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

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)

KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 (011) 874 8500
Fax +966 (011) 874 8600
Internet www.kpmg.com/sa

Licence No. 46/11/323 issued 11/3/1992

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company

Introduction

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2020; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No: 371

Date: 22 Rabi I 1442H
Corresponding to: 8 November 2020

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 September 2020
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	**30 September 2020 (Unaudited)** *SR*	31 December 2019 (Audited) *SR*
ASSETS			
Non-current assets			
Property and equipment		**215,521**	223,294
Right of use assets		**13,067**	15,829
Intangible assets and goodwill	4	**12,937**	13,396
Equity accounted investees	5	**477,282**	457,128
Total non-current assets		**718,807**	709,647
Current assets			
Inventories	6	**267,347**	276,340
Trade and other receivables	7	**420,745**	390,134
Prepayments and advances		**22,521**	27,398
Cash and cash equivalents		**94,125**	63,752
Total current assets		**804,738**	757,624
Total assets		**1,523,545**	1,467,271
EQUITY			
Share capital	8	**630,000**	630,000
Statutory reserve	9	**140,937**	140,937
Accumulated losses		**(140,113)**	(146,925)
Equity attributable to owners of the Company		**630,824**	624,012
Non-controlling interest		**18,271**	19,933
Total equity		**649,095**	643,945
LIABILITIES			
Non-current liabilities			
Borrowings	10	**168,549**	95,975
Employee benefits	11	**25,171**	24,121
Long term payables		**95,000**	95,000
Total non-current liabilities		**288,720**	215,096
Current liabilities			
Borrowings	10	**237,330**	302,667
Trade and other payables		**318,329**	278,102
Zakat and foreign income tax liabilities	19	**18,265**	15,691
Provisions		**11,806**	11,770
Total current liabilities		**585,730**	608,230
Total liabilities		**874,450**	823,326
Total equity and liabilities		**1,523,545**	1,467,271

Abdulelah Abdullah Abunayyan
Chairman

Azzam Saud Almudaiheem
CEO

Hossam Al Akkad
VP - Finance

The notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OCI (UNAUDITED)

For the nine months ended 30 September 2020

(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	*For the three-month period ended 30 September*		*For the nine-month period ended 30 September*	
		2020	2019	**2020**	2019
Revenue	*12*	**247,466**	247,842	**736,214**	698,706
Cost of sales		**(194,800)**	(198,789)	**(582,068)**	(568,348)
Gross profit		**52,666**	49,053	**154,146**	130,358
Other (expense) / income		**(1,016)**	1,642	**(490)**	3,059
Selling and distribution expenses		**(25,267)**	(27,238)	**(63,606)**	(77,625)
Administrative expenses		**(17,903)**	(24,934)	**(62,527)**	(74,537)
Impairment loss on trade and other receivables		**(5,527)**	(4,681)	**(21,208)**	(12,845)
Operating profit / (loss)		**2,953**	(6,158)	**6,315**	(31,590)
Finance costs		**(3,709)**	(6,327)	**(15,094)**	(21,992)
Share of profit of equity-accounted investee	*5*	**6,717**	7,389	**20,154**	13,929
Loss on disposal of equity accounted investee		**-**	-	**-**	(1,001)
Profit / (loss) before zakat and foreign income tax		**5,961**	(5,096)	**11,375**	(40,654)
Zakat and foreign income tax expense		**(1,560)**	(1,560)	**(5,180)**	(4,680)
Profit / (loss) for the period		**4,401**	(6,656)	**6,195**	(45,334)
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss					
Re-measurement of the defined benefit liability		**(936)**	(52)	**(1,045)**	(945)
Other comprehensive loss for the period, net of zakat and foreign income tax		**(936)**	(52)	**(1,045)**	(945)
Total comprehensive income / (loss) for the period		**3,465**	(6,708)	**5,150**	(46,279)
Profit / (loss) attributable to:					
Owners of the Company		**4,188**	(6,045)	**7,847**	(42,394)
Non-controlling interests		**213**	(611)	**(1,652)**	(2,940)
		4,401	(6,656)	**6,195**	(45,334)
Total comprehensive income / (loss) attributable to:					
Owners of the Company		**3,254**	(6,095)	**6,812**	(43,159)
Non-controlling interests		**211**	(613)	**(1,662)**	(3,120)
		3,465	(6,708)	**5,150**	(46,279)
Earnings / (loss) per share:					
Basic and diluted earnings / (loss) per share (SAR)	13	**0.07**	(0.10)	**0.12**	(0.67)

