

**AL HASSAN GHAZI IBRAHIM SHAKER
COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION FOR
THE THREE-MONTH AND SIX-MONTH
PERIODS
ENDED JUNE 30, 2022 AND REVIEW
REPORT**

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED JUNE 30, 2022

	Page
Report on review of condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss and other comprehensive income	3
Condensed consolidated interim statement of changes in shareholders' equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial information	6 - 16



REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the shareholders of AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Hassan Ghazi Ibrahim Shaker Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at June 30, 2022 and the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and condensed consolidated statements of changes in equity and of cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard No. 34 - “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” as endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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, as 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

August 15, 2022

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	193,613	197,345
Right of use of assets		21,787	8,479
Intangible assets	4	11,718	12,010
Trade and other receivables	7	12,223	13,285
Investment in an associate	5	455,609	442,395
Total non-current assets		694,950	673,514
Current assets			
Inventories	6	404,740	349,959
Trade and other receivables	7	439,418	372,572
Prepayments and other debt balances	8	60,159	40,007
Cash and cash equivalents	9	93,040	53,020
Total current assets		997,357	815,558
Total assets		1,692,307	1,489,072
EQUITY AND LIABILITIES			
Equity			
Share capital		482,334	630,000
Statutory reserve		140,937	140,937
Retained earnings / (Accumulated losses)		25,252	(148,002)
Equity attributable to owners of the Company		648,523	622,935
Non-controlling interests		13,588	13,650
Total /Net equity		662,111	636,585
LIABILITIES			
Non-current liabilities			
Lease liabilities and borrowings	10	68,242	74,603
Employee benefits obligation		23,180	22,527
Total non-current liabilities		91,422	97,130
Current liabilities			
Lease liabilities and borrowings	10	387,675	412,494
Trade and other payables		532,016	324,361
Zakat and foreign income tax liabilities	11	5,485	6,343
Warranty provision		13,598	12,159
Total current liabilities		938,774	755,357
Total liabilities		1,030,196	852,487
Total equity and liabilities		1,692,307	1,489,072

The notes on pages 6 to 16 form an integral part of these condensed consolidated interim financial information.

Abdulelah Abdullah
Abunayyan
Chairman

Mohammed Ibrahim
Abunayyan
CEO

Hossam Al Akkad
VP-Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income -
Unaudited

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Three-month period ended June 30,		Six-month period ended June 30,	
		2022	2021	2022	2021
Revenue	12	315,950	289,481	635,887	577,782
Cost of sales		(250,382)	(228,149)	(492,685)	(458,819)
Gross profit		65,568	61,332	143,202	118,963
General and administrative expenses		(21,808)	(21,686)	(43,837)	(47,315)
Selling and distribution expenses		(29,888)	(25,874)	(59,382)	(46,605)
Impairment (loss) /reversal on trade and other receivables		(2,606)	1,425	(13,721)	(8,776)
Other income / (expenses), net		1,669	(781)	2,185	(229)
Income from operations		12,935	14,416	28,447	16,038
Finance costs		(4,888)	(4,074)	(9,593)	(7,608)
Share of net profit from an associate		6,920	3,299	13,214	13,624
Profit before zakat and foreign income tax		14,967	13,641	32,068	22,054
Zakat and foreign income tax expense		(3,075)	(2,875)	(5,700)	(6,750)
Net profit for the period		11,892	10,766	26,368	15,304
Other comprehensive (loss) income <i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurement of the defined benefit liability		(77)	203	(842)	923
Other comprehensive (loss) income for the period		(77)	203	(842)	923
Total comprehensive income for the period		11,815	10,969	25,526	16,227
Profit attributable to:					
Owners of the Company		11,651	8,755	26,414	15,075
Non-controlling interests		241	2,011	(46)	229
Total comprehensive income attributable to:		11,892	10,766	26,368	15,304
Owners of the Company		11,603	8,967	25,588	16,007
Non-controlling interests		212	2,002	(62)	220
		11,815	10,969	25,526	16,227
Earnings per share (Saudi Riyals):					
Basic and diluted earnings per share	19	0.24	0.14	0.55	0.24

