

**RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(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 2023**

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES (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 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 (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, 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 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. The Board of Directors 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 Group incurred a net loss of SR 15.6 million and SR 54.8 million for the three-month and nine-month periods ended 30 September 2023 respectively and, as of that date, the accumulated losses of the Group amounting to SR 225.1 million which represent 74.5% of the Company's capital. Further, as at 30 September 2023, the Group was not in compliance of certain financial covenants which were specified as per the borrowing agreements. 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 Group's ability to continue as a going concern. Our conclusion 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 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. 422




Alkhobar: 25 Rabi Al-Thani 1445H
9 November 2023

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

	Note	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		2023	2022	2023	2022
		SR'000	SR'000	SR'000	SR'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	5	121,884	89,409	347,216	269,207
Cost of revenues		(116,872)	(121,668)	(342,222)	(332,344)
GROSS PROFIT (LOSS)		5,012	(32,259)	4,994	(63,137)
EXPENSES					
Selling and distribution		(3,282)	(3,514)	(10,650)	(13,143)
General and administration		(12,184)	(15,492)	(34,542)	(42,975)
OPERATING LOSS		(10,454)	(51,265)	(40,198)	(119,255)
Share in result from investment in an associate		-	(398)	-	(1,248)
Other income (loss), net		107	1,068	(538)	11,663
Finance costs		(3,964)	(3,729)	(10,042)	(8,551)
Finance income		206	8	530	21
LOSS BEFORE ZAKAT		(14,105)	(54,316)	(50,248)	(117,370)
Zakat	7	(1,500)	(2,128)	(4,501)	(6,415)
LOSS FOR THE PERIOD		(15,605)	(56,444)	(54,749)	(123,785)
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		(14,960)	(56,010)	(52,667)	(122,543)
Non-controlling interests		(645)	(434)	(2,082)	(1,242)
		(15,605)	(56,444)	(54,749)	(123,785)
LOSS PER SHARE:					
Basic and diluted, loss per share attributable to the equity holders of the Parent Company	8	(0.49)	(1.85)	(1.74)	(4.05)


Chairman of the Board


Chief Financial Officer


Chief Executive Officer

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

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</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	(15,605)	(56,444)	(54,749)	(123,785)
Other comprehensive income				
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE LOSS	(15,605)	(56,444)	(54,749)	(123,785)
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	(14,960)	(56,010)	(52,667)	(122,543)
Non-controlling interests	(645)	(434)	(2,082)	(1,242)
	(15,605)	(56,444)	(54,749)	(123,785)



Chairman of the Board



Chief Financial Officer



Chief Executive Officer


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


RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 SEPTEMBER 2023

		30 September 2023 SR'000 (Unaudited)	31 December 2022 SR'000 (Audited)
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		60,264	68,589
Investment properties		221,541	262,976
Intangible assets		1,814	2,368
Right-of-use assets		35,126	43,179
TOTAL NON-CURRENT ASSETS		318,745	377,112
CURRENT ASSETS			
Inventories		75,624	73,581
Contract assets		47,588	54,979
Trade receivables		130,653	126,805
Advances to suppliers		41,526	79,940
Prepayments and other receivables		22,018	33,985
Cash and cash equivalents		262,556	32,342
TOTAL CURRENT ASSETS		579,965	401,632
TOTAL ASSETS		898,710	778,744
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	302,344	302,344
Accumulated losses		(225,123)	(172,456)
Foreign currency translation reserve		(11,779)	(11,779)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		65,442	118,109
NON-CONTROLLING INTERESTS		(26,517)	(24,435)
TOTAL EQUITY		38,925	93,674
NON-CURRENT LIABILITIES			
Term loan	11	247,500	-
Employees' defined benefit liabilities		21,426	21,855
Other non-current liabilities		27,483	26,932
Non-current portion of lease liabilities		32,059	33,143
TOTAL NON-CURRENT LIABILITIES		328,468	81,930
CURRENT LIABILITIES			
Trade payables		102,212	172,695
Accruals and other current liabilities		187,434	172,676
Short-term interest bearing loans and borrowings	11	92,471	117,267
Current portion of interest bearing loans and borrowings	11	-	5,143
Current portion of lease liabilities		9,892	13,325
Amount due to a shareholder	12	82,233	46,025
Contract liabilities		23,207	46,254
Zakat and income tax payable	7	33,868	29,755
TOTAL CURRENT LIABILITIES		531,317	603,140
TOTAL LIABILITIES		859,785	685,070
TOTAL EQUITY AND LIABILITIES		898,710	778,744


