

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

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

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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 2021, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three 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



5 Shawwal 1442H
17 May 2021

Alkhobar

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
 FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

	Note	For the three-month period ended 31 March	
		2021 SR'000 (Unaudited)	2020 SR'000 (Unaudited) (Note 1.1)
Revenues	5	108,359	155,465
Cost of revenues		(117,176)	(149,329)
GROSS (LOSS)/PROFIT		(8,817)	6,136
EXPENSES			
Selling and distribution		(5,379)	(8,555)
General and administration		(14,445)	(18,028)
OPERATING LOSS		(28,641)	(20,447)
Share in result from investment in associates		(573)	(643)
Other income/(expenses), net		2	(169)
Finance costs		(2,274)	(3,629)
Finance income		4	165
LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		(31,482)	(24,723)
Zakat	8	(1,500)	(1,375)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(32,982)	(26,098)
DISCONTINUED OPERATIONS			
Income after tax for the period from discontinued operations		-	180
LOSS FOR THE PERIOD		(32,982)	(25,918)
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		(32,657)	(25,132)
Non-controlling interests		(325)	(786)
		(32,982)	(25,918)
LOSS PER SHARE:			
Basic and diluted losses per share attributable to the shareholders of the parent company	9	(0.54)	(0.42)
LOSS PER SHARE ATTRIBUTABLE TO CONTINUED OPERATIONS:			
Basic and diluted losses per share attributable to the shareholders of the parent company	9	(0.54)	(0.42)

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-MONTH PERIOD ENDED 31 MARCH 2021

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>2020</i> <i>SR'000</i> <i>(Unaudited)</i>
Loss for the period	(32,982)	(25,918)
Other comprehensive income/(loss)		
<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	269	(1,764)
Other comprehensive income/(loss), net of zakat and tax	269	(1,764)
TOTAL COMPREHENSIVE LOSS	(32,713)	(27,682)
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(32,388)	(26,896)
Non-controlling interests	(325)	(786)
	(32,713)	(27,682)

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 31 MARCH 2021

		31 March 2021 SR'000 (Unaudited)	31 December 2020 SR'000 (Audited)
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		88,240	90,980
Investment properties		345,322	356,267
Intangible assets		4,009	4,230
Right-of-use assets		55,269	58,009
Trade receivables	6	31,495	31,495
Investment in associates		9,573	10,146
TOTAL NON-CURRENT ASSETS		533,908	551,127
CURRENT ASSETS			
Inventories		107,361	123,117
Contract assets		61,287	43,764
Trade receivables		137,698	184,488
Advances to suppliers		40,173	48,098
Prepayments and other receivables		64,874	58,905
Cash and cash equivalents		13,479	31,594
TOTAL CURRENT ASSETS		424,872	489,966
TOTAL ASSETS		958,780	1,041,093
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	600,000	600,000
Accumulated losses		(178,874)	(146,217)
Foreign currency translation reserve		(11,818)	(12,087)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		409,308	441,696
NON-CONTROLLING INTERESTS		(21,195)	(20,870)
TOTAL EQUITY		388,113	420,826
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings		4,680	36,608
Employees' defined benefit liabilities		33,574	32,997
Other non-current liabilities		25,225	25,075
Non-current portion of lease liabilities		40,477	43,509
TOTAL NON-CURRENT LIABILITIES		103,956	138,189
CURRENT LIABILITIES			
Trade payables		130,475	138,160
Accruals and other current liabilities		147,651	178,694
Short-term interest bearing loans and borrowings		86,773	79,273
Current portion of interest bearing loans and borrowings		32,893	26,365
Current portion of lease liabilities		12,212	13,014
Advances from customers		31,262	22,603
Zakat and income tax payable	8	25,445	23,969
TOTAL CURRENT LIABILITIES		466,711	482,078
TOTAL LIABILITIES		570,667	620,267
TOTAL EQUITY AND LIABILITIES		958,780	1,041,093

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 THREE-MONTH PERIOD ENDED 31 MARCH 2021

	Attributed to shareholders of the parent Company					Non-controlling interests	Total equity
	Share capital	Statutory reserve	Accumulated losses	Foreign currency translation reserve	Total		
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
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 (Audited - restated (note 16))	600,000	129,260	(115,741)	(10,511)	603,008	(17,266)	585,742
Loss for the period	-	-	(25,132)	-	(25,132)	(786)	(25,918)
Other comprehensive loss	-	-	-	(1,764)	(1,764)	-	(1,764)
Total comprehensive loss	-	-	(25,132)	(1,764)	(26,896)	(786)	(27,682)
Disposal of a subsidiary (note 1)	-	-	-	275	275	-	275
Balance at 31 March 2020 - (Unaudited- restated (note 16))	600,000	129,260	(140,873)	(12,000)	576,387	(18,052)	558,335
Balance at 1 January 2021 - (audited)	600,000	-	(146,217)	(12,087)	441,696	(20,870)	420,826
Loss for the period	-	-	(32,657)	-	(32,657)	(325)	(32,982)
Other comprehensive income	-	-	-	269	269	-	269
Total comprehensive loss	-	-	(32,657)	269	(32,388)	(325)	(32,713)
Balance at 31 March 2021 - (Unaudited)	600,000	-	(178,874)	(11,818)	409,308	(21,195)	388,113