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AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Equity attributable to owners of the Company					Total equity
	Share capital	Statutory reserve	Retained earnings / (Accumulated losses)	Total shareholders' equity	Non-controlling interest	
January 1, 2022) Audited)	630,000	140,937	(148,002)	622,935	13,650	636,585
Net profit / (loss) for the period	-	-	26,414	26,414	(46)	26,368
Other comprehensive (loss) for the period	-	-	(826)	(826)	(16)	(842)
Total comprehensive income / (loss) for the period	-	-	25,588	25,588	(62)	25,526
Capital reduction (note 1)	(147,666)	-	147,666	-	-	-
June 30, 2022 (Unaudited)	482,334	140,937	25,252	648,523	13,588	662,111
January 1, 2021 (Audited)	630,000	140,937	(138,930)	632,007	20,519	652,526
Restatement	-	-	(36,626)	(36,626)	(7,446)	(44,072)
January 1, 2021 (Restated)	630,000	140,937	(175,556)	595,381	13,073	608,454
Net profit for the period	-	-	15,075	15,075	229	15,304
Other comprehensive income / (loss) for the period	-	-	932	932	(9)	923
Total comprehensive income for the period	-	-	16,007	16,007	220	16,227
June 30, 2021 (Unaudited)	630,000	140,937	(159,549)	611,388	13,293	624,681

The notes on pages 6 to 16 form an integral part of these condensed consolidated interim financial information.

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AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows - Unaudited
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Six-month period ended	
		June 30,	
		2022	2021
Cash flows from operating activities			
Profit before zakat and foreign income tax		32,068	22,054
<u>Adjustments for non-cash items</u>			
Depreciation	3	4,374	5,633
Depreciation of right of use assets		3,275	4,703
Amortization		292	482
Impairment losses on trade and other receivables	7	13,721	8,776
Impairment losses on inventories	6	226	8,057
Gain on property and equipment		-	(299)
Share of profit from an associate	5	(13,214)	(13,624)
Provision for employees' benefit obligation		1,653	2,249
Finance costs		9,593	7,608
<u>Changes in working capital</u>			
Trade and other receivables		(55,007)	(91,667)
Inventories		(79,505)	(71,115)
Prepayments and other debt balances		(20,152)	(13,440)
Trade and other payables		207,655	78,119
Warranty provision		1,439	157
Zakat paid		(6,558)	(22,370)
Finance costs paid		(9,386)	(7,608)
End of service benefits paid		(1,843)	(2,099)
Net cash generated from / (used in) operating activities		88,631	(84,384)
Cash flows from investing activities			
Additions to property and equipment	3	(642)	(1,106)
Proceeds from sale of property and equipment		-	479
Net cash used in investing activities		(642)	(627)
Cash flows from financing activities			
Payment of lease liabilities		(3,285)	(4,803)
Repayment of bank borrowings		(1,036,921)	(697,940)
Proceeds from bank borrowings		992,237	785,175
Net cash (used in) / generated from financing activities		(47,969)	82,432
Net change in cash and cash equivalents		40,020	(2,579)
Cash and cash equivalents at beginning of the period	9	53,020	79,906
Cash and cash equivalents at end of the period	9	93,040	77,327
Non-cash transactions			
Addition to right of use of assets		16,583	1,128
Capital decrease	1	147,666	-
Write-off of trade and other receivables	7	20,221	(1,052)

The accompanying notes on pages 6 to 16 form an integral part of these condensed consolidated interim financial information.

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AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

1. General information

Al Hassan Ghazi Ibrahim Shaker Company (the “Company” (or) the “Parent Company” (or) “HGISC”) is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 and listed on Tadawul.

The principal activities of HGISC and its subsidiaries (collectively the “Group”) and the address of the Group’s head office remain the same as disclosed in the Group’s annual consolidated financial statements for the year ended December 31, 2021.

The Company’s Board of Directors recommended a decrease of the Company’s share capital by an amount of SAR 147.666 million to absorb the accumulated losses balance and subsequently increase it through an issuance of rights shares with the amount of SAR 249 million as per the announcement dated 12 Jumad Al Awwal 1443 H (corresponding to December 16, 2021). The Company has also announced the submission of its application to reduce and increase the share capital on 19 Jamad Al Awwal 1443 H (Corresponding to December 23, 2021) to the Capital Market Authority (CMA). The CMA approved the Company’s requests on March 15, 2022.