Chairman of the Board


Chief Financial Officer


Chief Executive Officer

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

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

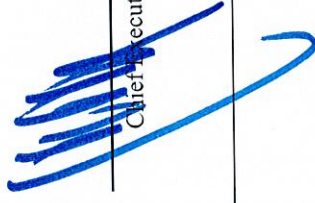
	<i>Attributed to shareholders of the parent Company</i>					
	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Balance at 1 January 2022 - (Audited)	600,000	(278,834)	(11,779)	309,387	(22,798)	286,589
Absorption of accumulated losses against share capital (note 6)	(297,656)	297,656	-	-	-	-
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)
Balance at 30 September 2022 - (Unaudited)	302,344	(103,721)	(11,779)	186,844	(24,040)	162,804
Balance at 1 January 2023 - (Audited)	302,344	(172,456)	(11,779)	118,109	(24,435)	93,674
Loss for the period	-	(52,667)	-	(52,667)	(2,082)	(54,749)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	(52,667)	-	(52,667)	(2,082)	(54,749)
Balance at 30 September 2023 - (Unaudited)	302,344	(225,123)	(11,779)	65,442	(26,517)	38,925



Chairman of the Board



Chief Financial Officer



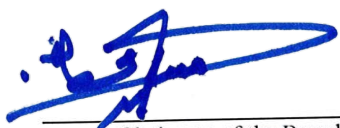
Chief Executive Officer

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

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

	<i>For the nine-month period ended 30 September</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	(50,248)	(117,370)
Adjustments to reconcile loss before zakat to net cash flows:		
Depreciation of property, plant and equipment	9,236	7,583
Depreciation of investment properties	35,193	35,211
Amortization of intangible assets	554	652
Depreciation of right-of-use assets	8,053	7,453
Movement in employees' defined benefit liabilities, net	(429)	(2,398)
Finance costs	10,042	8,551
Share in results of investment in an associate	-	1,248
Loss (gain) on disposal of property, plant and equipment and investment properties	1,399	(1,925)
	13,800	(60,995)
Working capital adjustments:		
Inventories	(2,043)	42,778
Contract assets	7,391	(1,010)
Trade receivables	(3,848)	9,762
Advances to suppliers	38,414	11,875
Prepayment and other receivables	11,967	2,410
Trade payables	(70,483)	(24,384)
Accruals and other current liabilities	15,875	4,922
Other non-current liabilities	551	999
Contract liabilities	(23,047)	74,996
	(11,423)	61,353
Cash (used in) from operations	(11,159)	(6,974)
Finance cost paid	(388)	(4,111)
Zakat and income tax paid		
	(22,970)	50,268
Net cash (used in) from operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(1,357)	(5,431)
Proceeds from disposal of property, plant and equipment and investment properties	5,289	4,541
	3,932	(890)
Net cash used in investing activities		
FINANCING ACTIVITIES		
Proceeds from interest bearing loans and borrowings	247,500	19,000
Repayment of interest bearing loans and borrowings	(29,939)	(37,294)
Funds received from a shareholder	36,208	-
Payments of lease liabilities	(4,517)	(10,548)
	249,252	(28,842)
Net cash from (used in) financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS	230,214	20,536
Cash and cash equivalents at the beginning of the period	32,342	5,838
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	262,556	26,374



Chairman of the Board



Chief Financial Officer



Chief Executive Officer

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

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT 30 SEPTEMBER 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 P.O. Box 13316, Al Thumamah Road, Ar-Rabie District, Riyadh, Kingdom of Saudi Arabia. The Company have the following branches in the Kingdom of Saudi Arabia:

