

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three months ended 31 March 2021
Together with the review report

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
For the three months ended 31 March 2021

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كي بي إي جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial statements of Al Hassan Ghazi Ibrahim Shaker Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Khalil Ibrahim Al Sedais
License Number: 371

Riyadh, 3 May 2021
Corresponding to 21 Ramadan 1442H





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كي بي إي جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالياً (١٥.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إي جي الفزان وشركاه محاسبين وإيراجون قانونيون"، وهي عضو غير الربوي في الشبكة العالمية لشركات كي بي إي جي المسجلة والتابعة لشركة كي بي إي جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 March 2021
(In Thousands of Saudi Riyals, Unless otherwise stated)

	<i>Notes</i>	31 March 2021 <u>Unaudited</u>	31 December 2020 <u>Audited</u>
ASSETS			
Non- current assets			
Property and equipment		211,729	212,860
Right of use assets		9,574	11,337
Intangible assets and goodwill	4	12,631	12,784
Equity accounted investee	5	444,911	434,586
Trade and other receivables	7	11,284	11,284
Total non-current assets		<u>690,129</u>	<u>682,851</u>
Current assets			
Inventories	6	363,721	296,061
Trade and other receivables	7	395,708	354,700
Prepayments and advances		22,884	26,146
Cash and cash equivalents		82,689	79,906
Total current assets		<u>865,002</u>	<u>756,813</u>
Total assets		<u>1,555,131</u>	<u>1,439,664</u>
EQUITY			
Share capital	8	630,000	630,000
Statutory reserve	9	140,937	140,937
Accumulated losses		(131,890)	(138,930)
Equity attributable to owners of the Company		<u>639,047</u>	<u>632,007</u>
Non-controlling interests		18,737	20,519
Total equity		<u>657,784</u>	<u>652,526</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	100,814	109,936
Employee benefits	11	24,267	25,070
Total non-current liabilities		<u>125,081</u>	<u>135,006</u>
Current liabilities			
Loans and borrowings	10	299,128	278,228
Trade and other payables		441,207	342,705
Zakat and foreign income tax liabilities	19	20,006	19,370
Provisions		11,925	11,829
Total current liabilities		<u>772,266</u>	<u>652,132</u>
Total liabilities		<u>897,347</u>	<u>787,138</u>
Total equity and liabilities		<u>1,555,131</u>	<u>1,439,664</u>


Abdulelah Abdullah Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
CEO


Hossam Al Akkad
VP - Finance

The notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
For the three months ended 31 March 2021
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	31 March 2021 <u>Unaudited</u> SR	31 March 2020 <u>Unaudited</u> SR
Revenue	12	288,301	220,975
Cost of sales		(230,670)	(171,613)
Gross profit		57,631	49,362
Other income		552	1,279
Selling and distribution expenses		(21,731)	(22,338)
Administrative expenses		(24,629)	(24,135)
Impairment loss on trade and other receivables	7	(10,201)	(8,062)
Operating profit / (loss)		1,622	(3,894)
Finance costs		(3,534)	(6,836)
Share of profit of equity-accounted investee	5	10,325	8,985
Profit / (loss) before zakat and foreign income tax		8,413	(1,745)
Zakat and foreign income tax expense	19	(3,875)	(1,560)
Profit / (loss) for the period		4,538	(3,305)
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement of the defined benefit liability		720	(226)
Other comprehensive income / (loss) for the period		720	(226)
Total comprehensive income / (loss) for the period		5,258	(3,531)
Profit / (loss) attributable to:			
Owners of the Company		6,320	(1,490)
Non-controlling interests		(1,782)	(1,815)
		4,538	(3,305)
Total comprehensive income / (loss) attributable to:			
Owners of the Company		7,040	(1,716)
Non-controlling interests		(1,782)	(1,815)
		5,258	(3,531)
Earnings / (loss) per share:			
Basic and diluted earnings / (loss) per share (SR)	13	0.10	(0.02)



The notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three months ended 31 March 2021
(In Thousands of Saudi Riyals, Unless otherwise stated)

