

**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 PERIOD ENDED 31 MARCH 2023

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 PERIODS ENDED 31 MARCH 2023

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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 31 March 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month period ended 31 March 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the three-month period then ended, 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.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the interim condensed consolidated financial statements, which indicates that the Company incurred a net loss of SR 19.5 million for three-month ended 31 March 2023 and, as of that date, the accumulated losses of the Company amounting to SR 191 million which represent 63% of the Company's capital. Further, as of 31 March 2023, the Company's current liabilities exceeded its current assets by SR 201.4 million. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 S. AlAfaliq
Certified Public Accountant
License No. 422



Alkhobar: 8 Thul-Qi'dah 1444
28 May 2023

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2023

	Note	<i>For the three-month period ended 31 March</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues	5	118,195	117,228
Cost of revenues		(118,396)	(121,172)
GROSS LOSS		(201)	(3,944)
EXPENSES			
Selling and distribution		(3,715)	(4,332)
General and administration		(12,262)	(13,267)
OPERATING LOSS		(16,178)	(21,543)
Share in result of investment in an associate		-	(428)
Other income, net		487	7,103
Finance costs		(2,333)	(2,109)
Finance income		1	5
LOSS BEFORE ZAKAT AND INCOME TAX		(18,023)	(16,972)
Zakat	7	(1,501)	(2,160)
LOSS FOR THE PERIOD		(19,524)	(19,132)
ATTRIBUTABLE TO:			
Shareholders of the Parent Company		(18,577)	(18,822)
Non-controlling interests		(947)	(310)
		(19,524)	(19,132)
LOSS PER SHARE:			
Basic and diluted losses per share attributable to the shareholders of the Parent Company (restated)	8	(0.61)	(0.62)



Chairman of the Board



Chief Financial Officer



Chief Executive Officer

The attached notes 1 to 14 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 PERIODS ENDED 31 MARCH 2023

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period	(19,524)	(19,132)
Other comprehensive income		
Other comprehensive income for the period	-	-
TOTAL COMPREHENSIVE LOSS	(19,524)	(19,132)
ATTRIBUTABLE TO:		
Shareholders of the Parent Company	(18,577)	(18,822)
Non-controlling interests	(947)	(310)
	(19,524)	(19,132)



Chairman of the Board



Chief Financial Officer




Chief Executive Officer

The attached notes 1 to 14 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 31 March 2023

		31 March 2023 SR'000 (Unaudited)	31 December 2022 SR'000 (Audited)
	<i>Note</i>		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		62,952	68,589
Investment properties		250,793	262,976
Intangible assets		2,183	2,368
Right-of-use assets		40,491	43,179
TOTAL NON-CURRENT ASSETS		356,419	377,112
CURRENT ASSETS			
Inventories		85,094	73,581
Contract assets		55,313	54,979
Trade receivables		120,663	126,805
Advances to suppliers		59,268	79,940
Prepayments and other receivables		28,245	33,985
Cash and cash equivalents		8,163	32,342
TOTAL CURRENT ASSETS		356,746	401,632
TOTAL ASSETS		713,165	778,744
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
Accumulated losses	6	302,344	302,344
Foreign currency translation reserve		(191,033)	(172,456)
		(11,779)	(11,779)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		99,532	118,109
NON-CONTROLLING INTERESTS		(25,382)	(24,435)
TOTAL EQUITY		74,150	93,674
NON-CURRENT LIABILITIES			
Employees' defined benefit liabilities		20,915	21,855
Other non-current liabilities		27,144	26,932
Non-current portion of lease liabilities		32,846	33,143
TOTAL NON-CURRENT LIABILITIES		80,905	81,930
CURRENT LIABILITIES			
Trade payables		125,800	172,695
Accruals and other current liabilities		180,688	172,676
Short-term interest bearing loans and borrowings		115,958	117,267
Current portion of interest bearing loans and borrowings		2,572	5,143
Current portion of lease liabilities		12,780	13,325
Amount due to a shareholder		59,225	46,025
Contract liabilities	11	30,220	46,254
Zakat and income tax payable		30,867	29,755
TOTAL CURRENT LIABILITIES	7	558,110	603,140
TOTAL LIABILITIES		639,015	685,070
TOTAL EQUITY AND LIABILITIES		713,165	778,744


