

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

**UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION FOR
THE THREE-MONTH PERIOD
ENDED MARCH 31, 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 PERIOD ENDED MARCH 31, 2023**

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Report on review of 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 March 31, 2023 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-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 statements 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 statements are 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

May 16, 2023




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

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	177,776	178,306
Right of use of assets		22,432	24,071
Intangible assets and goodwill	4	9,854	9,854
Investment in an associate	5	480,005	466,174
Total non-current assets		690,067	678,405
Current assets			
Inventories	6	415,522	414,349
Trade and other receivables	7	453,225	304,685
Prepayments and other debt balances	8	72,924	63,079
Cash and cash equivalents	9	72,296	72,711
Total current assets		1,013,967	854,824
Assets relating to disposal group classified as held for sale	18	86,748	82,736
Total assets		1,790,782	1,615,965
EQUITY AND LIABILITIES			
Equity			
Share capital		482,334	482,334
Statutory reserve		144,348	144,348
Retained earnings		55,723	27,521
Equity attributable to owners of the Company		682,405	654,203
Non-controlling interests		18,613	18,042
Total equity		701,018	672,245
LIABILITIES			
Non-current liabilities			
Lease liabilities	10	15,515	16,353
Employee benefits obligation		21,865	20,808
Total non-current liabilities		37,380	37,161
Current liabilities			
Lease liabilities and borrowings	10	538,266	550,275
Trade and other payables		463,037	312,431
Zakat and income tax liabilities	11	12,383	10,574
Warranty provisions		14,581	14,189
Total current liabilities		1,028,267	887,469
Liabilities relating to disposal group classified as held for sale	18	24,117	19,090
Total liabilities		1,089,764	943,720
Total equity and liabilities		1,790,782	1,615,965

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.


Abdulrahman Abdullah Abunayyan
Chairman



Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghafeer
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	
		March 31,	
		2023	2022
Revenue	12	346,563	297,232
Cost of sales		(259,457)	(224,867)
Gross profit		87,106	72,365
General and administrative expenses		(23,695)	(20,040)
Selling and distribution expenses		(33,502)	(26,735)
Impairment loss on trade and other receivables	7	(2,040)	(9,009)
Other income, net		734	771
Income from operations		28,603	17,352
Finance costs		(12,281)	(4,545)
Other expense – Foreign exchange loss		(402)	(258)
Share of profit from an associate	5	13,831	6,294
Profit before zakat and foreign income tax		29,751	18,843
Zakat and foreign income tax expense		(1,835)	(2,625)
Net Income for the period from			
Continuing operations		27,916	16,218
Discontinued operations:			
Gain / (loss) from discontinued operations	18	1,426	(1,744)
Net Income for the period		29,342	14,474
Other comprehensive income			
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss</i>			
Re-measurement of the defined benefit liability		(569)	(765)
Other comprehensive loss for the period		(569)	(765)
Continuing operations		(569)	(720)
Discontinued operations		-	(45)
Total comprehensive income for the period		28,773	13,709
Profit attributable to:			
Owners of the Company		28,771	14,761
Non-controlling interests		571	(287)
Total comprehensive income attributable to:		29,342	14,474
Owners of the Company		28,202	13,984
Non-controlling interests		571	(275)
Earnings per share (Saudi Riyals):			
Basic and diluted earnings per share	19	0.60	0.23

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.


Abdulelah Abdullah Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghafeer
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity - Unaudited
(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	Non-controlling interests	
January 1, 2023	482,334	144,348	27,521	654,203	18,042	672,245
Net profit for the period	-	-	28,771	28,771	571	29,342
Other comprehensive loss for the period	-	-	(569)	(569)	-	(569)
Total comprehensive income for the period	-	-	28,202	28,202	571	28,773
March 31, 2023 (Unaudited)	482,334	144,348	55,723	682,405	18,613	701,018
January 1, 2022	630,000	140,937	(148,002)	622,935	13,650	636,585
Net profit for the period	-	-	14,749	14,749	(275)	14,474
Other comprehensive loss for the period	-	-	(753)	(753)	(12)	(765)
Total comprehensive income for the period	-	-	13,996	13,996	(287)	13,709
March 31, 2022 (Unaudited)	630,000	140,937	(134,006)	636,931	13,363	650,294

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.