	<i>Attributable to the owners of the Company</i>					
	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Total shareholders' equity</i>	<i>Non- controlling Interest</i>	<i>Total</i>
Balance at 1 January 2021	630,000	140,937	(138,930)	632,007	20,519	652,526
<i>Total comprehensive income for the period</i>						
Profit/(loss) for the period	-	-	6,320	6,320	(1,782)	4,538
Other comprehensive income	-	-	720	720	-	720
Balance at 31 March 2021	630,000	140,937	(131,890)	639,047	18,737	657,784
Balance at 1 January 2020	630,000	140,937	(146,925)	624,012	19,933	643,945
<i>Total comprehensive loss for the period</i>						
Loss for the period	-	-	(1,490)	(1,490)	(1,815)	(3,305)
Other comprehensive loss	-	-	(226)	(226)	-	(226)
Balance at 31 March 2020	630,000	140,937	(148,641)	622,296	18,118	640,414





The notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three months ended 31 March 2021
(In Thousands of Saudi Riyals, Unless otherwise stated)

	<i>Note</i>	<u>31 March 2021 Unaudited SR</u>	<u>31 March 2020 Unaudited SR</u>
Cash flows from operating activities:			
Profit / (loss) for the period		4,538	(3,305)
Adjustments for:			
Depreciation		2,290	2,926
Depreciation on ROU		1,763	1,900
Amortisation		153	153
Impairment losses on inventories	6	4,369	2,035
Impairment losses on receivables	7	10,201	8,062
Share of profit of equity-accounted investees	5	(10,325)	(8,985)
Finance costs		3,534	6,836
End of service benefits expense		853	1,068
Zakat and foreign income tax		3,875	1,560
		<u>21,251</u>	<u>12,250</u>
Change in:			
Inventories		(72,029)	(5,557)
Trade and other receivables		(51,209)	(36,953)
Prepayments and advances		3,262	2,497
Trade and other payables		98,502	70,171
Provisions		96	39
Cash (used in) / generated from operating activities		(127)	42,447
Finance costs paid		(3,534)	(6,836)
Zakat paid		(3,239)	-
End of service benefits paid		(936)	(1,174)
Net cash (used in) / generated from operating activities		<u>(7,836)</u>	<u>34,437</u>
Cash flows from investing activities:			
Acquisition of property and equipment		(1,159)	(690)
Net cash used in investing activities		<u>(1,159)</u>	<u>(690)</u>
Cash flows from financing activities:			
Proceeds from loans and borrowings		274,156	230,217
Repayment of loans and borrowings		(262,112)	(267,688)
Payment of lease liabilities		(266)	(538)
Net cash generated from / (used) in financing activities		<u>11,778</u>	<u>(38,009)</u>
Net increase / (decrease) in cash and cash equivalents		<u>2,783</u>	<u>(4,262)</u>
Cash and cash equivalents at 1 January *		79,906	47,204
Cash and cash equivalents at 31 March*		<u>82,689</u>	<u>42,942</u>

* Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.



The notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the three months ended 31 March 2021

1. REPORTING ENTITY

- 1.1. Al Hassan Ghazi Ibrahim Shaker Company (the "Company" (or) the "Parent Company" (or) "HGISC") was registered as a limited liability Company in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 dated 26 Dhul Qadah 1418H (corresponding to 25 March 1998). The Company converted from a limited liability company to a closed joint stock company pursuant to the Ministerial Resolution No. 275 on 17 Shabaan 1429H (corresponding to 18 August 2008).
- 1.2. The Parent Company offered 10.5 million shares to the public, during the subscription period from 26 April 2010 (corresponding to 11 Jumada Awal 1431H) to 2 May 2010 (corresponding to 17 Jumada Awal 1431H). The Parent Company's shares started trading in the Stock Exchange on 17 May 2010 (corresponding to 3 Jumada Thani 1431H). Accordingly, after successful completion of the IPO (Initial Public Offering Process), the Parent Company was declared as a Saudi Joint Stock Company with a share capital of SR 350 million, divided into 35 million shares of SR 10 each. On 29 March 2015, a bonus of four shares for every five ordinary shares outstanding was issued and resultantly the share capital of the Company was increased from SR 350 million to SR 630 million.
- 1.3. The Group has branches which are operating under separate commercial registrations.
- 1.4. The Parent Company is engaged in the trading and wholesale of spare parts, electronic equipment, household equipment and air-conditioners, and maintenance of the items mentioned above and to provide agency services for those companies which are in the same business.
- 1.5. The Company's registered office is located at the following address:
- Shaker Group Building
Alsahafa District
King Fahad Road
Riyadh 11422
Kingdom of Saudi Arabia
- 1.6. These condensed consolidated interim financial statements include the financial position and performance of the Company and its branches as well as the following subsidiaries (collectively referred as the "Group").