CHAIRMAN

CEO

VPF

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine months ended 30 September 2020
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Attributable to the owners of the Company					
	Share capital	**Statutory reserve**	**(Accumulated losses)**	**Total shareholders' equity**	**Non-controlling interest**	**Total**
Balance at 1 January 2020	**630,000**	**140,937**	**(146,925)**	**624,012**	**19,933**	**643,945**
Total comprehensive income for the period						
Profit for the period	**-**	**-**	**7,847**	**7,847**	**(1,652)**	**6,195**
Other comprehensive loss	**-**	**-**	**(1,035)**	**(1,035)**	**(10)**	**(1,045)**
Balance at 30 September 2020	**630,000**	**140,937**	**(140,113)**	**630,824**	**18,271**	**649,095**
Balance at 31 December 2018	630,000	140,937	(93,956)	676,981	21,199	698,180
Adjustment on initial application of IFRS 16	-	-	(1,320)	(1,320)	-	(1,320)
Balance at 1 January 2019	630,000	140,937	(95,276)	675,661	21,199	696,860
Total comprehensive loss for the period						
Loss for the period	-	-	(42,394)	(42,394)	(2,940)	(45,334)
Other comprehensive loss	-	-	(765)	(765)	(180)	(945)
Balance at 30 September 2019	630,000	140,937	(138,435)	632,502	18,079	650,581

CHAIRMAN CEO VPF

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine months ended 30 September 2020
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Note	**30 September 2020**	30 September 2019
Cash flows from operating activities:			
Profit / (loss) for the period		**6,195**	(45,334)
Adjustments for:			
Depreciation		**9,197**	8,332
Depreciation on ROU		**6,020**	5,194
Amortisation		**459**	459
Impairment losses on inventories	*6*	**8,324**	2,377
Impairment losses on receivables	*7*	**21,238**	12,845
Share of profit of equity–accounted investees		**(20,154)**	(13,929)
Loss on disposal of equity-accounted investment		**-**	1,001
Finance costs		**15,094**	21,992
Employee benefits expense		**2,403**	2,235
Zakat and foreign income tax		**5,180**	4,680
		53,956	(148)
Change in:			
Inventories		**669**	92,044
Trade and other receivables		**(51,849)**	3,883
Prepayments and advances		**4,877**	2,248
Trade and other payables		**40,227**	123,887
Provisions		**36**	79
Cash generated from operating activities		**47,916**	221,993
Finance costs paid		**(15,094)**	(21,213)
Employee benefits paid		**(2,398)**	(3,977)
Zakat paid		**(2,606)**	(1,416)
Net cash generated from operating activities		**27,818**	195,387
Cash flows from investing activities:			
Acquisition of property and equipment		**(1,424)**	(1,936)
Net cash used in investing activities		**(1,424)**	(1,936)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**836,178**	274,656
Repayment of loans and borrowings		**(827,758)**	(430,101)
Proceeds from the disposal of investment in equity-accounted investee		**-**	1,724
Payment of lease liabilities		**(5,317)**	(4,967)
Net cash generated / (used) in financing activities		**3,103**	(158,688)
Net increase in cash and cash equivalents		**29,497**	34,763
Cash and cash equivalents at 1 January *		**47,204**	6,144
Cash and cash equivalents at 30 September*		**76,701**	40,907

* Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

CHAIRMAN CEO VPF

The notes 1 to 19 form an integral part of these condensed consolidated interim financial statements.

1. REPORTING ENTITY

1.1. Al Hassan Ghazi Ibrahim Shaker Company (the "Company" or the "Parent Company" or "HGISC") was registered as a limited liability Company in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 dated 26 Dhul Qadah 1418H (corresponding to 25 March 1998). The Company converted from a limited liability company to a closed joint stock company pursuant to the Ministerial Resolution No. 275 on 17 Shabaan 1429H (corresponding to 18 August 2008).

