

RED SEA INTERNATIONAL COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
30 September 2020

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Red Sea International Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2020, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and nine month periods ended 30 September 2020, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Marwan Al-Afaliq
Certified Public Accountant
License No. 422



25 Rabi Al-Awwal 1442H
11 November 2020

Alkhobar

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020

	Note	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		2020	2019	2020	2019
		SR'000	SR'000	SR'000	SR'000
		(Unaudited)	(Unaudited) (Note 1.1)	(Unaudited)	(Unaudited) (Note 1.1)
Revenues	5	114,000	141,149	398,272	383,725
Cost of revenues		(137,323)	(138,424)	(415,061)	(373,996)
GROSS (LOSS)/PROFIT		(23,323)	2,725	(16,789)	9,729
EXPENSES					
Selling and distribution		(7,495)	(7,717)	(24,196)	(22,958)
General and administration		(10,695)	(16,405)	(46,288)	(45,219)
OPERATING LOSS		(41,513)	(21,397)	(87,273)	(58,448)
Share in result from investment in associates		(1,061)	-	(1,696)	-
Other expenses, net		333	20	742	42
Finance costs		(2,831)	(3,293)	(9,446)	(8,981)
Finance income		41	493	265	1,286
LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		(45,031)	(24,177)	(97,408)	(66,101)
Income tax	8	-	(41)	-	259
Zakat	8	(1,376)	(1,000)	(4,132)	(4,000)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(46,407)	(25,218)	(101,540)	(69,842)
DISCONTINUED OPERATIONS					
(Loss)/income after tax for the period from discontinued operations		-	(3,518)	180	(6,349)
LOSS FOR THE PERIOD		(46,407)	(28,736)	(101,360)	(76,191)
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		(44,825)	(27,888)	(97,271)	(73,381)
Non-controlling interests		(1,582)	(848)	(4,089)	(2,810)
		(46,407)	(28,736)	(101,360)	(76,191)
LOSS PER SHARE:					
Basic and diluted losses per share attributable to the shareholders of the parent company	9	(0.75)	(0.46)	(1.62)	(1.22)
LOSS PER SHARE ATTRIBUTABLE TO CONTINUED OPERATIONS:					
Basic and diluted losses per share attributable to the shareholders of the parent company	9	(0.75)	(0.41)	(1.63)	(1.13)

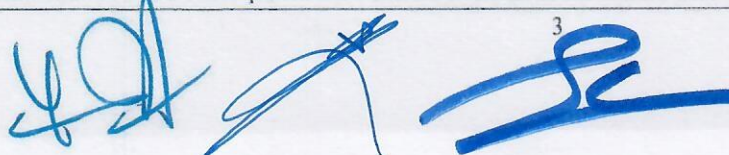
The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</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	(46,407)	(28,736)	(101,360)	(76,191)
Other comprehensive (loss)/income				
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods net of zakat and tax:</i>				
Exchange differences on translation of foreign operations	(137)	(542)	(2,065)	738
Other comprehensive (loss)/income, net of zakat and tax	(137)	(542)	(2,065)	738
TOTAL COMPREHENSIVE LOSS	(46,544)	(29,278)	(103,425)	(75,453)
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	(44,962)	(28,430)	(99,336)	(72,643)
Non-controlling interests	(1,582)	(848)	(4,089)	(2,810)
	(46,544)	(29,278)	(103,425)	(75,453)

