

**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, 2023 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 PERIODS ENDED JUNE 30, 2023

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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, 2023 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 1, 2023



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, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	177,505	178,306
Right of use of assets		20,846	24,071
Intangible assets and goodwill	4	9,854	9,854
Investment in an associate	5	491,419	466,174
Equity investment at fair value through other comprehensive income		751	-
Total non-current assets		700,375	678,405
Current assets			
Inventories	6	461,107	414,349
Trade and other receivables	7	475,147	304,685
Prepayments and other debt balances	8	92,374	63,079
Cash and cash equivalents	9	75,823	72,711
Total current assets		1,104,451	854,824
Assets relating to disposal group classified as held for sale		-	82,736
Total assets		1,804,826	1,615,965
EQUITY AND LIABILITIES			
Equity			
Share capital		482,334	482,334
Statutory reserve		144,348	144,348
Retained earnings		70,354	27,521
Equity attributable to owners of the Company		697,036	654,203
Non-controlling interests		-	18,042
Total equity		697,036	672,245
LIABILITIES			
Non-current liabilities			
Lease liabilities	10	13,868	16,353
Employee benefits obligation		22,979	20,808
Total non-current liabilities		36,847	37,161
Current liabilities			
Lease liabilities and borrowings	10	490,442	550,275
Trade and other payables		556,627	312,431
Zakat and income tax liabilities	11	10,045	10,574
Warranty provision		13,829	14,189
Total current liabilities		1,070,943	887,469
Liabilities relating to disposal group classified as held for sale		-	19,090
Total liabilities		1,107,790	943,720
Total equity and liabilities		1,804,826	1,615,965

The notes on pages 6 to 18 form an integral part of this condensed consolidated interim financial information


Abdullelah Abdullah Abunayyan
Chairman


Muhammed Ibrahim Abunayyan
Chief Executive Officer


Muzey Fighateer
Vice President of Finance

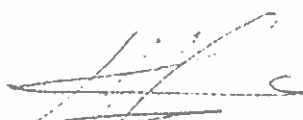
AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of profit or loss and other comprehensive income - Unaudited

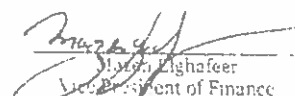
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Three-month period ended June 30,		Six-month period ended June 30,	
		2023	2022	2023	2022
Revenue	12	307,394	294,395	653,957	591,627
Cost of sales		(233,164)	(234,352)	(492,621)	(459,119)
Gross profit		74,230	60,143	161,336	132,508
General and administrative expenses		(25,867)	(19,489)	(49,562)	(39,529)
Selling and distribution expenses		(28,882)	(27,134)	(62,384)	(53,869)
Impairment loss on trade and other receivables		(400)	(2,500)	(2,440)	(11,509)
Other income, net		735	645	1,469	1,416
Income from operations		19,816	11,665	48,419	29,017
Finance costs		(12,304)	(4,723)	(24,585)	(9,268)
Foreign exchange (loss) / gain		(64)	854	(466)	598
Share of net profit from an associate		11,414	6,920	25,245	13,214
Profit before zakat and foreign income tax		18,862	14,716	48,613	33,561
Zakat and foreign income tax expense		(2,715)	(3,075)	(4,550)	(5,700)
Net income for the period from continuing operations		16,147	11,641	44,063	27,861
Discontinued operations:					
Gain / (loss) from discontinued operations		26	251	1,452	(1,493)
Net Income for the period		16,173	11,892	45,515	26,368
<i>Other comprehensive income</i> <i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurement of the defined benefit liability		(1,254)	(77)	(1,823)	(842)
Other comprehensive loss for the period		(1,254)	(77)	(1,823)	(842)
Continuing operations		(1,254)	(59)	(1,823)	(779)
Discontinuing operations		-	(18)	-	(63)
Total comprehensive income for the period		14,919	11,815	43,692	25,526
Profit attributable to:					
Owners of the Company		15,885	11,651	44,656	26,414
Non-controlling interests		288	211	859	(46)
Total comprehensive income attributable to:		16,173	11,892	45,515	26,368
Owners of the Company		14,631	11,603	42,833	25,558
Non-controlling interests		288	212	859	(62)
Earnings per share (Saudi Riyals):		14,919	11,815	43,692	25,526
Basic and diluted earnings per share	19	0.33	0.24	0.93	0.55