Abdulrahman Abdullah Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghateer
Vice President of Finance

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	Three-month period ended	
		March 31,	
		2023	2022
Cash flows from operating activities			
Profit before zakat and foreign income tax:			
Continuing operations		29,751	18,843
Discontinued operations		1,426	(1,744)
<u>Adjustments for non-cash items:</u>			
Depreciation	3	928	2,179
Depreciation of right of use of assets		1,639	1,636
Amortization		-	146
Impairment losses on inventories	6	1,346	-
Impairment losses on trade and other receivables	7	2,040	11,115
Share of profit from an associate	5	(13,831)	(6,294)
Provision for employee benefits obligation		715	1,470
Finance costs		12,281	4,705
<u>Changes in working capital:</u>			
Trade and other receivables		(150,580)	(79,031)
Inventories		(2,519)	5,074
Prepayments and other debt balances		(9,845)	(7,543)
Trade and other payables		150,606	85,572
Assets relating to disposal group classified as held for sale		(4,012)	-
Liabilities relating to disposal group classified as held for sale		5,027	-
Warranty provision		392	899
Zakat and income tax paid		(26)	(78)
Finance costs paid		(12,054)	(4,623)
End of service benefits paid		(228)	(1,937)
Net cash generated from operating activities		13,056	30,389
Cash flows from investing activity			
Additions to property and equipment	3	(398)	(217)
Net cash used in investing activity		(398)	(217)
Cash flows from financing activities			
Payment of lease liabilities		(1,300)	(852)
Repayment of bank borrowings		(468,348)	(603,896)
Proceeds from bank borrowings		456,575	583,490
Net cash used in financing activities		(13,073)	(21,258)
Net (decrease)/increase in cash and cash equivalents		(415)	8,914
Cash and cash equivalents at beginning of the period		72,711	53,020
Cash and cash equivalents at end of the period	9	72,296	61,934

The accompanying notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.


Abdulrahman Abdullah Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghafeer
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 three-month period ended March 31, 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 increasing the Share Capital later by issuing equity shares at value 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 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 flow from operations, the settlement of long term debts and the sufficiency of funding sources to the Company's growth plans through bank facilities.

As at March 31, 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 three-month period ended March 31, 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 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, 2022.

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

2.2 Summary of 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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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 March 31, 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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning – Net book value	178,306	197,345
Additions for the period / year	398	1,689
Depreciation charge for the period / year	(928)	(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>177,776</u>	<u>178,306</u>

4 Intangible assets and goodwill

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

- 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 three-month period ended March 31, 2023.

5 Investment in an associate

<i>Name of Company</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Effective interest at</i>	
			March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	<u>49%</u>	<u>49%</u>

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5 Investment in an associate (continued)

Reconciliation for the investment in an associate are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
At the beginning of the period / year	466,174	442,395
Share of profit for the period / year	13,831	23,779
At the end of the period / year	480,005	466,174

LG Shaker

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Non-current assets	103,687	102,914
Current assets	486,610	346,820
Non-current liabilities	(10,224)	(9,879)
Current liabilities	(205,233)	(104,565)
Net assets	374,840	335,290

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Revenue	210,680	541,757
Total comprehensive income (100%) (*)	39,551	57,292
Group share of total comprehensive income (49%) (*)	13,831	23,779

(*) The difference between the Group's share in net assets of the associate and the 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 unrealised profit on upstream transactions between the Group and its associate.