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		30 September 2020 SR'000 (Unaudited)	31 December 2019 SR'000 (Audited)
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		119,740	136,007
Investment properties		369,877	377,561
Intangible assets		13,326	14,508
Right-of-use assets		59,724	68,534
Trade receivables	6	47,729	48,893
Investment in associates		14,687	12,863
TOTAL NON-CURRENT ASSETS		625,083	658,366
CURRENT ASSETS			
Inventories		107,567	91,625
Contract assets		78,454	44,294
Trade receivables		132,036	218,687
Advances to suppliers		28,641	24,176
Prepayments and other receivables		40,562	39,426
Cash and cash equivalents		65,392	107,079
TOTAL CURRENT ASSETS		452,652	525,287
TOTAL ASSETS		1,077,735	1,183,653
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	600,000	600,000
Statutory reserve		129,260	129,260
Accumulated losses		(185,257)	(87,986)
Foreign currency translation reserve		(12,301)	(10,511)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		531,702	630,763
NON-CONTROLLING INTERESTS		(14,845)	(10,756)
TOTAL EQUITY		516,857	620,007
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings		22,500	43,939
Employees' defined benefit liabilities		33,239	34,495
Other non-current liabilities		17,818	17,318
Non-current portion of lease liabilities		52,110	52,045
TOTAL NON-CURRENT LIABILITIES		125,667	147,797
CURRENT LIABILITIES			
Trade payables		104,492	75,676
Accruals and other current liabilities		123,380	112,089
Short-term interest bearing loans and borrowings		104,272	120,922
Current portion of interest bearing loans and borrowings		33,932	42,691
Current portion of lease liabilities		4,048	9,181
Advances from customers		41,163	32,314
Zakat and income tax payable	8	23,924	22,976
TOTAL CURRENT LIABILITIES		435,211	415,849
TOTAL LIABILITIES		560,878	563,646
TOTAL EQUITY AND LIABILITIES		1,077,735	1,183,653

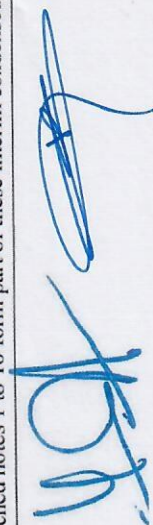
The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

	Attributed to shareholders of the parent Company					Total equity SR '000
	Share capital SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Foreign currency translation reserve SR '000	Non- controlling interests SR '000	
Balance at 1 January 2019 - (audited)	600,000	129,260	(12,129)	(5,849)	(13,458)	697,824
Loss for the period	-	-	(73,381)	-	(2,810)	(76,191)
Other comprehensive income	-	-	-	738	-	738
Total comprehensive loss/income	-	-	(73,381)	738	(2,810)	(75,453)
Balance at 30 September 2019 - (Unaudited)	600,000	129,260	(85,510)	(5,111)	(16,268)	622,371
Balance at 1 January 2020 - (audited)	600,000	129,260	(87,986)	(10,511)	(10,756)	620,007
Loss for the period	-	-	(97,271)	-	(4,089)	(101,360)
Other comprehensive loss	-	-	-	(2,065)	-	(2,065)
Total comprehensive loss	-	-	(97,271)	(2,065)	(4,089)	(103,425)
Disposal of a subsidiary (note 1)	-	-	-	275	-	275
Balance at 30 September 2020 - (Unaudited)	600,000	129,260	(185,257)	(12,301)	(14,845)	516,857

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.




RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

	<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</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	(97,408)	(66,101)
Profit/(loss) before zakat and income tax from discontinued operations	180	(5,780)
	(97,228)	(71,881)
Adjustments to reconcile losses before zakat and income tax to net cash flows:		
Depreciation of property, plant and equipment	12,633	16,857
Depreciation of investment properties	39,474	44,361
Amortization of intangible assets	1,985	3,388
Depreciation of right-of-use assets	7,817	8,700
Movement in employees' defined benefit liabilities, net	(1,256)	(4,135)
Financial costs	9,446	10,776
Share in results of investment in associates	1,696	-
Losses on disposal of property, plant and equipment	168	67
Gain on disposal of subsidiary	(180)	-
	(25,445)	8,133
Working capital adjustments:		
Inventories	(21,125)	7,103
Contract assets	(34,160)	1,679
Trade receivables	86,651	72,285
Advances to suppliers	(4,465)	(3,640)
Prepayment and other receivables	20,080	9,555
Trade payables	34,264	(2,425)
Accruals and other current liabilities	10,401	(1,058)
Other non-current liabilities	500	493
Advances from customers	8,849	11,867
Cash from operations	75,550	103,992
Finance cost paid	(7,191)	(9,745)
Zakat and income tax paid	(6)	(8,972)
Net cash from operating activities	68,353	85,275
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(44,228)	(7,882)
Purchase of intangible assets	(828)	(1,048)
Proceeds from disposal of property, plant and equipment	42	167
Net cash used in investing activities	(45,014)	(8,763)
FINANCING ACTIVITIES		
Proceeds from the interest bearing loans and borrowings	96,348	85,633
Repayment of interest bearing loans and borrowings	(143,196)	(101,797)
Payments for lease liabilities	(7,401)	(11,203)
Net cash used in financing activities	(54,249)	(27,367)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(30,910)	49,145
Cash and cash equivalents at the beginning of the period	107,079	86,656
Movement in foreign currency translation reserve, net	(823)	828
Cash and cash equivalents disposed off related to a subsidiary	(9,954)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	65,392	136,629