The notes on pages 6 to 18 form an integral part of this condensed consolidated interim financial information


Abdullah Abdullah Abunayyan
Chairman


Ahmed Ibrahim Abunayyan
Chief Executive Officer


Hisham Alghafier
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY

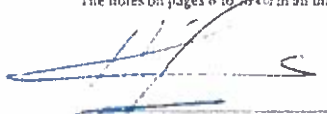
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of changes in equity

(All amounts in thousands of Saudi Rials 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, 2023 (Audited)	482,314	144,348	27,521	654,203	18,042	672,245
Net income for the period	-	-	44,656	44,656	859	45,515
Other comprehensive loss for the period	-	-	(1,823)	(1,823)	-	(1,823)
Total comprehensive income for the period	-	-	42,833	42,833	859	43,692
Disposal of a subsidiary (New Vision Company)	-	-	-	-	(18,901)	(18,901)
June 30, 2023 (Unaudited)	482,314	144,348	70,354	697,036	-	697,036
January 1, 2022 (Audited)	630,000	140,937	(148,002)	622,935	13,650	636,585
Net income / (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)	(147,686)	-	(17,659)	-	-	-
June 30, 2022 (Unaudited)	482,314	140,937	25,252	648,503	13,588	662,111

The notes on pages 6 to 28 form an integral part of this condensed consolidated interim financial information


Abdulrahman Abdullah Alunayyan
Chairman

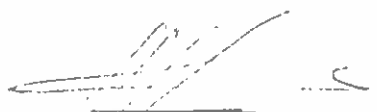

Ibrahim Ghazi Shaker
Chief Executive Officer



Hassan Ghazi Shaker
President

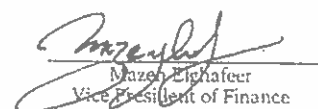
AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows - Unaudited
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Six-month period ended	
		June 30.	
		2023	2022
Cash flows from operating activities			
Profit/(loss) before zakat and foreign income tax			
From continued operations		48,613	33,561
From discontinued operations		1,452	(1,493)
Adjustments for non-cash items			
Depreciation		1,878	4,374
Depreciation of right of use assets		3,225	3,275
Amortization		-	292
Impairment losses on trade and other receivables	7	2,440	226
Provision for slow-moving inventories	6	4,096	13,721
Share of profit from an associate		(25,245)	(13,214)
Provision for employees benefit obligation	5	1,305	1,653
Finance costs		24,585	9,593
Gain on disposal of a subsidiary	18	(1,452)	-
Changes in working capital			
Trade and other receivables		(172,902)	(55,007)
Inventories		(50,854)	(79,505)
Prepayments and other debt balances		(29,533)	(20,152)
Trade and other payables		244,196	207,655
Warranty provision		(360)	1,439
Zakat paid		(5,079)	(6,558)
Finance costs paid		(24,131)	(9,386)
Employee benefits obligation paid		(957)	(1,843)
Net cash generated from operating activities		21,277	88,631
Cash flows from investing activities			
Additions to property and equipment	3	(1,077)	(642)
Additions to equity investment at fair value through other comprehensive income		(751)	-
Proceeds from sale of subsidiary	18	27,534	-
Net cash generated from / (used in) investing activities		25,706	(642)
Cash flows from financing activities			
Payment of lease liabilities		(3,617)	(3,285)
Repayment of bank borrowings		(1,091,975)	(1,036,921)
Proceeds from bank borrowings		1,032,820	992,237
Change in non-controlling interest		18,901	-
Net cash used in financing activities		(43,871)	(47,969)
Net change in cash and cash equivalents		3,112	40,020
Cash and cash equivalents at beginning of the period	9	72,711	53,020
Cash and cash equivalents at end of the period	9	75,823	93,040
Non-cash transactions			
Addition to right of use of assets		-	16,583
Capital decrease	1	-	147,666
Write-off of trade and other receivables	7	3,399	20,221