<i>Branch</i>	<i>Commercial registration</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 2023</i>	<i>31 December 2022</i>
<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>Associate</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 branch in Abu Dhabi which is 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.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 SEPTEMBER 2023

1 CORPORATE INFORMATION (continued)

On 9 June 2023, corresponding to 20 Thul-Qi'dah 1444H, the Company entered into an agreement for purchase of 51% share of Fundamental Installation for Electric Work Company Limited ("First Fix"), a Limited Liability Company registered in Jeddah, Kingdom of Saudi Arabia for a purchase consideration of SR 544.2 million. The transaction consideration expecting to be settled by SR 250 million in cash (financed through facility provided by a local commercial bank) upon approval of the transaction and SR 294.2 million (deferred consideration) to be settled within four months and the Company has the option to capitalize the deferred consideration upon approval of the applicable regulators. On 2 August 2023 corresponding to 15 Muharram 1445H, the Board of directors of the Company recommended to increase the Company's capital by converting the deferred consideration to equity after obtaining the regulatory approval and approval of the Company's extraordinary general assembly.

Completion of the acquisition was subject to related regulatory and corporate approval as well as meeting certain conditions under the agreement signed with partners of the First Fix. The Company obtained the related regulatory approval and met the conditions with respect of the acquisition of First Fix and effective 1 October 2023, the legal formalities with respect of the acquisition was completed.

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 2023 were authorised for issuance in accordance with the Board of Directors resolution dated 9 November 2023 (corresponding to 25 Rabi Al-Thani 1445H).

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 a net loss of SR 15.6 million and SR 54.8 million for the three-month and nine-month periods ended 30 September 2023 respectively (year ended 31 December 2022: SR 197.8 million) and as of 30 September 2023, its accumulated losses amounted to SR 225.1 million (31 December 2022: SR 172.5 million) which represent 74.5% (31 December 2022: 57%) of share capital as of the same date. Further, the Group is required to maintain certain financial ratios as required under a facility agreement entered with a local commercial bank and the Group is not in compliance with this as of 30 September 2023, which is an event of default as per the facility agreement (31 December 2022: same). 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.

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 SEPTEMBER 2023

2 BASIS OF PREPARATION (continued)

2.1 Going concern basis of accounting (continued)

During the extraordinary general meeting held on 24 July 2022, the shareholders approved the recommendation to reduce the Company's share 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.

During the year ended 31 December 2022, the Company received waiver from a commercial bank with respect of the breach of covenant. The facility agreement with other commercial bank with the financing facility of SR 76 million was renewed in May 2023, irrespective of the breach of the covenant. Further, during the period, the Company successfully obtained SR 250 million long term loan from a local commercial bank for the acquisition of a subsidiary as explained in the note 1 and effective 1 October 2023, the formalities with respect of the acquisition was completed. In addition to that, Al-Dabbagh Group, which owns 70% of the Company's share, has provided interest free funds to the Group amounting to SR 82.2 million (31 December 2022: SR 46 million) 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.

On 2 August 2023, corresponding to 15 Muharram 1445H, the Board of directors of the Company recommended to increase the Company's share capital by way of converting debt that owed to Al-Dabbagh Group amounting to SR 80.2 million along with the deferred consideration of SR 294.2 million on the acquisition of First Fix (refer note 1) after obtaining the regulatory approval and approval of the Company's extraordinary general assembly.

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 other factors mentioned above 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.

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
- iii. Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

RED SEA INTERNATIONAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT 30 SEPTEMBER 2023

5 REVENUES

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</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>				
Revenue from sale of buildings	83,600	42,990	229,400	137,918
Sale of paint's and paint related products and services	32	2,335	3,235	9,692
	83,632	45,325	232,635	147,610
<i>Other revenue:</i>				
Rental revenue from investment properties	38,252	44,084	114,581	121,597
	121,884	89,409	347,216	269,207

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

6 SHARE CAPITAL

The share capital of the Company as at 30 September 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 to 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 2022 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 settle 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 30 September 2023 with respect of the assessments raised is appropriate and no additional provision is required.

