<b>46,478</b>	-	<b>96,026</b>	7,025	38,829	-	45,854
	<b>69,798</b>	<b>46,478</b>	<b>3,061</b>	<b>119,337</b>	70,911	38,829	4,260	114,000
Segment (loss)/profit	<b>(29,538)</b>	<b>243</b>	<b>(2,366)</b>	<b>(31,661)</b>	(37,617)	454	(9,244)	(46,407)
	<i>For the nine-month period ended 30 September 2021</i>				<i>For the nine-month period ended 30 September 2020</i>			
	<i>Non-concrete residential and commercial buildings (Note 1.1)</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non- concrete residential and commercial</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) (Note 1.1)</i>			
<i>Revenue:</i>								
Total segment revenue	<b>190,246</b>	<b>148,417</b>	<b>16,897</b>	<b>355,560</b>	230,475	151,924	17,095	399,494
Intersegment revenue elimination	-	-	(203)	(203)	-	-	(1,222)	(1,222)
<b>Revenue from external customers</b>	<b>190,246</b>	<b>148,417</b>	<b>16,694</b>	<b>355,357</b>	230,475	151,924	15,873	398,272
<i>Timing of revenue recognition:</i>								
At a point in time	<b>108,386</b>	-	<b>16,694</b>	<b>125,080</b>	166,864	-	15,873	182,737
Over time	<b>81,860</b>	<b>148,417</b>	-	<b>230,277</b>	63,611	151,924	-	215,535
	<b>190,246</b>	<b>148,417</b>	<b>16,694</b>	<b>355,357</b>	230,475	151,924	15,873	398,272
Segment (loss)/profit	<b>(88,914)</b>	<b>786</b>	<b>(6,393)</b>	<b>(94,521)</b>	(80,577)	3,270	(24,233)	(101,540)

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

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

(continued)

AT 30 SEPTEMBER 2021

### 13 SEGMENTAL INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2021 and 31 December 2020, respectively:

	<i>At 30 September 2021</i>				<i>At 31 December 2020</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>485,122</b>	<b>489,455</b>	<b>16,618</b>	<b>991,195</b>	500,664	523,085	17,344	1,041,093
Total liabilities	<b>404,765</b>	<b>224,959</b>	<b>34,859</b>	<b>664,583</b>	412,515	175,189	32,563	620,267

During the nine-month period ended 30 September 2021, approximately 66% of the total revenues from non-concrete residential and commercial buildings segment were derived from 10 customers (30 September 2020: approximately 75% from 10 customers). During the nine-month period ended 30 September 2021, approximately 78% of the total revenues from rental segment were derived from 8 customers (30 September 2020: approximately 75.4% from 6 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 2021.

	<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>

	<i>For the three-month period ended 30 September 2020</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	80,419	19,229	13,384	1,474	99	114,605
Intersegment revenue elimination	(582)	(23)	-	-	-	(605)
Revenue from external customers	79,837	19,206	13,384	1,474	99	114,000
<b>Segmental (loss)/profit for the period</b>	<b>(33,798)</b>	<b>(12,888)</b>	<b>(1,392)</b>	<b>(311)</b>	<b>1,982</b>	<b>(46,407)</b>



RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

AT 30 SEPTEMBER 2021

13 SEGMENTAL INFORMATION (continued)

*For the nine-month period ended 30 September 2021*

	<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>

*For the nine-month period ended 30 September 2020*

	<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	282,135	95,291	19,683	4,388	2,776	404,273
Intersegment revenue elimination	(1,223)	(4,778)	-	-	-	(6,001)
Revenue from external customers	280,912	90,513	19,683	4,388	2,776	398,272
<b>Segmental (loss)/profit for the period</b>	<b>(59,791)</b>	<b>(29,930)</b>	<b>(11,769)</b>	<b>(1,884)</b>	<b>1,834</b>	<b>(101,540)</b>

The following table presents assets and liabilities information for the Group's geographical segments as at 30 September 2021 and 31 December 2020, respectively:

*At 30 September 2021*

	<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>719,605</b>	<b>165,972</b>	<b>77,709</b>	<b>24,229</b>	<b>3,680</b>	<b>991,195</b>
<b>Total liabilities</b>	<b>525,134</b>	<b>121,803</b>	<b>13,737</b>	<b>3,234</b>	<b>675</b>	<b>664,583</b>

*At 31 December 2020*

	<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	759,577	164,219	80,378	25,956	10,963	1,041,093
Total liabilities	494,941	108,764	12,630	2,971	961	620,267

**14 FAIR VALUES OF FINANCIAL INSTRUMENTS**

The management assessed that the fair values of cash and cash equivalents, accounts receivable, contract assets, other current assets, accounts 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 accounts 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 further significant subsequent events since the period ended 30 September 2021 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

**16 RESTATEMENT OF COMPARATIVE OPENING EQUITY**

As disclosed in the annual financial statements of the Group for the year ended 31 December 2020, management of one of the subsidiaries of the Group corrected certain prior period errors in the opening equity at 1 January 2020 and 2019. The cumulative adjustment of restated amounts have been disclosed in the interim condensed consolidated statement of changes in equity.