6 Inventories

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Finished goods	399,251	413,226
Spare parts	41,767	43,085
Goods in transit	22,706	6,894
	463,724	463,205
Impairment losses on inventories	(48,202)	(48,856)
	415,522	414,349

Reconciliation of the impairment losses on inventories is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period / year	48,856	46,572
Charge for the period / year	1,346	7,594
Utilised during the period / year	(2,000)	(4,140)
Assets relating to disposal group classified as held for sale	-	(1,170)
Balance at end of period / year	48,202	48,856

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7 Trade and other receivables

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	496,939	354,663
Less: Impairment loss on trade receivables	<u>(58,615)</u>	<u>(60,117)</u>
	438,324	294,546
Other receivables:		
Promotions claims from suppliers	14,901	10,139
Custom duty deposit	5,956	5,956
Impairment losses on other receivables	<u>(5,956)</u>	<u>(5,956)</u>
	453,225	304,685

Reconciliation of impairment losses on receivables is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period / year	60,117	113,433
Charge for the period / year	2,040	10,660
Charge for the period/year- discontinued operations	-	423
Write-off	<u>(3,542)</u>	<u>(23,679)</u>
Assets of disposal group – sale of EMS	-	(5,226)
Assets relating to disposal group classified as held for sale	-	<u>(35,494)</u>
Balance at end of period / year	58,615	60,117

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

31 March 2023 (Unaudited)	Gross carrying amount	Weighted- average loss	Loss Allowance (%)
1-90 days	329,324	4,565	1.4%
91-180 days	83,821	2,559	3.1%
181-270 days	26,693	1,262	4.7%
271-360 days	2,588	294	11.4%
More than 360 days	<u>54,513</u>	<u>49,935</u>	<u>91.6%</u>
	496,939	58,615	11.8%
31 December 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>
	354,663	60,117	17.0%

8 Prepayments and other debt balances

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to suppliers, employees and other advances	52,935	47,544
Prepayments	<u>19,989</u>	<u>15,535</u>
Total	72,924	63,079

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9 Cash and cash equivalents

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in hand	2,202	961
Bank balances - current accounts	49,868	51,524
Bank balances – deposits (*)	20,226	20,226
Total	72,296	72,711

* These bank balances which represents a term deposits are 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 agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained.

The financial charges incurred during the period increased on account of increase in amount of borrowings and 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 1,466 million as at March 31, 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 March 31, 2023, the Group's total borrowing facilities amounted to SAR 1,466 million out of which SAR 934 million was unutilized.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:		
Lease Liabilities	5,835	6,070
Bank borrowings	532,431	544,205
	538,266	550,275
Non-current:		
Lease Liabilities	15,515	16,353
	15,515	16,353
Total lease liabilities	21,350	22,423
Total bank borrowings	532,431	544,205
Total lease liabilities and borrowings	553,781	566,628

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Notes to the condensed consolidated interim financial information
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11 Zakat and 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 decided 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 decided 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. 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>March 31, 2023</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	175,913	170,650	-	346,563
Total	175,913	170,650		346,563
<i>March 31, 2022</i> <i>(Unaudited)</i>				
Saudi Arabia	144,080	153,152	-	297,232
Total	144,080	153,152	-	297,232

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 commercial 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.

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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 three-month period ended March 31, 2023 and also on the basis on which revenue is recognized:

For the period ended March 31, 2023	HVAC Solutions	Home Appliances	Total reportable segments	Total
Revenues from external customers	175,913	170,650	346,563	346,563
Cost of sales	(122,657)	(136,800)	(259,457)	(259,457)
Gross profit	53,256	33,850	87,106	87,106
General and administrative expenses	(14,083)	(9,612)	(23,695)	(23,695)
Selling and distribution expenses	(18,349)	(15,153)	(33,502)	(33,502)
Impairment loss on trade and other receivables	(2,040)	-	(2,040)	(2,040)
Other income, net	734	-	734	734
Income from operations	19,518	9,085	28,603	28,603
Finance costs	(11,927)	(354)	(12,281)	(12,281)
Other expense – Foreign exchange loss	(420)	18	(402)	(402)
Share of profit from an associate	13,831	-	13,831	13,831
Segments profit before zakat and foreign income tax	21,002	8,749	29,751	29,751
Zakat and foreign income tax	(170)	(1,665)	(1,835)	(1,835)
Net income for the period from continuing operations	20,832	7,084	27,916	27,916
Discontinued operations				
Gain from discontinued operations	1,426	-	1,426	1,426
Net income for the period	22,258	7,084	29,342	29,342