Chairman of the Board


Chief Financial Officer


Chief Executive Officer

The attached notes 1 to 14 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 PERIODS ENDED 31 MARCH 2023

	Attributed to shareholders of the Parent Company					
	Share capital	Accumulated losses	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
As at 1 January 2022 (audited)	600,000	(278,834)	(11,779)	309,387	(22,798)	286,589
Loss for the period	-	(18,822)	-	(18,822)	(310)	(19,132)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(18,822)	-	(18,822)	(310)	(19,132)
As at 31 March 2022 (unaudited)	600,000	(297,656)	(11,779)	290,565	(23,108)	267,457
As at 1 January 2023 (audited)	302,344	(172,456)	(11,779)	118,109	(24,435)	93,674
Loss for the period	-	(18,577)	-	(18,577)	(947)	(19,524)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(18,577)	-	(18,577)	(947)	(19,524)
As at 31 March 2023 (unaudited)	302,344	(191,033)	(11,779)	99,532	(25,382)	74,150



Chairman of the Board



Chief Financial Officer



Chief Executive Officer

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2023**

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Loss before zakat and income tax	(18,023)	(16,972)
Adjustments to reconcile losses before zakat and income tax to net cash flows:		
Depreciation of property, plant and equipment	5,135	2,581
Depreciation of investment properties	12,170	12,566
Amortization of intangible assets	185	219
Depreciation of right-of-use assets	2,688	2,553
Movement in employees' defined benefit liabilities, net	(940)	(710)
Financial costs	2,333	2,109
Share in results of investment in an associate	-	429
Loss on disposal of property, plant and equipment and investment properties	651	-
	4,199	2,775
Working capital adjustments:		
Inventories	(11,501)	47,886
Contract assets	(334)	10,849
Trade receivables	6,142	(27,123)
Advances to suppliers	20,672	26,765
Prepayment and other receivables	5,740	5,150
Trade payables	(46,895)	(29,915)
Accruals and other current liabilities	8,012	(31,373)
Other non-current liabilities	212	(1,427)
Contract liabilities	(16,034)	14,018
Cash (used in)/from operations	(29,787)	17,605
Finance cost paid	(1,870)	(2,109)
Zakat and income tax paid	(389)	(3,203)
Net cash flows (used in)/from operating activities	(32,046)	12,293
INVESTING ACTIVITY		
Purchase of property, plant and equipment and investment properties	(148)	(5,498)
Net cash used in investing activity	(148)	(5,498)
FINANCING ACTIVITIES		
Proceeds from the interest bearing loans and borrowings	-	8,525
Funds received from a shareholder	13,200	-
Repayment of interest bearing loans and borrowings	(3,880)	(8,992)
Payments for lease liabilities	(1,305)	(5,953)
Net cash from/(used in) financing activities	8,015	(6,420)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(24,179)	375
Cash and cash equivalents at the beginning of the period	32,342	5,838
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8,163	6,213

Chairman of the Board

Chief Financial Officer

Chief Executive Officer

The attached notes 1 to 14 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 31 MARCH 2023

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:

	Country of incorporation	Effective ownership percentage	
		31 March 2023	31 December 2022
<u>Subsidiaries</u>			
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 Modular Rentals LLC ("RSMR")	UAE	100%	100%
Red Sea Construction LLC ("RSC")	UAE	100%	100%
Red Sea Modular Rentals (Kuwait) WLL ("RSMK")	Kuwait	100%	100%
<u>Associates</u>			
Red Sea Housing Malaysia Sdn. Bhd. ("RSHM")	Malaysia	49%	49%
<u>Joint Operations</u>			
Red Sea Hanchi ("RSHC")	Algeria	49%	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 periods ended 31 March 2023 were authorised for issuance in accordance with the Board of Directors resolution dated 23 May 2023, corresponding to 3 Thul-Qidah 1444H.

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 2022. 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”). All values are rounded to the nearest thousands (“SR ‘000”), except when otherwise indicated.