Direct and indirect subsidiaries

<u>Name</u>	<u>Principal field of activity</u>	<u>Country of incorporation</u>	<u>Effective ownership interest at</u>	
			<u>31 March 2021</u>	<u>31 December 2020</u>
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited ("IHSC")	Import, export and marketing services	Saudi Arabia	100%	100%
ASDAA Gulf Trading Company ("ASDAA")	Wholesale of electronic devices	Saudi Arabia	100%	100%
Energy Management Services Emirates LLC ("EMS") (see below)	Energy solution providers	United Arab Emirates	74%	74%
New Vision for Electronics and Electrical Appliances Company ("NVEEAC")	Import, export and maintenance of electrical and home appliances	Jordan	60%	60%

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1. REPORTING ENTITY (CONTINUED)

Entities fully controlled through a subsidiary - EMS

<u>Name</u>	<u>Principal field of activity</u>	<u>Country of incorporation</u>	<u>Subsidiary ownership interest at</u>	
			<u>31 March 2021</u>	<u>31 December 2020</u>
<u>EMS</u>				
Energy Management Services International ("EMSI")	Energy solution providers	Jordan	100%	100%
Jernain EMS Company LLC ("JECL")	Energy solution providers	United Arab Emirates	100%	100%

- 1.7. These condensed consolidated interim financial statements were approved by the Board of Directors on 21 Ramadan 1442H (corresponding to 3 May 2021).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants - SOCPA ("IFRSs"). These interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method. Further, the condensed consolidated interim financial statements are prepared using the accrual basis of accounting and going concern concept.

The financial performance of the Group has improved during the recent periods due to an increase in the sales volumes and other austerity measures which has resulted in a profit and resultant decrease in the accumulated loss position. During the three month period ended 31 March 2021, the Group has reported a profit of SR 4.5 million (2020: loss of SR 3.3 million) and, as of that date, reported accumulated losses of SR 131.9 million (31 December 2020: SR 138.9 million). Since the impact of the outbreak, the COVID 19 pandemic continues to evolve and, despite the global roll out of vaccines including within the Kingdom, there still remains a difficulty in forecasting the full extent and duration of the economic impact of the pandemic. The Group continues to manage its trading activities, supply chain and collections of its receivables. Management continues to expect a gradual improvement in its business activities based on the local measures undertaken by the government. Further, the Group's ability to meet its obligations as they become due, depends on its ability to manage the current downturn in economic activities and in subsequent periods enhancement of its results and cash flows, continued improvements in its working capital and the renewal or refinancing of loan facilities.

In assessing the going concern assumptions, the Board has reviewed the base case plans for the future years along with the comparison of budget with the actual for the current period. In the normal course of business, the Group as and when fall due negotiates with the banks to renew and / or refinance its facilities. During the three month period ended 31 March 2021, the Group has successfully renewed its existing facilities which were due for renewal. Additionally, the Group has also secured new facilities. The Board continues to expect successful negotiations and continuity of facilities renewals in future as well when required. In consideration of cash flows forecasts, certain trading initiatives i.e. improving sales volume, improved gross margins, actual and continued working capital improvements coupled with cost cutting initiatives, the Group expects to meet its obligations as they become due in the normal course of operation. Based on the factors as discussed above, the Group has a reasonable expectation that it will be able to operate as a going concern for the foreseeable future. Accordingly, the condensed consolidated interim financial statements have been prepared under the going concern basis.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the three months ended 31 March 2021

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyal ("SR") which is the functional currency of the Parent Company, and all values are rounded to the nearest thousand except when otherwise indicated.

d) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 March 2021. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

d) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Significant accounting policies

STANDARDS ISSUED BUT NOT YET EFFECTIVE

- a) The below pronouncements are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The impact of these standards are not expected to be material to the Group.