1.2. The Parent Company offered 10.5 million shares to the public, during the subscription period from 26 April 2010 (corresponding to 11 Jumada Awal 1431H) to 2 May 2010 (corresponding to 17 Jumada Awal 1431H). The Parent Company's shares started trading in the Stock Exchange on 17 May 2010 (corresponding to 3 Jumada Thani 1431H). Accordingly, after successful completion of the IPO (Initial Public Offering Process), the Parent Company was declared as a Saudi Joint Stock Company with a share capital of SR 350 million, divided into 35 million shares of SR 10 each. On 29 March 2015, a bonus of four shares for every five ordinary shares outstanding was issued and resultantly the share capital of the Company was increased from SR 350 million to SR 630 million.

1.3. The Group has branches which are operating under separate commercial registrations.

1.4. The Parent Company is engaged in the trading and wholesale of spare parts, electronic equipment, household equipment and air-conditioners, and maintenance of the items mentioned above and to provide agency services for those companies which are in the same business.

1.5. The Company's registered office is located at the following address:
Shaker Group Building
Alsahafa District
King Fahad Road
Riyadh 11422
Kingdom of Saudi Arabia

1.6. These condensed consolidated interim financial statements include the financial position and performance of the Company and its branches as well as the following subsidiaries (collectively referred as the "Group").

Direct and indirect subsidiaries

Name	Principal field of activity	Country of incorporation	Effective ownership interest at 30 September 2020	Effective ownership interest at 31 December 2019
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	**100%**	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited ("IHSCL")	Import, export and marketing services	Saudi Arabia	**100%**	100%
ASDAA Gulf Trading Company ("ASDAA")	Wholesale of electronic devices	Saudi Arabia	**100%**	100%
Energy Management Services Emirates LLC ("EMS") (see below)	Energy solution providers	United Arab Emirates	**74%**	74%
New Vision for Electronics and Electrical Appliances Company ("NVEEAC")	Import, export and maintenance of electrical and home appliances	Jordan	**60%**	60%

1. REPORTING ENTITY (CONTINUED)

Entities fully controlled through a subsidiary - EMS

Name	Principal field of activity	Country of incorporation	Subsidiary ownership interest at 30 September 2020	31 December 2019
EMS				
Energy Management Services International ("EMSI")	Energy solution providers	Jordan	100%	100%
Jernain EMS Company LLC ("JECL")	Energy solution providers	United Arab Emirates	100%	100%

1.7. These condensed consolidated interim financial statements were approved by the Board of Directors on 22 Rabi I, 1442H (corresponding to 8 November 2020).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants - SOCPA ("IFRSs"). These interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method. Further, the condensed consolidated interim financial statements are prepared using the accrual basis of accounting and going concern concept.

The financial performance of the Group deteriorated in the recent years due to decline in the sales volume which resulted in operating losses and the accumulated loss position. During the nine-month period ended 30 September 2020, the Group has reported a net profit of SR 6.2 million (2019: loss of SR 45.3 million) and, as of that date, reported accumulated losses of SR 140.1 million (31 December 2019: SR 146.9 million). The Group has, through its business strategies to curtail previous years losses, coupled with the lifting of the local lockdown restrictions and a beneficial impact in quarter 2 of changes in local fiscal measures, has managed to increase its sales levels resulting in a profit during the nine-month period ended 30 September 2020.

As the impact of the outbreak of COVID 19 continues to evolve, coupled with a second wave of the pandemic witnessed by some of the countries, it remains difficult to forecast the full extent and duration of the economic impact. The Group continues to manage its trading activities, supply chain and collections of its receivables. Management , expects a continuation of the gradual improvement in its business activities based on the local measures undertaken by the government. Further, the Group's ability to meet its obligations as they become due, depends on its ability to manage the current downturn in economic activities and in subsequent periods enhancement of its results and cash flows, continued improvements in its working capital and the renewal or refinancing of loan facilities.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

b) Basis of measurement (continued)

In assessing the going concern assumption, the Board has reviewed the base case plan for the next twelve months along with the comparison of budget with the actual for the current period. In the normal course of business, the Group negotiates with the banks to renew and / or refinance its facilities as and when they fall due. (During the nine months period ended 30 September 2020, the Group has successfully renewed certain facilities, which were under negotiation as at 31 December 2019). The Board expects successful negotiations and continuity of facilities renewals in future periods as required. In consideration of cash flows forecasts, certain trading initiatives i.e. improving sales volume, improved gross margins, actual and continued working capital improvements in the remaining period of 2020 and subsequently, the Group expects to meet its obligations as they become due in the normal course of operation.