The accompanying notes on pages 6 to 18 form an integral part of this condensed consolidated interim financial information


 Abdullah Abdullah Abunayyan
 Chairman


 Ibrahim Abunayyan
 Chief Executive Officer


 Mazen Elghafar
 Vice President of Finance

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, 2023 (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 Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 and listed on the Saudi Stock Exchange ("Tadawul").

The address of the Group's head office and the principal activities of HGISC and its subsidiaries (collectively the "Group") remain the same as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2022.

As per the announcement dated 12 Jumad Al Awwal 1443 H (corresponding to December 16, 2021), the Company's Board of Directors recommended a decrease of the Company's share capital by an amount of SR 147.666 million to absorb the accumulated losses balance and increase in the share capital later by issuing equity shares in the amount of SR 249 million. The Company has also announced the submission of its application to reduce 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.

During the Extraordinary General Assembly Meeting held on 14 Shawwal, 1443H (corresponding to May 15, 2022), The Company's shareholders approved the decrease in share capital of SR 147.666 million through absorbing accumulated losses with the same amount. The legal formalities for the capital decrease were finalized on June 19, 2022.

Subsequently, the Company's Board of Directors decided in their meeting dated November 14, 2022 to withdraw their recommendation to the Extraordinary General Assembly and cancel the offering of rights issue shares due to the improvement in the Company's financial position and cash flows from operations, the settlement of the long-term debts, and the sufficiency of funding sources to the Company's growth plans through bank facilities.

As at June 30, 2023 and December 31, 2022, the authorized, issued, and paid-up share capital of the Company is SR 482.3 million divided into 48.2 million shares of SR 10 each.

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

2 Significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the six-month period ended June 30, 2023 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 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, 2022.

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

2.2 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, 2022.

2.3 New and amended standards adopted by the Group

Amendments to the IFRS, effective from January 1, 2023 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
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Notes to the condensed consolidated interim financial information
For the six-month period ended June 30, 2023 (Unaudited)
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

2. Significant accounting policies (continued)

2.4 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, 2023, 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, 2022. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

3 Property and equipment

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning – Net book value	178,306	197,345
Additions for the period / year	1,077	1,689
Depreciation charge for the period / year	(1,878)	(7,310)
Disposals for the period / year	-	(152)
Assets relating to disposal group classified as held for sale	-	(13,266)
Closing – Net book value	<u>177,505</u>	<u>178,306</u>

4 Intangible assets and goodwill

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Goodwill – note 4.1	<u>9,854</u>	<u>9,854</u>
	<u>9,854</u>	<u>9,854</u>

- 4.1 Effective November 12, 2014, HGISC acquired effectively 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 9.9 million and has been recorded as goodwill. Based on the impairment assessment using value in use model made at the end of 2022 financial year, 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, 2022 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, 2023.

5 Investment in an associate

Name of Company	Principal activities	Country of incorporation	Effective interest at	
			June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	49%	49%

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, 2023 (Unaudited)
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

5 Investment in an associate (continued)

Reconciliation for the investment in an associate is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At the beginning of the period / year	466,174	442,395
Share of profit for the period / year	25,245	23,779
At the end of the period / year	<u>491,419</u>	<u>466,174</u>

LG Shaker

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Non-current assets	107,194	102,914
Current assets	452,225	346,820
Non-current liabilities	(10,617)	(9,879)
Current liabilities	(143,949)	(104,565)
Net assets	<u>404,853</u>	<u>335,290</u>

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Revenue	412,050	541,757
Total comprehensive income (100%) (*)	69,564	57,292
Group share of total comprehensive income (49%) (*)	25,245	23,779

(*) 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.