Effective date	New standards or amendments
1 January 2021	<i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i>
1 January 2022	<i>Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)</i>
	<i>Annual Improvements to IFRS Standards 2018–2020</i>
	<i>Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)</i>
	<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>
1 January 2023	<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>
	<i>IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts</i>
Available for optional adoption/effective date deferred indefinitely	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements:

The preparation of condensed consolidated interim financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2020.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
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3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the condensed consolidated interim financial statements is included in the following notes:

- Note 1.6 - consolidation: whether the Group has de facto control over an investee.

Estimation uncertainty and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of inventories (note 6)

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of trade and other receivables (note 7)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Impairment of non-financial assets (notes 4 & 5)

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Warranty

Provisions for warranty is recorded based on an estimate and the actual cost and timing of future cash flows are dependent on future events. The difference between expectation and the actual future liability is accounted for in the period when such determination is made.

Customer rebates

Accounting for the amount and timing of recognition of customer rebates require the exercise of judgement. The rebate relates to the customers for achieving agreed purchase or sales targets within a set period. Where rebates span different accounting periods, the amount recognised in each period is estimated based on the probability that the customers will meet contractual target volumes based on historical and forecast performance.

Employee benefits (note 11)

The cost of end of service benefit plans and the present value of end of service benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

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3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (continued):

Leases

In determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

4 INTANGIBLE ASSETS AND GOODWILL

	31 March 2021 <u>Unaudited</u>	31 December 2020 <u>Audited</u>
- Intangible assets		
Energy Management Services Emirates LLC	1,549	1,652
New Vision for Electronics and Electrical Appliances Company	<u>1,228</u>	<u>1,278</u>
	2,777	2,930
- Goodwill (Notes 4.1)		
ASDAA Gulf Trading Company (ASDAA)	<u>9,854</u>	<u>9,854</u>
	<u><u>12,631</u></u>	<u><u>12,784</u></u>

- 4.1 Effective 12 November 2014, HGISC acquired effectively 100% shareholding in ASDAA for purchase consideration of SR 20 million, which was in excess of the fair value of the net assets acquired by SR 9.9 million and has been recorded as goodwill.

5 EQUITY ACCOUNTED INVESTEE

The details of the Group's associate is as follows:

<u>Name of Company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Effective interest at</u>	
			<u>31 March 2021 <u>Unaudited</u></u>	<u>31 December 2020 <u>(Audited)</u></u>
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	49%	49%

Investments in equity accounted investee is as follows:

	31 March 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
LG Shaker (Note 5.1)	<u>SR 444,911</u>	<u>SR 434,586</u>
	<u><u>444,911</u></u>	<u><u>434,586</u></u>

Reconciliations for the equity accounted investee is as follows:

At 1 January 2021	<u>LG Shaker</u>
Share of profit for the period	434,586
At 31 March 2021	<u><u>10,325</u></u>
	<u><u>444,911</u></u>
	<u>LG Shaker</u>
At 1 January 2020	457,128
Share of profit for the year	26,458
Dividend	<u>(49,000)</u>
At 31 December 2020	<u><u>434,586</u></u>

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5 EQUITY ACCOUNTED INVESTEES (CONTINUED)

- 5.1 The following table summarises the financial information of a material associate - LG Shaker as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the associate.

LG Shaker is a mixed limited liability company registered in KSA under the commercial registration number 1010226606 Dated 4 Dhul Hijjah 1427 H (25 December 2006). The main activity of the Company is to manufacture various types of air conditioners.

	<i>31 March 2021 Unaudited</i>	31 December 2020 Audited
Balance as at:		
Non-current assets	106,443	99,130
Current assets	297,107	249,908
Non-current liabilities	(7,874)	(7,800)
Current liabilities	(141,515)	(106,506)
Net assets (100%)	254,161	234,732
Group's share of net assets (49%)	132,927	122,602
Goodwill	311,984	311,984
Carrying amount of interest in associate	444,911	434,586
	<i>31 March 2021 Unaudited</i>	31 December 2020 Audited
Revenue	128,871	328,618
Total comprehensive income (100%)	19,430	50,652
Group share of total comprehensive income (49%)	10,325	26,458

The recoverable amount of this equity-accounted investee was based on fair value less costs of disposal, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	<u>2020</u>
Discount rate	13.5%
Terminal value growth rate	2.6%
Budgeted EBITDA growth rate (average of next five years)	20%

The management of the Group has assessed in detail the carrying value of LG Shaker as at 31 December 2020. Management has considered the current period actual against the assumptions used and also the underlying impact of the COVID-19 situation on the carrying value and do not consider any impairment as at 31 March 2021.