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7 ZAKAT AND INCOME TAX (continued)

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.

8 LOSS 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.

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	2023	2022	2023	2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to the shareholders of the Parent Company (SR '000)	(14,960)	(56,010)	(52,667)	(122,543)
Adjusted number of outstanding shares during the period (share '000)	30,234	30,234	30,234	30,234
Basic and diluted loss per share attributable to the shareholders of the Parent Company (SR)	(0.49)	(1.85)	(1.74)	(4.05)

9 CONTINGENT LIABILITIES

At the reporting date, the Group had outstanding bank guarantees and letter of credit amounting to approximately SR 29.8 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 37 million (31 December 2022: SR 44.1 million).

11 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 September 2023 SR'000 (Unaudited)</i>	<i>31 December 2022 SR'000 (Audited)</i>
Short term facilities (note 11.1)	27,460	38,548
Short term facilities (note 11.2)	65,011	83,862
Term loan (note 11.3)	250,000	-
	342,471	122,410
Less: unamortized transaction cost	(2,500)	-
	339,971	122,410

Term loan presented in the interim condensed statement of financial position as follows:

	<i>30 September 2023 SR'000 (Unaudited)</i>	<i>31 December 2022 SR'000 (Audited)</i>
Long term borrowings	247,500	-
Sort term borrowings	92,471	122,410
	339,971	122,410

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11 INTEREST BEARING LOANS AND BORROWINGS (continued)

- 11.1 Short-term borrowings represent bank loans obtained from a commercial bank and bear financial charges at prevailing market rates which are based on Saudi inter-bank offer rates. These borrowings are denominated in Saudi Riyal. The short-term borrowings are secured by promissory notes and assignment of contract proceeds. The facility agreements contain covenants requiring maintenance of certain financial ratios and other matters by the Group. In 2022, the Company obtained waiver from the commercial bank with respect of requirement of financial ratios.
- 11.2 The Company obtained various short term facilities from a local commercial bank in the past. These short term facilities contain covenants requiring maintenance of certain financial ratios and other matters by the Group. However, the Company was not in compliance with the covenant relates to these facilities which is an event of default as per the borrowing agreements as of 31 December 2022. In May 2023, irrespective of the breach of the above-mentioned covenants, the short-term facilities were rescheduled to medium term loan of SR 76 million by the bank, which is repayable in 16 equal quarterly installments of SR 4.75 million each with the last instalment due in March 2027. The facility is secured by assignment of contract proceeds and order note signed by the Company. The facility agreement requires the Company to maintain certain financial ratios which is not in compliance by the Company. Accordingly, the entire outstanding loan balance amounting to SR 66.5 million has been classified under current liabilities in the interim condensed consolidated financial statements.
- 11.3 During the period, the Company entered into a facility agreement of SR 330 million of which SR 300 million is for the acquisition of a new subsidiary ("First Fix", refer note 1) and SR 30 million for other treasury products. As of 30 September 2023, the Company has withdrawn SR 250 million to settle the cash consideration on the acquisition and paid to the existing partners of First Fix subsequent to 30 September 2023. The facility is fully repayable in 7 years (i.e. September 2030). These loan bear finance costs based on prevailing market rates which are based on Saudi inter-bank offered rates (SAIBOR) plus fixed margin of 2.5% and due in semi-annual basis. The borrowing is secured by pledge of the Company's shares in First Fix, promissory note issued by the Company, assignment of contract proceed and pledge of shares of a sister company by a related party.

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 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>2023</i>	<i>2022</i>
		<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Al Dabbagh Group Holding Company Limited	Expenses paid by the ultimate Parent Company on behalf of the Group	75	-
	Interest free funds received	36,208	-
Other related parties	Material received from associate	425	-
	Payment to associate	740	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>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term benefits	6,151	6,882
Employees' end-of-service benefits	287	297
	6,438	7,179

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12 RELATED PARTY TRANSACTIONS' AND BALANCES (continued)

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 2023 includes an amount of SR 4.8 million (31 December 2022: SR 4.4 million) due from affiliate companies. Amounts due to related parties at 30 September 2023 amounting to SR 6.1 million (31 December 2022: SR 6.99 million) have been included in the trade 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.

