AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended 31 March 2020
Together with the review report

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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 2020 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 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2020;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2020; 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 2020 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.

For KPMG Al Fozan & Partners
Certified Public Accountants

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C.R. 46
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Certified Public Accountants
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Khalil Ibrahim Al Sedais
License No: 371

Date: 26 Shawwal 1441H
Corresponding to: 18 June 2020

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 March 2020
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	***31 March 2020 (Unaudited) SR***	*31 December 2019 (Audited) SR*
ASSETS			
Non-current assets			
Property and equipment		**221,058**	223,294
Right of use assets		**17,187**	15,829
Intangible assets and goodwill	4	**13,243**	13,396
Equity accounted investees	5	**466,113**	457,128
Total non-current assets		**717,601**	709,647
Current assets			
Inventories	6	**279,862**	276,340
Trade and other receivables	7	**419,025**	390,134
Prepayments and advances		**24,901**	27,398
Cash and cash equivalents		**59,902**	63,752
Total current assets		**783,690**	757,624
Total assets		**1,501,291**	1,467,271
EQUITY			
Share capital	8	**630,000**	630,000
Statutory reserve	9	**140,937**	140,937
Accumulated losses		**(148,641)**	(146,925)
Equity attributable to owners of the Company		**622,296**	624,012
Non-controlling interest		**18,118**	19,933
Total equity		**640,414**	643,945
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	**121,909**	95,975
Employee benefits	11	**24,241**	24,121
Long term payables		**95,000**	95,000
Total non-current liabilities		**241,150**	215,096
Current liabilities			
Loans and borrowings	10	**242,394**	302,667
Trade and other payables		**348,273**	278,102
Zakat and foreign income tax liabilities		**17,251**	15,691
Provisions		**11,809**	11,770
Total current liabilities		**619,727**	608,230
Total liabilities		**860,877**	823,326
Total equity and liabilities		**1,501,291**	1,467,271

Abdulelah Abdullah Abunayyan
Chairman

Azzam Saud Almudaiheem
CEO

Hossam Al Akkad
VP - Finance

The notes 1 to 18 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 OCI (UNAUDITED)
For the three months ended 31 March 2020
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	***31 March 2020 SR***	*31 March 2019 SR*
Revenue	12	**220,975**	197,333
Cost of sales		**(171,613)**	(164,310)
Gross profit		**49,362**	33,023
Other income		**1,279**	507
Selling and distribution expenses		**(22,338)**	(27,028)
Administrative expenses		**(24,135)**	(25,492)
Impairment loss on trade and other receivables		**(8,062)**	(609)
Operating loss		**(3,894)**	(19,599)
Finance costs		**(6,836)**	(7,668)
Share of profit of equity-accounted investee	5	**8,985**	1,088
Loss on disposal of equity accounted investee		**-**	(1,001)
Loss before Zakat and foreign income tax		**(1,745)**	(27,180)
Zakat and foreign income tax expense		**(1,560)**	(1,560)
Loss for the period		**(3,305)**	(28,740)
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Re-measurement of the defined benefit liability		**(226)**	-
Other comprehensive loss for the period, net of zakat and foreign income tax		**(226)**	-
Total comprehensive loss for the period		**(3,531)**	(28,740)
Loss attributable to:			
Owners of the Company		**(1,490)**	(27,386)
Non-controlling interests		**(1,815)**	(1,354)
		(3,305)	(28,740)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,716)**	(27,386)
Non-controlling interests		**(1,815)**	(1,354)
		(3,531)	(28,740)
Loss per share:			
Basic and diluted losses per share (SAR)	13	**(0.02)**	(0.43)

