

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

**Unaudited condensed consolidated
Interim financial information for
the three-month and six-month period
ended June 30, 2021 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, 2021

	Page
Report on review of 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 - 17



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 June 30, 2021 and the related condensed consolidated interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and condensed consolidated statement of changes in equity and 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

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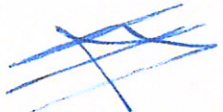
Ali A. Alotaibi
License Number 379

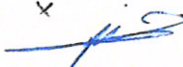
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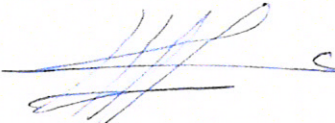
AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position - Unaudited
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	June 30, 2021	December 31, 2020 (Restated)	January 1, 2020 (Restated)
ASSETS				
Non-current assets				
Property and equipment	3	208,153	212,860	223,294
Right of use of assets		7,763	11,337	15,829
Intangible assets and goodwill	4	12,302	12,784	13,396
Trade receivables	7	11,981	11,284	9,443
Investment in an associate	5, 20	432,778	419,154	443,807
Total non-current assets		672,977	667,419	705,769
Current assets				
Inventories	6	359,119	296,061	276,340
Trade receivables	7, 20	404,085	321,891	348,513
Prepayments and other receivables	8, 20	43,755	30,315	30,936
Cash and cash equivalents	9	77,327	79,906	63,752
Total current assets		884,286	728,173	719,541
Total assets		1,557,263	1,395,592	1,425,310
EQUITY AND LIABILITIES				
Equity				
Share capital		630,000	630,000	630,000
Statutory reserve		140,937	140,937	140,937
Accumulated losses	20	(159,549)	(175,556)	(181,440)
Equity attributable to owners of the Company		611,388	595,381	589,497
Non-controlling interests		13,293	13,073	12,487
Total equity		624,681	608,454	601,984
LIABILITIES				
Non-current liabilities				
Lease liabilities and borrowings	10	86,530	109,936	95,975
Employee benefits obligation		24,297	25,070	24,121
Long term payable		-	-	95,000
Total non-current liabilities		110,827	135,006	215,096
Current liabilities				
Lease liabilities and borrowings	10	385,194	278,228	302,667
Trade and other payables		420,824	342,705	278,102
Zakat and foreign income tax liabilities	11	3,750	19,370	15,691
Provisions		11,987	11,829	11,770
Total current liabilities		821,755	652,132	608,230
Total liabilities		932,582	787,138	823,326
Total equity and liabilities		1,557,263	1,395,592	1,425,310

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


 U. P. FINANCE


 CEO

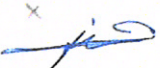

 CHAIRMAN

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,	
		2021	2020 (Restated)	2021	2020 (Restated)
Revenue	12	289,481	267,773	577,782	488,748
Cost of sales		(228,149)	(215,655)	(458,819)	(387,268)
Gross profit		61,332	52,118	118,963	101,480
General and administrative expenses		(21,686)	(20,489)	(47,315)	(44,624)
Selling and distribution expenses		(25,874)	(16,001)	(46,605)	(38,339)
Reversal / (impairment loss) on trade receivables		1,425	(7,619)	(8,776)	(15,681)
Other income (expenses), net		(781)	(753)	(229)	526
Income from operations		14,416	7,256	16,038	3,362
Finance costs		(4,074)	(4,549)	(7,608)	(11,385)
Share of profit from an associate	20	3,299	6,921	13,624	14,469
Profit before zakat and foreign income tax		13,641	9,628	22,054	6,446
Zakat expense and foreign income tax		(2,875)	(2,060)	(6,750)	(3,620)
Net profit for the period		10,766	7,568	15,304	2,826
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		203	117	923	(109)
Other comprehensive income / (loss) for the period		203	117	923	(109)
Total comprehensive income for the period		10,969	7,685	16,227	2,717
Profit / (loss) attributable to:					
Owners of the Company		8,755	7,618	15,075	4,691
Non-controlling interests		2,011	(50)	229	(1,865)
Total comprehensive income / (loss) attributable to:					
Owners of the Company		8,967	7,743	16,007	4,590
Non-controlling interests		2,002	(58)	220	(1,873)
Earnings per share (Saudi Riyals):					
Basic and diluted earnings per share		0.14	0.12	0.24	0.07