For the period ended March 31, 2022	HVAC Solutions	Home appliances	Total reportable segments	Total
Revenues from external customers	144,080	153,152	297,232	297,232
Cost of sales	(109,069)	(115,798)	(224,867)	(224,867)
Gross profit	35,011	37,354	72,365	72,365
General and administrative expenses	(12,017)	(8,023)	(20,040)	(20,040)
Selling and distribution expenses	(16,963)	(9,772)	(26,735)	(26,735)
Impairment loss on trade and other receivables	(8,009)	(1,000)	(9,009)	(9,009)
Other income	771	-	771	771
(loss) / Income from operations	(1,207)	18,559	17,352	17,352
Finance costs	(4,534)	(11)	(4,545)	(4,545)
Other expense – Foreign exchange loss	(338)	80	(258)	(258)
Share of Profit from an associate	6,294	-	6,294	6,294
Segments profit before zakat and foreign income tax	215	18,628	18,843	18,843
Zakat and foreign income tax	(1,234)	(1,391)	(2,625)	(2,625)
Net (loss)/income for the period from continuing operations	(1,019)	17,237	16,218	16,218
Discontinued operations				
Gain from discontinued operations	(1,744)	-	(1,744)	(1,744)
Net (loss) / income for the period	(2,763)	17,237	14,474	14,474

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13 Operating segments (continued)

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

March 31, 2023	HVAC solutions	Home Appliances	Total reportable segments	Adjustments and eliminations	Total
Reportable segment assets	1,664,269	737,974	2,402,243	(611,461)	1,790,782
Additions to property,	397	1	398	-	398
December 31, 2022	HVAC Solutions	Home appliances	Total reportable segments	Adjustments and eliminations	Total
Reportable segment assets	1,586,482	632,430	2,218,912	(602,947)	1,615,965
Additions to property,	1,542	147	1,689	-	1,689
March 31, 2023	HVAC Solutions	Home appliances	Total reportable segments	Adjustments and eliminations	Total
Total segment liabilities	942,250	381,627	1,323,877	(234,113)	1,089,764
December 31, 2022	HVAC Solutions	Home appliances	Total reportable segments	Adjustments and eliminations	Total
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.

The non-current assets are geographically located in KSA by 100% as at March 31, 2023 and December 31, 2022.

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 March 31, 2023, the HVAC solutions segment reported revenue of SAR 694 million (for 12 months ended March 31, 2022: SAR 611 million) and net profit of SAR 37 million (net profit for 12 months ended March 31, 2022: SAR 7.6 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 monitor the return on capital as well as the level of dividends to the 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 March 31, 2022 was as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Total liabilities	1,089,764	943,720
Less: cash and cash equivalents	(72,296)	(72,711)
Adjusted net debt	1,017,468	871,009
Total equity	701,018	672,245
Equity	701,018	672,245
Adjusted net debt to total equity ratio	145%	130%

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15 Capital and financial risk management (continued)

The management believes that the Group has the 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, 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:

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Short term employees' benefits	2,145	2,070
BOD and audit committee remuneration	625	450

(b) Related parties' balances

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties		
LG Shaker	199,968	189,231
LG Electronics	1,456	10,049
LG Electronics Saudi Arabia Limited	82,763	-

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.

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Purchases from related party		
LG Shaker	153,468	129,897
LG Electronics	173,040	8,127
LG Electronics Saudi Arabia Limited	83,131	-
Settlement to related party		
LG Shaker	142,731	74,823
LG Electronics	16,107	24,905
LG Electronics Saudi Arabia Limited	368	-

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17 Contingencies and commitments

The Company has the following as at March 31, 2023:

- a) At March 31, 2023, the Group has outstanding bank guarantees of SR 31.9 million (December 31, 2022: SR 31.9 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.
- b) At March 31, 2023, the Group has outstanding bank letters of credit of SR 207.3 million (December 31, 2022: SR 68 million) issued against import 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 March 31, 2023.