The notes 1 to 18 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 2020
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Attributable to the owners of the Company					
	Share Capital	*Statutory reserve*	*Accumulated losses*	*Total shareholders' equity*	*Non-controlling Interest*	*Total*
Balance at 1 January 2020	**630,000**	**140,937**	**(146,925)**	**624,012**	**19,933**	**643,945**
Total comprehensive loss for the period						
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**
Balance at 31 December 2018	630,000	140,937	(93,956)	676,981	21,199	698,180
Adjustment on initial application of IFRS 16	-	-	(585)	(585)	-	(585)
Balance at 1 January 2019	630,000	140,937	(94,541)	676,396	21,199	697,595
Total comprehensive loss for the period						
Loss for the period	-	-	(27,386)	(27,386)	(1,354)	(28,740)
Other comprehensive income	-	-	-	-	-	-
Balance at 31 March 2019	630,000	140,937	(121,927)	649,010	19,845	668,855

The notes 1 to 18 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 2020
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Note	31 March 2020 SR	31 March 2019 SR
Cash flows from operating activities:			
Loss for the period		**(3,305)**	(28,740)
Adjustments for:			
Depreciation		**2,926**	3,659
Depreciation on ROU		**1,900**	1,242
Amortisation		**153**	103
Impairment losses on inventories	6	**2,035**	278
Impairment losses on receivables	7	**8,062**	609
Share of profit of equity–accounted investees	5	**(8,985)**	(1,088)
Loss on the disposal of investment in equity-accounted investee		**-**	1,001
Finance costs		**6,836**	7,668
End of service benefits expense		**1,068**	1,144
Zakat and foreign income tax		**1,560**	1,560
		12,250	(12,564)
Change in:			
Inventories		**(5,557)**	33,750
Trade and other receivables		**(36,953)**	19,487
Prepayments and advances		**2,497**	3,226
Trade and other payables		**70,171**	61,596
Provisions		**39**	(118)
Cash generated from operating activities		**42,447**	105,377
Finance costs paid		**(6,836)**	(8,105)
End of service benefits paid		**(1,174)**	(1,635)
Net cash generated from operating activities		**34,437**	95,637
Cash flows from investing activities:			
Acquisition of property and equipment		**(690)**	(3,407)
Net cash used in investing activities		**(690)**	(3,407)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**230,217**	311,498
Repayment of loans and borrowings		**(267,688)**	(397,450)
Proceeds from the disposal of investment in equity-accounted investee		**-**	1,724
Payment of lease liabilities		**(538)**	-
Net cash used in financing activities		**(38,009)**	(84,228)
Net (decrease) / increase in cash and cash equivalents		**(4,262)**	8,002
Cash and cash equivalents at 1 January *		**47,204**	6,144
Cash and cash equivalents at 31 March*		**42,942**	14,146

* 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 18 form an integral part of these condensed consolidated interim financial statements.

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

Name	Principal field of activity	Country of incorporation	Effective ownership interest at 31 March 2020	Effective ownership interest at 31 December 2019
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	**100%**	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited ("IHSCL")	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%

1. REPORTING ENTITY (CONTINUED)

Entities fully controlled through a subsidiary - EMS

Name	Principal field of activity	Country of incorporation	Subsidiary ownership interest at 31 March 2020	Subsidiary ownership interest at 31 December 2019
EMS				
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 26 Shawwal 1441H (corresponding to 18 June 2020).

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 Certified Public 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 2019 ('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 deteriorated in recent years due to decline in the sales volume which resulted in operating losses, and the current accumulated loss position. During the three month period ended 31 March 2020, the Group has reported a loss for the period of SR 3.3 million (2019: SR 28.7 million) and, as of that date, reported accumulated losses of SR 149 million (31 December 2019: SR 147 million). The Group, during March 2020 and subsequently continues to be impacted by the global outbreak of COVID-19. As a result, the Group has experienced certain disruptions which includes, but are not limited to, disruption in supply chain, reduction in its trading activities, reduction in collection of certain receivables which it expects to continue during Q2 2020 with a gradual improvement during Q3 and Q4. As the COVID-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. 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 assumption, the board has reviewed the base case plan for the next twelve months along with the comparison of budget with the actual for the current period. In the normal course of business, the Group as and when falls due negotiates with the banks to renew and / or refinance its facilities. During the three months period ended 31 March 2020, the Group has achieved successful renewal of its certain facilities, which were under negotiation as at 31 December 2019. Additionally, the Group has also secured new facilities during the current quarter and also subsequent to 31 March 2020. The board expects successful negotiations and continuity of facilities renewals in future periods as required. In consideration of cash flows forecasts, certain trading initiatives i.e. improving sales volume, improved gross margins, actual and continued working capital improvements in the second half of 2020 and subsequently, 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 consolidated financial statements have been prepared under the going concern basis.