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6 INVENTORIES

	31 March 2021 <u>(Unaudited)</u>	31 December 2020 <u>Audited</u>
Finished goods	281,573	244,535
Spare parts	66,594	66,450
Goods in transit	61,837	26,990
	<u>410,004</u>	<u>337,975</u>
Impairment losses on inventories	(46,283)	(41,914)
	<u>363,721</u>	<u>296,061</u>

Reconciliation of the impairment losses on inventories is as follows:

	31 March 2021 <u>(Unaudited)</u>	31 December 2020 <u>Audited</u>
Balance at beginning of year	41,914	28,453
Charge for the year	4,369	13,529
Utilised during the year	-	(68)
Balance at end of year	<u>46,283</u>	<u>41,914</u>

- a) At 31 March 2021, the Group has outstanding bank guarantees of SR 40.83 million (31 December 2020: SR 37 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.
- b) At 31 March 2021, the Group has outstanding bank letter of credits of SR 24.39 million (31 December 2020: SR 41 million) issued against import of finished goods and other supplies.

7 TRADE AND OTHER RECEIVABLES

	31 March 2021 <u>(Unaudited)</u>	31 December 2020 <u>Audited</u>
Trade receivables	498,420	453,584
Less: Impairment loss on trade receivables	(108,952)	(98,751)
	<u>389,468</u>	<u>354,833</u>
Other receivables:		
Advertisement claims from suppliers	11,399	6,982
Custom duty deposit	5,956	5,956
Non trade receivables	6,125	4,169
Impairment losses on other receivables	(5,956)	(5,956)
	<u>406,992</u>	<u>365,984</u>
Current	395,708	354,700
Non-current	11,284	11,284
	<u>406,992</u>	<u>365,984</u>

Reconciliation of impairment losses on receivables is as follows:

	31 March 2021 <u>(Unaudited)</u>	31 December 2020 <u>Audited</u>
Balance at beginning of year	104,707	86,929
Charge for the year	10,201	17,778
Balance at end of year	<u>114,908</u>	<u>104,707</u>

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7 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group from time to time is involved in lawsuits for the recovery of certain of its trade receivable balances. The Group is currently involved in litigation against one of its customers in respect of a long outstanding receivable of SR 37 million. During January 2021, the Commercial Court made a ruling against the Group in relation to this claim. On 9 March 2021, an appeal has been filed by the Group which will be heard by the President of the Commercial Court. The management and legal counsel, based on the current circumstances, expect a favorable outcome on the above case and also in relation to all other significant pending litigations for balances included within net trade receivables. Where appropriate, management has assessed the status of all such lawsuits and recorded an appropriate level of provisioning as part of its ECL provision as at 31 March 2021.

8 SHARE CAPITAL

	31 March 2021 (Unaudited)	31 December 2020 Audited
Authorised share capital (shares of SR 10 each)	<u>630,000</u>	<u>630,000</u>
Issued and fully paid up capital (shares of SR 10 each)	<u>630,000</u>	<u>630,000</u>

At 31 March 2021, the authorized, issued and paid up share capital of the Company is SR 630 million consisting of 63 million shares of SR 10 each.

9 STATUTORY RESERVE

The Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to 2 May 2016) requires companies to set aside 10% of its net income in each year to a statutory reserve until such reserve reaches 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company. Due to the accumulated loss position as at 31 March 2021, no such transfer was required as at the current reporting date.

10 LOANS AND BORROWINGS

The Group has credit facility agreements with local and foreign commercial banks for long and short term borrowings in Saudi Riyal, US Dollar, United Arab Emirates Dirham and Jordanian Dinar. Such facilities were obtained principally under Murabaha / Tawarruq arrangements. The utilised portion of the long term facilities are repayable on equal monthly instalments ranging between four to six years. Certain facility agreements are secured against promissory notes and pledge of certain building of the Group. Corporate guarantees of the Group are provided wherever required for loans to subsidiaries. The facilities bear financial charges on prevailing market rates. The agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained.