2.1 Going concern basis of accounting

The Group incurred net loss of SR 19.5 million for the three months ended 31 March 2023 (year ended 31 December 2022: SR 197.8 million) and as of 31 March 2023, its accumulated losses amounted to SR 191 million (31 December 2022: SR 172.5 million) which represent 63% (31 December 2022: 57%) of share capital as of the same date. Further, at 31 March 2023, the Group’s current liabilities exceeded its current assets by SR 201.4 million (31 December 2022: SR 201.5 million) and consequently the Group was not in compliance with a covenant relates to current ratio which is an event of default as per a borrowing agreement (31 December 2022: same) with a commercial bank. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

The ability of the Group to continue its operations depends on restructuring its equity, arrangement of financing facilities, entering into profitable contracts and increasing the volume of its revenue appropriately. 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 in 2022.

The Parent Company’s management has made an assessment of the Group’s ability to continue as a going concern with the consideration of project backlog, bids pipeline and is satisfied that it has the adequate resources to continue its business for the foreseeable future. In addition to that, during 2022, Al-Dabbagh Group, which owns 70% of the Company’s share, has provided interest free funds to the Group in order to meet its liabilities as they fall due. Even though, such funds received are classified under current liabilities in the interim condensed consolidated statement of financial position based on the terms with the shareholder, the management does not expect these to be called for settlement in next twelve months. Further, during the quarter, the Group, through its financial advisor, has signed a non-disclosure agreement to acquire 51% ownership of a limited liability company registered in Jeddah, Kingdom of Saudi Arabia. The consideration for the acquisition is expected to be partially settled through a term loan facility provided by a local commercial bank. Based on the Group’s financial projections and steps taken 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 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.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
AT 31 MARCH 2023

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 MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 2022, except for the adoption of new amendments effective as of 1 January 2023, as disclosed below.

4.1 New standards, interpretations, and amendments

Following standard, interpretation or amendment are effective as of 1 January 2023 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. IFRS 17 Insurance contracts
- ii. Definition of Accounting Estimates - Amendments to IAS 8
- iii. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- iv. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

4.2 Accounting standards amendments issued but not yet effective

- i. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- ii. Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

5 REVENUES

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from the contract with customers:</i>		
Revenue from sale of buildings	78,823	78,061
Sale of paint's and paint related products and services	1,810	3,076
	80,633	81,137
<i>Other revenue:</i>		
Rental revenue from investment properties	37,562	36,091
	118,195	117,228

Reconciliation of the Group's disaggregated revenue for its reportable segments and timing of revenue recognition is disclosed in (note 12).

6 SHARE CAPITAL

The share capital of the Company as at 31 March 2023 amounted to SR 302,344,000 (31 December 2022: SR 302,344,000) consisting of 30,234,400 shares (31 December 2022: 30,234,400 shares) fully paid and issued shares at a value of SR 10 per share.

During the year ended 31 December 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 2.1).

7 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. The zakat declarations until years 2021 have been filed with the ZATCA.

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 2022, the ZATCA issued a revised assessment for the years 2014 through 2017 amounting to SR 53.1 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.

Further, during 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 submitted an appeal against this assessment with ZATCA. During 2022, the ZATCA issued a revised assessment for the year 2019 and 2020 amounting to SR 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.

The Zakat assessments of the Company and its wholly owned Saudi subsidiary for the years 2011 to 2013 and for the years 2018 and 2021 have not yet been 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 subsidiary filled an appeal with GSTC on the revised assessment. During 2021, ZATCA issued amnesty scheme whereby, the ZATCA waived the delay penalties and fines and the subsidiary settled WHT liability of SR 0.95 million and agreed to be settled SR 1.22 million of zakat liability on instalments 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 31 March 2023 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.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
AT 31 MARCH 2023

8 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 to reflect the treatment of effect of decrease in share capital as required by the relevant accounting standard (refer note 2.2)

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to the shareholders of the Parent Company (SR '000)	(18,577)	(18,822)
Adjusted number of outstanding shares during the period (share '000) (restated)	30,234	30,234
Basic and diluted loss per share attributable to the shareholders of the Parent Company (SR) (restated)	(0.61)	(0.62)

9 CONTINGENT LIABILITIES

At the reporting date, the Group had outstanding bank guarantees and letter of credit amounting to approximately SR 35.9 million (31 December 2022: SR SR 38.4 million) issued in the normal course of business.