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.

An analysis of the results in relation to the operations of disposal group during the period ended March 31, 2022, is as follows:

18.1.a Financial performance and cash flow information

	For the period ended March 31, 2022
Revenue	199
Expenses	<u>(3,215)</u>
Loss before zakat and income tax	(3,016)
Income tax expense	-
Net loss from discontinued operations	(3,016)
Other comprehensive income from discontinued operations	<u>45</u>
Total comprehensive loss from discontinued operations	(2,971)
Net cash used in operating activities	(850)
Net cash used in investing activities	-
Net cash used in financing activities	-
Net decrease in cash and cash equivalent from the discontinued operations	(850)

18.2 Disposal group classified as held for sale

On December 31, 2022, the Board of Directors of Al Hassan Ghazi Ibrahim Shaker Company committed to a plan to sell New vision Company which is a 60% owned subsidiary by the Group and an active program to locate a buyer and complete the plan is applied. An analysis of the results in relation to the operations of disposal group classified as held for sale during the three-month period ended March 31, 2023, and 2022 is as follows:

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18 Disposal groups (continued)

18.2 Disposal group classified as held for sale (continued)

18.2.a Financial performance and cash flow information

	For the period ended March 31,	
	2023	2022
Revenue	25,379	22,506
Expenses	(23,953)	(21,234)
Profit before zakat and income tax	1,426	1,272
Income tax expense	-	-
Net profit from discontinued operations	1,426	1,272
Other comprehensive income from discontinued operations	-	-
Total comprehensive income from discontinued operations	1,426	1,272
Net cash (used in) / generated from operating activities	(733)	4,933
Net cash generated from investing activities	40	60
Net cash generated from / (used in) financing activities	3,943	(1,603)
Net increase in cash and cash equivalent from the discontinued operations	3,250	3,390

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

The following assets and liabilities are classified as held for sale in relation to the discontinued operations as at March 31, 2023:

	March 31, 2023
Assets relating to disposal group classified as held for sale	
Property and equipment	13,070
Right of use assets	2,037
Intangible assets	699
Inventory	15,717
Trade and other receivables	42,210
Prepayments and other debt balances	2,312
Cash and cash equivalents	10,703
Total assets of disposal group classified as held for sale	86,748
Liabilities relating to disposal group classified as held for sale	
Lease liabilities	1,849
Short term loans	7,682
Trade and other payables	14,586
Total liabilities of disposal group classified as held for sale	24,117

- 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 three-month period ended March 31:

	2023	2022
Impairment losses on trade receivables	-	2,106
Finance cost	-	160

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

	2023	2022
Net loss from EMS	-	(3,016)
Net gain from new vision	1,426	1,272
Total gain / (loss) from discontinued operations	1,426	(1,744)

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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 period ended attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	March 31, 2023	March 31, 2022
Earnings attributable to owners of the Parent Company		
From continuing operations	27,916	16,218
From discontinued operations	857	(1,744)
	28,773	14,474
Weighted average number of ordinary shares outstanding	48,233	63,000
Basic and diluted earnings per share		
From continuing operations attributable to the owners of the Parent Company	0.58	0.26
From discontinued operations attributable to the owners of the Parent Company	0.02	(0.3)
Total basic and diluted earnings per share attributable to the owners of the Parent Company	0.60	0.23

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 three-month period ended at March 31, 2023 which requires adjustment or disclosure to this condensed consolidated interim financial information except for the fact that subsequent to the end of the period and on April 3, 2023, the Group acquired a 10% investment in Cashew Arabia Company for Information Technology ("Cashew KSA"), the Saudi arm of Cashew Payments Holding Limited ("Cashew Holding"), for a consideration amounting to SR 750,000.

22 Approval of the financial information

This condensed consolidated interim financial information was approved by the Company's Board of Directors on May 16, 2023.