(continued)

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

SIGNIFICANT NON-CASH TRANSACTIONS:

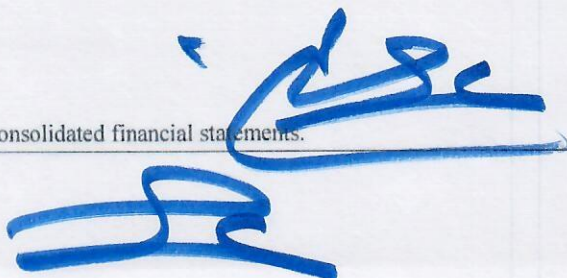

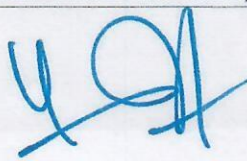
Net assets disposed off related to a subsidiary

Investment in an associate

Assets transferred to joint operations

<i>For the nine-month period ended 30 September</i>	
<i>2020</i>	<i>2019</i>
<i>SR'000</i>	<i>SR'000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>
18,570	-
(3,750)	-
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 30 SEPTEMBER 2020

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>30 September 2020</i>	<i>31 December 2019</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 Services Pty Ltd. ("RSHSP")	Australia	100%	100%
Red Sea Housing Malaysia Services Sdn. Bhd ("RSHSM")	Malaysia	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%

Associates

Red Sea Housing Malaysia Sdn. Bhd. ("RSHM") (note 1.1)	Malaysia	49%	49%
Red Sea Housing Company PNG Limited ("RSHP") (note 1.1)	Papua New Guinea	20%	100%

Joint Operations

Red Sea Hanchi ("RSHC")	Algeria	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, Abu Dhabi, Afghanistan and Equatorial Guinea 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 nine-month period ended 30 September 2020 were authorised for issuance in accordance with the Board of Directors resolution dated 11 November 2020 (corresponding to 25 Rabi Al-Awwal 1442 H).

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

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

AT 30 SEPTEMBER 2020

1 CORPORATE INFORMATION (continued)

1.1 Sales of shares in subsidiaries and discontinued operations

(a) Sale of share in RSHM

On 31 December 2019, the Group acquired 10% equity interest in Red Sea Housing Malaysia Sdn. Bhd. ("RSHM") from minority shareholder for SR 56 thousand. Subsequently, on the same date, the Group sold 51% equity interest in RSHM to a third party for a consideration of SR 13.38 million. As a result, the aggregate equity interest in RSHM reduced to 49% (2018: 90%) and the Group no longer exercises control over RSHM.

	SR'000
	(Audited)
Total sale consideration	13,388
Carrying value of equity interest disposed off net of bargain purchase	(13,662)
Loss on disposal	(274)

The carrying value of the net assets disposed off includes gain on bargain purchase amounting to SR 12.78 million resulting on account of the differential of carrying value and fair value of net assets retained in RSHM.