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 THREE-MONTH PERIOD ENDED 31 MARCH 2021

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Loss before zakat and income tax from continuing operations	(31,482)	(24,723)
Profit before zakat and income tax from discontinued operations	-	180
	(31,482)	(24,543)
Adjustments to reconcile losses before zakat and income tax to net cash flows:		
Depreciation of property, plant and equipment	2,909	4,276
Depreciation of investment properties	13,371	13,428
Amortization of intangible assets	228	664
Depreciation of right-of-use assets	2,644	2,450
Movement in employees' defined benefit liabilities, net	577	361
Financial costs	2,274	3,629
Share in results of investment in associates	573	643
Losses on disposal of property, plant and equipment	-	5
Gain on disposal of a subsidiary	-	(180)
	(8,906)	733
Working capital adjustments:		
Inventories	15,732	(24,807)
Contract assets	(17,523)	1,004
Trade receivables	46,790	(46,751)
Advances to suppliers	7,925	(9,942)
Prepayment and other receivables	(5,969)	2,576
Trade payables	(7,685)	3,097
Accruals and other current liabilities	(31,043)	33,324
Other non-current liabilities	150	171
Advances from customers	8,659	32,100
Cash from / (used in) operations	8,130	(8,495)
Finance cost paid	(1,580)	(2,875)
Zakat and income tax paid	(24)	-
Net cash flows from / (used in) operating activities	6,526	(11,370)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(2,571)	(9,232)
Purchase of intangible assets	(7)	(355)
Proceeds from disposal of property, plant and equipment	-	9
Net cash used in investing activities	(2,578)	(9,578)
FINANCING ACTIVITIES		
Proceeds from the interest bearing loans and borrowings	11,773	75,000
Repayment of interest bearing loans and borrowings	(29,673)	(82,951)
Payments for lease liabilities	(4,432)	(3,588)
Net cash used in financing activities	(22,332)	(11,539)
DECREASE IN CASH AND CASH EQUIVALENTS	(18,384)	(32,487)
Cash and cash equivalents at the beginning of the period	31,594	107,079
Movement in foreign currency translation reserve, net	269	(720)
Cash and cash equivalents disposed off related to a subsidiary	-	(9,954)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13,479	63,918

(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 THREE-MONTH PERIOD ENDED 31 MARCH 2021

SIGNIFICANT NON-CASH TRANSACTIONS:

Net assets disposed off related to a subsidiary

Investment in an associate

Consideration receivable

Assets transferred to joint operations

*For the three-month period
ended 31 March*

<i>2021</i>	<i>2020</i>
<i>SR'000</i>	<i>SR'000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>
-	18,570
-	(3,750)
-	(15,000)
-	7,040

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 31 MARCH 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 Jeddah, Kingdom of Saudi Arabia under commercial registration No 4030286984, pursuant to Ministerial Resolution No. 2532 dated 2 Ramadan 1427H (September 25, 2006). The registered address of the Company is Jeddah, Al Rawdah district, Prince Mohammed Bin Abdulaziz street, 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	1010566349	Riyadh
Red Sea Housing Services Company	4030263716	Jeddah

The Group is controlled by Al-Dabbagh Group, (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>31 March 2021</i>	<i>31 December 2020</i>
Red Sea Housing Services (Ghana) Limited ("RSG")	Ghana	100%	100%
SARL Red Sea Housing Services Algeria Limited ("RSA")	Algeria	98%	98%
Red Sea Housing Services Company Dubai FZE ("RSD")	UAE	100%	100%
Red Sea Building Materials and Equipments Trading Company ("RSBM")	Saudi Arabia	100%	100%
Premier Paints Company ("PPC")	Saudi Arabia	81%	81%
Red Sea Housing Services (Mozambique), LDA ("RSM")	Mozambique	100%	100%
Red Sea Housing Services LLC ("RSO")	Oman	100%	100%
Red Sea Housing Malaysia Services Sdn. Bhd ("RSHSM")	Malaysia	-	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%

Associates

Red Sea Housing Malaysia Sdn. Bhd. ("RSHM")	Malaysia	49%	49%
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Joint Operations

Red Sea Hanchi ("RSHC")	Algeria	49%	49%
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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.

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2021 were authorised for issuance in accordance with the Board of Directors resolution dated 9 May 2021 (corresponding to 27 Ramadan 1442 H).