Based on the factors described above, the Group has a reasonable expectation that it will be able to operate as a going concern for the foreseeable future. Accordingly, the consolidated financial statements have been prepared under the going concern basis.

c) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyal ("SR") which is the functional currency of the Parent Company, and all values are rounded to the nearest thousand except when otherwise indicated.

d) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the parent company and its subsidiaries as at 30 September 2020. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

d) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Significant accounting policies

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

The following amended standards and interpretations are not expected to have a significant impact on the Group's condensed consolidated interim financial statements.

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements:
The preparation of condensed consolidated interim financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019.

Judgements:
Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the condensed consolidated interim financial statements is included in the following notes:

- Note 1.6 - consolidation: whether the Group has de facto control over an investee.

Estimation uncertainty and assumptions:
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of inventories (note 6)
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (continued):

Impairment of trade and other receivables (note 7)
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Impairment of non-financial assets (notes 4 & 5)
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Warranty
Provisions for warranty is recorded based on an estimate and the actual cost and timing of future cash flows are dependent on future events. The difference between expectation and the actual future liability is accounted for in the period when such determination is made.

Customer rebates
Accounting for the amount and timing of recognition of customer rebate require the exercise of judgement. The rebate relates to the customers for achieving agreed purchase or sales targets within a set period. Where rebate span different accounting periods, the amount recognised in each period is estimated based on the probability that the customers will meet contractual target volumes based on historical and forecast performance.

Employee benefits (note 11)
The cost of end of service benefit plans and the present value of end of service benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

4 INTANGIBLE ASSETS AND GOODWILL

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
- Intangible assets		
Energy Management Services Emirates LLC	**1,755**	2,064
New Vision for Electronics and Electrical Appliances Company	**1,328**	1,478
	3,083	3,542
- *Goodwill (Note 4.1)*		
ASDAA Gulf Trading Company (ASDAA)	**9,854**	9,854
	12,937	13,396

4.1 Effective 12 November 2014, HGISC acquired effectively 100% shareholding in 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.

5 EQUITY ACCOUNTED INVESTEES

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

Name of Company	Principal activities	Country of incorporation	Effective interest at 30 September 2020	Effective interest at 31 December 2019
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	**49%**	49%

Investments in equity accounted investees are as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
LG Shaker *(Note 5.1)*	**477,282**	457,128

Reconciliations for the equity accounted investees are as follows:

	LG Shaker	**SEALCO**	**Total**
At 1 January 2020	**457,128**	**-**	**457,128**
Share of profit for the period	**20,154**	**-**	**20,154**
At 30 September 2020	**477,282**	**-**	**477,282**

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

5 EQUITY ACCOUNTED INVESTEES (CONTINUED)

5.1 The following table summarises the financial information of a material associate - LG Shaker. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the associate.

LG Shaker is a mixed limited liability company registered in KSA under the commercial registration number 1010226606 Dated 4 Dhul Hijjah 1427 H (25 December 2006). The main activity of the Company is to manufacture various types of air conditioners.

Balance as at:	**30 September 2020 (Unaudited) SR**	*31 December 2019 (Audited) SR*
Non-current assets	**99,139**	104,417
Current assets	**302,757**	268,913
Non-current liabilities	**(7,385)**	(6,310)
Current liabilities	**(70,703)**	(82,940)
Net assets	**323,808**	284,080
Group's share of net assets	**165,298**	145,144
Goodwill	**311,984**	311,984
Carrying amount of interest in associate	**477,282**	457,128

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Revenue	**257,683**	223,647
Total comprehensive income before Zakat & Tax	**44,450**	34,745
Group share of total comprehensive income after Zakat	**20,154**	13,929

The recoverable amount of this equity-accounted investee was based on fair value less costs of disposal, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	30 September 2020 *(Unaudited)*	*31 December 2019 (Audited)*
Discount rate	**14.2%**	14.2%
Terminal value growth rate	**2.0%**	2.0%
Budgeted EBITDA growth rate (average of next five years)	**19.0%**	19.0%

The management of the Group has assessed the carrying value of LG Shaker as at 31 December 2019 in detail. Management has considered the underlying impact of the COVID-19 situation on the carrying value and do not consider any impairment as at 30 September 2020.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