The Company’s shareholders approved during the Extraordinary General Assembly Meeting held on 14 Shawwal, 1443 H (corresponding to May 15, 2022) the decrease in share capital of SAR 147.666 million through absorbing all accumulated losses. The legal formalities for capital decrease were finalized in June 19, 2022. However, the legal formalities for issuance of rights are still in process till the date of issuance of this condensed consolidated interim financial information.

As at June 30, 2022, the authorized, issued, and paid-up share capital of the Company is SAR 482.3 million divided on 48.2 million shares of SAR 10 each. As at December 31, 2021, the authorized, issued, and paid-up share capital of the Company is SAR 630 million divided on 63 million shares of SAR 10 each.

This condensed consolidated interim financial information has been reviewed, not audited.

2. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial information for the year ended December 31, 2021.

2.1 Basis of preparation

This condensed consolidated interim financial information for the three-month and six-month periods ended June 30, 2022 has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2021.

The condensed consolidated interim financial information comprises the financial information of the Company and its subsidiaries (“Group”).

2.2 New and amended standards adopted by the Group

Amendments to the IFRS, effective from January 1, 2021 or later - on, do not have any effect on the group’s financial statements. Further, the Group has not early adopted any new standard, interpretation or amendment that have been issued but that are not yet effective.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2. Significant accounting policies (continued)

2.3 Critical accounting estimates and judgments

The preparation of the Group's condensed consolidated interim financial information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

As at June 30, 2022, management believes that all sources of estimation uncertainty remain similar to those disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2021. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

3. Property and equipment

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning – Net book value	197,345	212,860
Additions for the period / year	642	2,660
Depreciation charge for the period / year	(4,374)	(10,621)
Disposals for the period / year	-	(7,554)
Closing – Net book value	193,613	197,345

4. Intangible assets

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Intangible assets	1,864	2,156
Goodwill – note 4.1	9,854	9,854
	11,718	12,010

4.1 Effective November 12, 2014, HGISC effectively acquired 100% shareholding in ASDAA Gulf Trading Company ("ASDAA") for a purchase consideration of SR 20 million, which was in excess of the fair value of the net assets acquired by SR 9.854 million and has been recorded as goodwill. Based on the impairment assessment using value in use model, there was sufficient head room available, and accordingly, no impairment loss was recognized.

The Group's management performs goodwill impairment assessment annually and when there are indicators that the carrying value of goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on December 31, 2021 will not cause the carrying value of the goodwill to materially exceeds its recoverable amount. Accordingly, no impairment loss was recognized for the six-month period ended June 30, 2022.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

5. Investment in an associate

<i>Name of Company</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Effective interest at</i>	
			June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
LG Shaker Company Limited (“LG Shaker”)	Manufacture of air conditioners	Saudi Arabia	49%	49%

Reconciliation for the investment in an associate is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period / year	442,395	419,154
Share of profit for the period / year	13,214	23,241
At the end of the period / year	455,609	442,395

LG Shaker

The following table summarizes the financial information of a material associate - LG Shaker as included in its own financial statements.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Non-current assets	102,312	102,888
Current assets	387,463	286,757
Non-current liabilities	(9,897)	(9,106)
Current liabilities	(166,998)	(102,541)
Net assets	312,880	277,998
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Revenue	321,296	397,988
Total comprehensive income (100%) (*)	34,882	43,267
Group share of total comprehensive income (49%) (*)	13,214	23,241

(*) The difference between the Group’s share in net assets of the associate and share of total comprehensive income and 49% of associate reported net assets and total comprehensive income pertains to the adjustment made for the elimination of unrealized profit on upstream transactions between the Group and its associate.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

6. Inventories

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Finished goods	355,751	328,780
Spare parts	45,022	50,900
Goods in transit	50,765	16,851
	451,538	396,531
Impairment losses on inventories	(46,798)	(46,572)
	404,740	349,959

Reconciliation of the impairment losses on inventories is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period / year	46,572	41,914
Charge for the period / year	226	6,114
Utilised during the period / year	-	(1,456)
Balance at end of period / year	46,798	46,572