6 Inventories

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Finished goods	427,807	413,226
Spare parts	47,921	43,085
Goods in transit	35,240	6,894
	<u>510,968</u>	<u>463,205</u>
Provision for slow-moving inventories	(49,861)	(48,856)
	<u>461,107</u>	<u>414,349</u>

Reconciliation of the provision for slow-moving inventories is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period / year	48,856	46,572
Charge for the period / year	4,096	7,594
Utilised during the period / year	(3,091)	(4,140)
Assets relating to disposal group classified as held for sale	-	(1,170)
Balance at end of period / year	<u>49,861</u>	<u>48,856</u>

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, 2023 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 Trade and other receivables

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	512,720	354,663
Less: Impairment loss on trade receivables	<u>(59,158)</u>	<u>(60,117)</u>
	453,562	294,546
Other receivables:		
Promotions claims from suppliers	21,585	10,139
Custom duty deposit	5,956	5,956
Impairment losses on other receivables	<u>(5,956)</u>	<u>(5,956)</u>
	<u>475,147</u>	<u>304,685</u>

Reconciliation of impairment losses on receivables is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period / year	60,117	113,433
Charge for the period / year	2,440	10,660
Charge for the period/year- discontinued operations	-	423
Write-off	<u>(3,399)</u>	<u>(23,679)</u>
Assets of disposal group – sale of EMS	-	(5,226)
Assets relating to disposal group classified as held for sale	-	(35,494)
Balance at end of period / year	<u>59,158</u>	<u>60,117</u>

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at June 30, 2023 and December 31, 2022:

June 30, 2023 (Unaudited)	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1-90 days	298,755	4,958	1.7%
91-180 days	133,627	3,466	2.6%
181-270 days	25,845	1,265	4.9%
271-360 days	3,288	377	11.5%
More than 360 days	<u>51,205</u>	<u>49,092</u>	<u>95.9%</u>
	<u>512,720</u>	<u>59,158</u>	<u>11.5%</u>
December 31, 2022	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1-90 days	174,131	5,779	3.3%
91-180 days	92,201	2,799	3.0%
181-270 days	25,864	1,298	5.0%
271-360 days	4,414	575	13.0%
More than 360 days	<u>58,053</u>	<u>49,666</u>	<u>85.6%</u>
	<u>354,663</u>	<u>60,117</u>	<u>17.0%</u>

8 Prepayments and other debt balances

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to suppliers, employees and other advances	74,222	47,544
Prepayments	<u>18,152</u>	<u>15,535</u>
Total	<u>92,374</u>	<u>63,079</u>

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, 2023 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

9 Cash and cash equivalents

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in hand	1,491	961
Bank balances - current accounts	74,332	51,524
Bank balances – deposits (*)	-	20,226
Total	75,823	72,711

* These bank balances which represents a term deposits with maturities of 1 to 3 months maturity, and an interest rates ranging between 3% and 4.8%.

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 and US Dollar. Such facilities were obtained principally under Murabaha/Tawarruq arrangements. Certain facility agreements are secured against 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 financial charges incurred during the period increased due to the increase in the amount of borrowings and to the increase in SAIBOR since the second half of 2022.

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. These Promissory notes amounted to SR 1,540 million as at June 30, 2023 and (December 31, 2022: SR 1,065 million).

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.

As of June 30, 2023, the Group's total borrowing facilities amounted to SAR 1,540 million out of which SAR 650 million was unutilized.