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 2020. 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.

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 losses 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 number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's condensed consolidated interim financial statements.
• Classification of liabilities as current or non-current (Amendments to IAS 1)
• IFRS 17 Insurance Contracts
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 2019.

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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (continued):

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 rebate require the exercise of judgement. The rebate relates to the customers for achieving agreed purchase or sales targets within a set period. Where rebate 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.

The mortality rate is based on publicly available mortality tables for specific countries. There are no publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates and the management outlook for the respective country.

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.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

4 INTANGIBLE ASSETS AND GOODWILL

	31 March 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
- Intangible assets		
Energy Management Services Emirates LLC	**1,961**	2,064
New Vision for Electronics and Electrical Appliances Company	**1,428**	1,478
	3,389	3,542
- *Goodwill (Note 4.1)*		
ASDAA Gulf Trading Company (ASDAA)	**9,854**	9,854
	13,243	13,396

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 INVESTEES

The details of the Group’s associates are as follows:

Name of Company	***Principal activities***	***Country of incorporation***	***Effective interest at***	
			31 March 2020	*31 December 2019*
LG Shaker Company Limited (“LG Shaker”)	Manufacture of air conditioners	Saudi Arabia	**49%**	49%

Investments in equity accounted investees are as follows:

	31 March 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
LG Shaker *(Note 5.1)*	**466,113**	457,128
	466,113	457,128

Reconciliations for the equity accounted investees are as follows:

	LG Shaker SR	***SEALCO SR***	***Total SR***
At 1 January 2020	**457,128**	**-**	**457,128**
Share of profit for the period	**8,985**	**-**	**8,985**
At 31 March 2020	**466,113**	**-**	**466,113**

	LG Shaker SR	*SEALCO SR*	*Total SR*
At 1 January 2019	488,057	2,725	490,782
Share of profit for the year	18,071	-	18,071
Disposal of investment	-	(2,725)	(2,725)
Dividend	(49,000)	-	(49,000)
At 31 December 2019	457,128	-	457,128

(In Thousands of Saudi Riyals, Unless Otherwise stated)

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.

Balance as at:	***31 March 2020 (Unaudited)* SR**	*31 December 2019 (Audited) SR*
Non-current assets	**102,557**	104,417
Current assets	**308,074**	268,913
Non-current liabilities	**(6,550)**	(6,310)
Current liabilities	**(102,500)**	(82,940)
Net assets	**301,581**	284,080
Group's share of net assets	**154,129**	145,144
Goodwill	**311,984**	311,984
Carrying amount of interest in associate	**466,113**	457,128

	31 March 2020 (Unaudited) *SR*	*31 December 2019 (Audited) SR*
Revenue	**95,499**	285,204
Total comprehensive income after Zakat & Tax	**17,501**	35,578
Group share of total comprehensive income after Zakat	**8,985**	18,071

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.

	2019
Discount rate	**14.2%**
Terminal value growth rate	**2.0%**
Budgeted EBITDA growth rate (average of next five years)	**19.0%**

The management of the Group has assessed in detail the carrying value of LG Shaker as at 31 December 2019. Management has considered the underlying impact of the COVID-19 situation on the carrying value and do not consider any impairment as at 31 March 2020.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

6 INVENTORIES

	31 March 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
Finished goods	**192,343**	202,018
Spare parts	**72,699**	74,211
Goods in transit	**45,241**	28,564
	310,283	304,793
Impairment losses on inventories	**(30,421)**	(28,453)
	279,862	276,340

Reconciliation of the impairment losses on inventories is as follows:

	31 March 2020 (Unaudited) **SR**	*31 December 2019 (Audited)* SR
Balance at beginning of period / year	**28,453**	37,584
Charge for the period / year	**2,035**	5,168
Utilised during the period / year	**(67)**	(14,299)
Balance at end of period / year	**30,421**	28,453

a) At 31 March 2020, the Group has outstanding bank guarantees of SR 92 million (31 December 2019: SR 77 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.

b) At 31 March 2020, the Group has outstanding bank letter of credits of SR 28.4 million (31 December 2019: SR 34 million) issued against import of finished goods and other supplies.