7. Trade and other receivables

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables	544,542	496,365
Less: Impairment loss on trade receivables	(106,933)	(113,433)
	437,609	382,932
Other receivables:		
Advertisement claims from suppliers	14,032	2,925
Custom duty deposit	5,956	5,956
Impairment losses on other receivables	(5,956)	(5,956)
	451,641	385,857
Current	439,418	372,572
Non-current	12,223	13,285
	451,641	385,857

Reconciliation of impairment losses on receivables is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period / year	113,433	98,751
Charge for the period / year	13,721	15,734
Write-off	(20,221)	(1,052)
Balance at end of period / year	106,933	113,433

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 Trade and other receivables (continued)

As of June 30, 2022, there was one customer balance amounting to SR 14.3 million (December 31, 2020: SR 14.3 million) outstanding for more than 2 years and under litigation proceedings. Henceforth, the management assessed the recoverability of the customer balance individually. Accordingly, the management and its legal advisor, based on their judgment and best estimate, recognized the expected credit loss amounted to SR 4.1 million. The loss rate is 28.7% against the respective balance. The maximum remaining exposure as of the reporting date was SR 10.2 million, however management believes that adequate level of provision was recognized to cover the expected credit losses.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 30 June 2022 and 31 December 2021:

June 30, 2022 (Unaudited)	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1–90 days	269,347	6,057	2.2%
91–180 days	127,278	2,737	2.2%
181–270 days	16,132	767	4.8%
271–360 days	13,849	1,351	9.8%
More than 360 days	117,936	96,021	81.4%
	544,542	106,933	19.6%

December 31, 2021	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1–90 days	185,152	3,528	1.9%
91–180 days	87,192	1,615	1.9%
181–270 days	44,745	1,737	3.9%
271–360 days	6,074	439	7.2%
More than 360 days	173,202	106,114	61.3%
	496,365	113,433	22.9%

There is a credit concentration of approximately SR 185.4 million, representing 34% of total gross receivables as of June 30, 2022 (SR 144.2 million, representing 29% as of December 31, 2021), These credits are granted to two key customers.

8. Prepayments and other debt balances

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Prepayments / advances to suppliers	55,720	33,235
Other	4,439	6,772
Total	60,159	40,007

9. Cash and cash equivalents

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash in hand	2,186	1,272
Bank balances	90,854	51,748
Total	93,040	53,020

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

10. Lease liabilities 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 and Jordanian Dinar. Such facilities were obtained principally under Murabaha / Tawarruq arrangements. The utilized 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.

Secured liabilities and assets pledged as security

All bank loans are secured by promissory notes signed by the parent Company equal to the maximum facility amount. Promissory notes amounted to SR 1,042 million as at June 30, 2022 (December 31, 2021: SR 971 million).

As at June 30, 2022 and December 31, 2021, the Group had several land plots of SR 79 million pledged as bank loans guarantee.

Compliance with loan covenants

Under the terms of the loans agreements, the Group is required to commit to certain levels for the following financial covenants:

- 1- Financial leverage ratio,
- 2- Current ratio,
- 3- Gearing ratio (Debt to equity not to exceed 1.5:1).
- 4- Ratio of total liabilities and tangible net worth.

The Group complied with all financial covenants as of June 30, 2022 and December 31, 2021.

As of June 30, 2022, the Group's total borrowing amounted to SR 1,042 million out of which SR 524 million facilities were unutilized.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current:		
Lease Liability	6,535	3,367
Bank borrowings	<u>381,140</u>	<u>409,127</u>
	387,675	412,494
Non-current:		
Lease Liability	13,976	3,640
Bank borrowings	<u>54,266</u>	<u>70,963</u>
	68,242	74,603
Total lease liabilities	<u>20,511</u>	<u>7,007</u>
Total bank borrowings	<u>435,406</u>	<u>480,090</u>
Total lease liabilities and borrowings	455,917	487,097

11 Zakat and foreign income tax liabilities

The Group submitted its zakat returns for the years up to 2021 to the Zakat, Tax and Customs Authority (ZATCA). Moreover, the Group's zakat returns for the years 2015 to 2018 were finalized and the related liabilities were paid during the period. The assessment related to the financial year of 2014 was finalized and initially resulted in an additional zakat amount of SR 4.8 million which has been appealed by the Group. The assessments related to 2019 and 2020 financial years have been finalized during the period and resulted in an additional initial zakat amount of SR 11.2 million. This amount has been appealed against the appeal committee on April 20, 2022. The Group's management and its zakat advisor believe that the current level of zakat provision is sufficient and adequate.