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:		
Lease Liability	5,392	6,070
Bank borrowings	485,050	544,205
	490,442	550,275
Non-current:		
Lease Liability	13,868	16,353
	13,868	16,353
Total lease liabilities	19,260	22,423
Total bank borrowings	485,050	544,205
Total lease liabilities and borrowings	504,310	566,628

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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11 Zakat and foreign income tax liabilities

The Group submitted its zakat returns for the years up to 2022 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 prior year. 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. On June 9, 2022, the Tax Committees for Resolution of Tax Violations and Disputes assessed an amount of 274 thousands only. However, this has been appealed by ZATCA to The Appeal Committee for Tax Violations and Disputes on September 9, 2022. The assessments related to 2019 and 2020 financial years have been finalized during 2022 and resulted in an additional initial zakat amount of SR 11.2 million. This amount has been appealed to the General Secretarial of Zakat, Tax and Customs Authority on April 20, 2022. In February 26, 2023, The Tax Committees for Resolution of Tax Violations and Disputes assessed an amount of SR 6.8 million only. However, this has been appealed by the Company to The Appeal Committee for Tax Violations and Disputes on March 19, 2023. On June 13, 2023 the Committee has assessed to an amount of SR 6.8 million. Subsequent to the period end and on July 20, 2023, the Group paid the amount of SR 6.8 million to ZATCA. The Group's management and its zakat advisor believe that the current level of zakat provision is sufficient and adequate.

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, 2023 (Unaudited)</i>	HVAC solutions	Home appliances	All other segments	Total
Saudi Arabia	395,478	258,479	-	653,957
<i>June 30, 2022 (Unaudited)</i>				
Saudi Arabia	344,420	247,207	-	591,627

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.

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.

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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, 2023 and also the basis on which revenue is recognized:

For the period ended June 30, 2023	HVAC Solutions	Home appliances	Total reportable segments	Total
Revenues from external customers	395,478	258,479	653,957	653,957
Cost of sales	(284,207)	(208,414)	(492,621)	(492,621)
Gross profit	111,271	50,065	161,336	161,336
General and administrative expenses	(31,524)	(18,038)	(49,562)	(49,562)
Selling and distribution expenses	(42,119)	(20,265)	(62,384)	(62,384)
Impairment loss on trade and other receivables	(2,440)	-	(2,440)	(2,440)
Other income, net	1,469	-	1,469	1,469
Income from operations	36,657	11,762	48,419	48,419
Finance costs	(24,002)	(583)	(24,585)	(24,585)
Foreign exchange (loss) /gain	(484)	18	(466)	(466)
Share of net profit from an associate	25,245	-	25,245	25,245
Segments profit before zakat and foreign income tax	37,416	11,197	48,613	48,613
Zakat and foreign income tax	(2,722)	(1,828)	(4,550)	(4,550)
Net income for the period from continued operations	34,694	9,369	44,063	44,063
Discontinued operations				
Gain from discontinued operations	1,452	-	1,452	1,452
Net income for the period	36,146	9,369	45,515	45,515
For the period ended June 30, 2022	HVAC Solutions	Home appliances	Total reportable segments	Total
Revenues from external customers	344,420	247,207	591,627	591,627
Cost of sales	(271,903)	(187,216)	(459,119)	(459,119)
Gross profit	72,517	59,991	132,508	132,508
General and administrative expenses	(24,955)	(14,574)	(39,529)	(39,529)
Selling and distribution expenses	(37,186)	(16,683)	(53,869)	(53,869)
Impairment loss on trade and other receivables	(9,409)	(2,100)	(11,509)	(11,509)
Other income, net	1,416	-	1,416	1,416
Income from operations	2,383	26,634	29,017	29,017
Finance costs	(9,249)	(19)	(9,268)	(9,268)
Foreign exchange (loss) /gain	(812)	1,410	598	598
Share of net profit from an associate	13,214	-	13,214	13,214
Segments profit before zakat and foreign income tax	5,536	28,025	33,561	33,561
Zakat and foreign income tax	(3,294)	(2,406)	(5,700)	(5,700)
Profit for the period from continued operations	2,242	25,619	27,861	27,861
Discontinued operations				
Loss from discontinued operations	(1,493)	-	(1,493)	(1,493)
Net income for the period	749	25,619	26,368	26,368