7 TRADE AND OTHER RECEIVABLES

	31 March 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
Trade receivables	**496,029**	462,968
Other receivables:		
Advertisement claims from suppliers	**7,500**	4,601
Custom duty deposit	**5,956**	5,956
Non trade receivables	**4,531**	3,538
Impairment losses on receivables	**(94,991)**	(86,929)
	419,025	390,134
Current	**419,025**	390,134
	419,025	390,134

(In Thousands of Saudi Riyals, Unless Otherwise stated)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment losses on receivables is as follows:

	31 March 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
Balance at beginning of period / year	**86,929**	68,715
Charge for the period / year	**8,062**	18,214
Balance at end of period / year	**94,991**	86,929

8 SHARE CAPITAL

	31 March 2020 (Unaudited)	*31 December 2019 (Audited)*
Authorised share capital (shares of SR 10 each)	**630,000**	630,000
Issued and fully paid up capital (shares of SR 10 each)	**630,000**	630,000

At 31 March 2020, 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 loss making position for the three months ended 31 March 2020, 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 loans and 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 five years. The facility agreements are secured by promissory notes. Corporate guarantees of the Group are provided wherever required for loans to subsidiaries. The facilities bear financial charges on prevailing market rates. The loan agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained.

	31 March 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
Current:		
Lease liabilities	**7,189**	6,618
Bank overdraft	**16,960**	16,548
Bank loans	**218,245**	279,501
	242,394	302,667
Non-current:		
Lease liabilities	**10,443**	8,294
Bank loans	**111,466**	87,681
	121,909	95,975

(In Thousands of Saudi Riyals, Unless Otherwise stated)

10 LOANS AND BORROWINGS (CONTINUED)

The following bank loans are outstanding as at:

	Currency	Nominal interest rate	Year of maturity	31 March 2020 Face value SR	31 March 2020 Carrying amount SR	31 December 2019 Face value SR	31 December 2019 Carrying amount SR
Kingdom of Saudi Arabia	SAR	2.6%-4.16% per annum	2020-2024	572,160	**250,373**	572,160	274,916
	USD	2.7% -2.8% per annum	2020	59,813	**56,304**	59,813	56,304
United Arab Emirates	AED	1 month EIBOR + 4% per annum (min of 4.5%)	2020 - 2021	23,373	**6,248**	23,373	6,751
Jordan	USD	LIBOR + 2.95% per annum	2020	93,750	**16,786**	93,750	29,211
					329,711		367,182

Reconciliation of bank loans are as follows:

	31 March 2020	31 December 2019
Balance as at 1 January	**367,182**	**551,069**
Proceeds		
Kingdom of Saudi Arabia	**230,217**	750,635
United Arab Emirates	**-**	3,565
Jordan	**-**	1,694
	230,217	**755,894**
Repayments		
Kingdom of Saudi Arabia	**(254,760)**	(916,457)
United Arab Emirates	**(503)**	(18,350)
Jordan	**(12,425)**	(4,974)
	(267,688)	**(939,781)**
Balance as at 31 March 2020	**329,711**	**367,182**

11 EMPLOYEE BENEFITS

	31 March 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
Net defined benefit liability	**24,241**	24,121
	24,241	24,121

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 their last month salary for each completed year of service. Similarly, an employee who completed over five but less than ten years of service, to receive a payment equal to two-third of their last month 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 month 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 month 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 month salary for each completed year of service.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

11 EMPLOYEE BENEFITS (CONTINUED)

Reconciliation in employees end of service benefits is as follow;