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


 U. P. FINANCE

3

 CEO


 CHAIRMAN

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

	Share capital	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity
January 1, 2021 (Unaudited)	630,000	140,937	(138,930)	632,007	20,519	652,526
Restatement - Note 20	-	-	(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
January 1, 2020 (Unaudited)	630,000	140,937	(146,925)	624,012	19,933	643,945
Restatement - Note 20	-	-	(34,515)	(34,515)	(7,446)	(41,961)
January 1, 2020 (Restated)	630,000	140,937	(181,440)	589,497	12,487	601,984
Net profit for the period, as restated	-	-	4,691	4,691	(1,865)	2,826
Other comprehensive loss for the period	-	-	(101)	(101)	(8)	(109)
Total comprehensive income/(loss) for the period	-	-	4,590	4,590	(1,873)	2,717
June 30, 2020 (Unaudited)	630,000	140,937	(176,850)	594,087	10,614	604,701

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

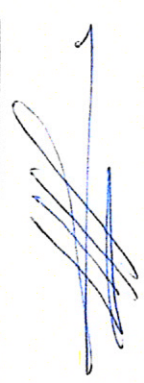


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VP FINANCE

CEO

CHIEF ACCOUNTANT

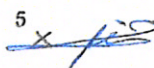


AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows - Unaudited
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Six-month period ended	
		June 30,	
		2021	2020 (Restated)
Cash flows from operating activities			
Profit before zakat and foreign income tax		22,054	6,446
<u>Adjustments for non-cash items</u>			
Depreciation	3	5,633	6,003
Depreciation of right of use assets		4,703	4,151
Amortization		482	305
Impairment losses on trade receivables	7	8,776	15,681
Impairment losses on inventories	6	8,057	4,513
Gain on property and equipment		(299)	-
Share of profit from an associate	5, 20	(13,624)	(14,469)
Provision for employees' benefit obligation		2,249	2,154
Finance costs		7,608	11,385
<u>Changes in working capital</u>			
Trade receivables		(91,667)	(42,889)
Inventories		(71,115)	(9,815)
Prepayments and other receivables	8	(13,440)	1,651
Trade and other payables		78,119	68,260
Provisions		157	81
Zakat and income tax paid	11	(22,370)	(92)
Finance costs paid		(7,608)	(11,385)
End of service benefits paid		(2,099)	(1,322)
Net cash (used in) generated from operating activities		<u>(84,384)</u>	<u>40,658</u>
Cash flows from investing activities			
Additions to property and equipment	3	(1,106)	(1,056)
Proceeds from sale of property and equipment		479	-
Net cash utilized in investing activities		<u>(627)</u>	<u>(1,056)</u>
Cash flows from financing activities			
Payment of lease liabilities		(4,803)	(4,291)
Repayment of bank borrowings		(697,940)	(402,060)
Proceeds from bank borrowings		785,175	401,421
Net cash generated from /(utilized in) financing activities		<u>82,432</u>	<u>(4,930)</u>
Net change in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	9	(2,579)	34,672
Cash and cash equivalents at end of the period		<u>79,906</u>	<u>47,204</u>
Non-cash transactions			
Addition to right of use of assets		<u>1,128</u>	-

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


 U.P. FINANCE


 CEO


 CHAIRMAN

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY

(A Saudi Joint Stock Company)

Notes to condensed consolidated interim financial information

For the six-month period ended June 30, 2021 (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 closed joint stock company in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 and listed on 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, 2020.

These condensed consolidated interim financial statements have been reviewed, not audited.

2. Significant accounting policies

2.1 Basis of preparation

These condensed consolidated interim financial information for the three-month and six-month period ended June 30, 2021 have 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, 2020.

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, 2020.

2.3 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.

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, 2021, 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, 2020. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

3. Property and equipment

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning – Net book value	212,860	223,294
Additions for the period / year	1,106	1,920
Depreciation charge for the period / year	(5,633)	(12,354)
Disposals for the period / year	(180)	-
Closing – Net book value	208,153	212,860

4. Intangible assets and goodwill

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Intangible assets	2,448	2,930
Goodwill – note 4.1	9,854	9,854
	12,302	12,784

4.1 Effective 12 November 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 Saudi Arabian Riyal (“SAR”) 9.859 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.