(b) Sale of shares in RSHP

On 1 January 2020, the Group disposed off its 80% of equity interest in Red Sea Housing Company PNG Limited ("RSHP") to a third party for a consideration of SR 15 million. As a result, the equity interest in RSHP reduced to 20% (2019: 100%) and the Group no longer exercises control over RSHP.

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

The equity interest retained in RSHM (49%) and RSHP (20%) have been classified as "investment in associates", effective from the date when group loses the control, and accounted for in accordance with IAS 28 ("Investment in associates"). The investment in associates were recorded at the provisional values of the identifiable assets and liabilities, at the transaction date. The management is in the process to perform purchase price allocation to allocate fair value to the net assets held in associates.

The Group have derecognised the assets and liabilities of RSHM and RSHP and de-consolidated from the interim condensed consolidated financial position of the Group at the date when control is lost.

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	-	12,030	-	28,458
Expenses	-	(15,548)	-	(34,807)
Loss for the period from discontinued operations	-	(3,518)	-	(6,349)
Gain on disposal of discontinued operations	-	-	180	-
(Loss)/profit from discontinued operations	-	(3,518)	180	(6,349)
<i>Attributable to:</i>				
Equity holders of the Parent Company	-	(3,125)	180	(5,300)
Non controlling interest	-	(393)	-	(1,049)
	-	(3,518)	180	(6,349)

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

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

AT 30 SEPTEMBER 2020

1 CORPORATE INFORMATION (continued)

1.1 Sales of shares in subsidiaries and discontinued operations (continued)

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	2020	2019	2020	2019
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period from discontinued operations attributable to the shareholders of the parent Company ("000")	-	(3,125)	180	(5,300)
Weighted average number of outstanding shares	60,000	60,000	60,000	60,000
Basic and diluted losses per share attributable to the shareholders of the parent company	<u>-</u>	<u>(0.05)</u>	<u>0.01</u>	<u>(0.09)</u>

The net cash flows incurred by the discontinued operation are as follows:

	<i>For the nine-month period ended 30 September</i>	
	2020	2019
	SR	SR
	(Unaudited)	(Unaudited)
Operating	-	(7,331)
Investing	-	(83)
Financing	-	6,387
	<u>-</u>	<u>(1,027)</u>

- 1.2** During the period ended 30 September 2020, the Group finalised joint arrangement in Algeria with a third party and formed a joint operations 'Red Sea Hanchi' ("RSHC"). The Joint arrangement is engaged in housing services, rental of properties and catering services. Management of the Group has used judgment in relation to the classification of RSHC and classified it as a joint operation. The joint operations are owned 49% by the Group but controlled jointly with the other owner. The Joint arrangement has been classified as a joint operation because the partners have equal number of board representatives and because relevant activities that significantly affect the return on the investment requires approval of representatives from both partners.

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 2019. In addition the results of the operations for the period ended 30 September 2020 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2020.

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.

RED SEA INTERNATIONAL COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

AT 30 SEPTEMBER 2020

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 2019, except for the amendments that have to be mandatorily applied from 1 January 2020. 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 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

5 REVENUES

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenue from the contract with customers</i>				
Contract revenue	70,911	77,495	230,475	194,142
Sale of paint and paint related products and services	4,260	10,547	15,873	29,193
	75,171	88,042	246,348	223,335
<i>Other revenue</i>				
Rental revenue from investment properties	38,829	53,107	151,924	160,390
	114,000	141,149	398,272	383,725

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 the 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 the 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. The decision on lawsuit is still pending at the reporting date.

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7 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (31 December 2019: 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 2019 have been filed with the GAZT. However, the assessments have not yet been raised by the GAZT from 2011 through 2019.

During 2018, the General Authority of Zakat and Income Tax ("GAZT") had issued additional assessments for the years 2007 to 2010 amounting to SR 10.8 million for the Company and its wholly owned subsidiaries. The Company filed an appeal against the GAZT assessments for the said period and, during the 2019, the Company settled the assessments for SR 2.3 million.