	31 March 2020 SR	*31 December 2019 SR*
Balance at beginning of period / year	**24,121**	25,751
Included in Profit and Loss		
Current service cost	**894**	2,675
Interest cost	**174**	1,068
	1,068	3,743
Included in Other comprehensive income		
Actuarial loss	**226**	2,055
Benefit paid	**(1,174)**	(7,428)
Balance at end of period / year	**24,241**	24,121

Represented by:

Net defined benefit liability for plans in:		
- Kingdom of Saudi Arabia	**20,804**	20,731
- United Arab Emirates	**3,437**	3,390
	24,241	24,121

Actuarial assumptions

The following are the principal actuarial assumptions applied at 31 March 2020 and 31 December 2019:

	31 March 2020		31 December 2019	
	KSA	**UAE**	KSA	UAE
Discount rate	**3.12 % p.a**	**2.91% p.a**	2.97 % p.a	2.42 % p.a
Salary increase	**2 % p.a**	**2.5 % p.a**	2 % p.a	2.5 % p.a
Average years of past service	**7.78 years**	**11.8 years**	5.33 years	11.80 years

Sensitivity analysis

	31 March 2020		31 December 2019	
Particulars	**PVDBO**	**% Change**	PVDBO	% Change
EOSB liability	**24,241**		24,121	
+1% Discount rate	**(745)**	**-3.58%**	(741)	-3.58%
-1% Discount rate	**814**	**3.91%**	810	3.91%
+1% Salary increase rate	**807**	**3.88%**	803	3.88%
1% Salary increase rate	**(759)**	**-3.65%**	(755)	-3.64%
+10% Withdrawals rate	**-**	**0.00%**	-	0.00%
-10% Withdrawals rate	**-**	**0.00%**	-	0.00%
1 Year mortality age set back	**(8)**	**-0.04%**	(8)	-0.04%
1 Year mortality age set forward	**104**	**0.50%**	104	0.50%

PVDBO: Present value of defined benefit obligations

(In Thousands of Saudi Riyals, Unless Otherwise stated)

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.

31 March 2020	***HVAC solutions***	***Home appliances***	***All other segments***	***Total***
	SR	***SR***	***SR***	***SR***
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**

31 March 2019	*HVAC solutions*	*Home appliances*	*All other segments*	*Total*
	SR	*SR*	*SR*	*SR*
Saudi Arabia	110,645	68,156	-	178,801
Jordan	1,549	15,859	821	18,229
UAE	-	-	303	303
Total	112,194	84,015	1,124	197,333

13 BASIC AND DILUTED LOSSES PER SHARE

Basic and diluted losses 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:

	31 March 2020	*31 March 2019*
	SR	*SR*
Loss attributable to ordinary shareholders	**(1,490)**	(27,386)
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the period	**63,000**	63,000
Basic and diluted losses per share	**(0.02)**	(0.43)

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 of loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

14 OPERATING SEGMENTS (CONTINUED)

	HVAC solutions SR	*Home appliances* SR	*Total reportable segments* SR	*All other segments* SR	*Adjustments and eliminations* SR	*Total* SR
As at 31 March 2020						
Assets and liabilities:						
Segment assets	**1,460,060**	**480,567**	**1,940,627**	**70,188**	**(509,524)**	**1,501,291**
Segment liabilities	**807,649**	**196,361**	**1,004,010**	**51,286**	**(194,419)**	**860,877**
For the three months ended 31 March 2020						
Segment revenues	**123,976**	**95,820**	**219,796**	**1,179**	**-**	**220,975**
Segments (loss) / profit before zakat and foreign income tax	**(400)**	**5,699**	**5,299**	**(1,846)**	**(5,198)**	**(1,745)**