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, 2021 (Unaudited)	December 31, 2020 (Audited)
LG Shaker Company Limited (“LG Shaker”)	Manufacture of air conditioners	Saudi Arabia	49%	49%

Reconciliations for the equity accounted investee are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited) (Restated)
At the beginning of the period / year	434,586	457,128
Prior period adjustment (note 20)	(15,432)	(13,321)
	419,154	443,807
Share of profit for the period / year after elimination of unrealized profit on upstream transactions – restated	13,624	24,347
Dividend	-	(49,000)
At the end of the period / year	432,778	419,154

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY**(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial information****For the six-month period ended June 30, 2021 (Unaudited)**

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

5. Investment in an associate (continued)LG Shaker

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Non-current assets	104,792	99,130
Current assets	277,340	249,908
Non-current liabilities	(7,769)	(7,800)
Current liabilities	(106,627)	(106,506)
Net assets	267,736	234,732

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Revenue	239,045	328,618
Total comprehensive income	33,004	50,652

6. Inventories

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Finished goods	312,876	244,535
Spare parts	63,152	66,450
Goods in transit	33,062	26,990
	409,090	337,975
Impairment losses on inventories	(49,971)	(41,914)
	359,119	296,061

Reconciliation of the impairment losses on inventories is as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period / year	41,914	28,453
Charge for the period / year	8,057	13,529
Utilised during the period / year	-	(68)
Balance at end of period / year	49,971	41,914

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

7. Trade receivables

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited) (Restated)
Trade receivables	552,233	460,566
Prior period adjustments (Note 20)	(28,640)	(28,640)
Total trade receivable after prior period adjustments	523,593	431,926
Less: Impairment loss on trade receivables	(107,527)	(98,751)
	416,066	333,175
Current	404,085	321,891
Non-current	11,981	11,284
	416,066	333,175

Reconciliation of impairment losses on receivables is as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period / year	98,751	80,973
Charge for the period / year	8,776	17,778
Balance at end of period / year	107,527	98,751

As of June 30, 2021, 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, based on their judgment and best estimate, recognized the expected credit loss amounted to SR 2.145 million. The loss rate is 15% against the respective balance. The maximum remaining exposure as of the reporting date was SR 12.157 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 2021 and 31 December 2020:

30 June 2021 (Unaudited)	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1-90 days	247,543	5,167	2.1%
91-180 days	79,662	1,567	2.0%
181-270 days	10,207	296	2.9%
271-360 days	7,834	326	4.2%
More than 360 days	178,347	100,171	56.2%
	523,593	107,527	

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 Trade receivables (continued)

31 December 2020 (Restated)	Gross carrying amount	Weighted- average loss	Loss allowance (%)
1-90 days	145,798	2,490	1.7%
91-180 days	84,070	876	1.0%
181-270 days	13,649	468	3.4%
271-360 days	8,471	799	9.4%
More than 360 days	179,938	94,118	52.3%
	<u>431,926</u>	<u>98,751</u>	

8. Prepayments and other receivables

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Prepayments / advances to suppliers	40,081	26,372
Other	3,674	3,943
Total	43,755	30,315

9. Cash and cash equivalents

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash in hand	5,278	17,339
Bank balances	72,049	62,567
Total	77,327	79,906

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (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 repayable 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.

As of June 30, 2021, the Group's total borrowing facilities amounted to SAR 752 million out of which SAR 287 was unutilized.

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current:		
Lease Liability	4,078	5,017
Bank borrowings	381,116	273,211
	385,194	278,228
Non-current:		
Lease Liability	2,944	5,680
Bank borrowings	83,586	104,256
	86,530	109,936
Total lease liabilities	7,022	10,697
Total bank borrowings	464,702	377,467
Total lease liabilities and borrowings	471,724	388,164

As at June 30, 2021, non-current liabilities are repayable with one to two years.

11 Zakat and foreign income tax liabilities

During the six months period, the Company submitted the annual Zakat return for the year ended December 31, 2020. Moreover, the Company's zakat returns for the years 2015 to 2018 were finalized and the related liabilities were paid during the period.