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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, 2023						
Reportable segment assets	1,783,841	742,933	2,526,774	751	(722,699)	1,804,826
Additions to property and equipment	1,077	-	1,077	-	-	1,077
December 31, 2022						
Reportable segment assets	1,586,482	632,430	2,218,912	-	(602,947)	1,615,965
Additions to property and equipment	1,542	147	1,689	-	-	1,689
June 30, 2023						
Total segment liabilities	1,055,554	432,309	1,487,863	751	(380,824)	1,107,790
December 31, 2022						
Total segment liabilities	893,930	293,212	1,187,142	-	(243,422)	943,720

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

All non-current assets are geographically located in Saudi Arabia by 100% as at June 30, 2023 and December 31, 2022.

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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, 2023, the HVAC solutions segment reported revenue of SR 714.6 million (for 12 months ended June 30, 2022: SR 633 million) and net profit of SR 54.9 million (net profit for 12 months ended June 30, 2022: SR 22.2 million).

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, 2023 was as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total liabilities	1,107,790	943,720
Less: cash and cash equivalents	<u>(75,823)</u>	<u>(72,711)</u>
Adjusted net debt	1,031,967	871,009
Total equity	697,036	672,245
Equity	697,036	672,245
Adjusted net debt to equity ratio	148%	130%

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 assessed 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, this condensed consolidated interim financial information has 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, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Short-term employees' benefits	4,972	4,139
Board of Directors and Audit Committee remuneration	1,249	960

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16 Related parties (continued)

(b) Related parties' balances

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties		
LG Shaker	233,882	189,231
LG Electronics	136,653	10,049
LG Electronics Saudi Arabia Limited	116,761	-

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

(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, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Purchases from related party		
LG Shaker	351,201	350,899
LG Electronics	175,403	27,925
LG Electronics Saudi Arabia Limited	142,335	-
Settlement to related party		
LG Shaker	(306,551)	(211,934)
LG Electronics	(49,139)	(39,679)
LG Electronics Saudi Arabia Limited	(25,574)	-

17 Contingencies and commitments

The Group has the following as of June 30, 2023:

- a) On June 30, 2023, the Group has outstanding bank guarantees of SR 57.3 million (December 31, 2022: SR 31.9 million) issued by local and foreign banks in respect of importing of finished goods and other supplies.
- b) At June 30, 2023, the Group has outstanding bank letters of credit of SR 83.2 million (December 31, 2022: SR 68 million) issued against importing of finished goods and other supplies.
- c) The Group has a contractual obligation regarding the purchase of land amounting to SR 10.9 million as of June 30, 2023.
- e) The Group has a contingent liability against non-tax and tax warranty claims related to the sale of New Vision Company (a former subsidiary) with a maximum aggregate liability of SR 27.5 million.

18 Disposal groups

18.1 Disposal group– Sale of EMS

On November 2, 2022, The Group signed an agreement with the minority shareholders for exiting its entire share of investment in Energy Management services Emirates LLC (EMS) Group for a transaction price of SR 14.5 million which was 74% owned by the Group.

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18 Disposal groups (continued)

18.1 Disposal group-- Sale of EMS (continued)

An analysis of the results in relation to the operations of disposal group during the period ended June 30, 2022, is as follows:

18.1.a Financial performance and cash flow information

	For the period ended June 30, 2022
Revenue	582
Expenses	(4,640)
Loss before zakat and income tax	(4,058)
Income tax expense	-
Net loss from discontinued operations	(4,058)
Other comprehensive income from discontinued operations	(63)
Total comprehensive loss from discontinued operations	(4,121)
Net cash used in operating activities	(1,197)
Net cash used in investing activities	-
Net cash used in financing activities	-
Net decrease in cash and cash equivalent from the discontinued operations	(1,197)