	HVAC solutions SR	*Home appliances* SR	*Total reportable segments* SR	*All other segments* SR	*Adjustments and eliminations* SR	*Total* SR
As at 31 December 2019						
Assets and liabilities:						
Segment assets	1,458,742	463,699	1,922,441	70,428	(525,598)	1,467,271
Segment liabilities	(805,293)	(184,921)	(990,214)	(49,675)	216,563	(823,326)
For the three months ended 31 March 2019						
Segment revenues	112,194	84,015	196,209	1,124	-	197,333
Segments (loss) / profit before zakat and foreign income tax	(26,222)	(926)	(27,148)	(2,399)	2,367	(27,180)

More than 92% (31 March 2019: 90%) of the Group's revenue and 91% (31 December 2019: 91%) 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 2020, the HVAC solutions segment reported revenue of SR 572 million (for 12 months ended 31 March 2019: SR 469 million) and net loss of SR 25.6 million (net loss for 12 months ended 31 March 2019: SR 201 million).

(In Thousands of Saudi Riyals, Unless Otherwise stated)

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**			
	Non-current assets	**Current assets**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 March 2020						
Financial assets not measured at fair value						
Trade and other receivables	**-**	**419,025**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**-**	**59,902**	**-**	**-**	**-**	**-**
Total	**-**	**478,927**	**-**	**-**	**-**	**-**

	Carrying amount		Fair Value			
	Non-current assets	Current assets	Level 1	Level 2	Level 3	Total
31 December 2019						
Financial assets not measured at fair value						
Trade and other receivables	-	390,134	-	-	-	-
Cash and cash equivalents	-	63,752	-	-	-	-
Total	-	453,886	-	-	-	-

	Carrying amount		**Fair Value**			
	Non-current liabilities	**Current liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 March 2020						
Financial liabilities not measured at fair value						
Loans	**111,466**	**218,245**	**-**	**-**	**-**	**-**
Trade and other payables	**95,000**	**348,273**	**-**	**-**	**-**	**-**
Bank overdrafts	**-**	**16,960**	**-**	**-**	**-**	**-**
Lease liabilities	**10,443**	**7,189**	**-**	**-**	**-**	**-**
Total	**216,909**	**590,667**	**-**	**-**	**-**	**-**

	Carrying amount		Fair Value			
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 3	Total
31 December 2019						
Financial liabilities not measured at fair value						
Loans	87,681	279,501	-	-	-	-
Trade and other payables	95,000	278,102	-	-	-	-
Bank overdrafts	-	16,548	-	-	-	-
Lease liabilities	8,294	6,618	-	-	-	-
Total	190,975	580,769	-	-	-	-

(In Thousands of Saudi Riyals, Unless Otherwise stated)

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 2020:

31 March 2020	**Gross carrying amount**	**Weighted-average loss**	**Loss allowance (%)**
1–90 days	**194,781**	**2,279**	**1.2%**
91–180 days	**67,598**	**862**	**1.3%**
181–270 days	**24,800**	**480**	**1.94%**
271–360 days	**13,469**	**582**	**4.32%**
More than 360 days	**195,381**	**84,833**	**43.42%**
	496,029	**89,036**	

31 December 2019	Gross carrying amount	Weighted-average loss	Loss allowance (%)
1–90 days	156,902	1,859	1.1%
91–180 days	76,976	886	1.2%
181–270 days	28,643	521	1.82%
271–360 days	15,039	610	4.06%
More than 360 days	185,408	77,097	41.58%
	462,968	80,973	

The balance of SR 6 million provision relates to certain other receivables.

18 RELATED PARTY TRANSACTIONS

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

a) Due from related parties – under trade and other receivables:

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			31 March 2020	31 March 2019	**31 March 2020**	31 December 2019
SEALCO	Associate	Sale of investment in SEALCO	**--**	151	**--**	--
					--	--

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

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			31 March 2020	31 March 2019	**31 March 2020**	31 December 2019
LG Shaker	Associate	Purchase of finished goods	**80,436**	48,620	**236,683**	207,464
LG Electronics (Levant)	Associate	Purchase of finished goods	**16,930**	3,768	**8,468**	7,856
Board of Directors	Key management	Remuneration and meeting attendance fee	**490**	500	**2,716**	2,226
					247,867	217,546