12 Revenue

The Group's revenue is derived from contracts with customers for sale of products and services provided. All the revenue of the Group recognized at point in time.

June 30, 2021 (Unaudited)	<u>HVAC solutions</u>	<u>Home appliances</u>	<u>All other segments</u>	<u>Total</u>
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
<i>June 30, 2020 (Unaudited)</i>				
Saudi Arabia	287,702	171,384	-	459,086
Jordan	2,356	24,122	1,248	27,726
UAE	-	-	1,936	1,936
Total	290,058	195,506	3,184	488,748

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 Segmental reporting

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

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

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

All other segments represent energy solutions and mobiles.

	<u>HVAC</u> <u>solutions</u>	<u>Home</u> <u>appliances</u>	<u>Total</u> <u>reportable</u> <u>segments</u>	<u>All other</u> <u>segments</u>	<u>Adjustments</u> <u>and</u> <u>eliminations</u>	<u>Total</u>
As at June 30, 2021 (Unaudited)						
Total assets	1,535,956	563,313	2,099,269	23,418	(565,424)	1,557,263
Total liabilities	870,431	250,570	1,121,001	28,353	(216,772)	932,582
As at December 31, 2020 (Restated)						
Assets	1,373,651	485,415	1,859,066	56,581	(520,055)	1,395,592
Liabilities	747,317	188,044	935,361	38,832	(187,055)	787,138
For the six months ended June 30, 2021 (Unaudited)						
Revenues	309,064	265,978	575,042	2,740	-	577,782
Profit before zakat and foreign income tax	5,658	17,851	23,509	(1,455)	-	22,054
For the six months ended June 30, 2020 (Restated)						
Revenues	290,058	195,506	485,564	3,184	-	488,748
Profit before zakat and foreign income tax	(4,967)	13,135	8,168	(1,722)	-	6,446

More than 90% of the Group's revenue and total assets are based in Kingdom of Saudi Arabia.

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 30 June 2021, the HVAC solutions segment reported revenue of SAR 556 million (for 12 months ended 30 June 2020: SAR 566 million) and net profit of SAR 4.5 million (net loss for 12 months ended 30 June 2020: SAR 11 million).

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 Capital and financial risk management

The Group's capital and financial risk management strategies were not significantly changed since last year end. All financial assets and financial liabilities were classified and measured at amortized cost and the fair value of financial instruments does not materially differ from their carrying value.

At the statement of financial position date, gearing ratio analysis by the management was as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited) (Restated)
Equity	624,681	608,454
Liabilities	932,582	787,138
Total equity and liabilities	1,557,263	1,395,592
<i>Gearing ratio</i>	59.89%	56.40%

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, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Short term employees' benefits	3,332	2,956
BOD and audit committee remuneration	900	900

(b) Related parties' balances

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Due to related parties		
LG Shaker	196,914	217,827
LG Electronics	23,890	24,207

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

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (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, 2021	June 30,
	(Unaudited)	2020
	(Unaudited)	(Unaudited)
Purchases from related party		
LG Shaker	257,609	156,442
LG Electronics	32,333	25,400
Settlement to related party		
LG Shaker	(213,814)	(146,016)
LG Electronics	(20,467)	(7,892)

No expenses were recognized in the current period or the previous period for impairment loss on trade and other receivables in respect of amounts due from related parties.

17 Contingencies and commitments

The Company has the following as at June 30, 2021.

- a) At June 30, 2021, the Group has outstanding bank guarantees of SAR 42.2 million (December 31, 2020: SAR 37 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.
- b) At June 30, 2021, the Group has outstanding bank letters of credit of SAR 48.9 million (December 31, 2020: SAR 41 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 10.9 million Saudi riyals as of June 30, 2021.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

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 as the industry in which the Group operates in general was exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Based on these factors, Covid-19 pandemic has had no material effects on the Group's reported financial results for the period ended June 30, 2021.

The Group has considered potential impacts of the current economic uncertainties and volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on observable information on the period end date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations. It is currently expected that disruptions to a broad range of economic activities will slow economic growth in many countries, particularly in the coming few months and later the situation will improve. However, if COVID-19 outbreak will be prolonged then it could have effect on the future business performance and impairment assessments of the Group's non-current assets and expected credit losses. The Group's management continues to monitor the situation closely.