18.2 Disposal group -Sale of New Vision Company

On May 16, 2023, the Group signed an agreement for sale its entire share of investment in New vision Company for a transaction price of SR 27.5 million which was 60% owned by the Group. An analysis of the results in relation to the operations of disposal group classified as held for sale during the six-month period ended June 30, 2023, and 2022 is as follows:

18.2.a Financial performance and cash flow information

	For the period ended May 16, 2023	For the period ended June 30, 2022
Revenue	39,782	43,678
Expenses	(37,635)	(41,113)
Profit before zakat and income tax	2,147	2,565
Income tax expense	-	-
Net profit from discontinued operations	2,147	2,565
Other comprehensive income from discontinued operations	-	-
Total comprehensive income from discontinued operations	2,147	2,565
Net cash used in operating activities	(805)	-
Net cash used in investing activities	(1,320)	-
Net cash used in financing activities	(135)	-
Net increase in cash and cash equivalent from the discontinued operations	(2,260)	-

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18 Disposal groups (continued)

18.2 Disposal group -Sale of New Vision Company (continued)

18.2.b Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities for sale in relation to the discontinued operations as at May 16, 2023:

	<u>2023</u>
Assets relating to disposal group	
Property and equipment	13,152
Right of use of assets	2,019
Intangible assets	669
Inventory	16,419
Trade and other receivables	41,671
Prepayments and other debt balances	2,985
Cash and cash equivalents	5,720
Total assets of disposal group	<u>82,635</u>
Liabilities relating to disposal group	
Short-term loans	9,827
Lease liabilities	1,903
Trade and other payables	23,856
Total liabilities of disposal group	<u>35,586</u>
Net assets of disposal group	<u>47,049</u>

The net loss on disposal was as follows:

	<u>2023</u>
Consideration received	27,534
Net assets of disposal group (60% of net assets)	<u>(28,229)</u>
Net loss on disposal	<u>(695)</u>

The total gain/(loss) from discontinued operations was as follows:

	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
Net loss from EMS	-	(4,058)
Net gain from New Vision Company	2,147	2,565
Net loss from disposal of New Vision Company	<u>(695)</u>	-
Total gain / (loss) from discontinued operations	<u>1,452</u>	<u>(1,493)</u>

- The statement of cash flows is presented based on the consolidated figures. The Group considered the cash and cash equivalents of the disposal group, classified as held for sale, as not significant.

The condensed interim statement of profit or loss and other comprehensive income shows the following amounts relating to discontinued operations for the six-month period ended June 30:

	<u>2023</u>	<u>2022</u>
Impairment losses on trade receivables	-	423
Finance cost	-	742

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19 Basic and diluted earnings per share

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

	June 30, 2023	June 30, 2022
Earnings attributable to ordinary shareholders		
From continuing operations	44,063	27,878
From discontinued operations	593	(1,464)
	44,656	26,414
Weighted average number of ordinary shares outstanding	48,233	48,233
Basic and diluted earnings per share		
From continuing operations attributable to the owners of the Parent Company	0.92	0.58
From discontinued operations attributable to the owners of the Parent Company	0.01	(0.03)
Total basic and diluted earnings per share attributable to the owners of the Parent Company	0.93	0.55

20 Conflict in Ukraine

The Russian-Ukrainian conflict started in February 2022 resulting a steep increase of crude oil and natural gas prices and at the same time affected share prices at stock exchanges. The course of events required a reassessment of certain accounting estimates, assumptions and judgements of the Group's exposure on impairment risks and expected credit losses. No significant operational costs were recognised in this condensed consolidated interim financial information directly associated with the Russian-Ukrainian conflict. Management will keep monitoring the situation and further developments.

21 Subsequent events

There are no subsequent events after the six-month period ended at June 30, 2023 which requires adjustment or disclosure to this condensed consolidated interim financial information.

22 Approval of the financial information

This condensed consolidated interim financial information was approved by the Company's Board of Directors on July 31, 2023.