	31 March 2021 (Unaudited)	31 December 2020 Audited
Current:		
Lease Liability	6,170	5,017
Bank loans	<u>292,958</u>	<u>273,211</u>
	<u>299,128</u>	<u>278,228</u>
Non-current:		
Lease Liability	4,261	5,680
Bank loans	<u>96,553</u>	<u>104,256</u>
	<u>100,814</u>	<u>109,936</u>

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10 LOANS AND BORROWINGS (CONTINUED)

The following bank loans are outstanding as at:

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>31 March 2021</u>		<u>31 December 2020</u>	
				<u>Face value</u>	<u>Carrying amount</u>	<u>Face value</u>	<u>Carrying amount</u>
Kingdom of Saudi Arabia	SAR	2.6%-4.16% per annum	2021 - 2024	362,935	337,605	362,935	314,696
	USD	2.7% -2.8% per annum	2021	50,302	48,106	50,302	50,302
United Arab Emirates	AED	1 month EIBOR + 4% per annum (min of 4.5%)	2021	22,373	-	22,373	5,148
Jordan	USD	LIBOR + 2.95% per annum	2021	93,750	3,800	93,750	7,321
					<u>389,511</u>		<u>377,467</u>
Reconciliation of bank loans are as follows:							
Balance as at 1 January					377,467		367,182
<i>Proceeds</i>							
Kingdom of Saudi Arabia					274,156		836,178
United Arab Emirates					-		-
Jordan					-		-
					274,156		836,178
<i>Repayments</i>							
Kingdom of Saudi Arabia					(258,591)		(802,400)
United Arab Emirates					-		(1,603)
Jordan					(3,521)		(21,890)
					<u>(262,112)</u>		<u>(825,893)</u>
Closing balance					389,511		377,467

11 EMPLOYEE BENEFITS

	<u>31 March 2021</u>	<u>31 December 2020</u>
	<u>(Unaudited)</u>	<u>Audited</u>
Net defined benefit liability	24,267	25,070
	<u>24,267</u>	<u>25,070</u>

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the local Labor Law.

- In Kingdom of Saudi Arabia (KSA), the plan entitles an employee who completed over two but less than five years of service, to receive a payment equal to one-third of the 50% of their last monthly salary for each completed year of service. Similarly, an employee who completed upto five years to receive a payment equal to 50% of their last monthly salary for each completed year of service and over five but less than ten years of service, to receive a payment equal to two-thirds of their last monthly salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their last monthly salary for each completed year of service.
- In United Arab Emirates (UAE), the plan entitles a employee who completed over one year but less than three years of service, to receive a payment equal to one-third of their last month salary for each completed year of service. Similarly, an employee who completed over three years but less than five years of service, to receive a payment equal to two-thirds of their last monthly salary for each completed year of service. Further, an employee who completed over five years of service, to receive a payment equal to their last monthly salary for each completed year of service.

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11 EMPLOYEE BENEFITS (CONTINUED)

Reconciliation in employees end of service benefits is as follow;

	31 March 2021 <u>Unaudited</u>	31 December 2020 <u>Audited</u>
Balance at beginning of year	25,070	24,121
<i>Included in Profit and Loss</i>		
Current service cost	591	2,535
Interest cost	262	889
	853	3,424
<i>Included in Other comprehensive income</i>		
Actuarial (gain) / loss	(720)	1,553
Benefits paid	(936)	(4,028)
Balance at end of year	24,267	25,070
Represented by:		
Defined benefit liability for plans in:		
- Kingdom of Saudi Arabia	20,759	21,489
- United Arab Emirates	3,508	3,581
	24,267	25,070

Actuarial assumptions

The following are the principal actuarial assumptions applied at 31 March 2021 and 31 December 2020:

	31 March 2021 <u>Unaudited</u>		31 December 2020 <u>Audited</u>	
	<u>KSA</u>	<u>UAE</u>	<u>KSA</u>	<u>UAE</u>
Discount rate	2.25% p.a.	1% p.a.	2.50 % p.a	1.5 % p.a.
Salary increase	1% p.a.	1% p.a.	1 % p.a	1.5 % p.a.
Average years of past service	7.70 years	12.80 years	7.80 years	12.80 years