19 Subsequent events

There are no subsequent events after the period ended at June 30, 2021 which requires adjustment or disclosure to this condensed consolidated interim financial information.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

20 Restatements

Certain amounts in the comparative periods have been corrected and, accordingly, restated in the statement of financial position as at December 31, 2020 and 1 January 2020, and in the statements of profit or loss and other comprehensive income for the prior periods as explained below.

- a) The unrealized profit on upstream transactions between the Company and its associate were not eliminated in prior years. Therefore, the investment in associate and share of profit from the associate balances have been corrected retrospectively.
- b) Included within trade receivables was a receivable balance amounting to SAR 28.64 million in relation to advisory services offered by one of the Group's subsidiaries. Based on the memorandum of understanding between the subsidiary and its customer, the fees were contingent in nature. Further, the probability of realizability of these fees was low and did not meet the recognition criteria. Therefore, the revenue and the related receivable balance should not have been recognized in the previous financial years. These balances are corrected retrospectively and the related expected credit loss of SR 7 million, which was recognized during the three-month period ended March 31, 2021 is also reversed and its effect has been captured as part of the six-month period ended 30 June 2021 financial results.
- c) The presentation of the statement of financial position is changed retrospectively for better understanding and presentation by segregating prepayments and other receivables from trade receivables. The effects are the reclassification of SR 4.2 million as at December 31, 2020 (January 1, 2020: SR 3.5 million) from trade receivables to prepayments and other receivables.

The total cashflows from operating, investing and financing activities were not affected because of these restatements. The effects of the restatements in the statement of cash flows are primarily in adjustments for non-cash items and changes in working capital within cash flows from operating activities and hence, are not disclosed separately.

20.1 Statement of financial position as at January 1, 2020

	Note	As previously stated	Reclassification	Restatement	As restated
Investment in associate	20 (a)	457,128	-	(13,321)	443,807
Total non-current assets		719,090	-	(13,321)	705,769
Trade receivables	20 (b) & (c)	380,691	(3,538)	(28,640)	348,513
Prepayments and other receivables	20 (c)	27,398	3,538	-	30,936
Total current assets		748,181	-	(28,640)	719,541
Total assets		1,467,271	-	(41,961)	1,425,310
Accumulated losses	20 (a) & (b)	(146,925)	-	(34,515)	(181,440)
Non-controlling interest	20 (b)	19,933	-	(7,446)	12,487
Total equity		643,945	-	(41,961)	601,984

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to condensed consolidated interim financial information
For the six-month period ended June 30, 2021 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

20 Restatements (continued)

20.2 Statement of financial position as at December 31, 2020

	Note	As previously stated	Reclassification	Restatement	As restated
Investment in associate	20 (a)	434,586	-	(15,432)	419,154
Total non-current assets		682,851	-	(15,432)	667,419
Trade receivables	20 (b)	354,700	(4,169)	(28,640)	321,891
Prepayments and other receivables	20 (c)	26,146	4,169	-	30,315
Total current assets		756,813	-	(28,640)	728,173
Total assets		1,439,664	-	(44,072)	1,395,592
Accumulated losses	20 (a) & (b)	(138,930)	-	(36,626)	(175,556)
Non-controlling interest	20 (b)	20,519	-	(7,446)	13,073
Total equity		652,526	-	(44,072)	608,454

20.3 Statement of profit or loss and other comprehensive income

	Note	As previously stated	Restatement	As restated
For the six-month period ended June 30, 2020:				
Share of profit from associate	20 (a)	13,437	1,032	14,469
Profit before zakat and foreign income tax		5,414	1,032	6,446
Net profit for the period		1,794	1,032	2,826
Total comprehensive income for the period		1,685	1,032	2,717
Earnings per share basic and diluted		0.06	0.01	0.07
For the three-month period ended June 30, 2020:				
Share of profit from associate	20 (a)	4,452	2,469	6,921
Profit before zakat and foreign income tax		7,159	2,469	9,628
Net profit for the period		5,099	2,469	7,568
Total comprehensive income for the period		5,216	2,469	7,685
Earnings per share basic and diluted		0.08	0.04	0.12

21 Approval of the financial information

This condensed consolidated interim financial information was approved by the Company's Board of Directors on August 19, 2021.