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Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

12 Revenue

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>June 30, 2022</i> <i>(Unaudited)</i>	<i>HVAC</i> <i>solutions</i>	<i>Home</i> <i>appliances</i>	<i>All other</i> <i>segments</i>	<i>Total</i>
Saudi Arabia	344,420	247,207	-	591,627
Jordan	6,087	36,822	769	43,678
UAE	-	-	582	582
Total	350,507	284,029	1,351	635,887
<i>June 30, 2021 (Unaudited)</i>				
Saudi Arabia	305,619	230,715	-	536,334
Jordan	3,445	35,263	1,824	40,532
UAE	-	-	916	916
Total	309,064	265,978	2,740	577,782

A 32% of the Group total revenue were generated from two key clients for the period ended June 30, 2022 (30.5% for the period ended June 30, 2021).

13 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 commercially conditioners including chillers and related services.

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

All other segments represent consultancy services for energy solutions and sale mobile phones.

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.

CoDM uses segments Profit Before Tax (PBT) to measure performance being the most relevant in evaluating the results of segments.

Transfer prices between operating segments are on mutually agreed terms in a manner similar to transactions with third parties.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 Operating segments (continued)

Segment information provided to the board of directors:

The table below shows the segment information provided to the board of directors for the reportable segments for the period ended June 30, 2022 and also the basis on which revenue is recognized:

For the period ended June 30, 2022	HVAC Solutions	Home appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Revenues from external customers	350,507	284,029	634,536	1,351	-	635,887
Cost of sales	(276,467)	(214,818)	(491,285)	(1,400)	-	(492,685)
Gross profit / (loss)	74,040	69,211	143,251	(49)	-	143,202
General and administrative expenses	(25,300)	(16,669)	(41,969)	(1,868)	-	(43,837)
Selling and distribution expenses	(37,954)	(21,331)	(59,285)	(97)	-	(59,382)
Impairment loss on trade and other receivables	(9,439)	(2,278)	(11,717)	(2,004)	-	(13,721)
Other income, net	628	1,546	2,174	11	-	2,185
Income / (loss) from operations	1,975	30,479	32,454	(4,007)	-	28,447
Finance costs	(9,295)	(292)	(9,587)	(6)	-	(9,593)
Share of Profit from an associate	13,214	-	13,214	-	-	13,214
Segment's profit/ (loss) before zakat and foreign income tax	5,894	30,187	36,081	(4,013)	-	32,068
Zakat and foreign income tax	(3,294)	(2,406)	(5,700)	-	-	(5,700)
Profit / (loss) for the period	2,600	27,781	30,381	(4,013)	-	26,368

For the period ended June 30, 2021	HVAC Solutions	Home appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Revenues from external customers	310,924	264,699	575,623	2,159	-	577,782
Cost of sales	(248,719)	(208,368)	(457,087)	(1,732)	-	(458,819)
Gross profit	62,205	56,331	118,536	427	-	118,963
General and administrative expenses	(29,780)	(15,755)	(45,535)	(1,780)	-	(47,315)
Selling and distribution expenses	(27,411)	(19,038)	(46,449)	(156)	-	(46,605)
Impairment loss on trade and other receivables	(5,615)	(3,155)	(8,770)	(6)	-	(8,776)
Other income	(505)	207	(298)	69	-	(229)
Income / (loss) from operations	(1,106)	18,590	17,484	(1,446)	-	16,038
Finance costs	(7,121)	(455)	(7,576)	(32)	-	(7,608)
Share of Profit from an associate	13,624	-	13,624	-	-	13,624
Segment's profit / (loss) before zakat and foreign income tax	5,397	18,135	23,532	(1,478)	-	22,054
Zakat and foreign income tax	(5,099)	(1,651)	(6,750)	-	-	(6,750)
Profit / (loss) for the period	298	16,484	16,782	(1,478)	-	15,304

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 Operating segments (continued)

Segment information provided to the Board of Directors (continued):