During 2019, PPC received a revised additional zakat assessment from the GAZT for the years 1999 to 2014 amounting to SR 2.6 million. The Company has filed an appeal against the assessment, which is pending with the relevant authority. The Company maintains sufficient provision in the books to account for any liability arising upon the ultimate resolution of these additional assessments.

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 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to the shareholders of the parent Company	(44,825)	(27,888)	(97,271)	(73,381)
Weighted average number of outstanding shares during the period (share '000)	60,000	60,000	60,000	60,000
Basic and diluted loss per share attributable to the shareholders of the Parent Company (SR)	(0.75)	(0.46)	(1.62)	(1.22)
Loss for the period from continued operations attributable to the shareholders of the parent Company	(44,825)	(24,763)	(97,451)	(68,081)
Weighted average number of outstanding shares during the period (share '000)	60,000	60,000	60,000	60,000
Basic and diluted loss per share attributable to the shareholders of the Parent Company	(0.75)	(0.41)	(1.63)	(1.13)

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10 CONTINGENT LIABILITIES

At the reporting date, the Group had outstanding bank guarantees and letter of credit amounting to approximately SR 90.42 million (31 December 2019: SR 94.7 million) issued in the normal course of business.

11 CAPITAL COMMITMENTS

At the reporting date, the capital commitments amounted to SR 993 thousand (31 December 2019: SR 4.8 million).

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:

Relationship and name of related party	Nature of transactions	For the nine-month period ended 30 September	
		2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)
Ultimate parent company			
Dabagh Group Holding Company limited	Payment by ultimate parent company	338	-
	Payment on behalf of the ultimate parent company	100	60
Other related parties			
	Expenses paid on behalf of associate	3,170	-
	Rental charges	663	663
	Payment against insurance premium	-	205
	Other income	938	-

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

	For the nine-month period ended 30 September	
	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)
Short term benefits	7,011	6,085
Employees' end-of-service benefits	254	231
	7,265	6,316

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.

Trade receivables includes an amount of SR 14.5 million (31 December 2019: SR 15.7 million) due from a related party. Prepayments and other receivables includes an amount of SR 9.9 million (31 December 2019: Nil) due from affiliate companies. Amounts due to a related party at 30 September 2020 amounting to SR 8.8 million (31 December 2019: SR 546 thousands) 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")

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13 SEGMENTAL INFORMATION (continued)

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 2020 and 2019, respectively:

Business segments

	<i>For the three-month period ended 30 September 2020</i>				<i>For the three-month period ended 30 September 2019</i>			
	<i>Non-concrete residential and commercial buildings (Note 1.1)</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non-concrete residential and commercial 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) (Note 1.1)</i>			
<i>Revenue:</i>								
Total segment revenue	70,911	38,829	4,841	114,581	77,495	53,107	11,030	141,632
Intersegment revenue elimination	-	-	(581)	(581)	-	-	(483)	(483)
Revenue from external customers	70,911	38,829	4,260	114,000	77,495	53,107	10,547	141,149
<i>Timing of revenue recognition:</i>								
At a point in time	63,886	-	4,260	68,146	65,309	-	10,547	75,856
Over time	7,025	38,829	-	45,854	12,186	53,107	-	65,293
	70,911	38,829	4,260	114,000	77,495	53,107	10,547	141,149
Segment (loss)/profit	(37,617)	454	(9,244)	(46,407)	(21,965)	1,493	(4,746)	(25,218)
	<i>For the nine-month period ended 30 September 2020</i>				<i>For the nine-month period ended 30 September 2019</i>			
	<i>Non-concrete residential and commercial buildings (Note 1.1)</i>	<i>Rentals from investment properties</i>	<i>Paints and related services</i>	<i>Total segments</i>	<i>Non-concrete residential and commercial 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) (Note 1.1)</i>			
<i>Revenue:</i>								
Total segment revenue	230,475	151,924	17,095	399,494	194,142	160,390	30,276	384,808
Intersegment revenue elimination	-	-	(1,222)	(1,222)	-	-	(1,083)	(1,083)
Revenue from external customers	230,475	151,924	15,873	398,272	194,142	160,390	29,193	383,725
<i>Timing of revenue recognition:</i>								
At a point in time	166,864	-	15,873	182,737	174,836	-	29,193	204,029
Over time	63,611	151,924	-	215,535	19,306	160,390	-	179,696
	230,475	151,924	15,873	398,272	194,142	160,390	29,193	383,725
Segment (loss)/profit	(80,577)	3,270	(24,233)	(101,540)	(59,620)	4,840	(15,062)	(69,842)