Sensitivity analysis

Particulars	31 March 2021 <u>Unaudited</u>		31 December 2020 <u>Audited</u>	
	<u>PVDBO</u>	<u>% Change</u>	<u>PVDBO</u>	<u>% Change</u>
EOSB liability	24,267		25,070	
+1% Discount rate	(859)	-3.40%	(831)	-3.31%
-1% Discount rate	931	4.30%	903	3.60%
+1% Salary increase rate	920	4.25%	892	3.56%
1% Salary increase rate	(873)	-4.04%	(845)	-3.37%
1 Year mortality age set back	(195)	-0.90%	(172)	-0.69%
1 Year mortality age set forward	216	1.00%	193	0.77%

PVDBO: Present value of defined benefit obligations

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12 REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers for sale of products and services provided. Control of product is transferred at a point in time and directly sold to customers and when services are rendered.

<i>31 March 2021</i>	<i>HVAC solutions SR</i>	<i>Home appliances SR</i>	<i>All other segments SR</i>	<i>Total SR</i>
Saudi Arabia	138,942	127,723	-	266,665
Jordan	1,796	18,383	951	21,130
UAE	-	-	506	506
Total	140,738	146,106	1,457	288,301

<i>31 March 2020</i>	<i>HVAC solutions SR</i>	<i>Home appliances SR</i>	<i>All other segments SR</i>	<i>Total SR</i>
Saudi Arabia	122,555	81,280	-	203,835
Jordan	1,421	14,540	752	16,713
UAE	-	-	427	427
Total	123,976	95,820	1,179	220,975

13 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share amounts are calculated by dividing the profit for the three months attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	<i>31 March 2021 SR</i>	<i>31 March 2020 SR</i>
Earnings / (loss) attributable to ordinary shareholders	6,320	(1,490)
Weighted average number of ordinary shares outstanding during the year	63,000	63,000
Basic and diluted earnings / (loss) per share	0.10	(0.02)

14 OPERATING SEGMENTS

For management purposes, the Group is organized into three main business segments based on internal reporting provided to the chief operating decision maker:

Heating, ventilation and air-conditioning solutions (HVAC): Represents residential and commercial air conditioners including chillers and related services.

Home appliances: Represents televisions, washing machines, dryers, refrigerators, irons, gas cookers, and floor care.

All others segments represents energy solutions and mobiles.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on profit or loss and its measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on mutually agreed terms.

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14 OPERATING SEGMENTS (CONTINUED)

	<u>HVAC solutions</u> SR	<u>Home appliances</u> SR	<u>Total reportable segments</u> SR	<u>All other segments</u> SR	<u>Adjustments and eliminations</u> SR	<u>Total</u> SR
<i>As at 31 March 2021</i>						
<i>(Unaudited)</i>						
Assets and liabilities:						
Segment assets	1,482,621	596,008	2,078,629	45,324	(568,822)	1,555,131
Segment liabilities	(812,049)	(288,309)	(1,100,358)	(28,202)	231,213	(897,347)
<i>For the three months ended</i>						
<i>31 March 2021</i>						
<i>(Unaudited)</i>						
Segment revenues	140,738	146,106	286,844	1,457	-	288,301
Segments profit / (loss) before zakat and foreign income tax	6,301	10,184	16,485	(8,072)	-	8,413
	<u>HVAC solutions</u> SR	<u>Home appliances</u> SR	<u>Total reportable segments</u> SR	<u>All other segments</u> SR	<u>Adjustments and eliminations</u> SR	<u>Total</u> SR
<i>As at 31 December 2020</i>						
<i>(Audited)</i>						
Assets and liabilities:						
Segment assets	1,410,277	485,415	1,895,692	64,027	(520,055)	1,439,664
Segment liabilities	(747,317)	(188,044)	(935,361)	(38,832)	187,055	(787,138)
<i>For the three months ended 31</i>						
<i>March 2020</i>						
<i>(Unaudited)</i>						
Segment revenues	123,976	95,820	219,796	1,179	-	220,975
Segments (loss) / profit before zakat and foreign income tax	(5,598)	5,699	101	(1,846)	-	(1,745)

More than 91% (31 March 2020: 92%) of the Group's revenue and 92% (31 December 2020: 92%) of the Group's total assets are based in Kingdom of Saudi Arabia.