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 2023 and 2022, respectively:

Business segments

	<i>For the three-month period ended 30 September 2023</i>				<i>For the three-month period ended 30 September 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	83,600	38,252	32	121,884	42,990	44,084	3,525	90,599
Intersegment revenue elimination	-	-	-	-	-	-	(1,190)	(1,190)
Revenue from external customers	83,600	38,252	32	121,884	42,990	44,084	2,335	89,409
<i>Timing of revenue recognition:</i>								
At a point in time	15,461	-	32	15,493	21,243	-	2,335	23,578
Over time	68,139	38,252	-	106,391	21,747	44,084	-	65,831
	83,600	38,252	32	121,884	42,990	44,084	2,335	89,409
Segment (loss) profit	(22,696)	10,450	(3,359)	(15,605)	(68,910)	14,880	(2,414)	(56,444)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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13 SEGMENTAL INFORMATION (continued)

	<i>For the nine-month period ended 30 September 2023</i>				<i>For the nine-month period ended 30 September 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	229,400	114,581	3,483	347,464	137,918	121,597	10,882	270,397
Intersegment revenue elimination	-	-	(248)	(248)	-	-	(1,190)	(1,190)
Revenue from external customers	229,400	114,581	3,235	347,216	137,918	121,597	9,692	269,207
<i>Timing of revenue recognition:</i>								
At a point in time	77,533	-	3,235	80,768	59,958	-	9,692	69,650
Over time	151,867	114,581	-	266,448	77,960	121,597	-	199,557
	229,400	114,581	3,235	347,216	137,918	121,597	9,692	269,207
Segment (loss) profit	(78,101)	34,173	(10,821)	(54,749)	(155,533)	38,173	(6,425)	(123,785)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2023 and 31 December 2022, respectively:

	<i>At 30 September 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	558,893	332,885	6,932	898,710	373,819	391,722	13,203	778,744
Total liabilities	633,273	186,954	39,558	859,785	420,559	226,031	38,480	685,070

During the nine-month period ended 30 September 2023, approximately 89.7% of the total revenues from non-concrete residential and commercial buildings segment were derived from 6 customers (30 September 2022: approximately 71 % from 5 customers). During the nine-month period ended 30 September 2023, approximately 95.9% of the total revenues from rental segment were derived from 6 customers (30 September 2022: approximately 86.8% from 8 customers).

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13 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 and nine-month periods ended 30 September 2023 and 2022.

<i>For the three-month period ended 30 September 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	116,099	79,674	228	59	96	196,156
Intersegment revenue elimination	(74,272)	-	-	-	-	(74,272)
Revenue from external customers	41,827	79,674	228	59	96	121,884
Segmental (loss) profit for the period	(26,782)	13,443	(1,750)	(439)	(77)	(15,605)
<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
Segmental loss for the period	(46,496)	(6,930)	(2,263)	(689)	(66)	(56,444)
<i>For the nine-month period ended 30 September 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	301,231	184,204	286	426	287	486,434
Intersegment revenue elimination	(139,218)	-	-	-	-	(139,218)
Revenue from external customers	162,013	184,204	286	426	287	347,216
Segmental (loss) profit for the period	(67,973)	20,326	(5,329)	(1,556)	(217)	(54,749)
<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
Segmental loss for the period	(93,963)	(20,025)	(6,035)	(3,183)	(579)	(123,785)

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13 SEGMENTAL INFORMATION (continued)

The following table presents assets and liabilities information for the Group's geographical segments as at 30 September 2023 and 31 December 2022, respectively:

	<i>At 30 September 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	762,292	89,781	24,550	19,148	2,939	898,710
Total liabilities	742,310	104,564	7,608	4,516	787	859,785
	<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

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 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, apart for the completion of the acquisition of First Fix as disclosed in note 2, there have been no further significant subsequent events since the period ended 30 September 2023 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.