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13 SEGMENTAL INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2020 and 31 December 2019, respectively:

	<i>At 30 September 2020</i>				<i>At 31 December 2019</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	443,476	576,366	57,893	1,077,735	542,966	568,725	71,962	1,183,653
Total liabilities	384,814	142,617	33,447	560,878	398,303	137,467	27,876	563,646

During the nine-month period ended 30 September 2020, approximately 75% of the total revenues from non-concrete residential and commercial buildings segment were derived from 10 customers (30 September 2019: approximately 50% from 10 customers). During the nine-month period ended 30 September 2020, approximately 73% of the total revenues from rental segment were derived from 6 customers (30 September 2019: approximately 69% from 6 customers).

The Group's operations are conducted in Saudi Arabia, UAE, Ghana, Algeria and certain other locations. The following tables present revenue and (loss)/profit information for the Group's geographical segments for the three-month and nine-month period ended 30 September 2020 and 2019, respectively:

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

	<i>For the three-month period ended 30 September 2019</i>					
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000) (Note 1.1)</i>					
Total segment revenue	104,171	27,216	10,550	2,114	680	144,731
Intersegment revenue elimination	(483)	(3,099)	-	-	-	(3,582)
Revenue from external customers	103,688	24,117	10,550	2,114	680	141,149
Segmental loss for the period	(15,677)	(4,835)	(2,714)	(374)	(1,618)	(25,218)

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13 SEGMENTAL INFORMATION (continued)

<i>For the nine-month period ended 30 September 2020</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000)</i>					
Total segment revenue	282,135	95,291	19,683	4,388	2,776	404,273
Intersegment revenue elimination	(1,223)	(4,778)	-	-	-	(6,001)
Revenue from external customers	280,912	90,513	19,683	4,388	2,776	398,272
Segmental (loss)/ profit for the period	(59,791)	(29,930)	(11,769)	(1,884)	1,834	(101,540)
<i>For the nine-month period ended 30 September 2019</i>						
	<i>Saudi Arabia</i>	<i>UAE</i>	<i>Ghana</i>	<i>Algeria</i>	<i>Others</i>	<i>Total</i>
	<i>Unaudited (SR '000) (Note 1.1)</i>					
Total segment revenue	273,853	87,531	24,114	5,593	8,653	399,744
Intersegment revenue elimination	(1,083)	(14,919)	(17)	-	-	(16,019)
Revenue from external customers	272,770	72,612	24,097	5,593	8,653	383,725
Segmental loss for the period	(43,972)	(8,036)	(11,571)	(1,373)	(4,890)	(69,842)

The following table presents assets and liabilities information for the Group's geographical segments as at 30 September 2020 and 31 December 2019, respectively:

	At 30 September 2020						
	Saudi Arabia	UAE	Ghana	Algeria	Others	Total	
	Unaudited (SR '000)						
Total assets	760,191	187,750	90,455	26,371	12,968	1,077,735	
Total liabilities	442,464	100,208	14,882	2,672	652	560,878	
	At 31 December 2019						
	Saudi Arabia	UAE	Ghana	Papua New Guinea	Algeria	Others	Total
	Audited (SR '000)						
Total assets	822,527	190,029	97,243	40,314	28,100	5,440	1,183,653
Total liabilities	442,988	95,796	12,280	7,963	3,159	1,460	563,646

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.

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15 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 30 September 2020 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

16 COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform with the presentation in the current period.