15 SEASONALITY OF OPERATIONS

The Group's HVAC solutions segments is subject to seasonal fluctuation as a result of weather conditions. In particular, the sale of air conditioners in key geographic areas are affected by winter weather conditions, which occur primarily during October to March. The group attempts to minimize the seasonal impact by managing inventories to meet demand during this period.

For the 12 months ended 31 March 2021, the HVAC solutions segment reported revenue of SR 553 million (for 12 months ended 31 March 2020: SR 572 million) and net profit of SR 3.4 million (net loss for 12 months ended 31 March 2020: SR 25.6 million).

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16 FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy for financial instruments measured at fair values. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		Fair Value			Total
	Non-current assets	Current assets	Level 1	Level 2	Level 3	
31 March 2021 (Unaudited)						
Financial assets not measured at fair value						
Trade and other receivables	11,284	384,309	-	-	-	-
Cash and cash equivalents	-	82,689	-	-	-	-
Total	11,284	466,998	-	-	-	-

	Carrying amount		Fair Value			Total
	Non-current assets	Current assets	Level 1	Level 2	Level 3	
31 December 2020 (Audited)						
Financial assets						
Trade and other receivables	11,284	347,718	-	-	-	-
Cash and cash equivalents	-	79,906	-	-	-	-
Total	11,284	427,624	-	-	-	-

	Carrying amount		Fair Value			Total
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 3	
31 March 2021 (Unaudited)						
Financial liabilities not measured at fair value						
Loans	96,553	292,958	-	-	-	-
Trade and other payables	-	441,207	-	-	-	-
Lease liabilities	4,261	6,170	-	-	-	-
Total	100,814	740,335	-	-	-	-

	Carrying amount		Fair Value			Total
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 3	
31 December 2020 (Audited)						
Financial liabilities						
Loans	104,256	273,211	-	-	-	-
Trade and other payables	-	342,705	-	-	-	-
Lease liabilities	5,680	5,017	-	-	-	-
Total	109,936	620,933	-	-	-	-

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17 RISK MANAGEMENT

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 March 2021:

31 March 2021 <i>(Unaudited)</i>	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1-90 days	203,881	2,712	1.3%
91-180 days	78,424	1,284	1.6%
181-270 days	29,537	1,004	3.4%
271-360 days	9,782	920	9.4%
More than 360 days	<u>176,796</u>	<u>103,032</u>	<u>58.28%</u>
	<u>498,420</u>	<u>108,952</u>	
31 December 2020 <i>(Audited)</i>	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1-90 days	145,798	2,490	1.5%
91-180 days	84,070	876	1.0%
181-270 days	13,649	468	3.4%
271-360 days	8,471	799	9.4%
More than 360 days	<u>201,596</u>	<u>94,118</u>	<u>49.6%</u>
	<u>453,584</u>	<u>98,751</u>	

18 RELATED PARTY TRANSACTIONS

Significant balances and transactions with related parties included in the condensed consolidated interim financial statements are as follows:

a) Due to related parties – under trade and other payables:

<u>Name</u>	<u>Relationship</u>	<u>Nature of Transactions</u>	<u>Amount of Transactions</u>		<u>Closing Balance</u>	
			<u>31 March 2021</u> <i>(Unaudited)</i>	<u>31 March 2020</u>	<u>31 March 2021</u> <i>(Unaudited)</i>	<u>31 December 2020</u> <i>(Audited)</i>
LG Shaker	Associate	Purchase of finished goods	125,794	80,436	194,622	153,119
LG Electronics (Levant)	Associate	Purchase of finished goods	8,882	16,930	11,504	12,022
Board of Directors	Key management	Remuneration and meeting attendance fee	450	490	450	-
					<u>206,576</u>	<u>165,141</u>

19. ZAKAT AND FOREIGN INCOME TAX LIABILITIES

During the year ended 31 December 2020 the General Authority of Zakat and Tax (GAZT) raised its assessments for the years 2014 to 2018. Management of the Group contested the aforesaid assessments (raised by GAZT) by filing its objection to the appellate authorities. During the three month period ended 31 March 2021, GAZT raised its final assessments for the years 2015 to 2018 amounting to SR 16 million out of which SR 3 million was paid during the period. Currently management is contesting the assessment for the year 2014 which is pending with the appellate authorities and believes that the current level of provisioning is sufficient.