	HVAC solutions	Home Appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
June 30, 2022						
Reportable segment assets	1,615,786	704,275	2,320,061	15,583	(643,337)	1,692,307
Additions to property and equipment	248	384	632	10	-	642
December 31, 2021						
Reportable segment assets	1,462,030	580,302	2,042,332	21,046	(574,306)	1,489,072
Additions to property and equipment	2,570	72	2,642	18	-	2,660
June 30, 2022						
Total segment liabilities	928,799	352,233	1,281,032	27,629	(278,465)	1,030,196
December 31, 2021						
Total segment liabilities	782,101	268,418	1,050,519	28,124	(226,156)	852,487

Adjustments and eliminations represent intercompany transactions and consolidation elimination entries transactions, and the intercompany transactions are mainly related to financing transactions.

The non-current assets are geographically located in Saudi Arabia by 97% as at June 30, 2022 and December 31, 2021 and in Jordan by 3% as at June 30, 2022 and December 31, 2021.

14 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 June 30, 2022, the HVAC solutions segment reported revenue of SR 420 million (for 12 months ended June 30, 2021: SAR 566 million) and net profit of SR 11.2 million (net loss for 12 months ended June 30, 2021: SAR 4.5 million).

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 Capital and financial risk management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position,

The Group monitors capital using a ratio of adjusted net debt' to 'adjusted equity". For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings, less cash, and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio at June 30, 2022 was as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Total liabilities	1,030,196	852,487
Less: cash and cash equivalents	(93,040)	(53,020)
Adjusted net debt	937,156	799,467
Total equity	662,111	636,585
Equity	662,111	636,585
Adjusted net debt to equity ratio	142%	126%

The management believes that the Group has ability to meet its obligation as:

- (a) The Group's current assets are more than its current liabilities; and
- (b) The Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available (see Note 10).

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources and borrowing facilities from multiple banks to continue in business for the foreseeable future. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, these condensed consolidated interim financial statements have been prepared on a going concern basis.

16 Related parties

(a) Transactions with key management personnel

The following table describes compensations to key management personnel:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Short-term employees' benefits	4,139	3,332
Board of Directors and Audit Committee remuneration	960	900

(b) Related parties' balances

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Due to related parties		
LG Shaker	267,392	128,427
LG Electronics	7,570	19,323

The above balances have been classified under trade and other payables.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2022 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

16 Related parties (continued)

(c) *Related Parties transactions*

The following transactions are conducted in accordance with the terms and conditions of commission and are determined in the agreements signed with the related parties and approved by the management.

	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
Purchases from related party		
LG Shaker	350,899	257,609
LG Electronics	27,925	32,333
Settlement to related party		
LG Shaker	(211,934)	(213,814)
LG Electronics	(39,679)	(20,467)

17 Contingencies and commitments

The Group has the following as at June 30, 2022.

a) At June 30, 2022, the Group has outstanding bank guarantees of SR 46.8 million (December 31, 2021: SR 38.7 million) issued by the local and foreign banks in respect of importing of finished goods and other supplies.

b) At June 30, 2022, the Group has outstanding bank letters of credit of SR 319.2 million (December 31, 2021: SR 175 million) issued against importing of finished goods and other supplies.

c) The Company has a contractual obligation with regard to purchase of land amounting to SR 10.9 million as of June 30, 2022.

18 The impact of COVID-19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and causing disruptions to businesses and economic activity across the globe. In response to the spread of the Covid-19 in GCC and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, the Group's management has proactively assessed its impacts on its operations and has taken a series of preventive measures to ensure the health and safety of its employees, customers, consumers and wider community and continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Group's business operations currently remain largely unaffected. Based on that, Covid-19 pandemic has had no material effects on the Group's reported financial results for the period ended June 30, 2022.

19 Basic and diluted earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the earnings for the period ended attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	June 30,	June 30,
	2022	2021
Earnings attributable to ordinary shareholders	26,414	15,075
Weighted average number of ordinary shares outstanding	48,233	63,000
Basic and diluted earnings per share	0.55	0.24

20 Subsequent events

There are no subsequent events after the period ended at June 30, 2022 which requires adjustment or disclosure to this condensed consolidated interim financial information.

21 Approval of the financial information

This condensed consolidated interim financial information was approved by the Company's Board of Directors on August 14, 2022.