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

AT 31 MARCH 2021

1 CORPORATE INFORMATION (continued)

1.1 Sales of shares in subsidiaries and discontinued operations

(a) 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> <i>(Unaudited)</i>
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 three-month period ended 31 March</i>	
	<i>2021</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>2020</i> <i>SR'000</i> <i>(Unaudited)</i>
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 three-month period ended 31 March</i>	
	<i>2021</i> <i>SR</i> <i>(Unaudited)</i>	<i>2020</i> <i>SR</i> <i>(Unaudited)</i>
Profit for the period from discontinued operations attributable to the shareholders of the parent Company ("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	<u>-</u>	<u>-</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 31 MARCH 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 31 March 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 31 March 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 and scheduled repayments of short-term and long-term borrowings, due within next twelve months from the date of the condensed interim financial statements. The Group is in negotiations with the lending institutions for specific project based long-term financing to refinance initial expenses incurred by the Company for an amount of more than SR 50 million, which will reduce trade payables and accruals and improve the 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 judgments 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 31 MARCH 2021

5 REVENUES

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from the contract with customers</i>		
Contract revenue	54,202	91,584
Sale of paint and paint related products and services	7,162	8,783
	61,364	100,367
<i>Other revenue</i>		
Rental revenue from investment properties	46,995	55,098
	108,359	155,465

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 General Authority of Zakat and Tax ("the GAZT") up to 2010. The zakat declarations until years 2020 have been filed with the GAZT. However, the assessments have not yet been raised by the GAZT from 2011 through 2013 and for the years 2018 through 2020.

During 2020, the General Authority of Zakat and Income Tax ("GAZT") 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 GAZT assessment for the said period. However, the parent Company maintains sufficient provision in the books to account for any liability arising upon the ultimate resolution of these issued assessment.

During 2019, PPC received a revised additional zakat assessment from the GAZT for the years 1999 to 2014 amounting to SR 2.6 million. During the quarter, the GAZT 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.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
AT 31 MARCH 2021

8 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.

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 GAZT 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 GAZT 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 GAZT for years for which assessments have not yet been raised by the GAZT.

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 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to the shareholders of the parent Company	(32,657)	(25,132)
Weighted average number of outstanding shares during the period (share '000)	60,000	60,000
Basic and diluted loss per share attributable to the shareholders of the Parent Company (SR)	(0.54)	(0.42)

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 80.08 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 SR 1.9 million (31 December 2020: SR 1.5 million).

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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 Dabbagh Group Holding Company limited (a Saudi Closed Joint Stock 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 three-month period ended 31 March</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>			
Dabagh Group Holding Company limited	Expenses paid by the ultimate parent company on behalf of the Group	350	-
<i>Other related parties</i>	Rental charges	221	221
	Expenses paid on behalf of associate	5	1,105

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

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term benefits	2,034	2,200
Employees' end-of-service benefits	67	173
	2,101	2,373

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 2021 includes an amount of SR 21.43 million (31 December 2020: 22.64 million) due from affiliate companies. Amounts due to related parties at 31 March 2021 amounting to SR 2.36 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.

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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 31 March 2021 and 2020, respectively:

Business segments

	<i>For the three-month period ended 31 March 2021</i>				<i>For the three-month period ended 31 March 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>
	Unaudited (SR'000)				Unaudited (SR'000)			
<i>Revenue:</i>								
Total segment revenue	54,202	46,995	7,320	108,517	91,584	55,098	9,353	156,035
Intersegment revenue elimination	-	-	(158)	(158)	-	-	(570)	(570)
Revenue from external customers	54,202	46,995	7,162	108,359	91,584	55,098	8,783	155,465
<i>Timing of revenue recognition:</i>								
At a point in time	34,572	-	7,162	41,734	47,513	-	8,783	56,296
Over time	19,630	46,995	-	66,625	44,071	55,098	-	99,169
	54,202	46,995	7,162	108,359	91,584	55,098	8,783	155,465
Segment (loss)/profit	(30,565)	(714)	(1,703)	(32,982)	(23,117)	2,039	(5,020)	(26,098)

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

	<i>At 31 March 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>
	Unaudited (SR '000)				Audited (SR '000)			
Total assets	468,212	472,410	18,158	958,780	500,664	523,085	17,344	1,041,093
Total liabilities	356,207	181,341	33,119	570,667	412,515	175,189	32,563	620,267

During the three-month period ended 31 March 2021, approximately 74% of the total revenues from non-concrete residential and commercial buildings segment were derived from 8 customers (31 March 2020: approximately 78.4% from 6 customers). During the three-month period ended 31 March 2021, approximately 73.5% of the total revenues from rental segment were derived from 4 customers (31 March 2020: approximately 76.3% from 5 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 period ended 31 March 2021.

	<i>For the three-month period ended 31 March 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	75,678	30,698	3,096	1,370	374	111,216
Intersegment revenue elimination	(158)	(2,699)	-	-	-	(2,857)
Revenue from external customers	75,520	27,999	3,096	1,370	374	108,359
Segmental loss for the period	(19,530)	(9,968)	(3,061)	(309)	(114)	(32,982)

	<i>For the three-month period ended 31 March 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	98,597	52,153	4,273	1,782	2,577	159,382
Intersegment revenue elimination	(570)	(3,347)	-	-	-	(3,917)
Revenue from external customers	98,027	48,806	4,273	1,782	2,577	155,465
Segmental loss for the period	(14,377)	(5,487)	(5,522)	(507)	(205)	(26,098)

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

	<i>At 31 March 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 assets	678,478	168,885	79,788	25,918	5,711	958,780
Total liabilities	434,937	118,412	13,567	3,063	688	570,667

	<i>At 31 December 2020</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	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, other non-current assets, 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 31 March 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.