10 CAPITAL COMMITMENTS

At the reporting date, the capital expenditure approved by the Board of Directors amounted to SR 44.1 million (31 December 2022: SR 44.1 million).

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
AT 31 MARCH 2023

11 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 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 three-month period ended 31 March</i>	
		<i>2023</i>	<i>2022</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	Expenses paid by the ultimate Parent Company on behalf of the Group	-	4
	Interest free funds received	13,200	-
<i>Other related parties</i>			
	Expenses paid on behalf of associate	535	221

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

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term benefits	1,750	2,325
Employees' end-of-service benefits	99	97
	1,849	2,422

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 31 March 2023 includes an amount of SR 4.97 million (31 December 2022: SR 4.4 million) due from affiliate companies. Amounts due to related parties at 31 March 2023 amounting to SR 7.1 million (31 December 2022: SR 6.99 million) have been included in the trade payable in interim condensed consolidated statement of financial position.

12 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 31 MARCH 2023

12 SEGMENTAL INFORMATION (continued)

The following tables present revenue and (loss)/profit information for the Group's operating segments for the three-month periods ended 31 March 2023 and 2022, respectively:

Business segments

	<i>For the three-month period ended 31 March 2023</i>				<i>For the three-month period ended 31 March 2022</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	112,456	37,562	2,058	152,076	78,061	36,091	3,170	117,322
Intersegment revenue elimination	(33,633)	-	(248)	(33,881)	-	-	(94)	(94)
Revenue from external customers	78,823	37,562	1,810	118,195	78,061	36,091	3,076	117,228
<i>Timing of revenue recognition:</i>								
At a point in time	30,113	-	1,810	31,923	16,440	-	3,076	19,516
Over time	48,710	37,562		86,272	61,621	36,091	-	97,712
	78,823	37,562	1,810	118,195	78,061	36,091	3,076	117,228
Segment (loss)/profit	(25,630)	11,050	(4,944)	(19,524)	(28,692)	11,076	(1,516)	(19,132)

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2023 and 31 December 2022, respectively:

	<i>At 31 March 2023</i>				<i>At 31 December 2022</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	325,167	379,650	8,348	713,165	373,819	391,722	13,203	778,744
Total liabilities	423,040	178,498	37,477	639,015	420,559	226,031	38,480	685,070

During the three-month period ended 31 March 2023, approximately 87.32% of the total revenues from non-concrete residential and commercial buildings segment were derived from 5 customers (31 March 2022: approximately 81.7% from 6 customers). During the three-month period ended 31 March 2023, approximately 83.4% of the total revenues from rental segment were derived from 5 customers (31 March 2022: approximately 87.7% from 5 customers).

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
AT 31 MARCH 2023

12 SEGMENTAL INFORMATION (continued)

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 periods ended 31 March 2023 and 2022.

<i>For the three-month period ended 31 March 2023</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	95,801	55,890	58	232	95	152,076
Intersegment revenue elimination	(33,881)	-	-	-	-	(33,881)
Revenue from external customers	61,920	55,890	58	232	95	118,195
Segmental (loss)/profit for the period	(21,577)	4,484	(1,850)	(508)	(73)	(19,524)
<i>For the three-month period ended 31 March 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	92,998	31,123	5,154	154	96	129,525
Intersegment revenue elimination	(94)	(12,203)	-	-	-	(12,297)
Revenue from external customers	92,904	18,920	5,154	154	96	117,228
Segmental loss for the period	(13,189)	(4,034)	(662)	(1,178)	(69)	(19,132)

The following table presents assets and liabilities information for the Group's geographical segments as at 31 March 2023 and 31 December 2022, respectively:

<i>At 31 March 2023</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 assets	564,993	98,739	26,606	19,770	3,057	713,165
Total liabilities	518,481	105,879	9,752	4,123	780	639,015
<i>At 31 December 2022</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	601,836	121,772	31,997	20,132	3,007	778,744
Total liabilities	556,850	112,951	10,524	3,992	753	685,070

13 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 term loans and other non-current liabilities based on level 2 hierarchy, which is not materially different from their respective carrying values.

14 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the period ended 31 March 2023 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.