6 INVENTORIES

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Finished goods	**213,725**	202,018
Spare parts	**64,192**	74,211
Goods in transit	**26,141**	28,564
	304,058	304,793
Impairment losses on inventories	**(36,711)**	(28,453)
	267,347	276,340

Reconciliation of the impairment losses on inventories is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Balance at beginning of period / year	**28,453**	37,584
Charge for the period / year	**8,324**	5,168
Utilised during the period/ year	**(66)**	(14,299)
Balance at end of period / year	**36,711**	28,453

a) At 30 September 2020, the Group has outstanding bank guarantees of SR 61 million (31 December 2019: SR 77 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.

b) At 30 September 2020, the Group has outstanding bank letter of credits of SR 33.9 million (31 December 2019: SR 34 million) issued against import of finished goods and other supplies.

7 TRADE AND OTHER RECEIVABLES

	30 September 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
Trade receivables	**514,305**	462,968
Less: Impairment losses on trade receivables	**(102,211)**	(80,973)
	412,094	381,995
Other receivables:		
Advertisement claims from suppliers	**4,284**	4,601
Custom duty deposit	**5,956**	5,956
Non-trade receivables	**4,367**	3,538
Impairment losses on other receivables	**(5,956)**	(5,956)
	8,651	8,139
Total trade and other receivables	**420,745**	390,134
Current	**420,745**	390,134
	420,745	390,134

(In Thousands of Saudi Riyals, Unless Otherwise stated)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment losses on receivables is as follows:

	30 September 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Balance at beginning of period /year	**86,929**	68,715
Charge for the period / year	**21,238**	18,214
Balance at end of period / year	**108,167**	86,929

8 SHARE CAPITAL

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

At 30 September 2020, the authorized, issued and paid up share capital of the Company is SR 630 million consisting of 63 million shares of SR 10 each.

9 STATUTORY RESERVE

The new Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to 2 May 2016) requires companies to set aside 10% of its net income in each year to a statutory reserve until such reserve reaches 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company. Due to accumulated loss position as at 30 September 2020, no such transfer was made as at the current reporting date.

10 BORROWINGS

The Group has credit facility agreements with local and foreign commercial banks for long and short term borrowings in Saudi Riyal, US Dollar, United Arab Emirates Dirham and Jordanian Dinar. Such facilities were obtained principally under Murabaha / Tawarruq arrangements. The utilised portion of the long term facilities are repayable on equal monthly instalments ranging between four to six years. The facility agreements are secured by promissory notes. Corporate guarantees of the Group are provided wherever required for loans to subsidiaries. The facilities bear financial charges on prevailing market rates. The agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained.

	30 September 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Current:		
Lease liabilities	**6,347**	6,618
Bank overdraft	**17,424**	16,548
Bank loans	**213,559**	279,501
	237,330	302,667
Non-current:		
Lease liabilities	**6,506**	8,294
Bank loans	**162,043**	87,681
	168,549	95,975

(In Thousands of Saudi Riyals, Unless Otherwise stated)

10 BORROWINGS (CONTINUED)

The following bank loans are outstanding as at:

	Currency	Nominal interest rate	Year of maturity	30 September 2020 Face value SR	30 September 2020 Carrying amount SR	31 December 2019 Face value SR	31 December 2019 Carrying amount SR
Kingdom of Saudi Arabia	SAR	2.6%-4.16% per annum	2020-2024	**568,110**	**304,697**	572,160	274,916
	USD	2.7% -2.8% per annum	2020	**93,750**	**53,304**	59,813	56,304
United Arab Emirates	AED	1 month EIBOR + 4% per annum (min of 4.5%)	2020 - 2021	**23,373**	**5,949**	23,373	6,751
Jordan	USD	LIBOR + 2.95% per annum	2020	**93,750**	**11,652**	93,750	29,211
					375,602		367,182

Reconciliation of bank loans are as follows:

Balance as at 1 January	**367,182**	**551,069**
Proceeds		
Kingdom of Saudi Arabia	**836,178**	750,635
United Arab Emirates	**-**	3,565
Jordan	**-**	1,694
	836,178	**755,894**
Repayments		
Kingdom of Saudi Arabia	**(809,397)**	(916,457)
United Arab Emirates	**(802)**	(18,350)
Jordan	**(17,559)**	(4,974)
	(827,758)	**(939,781)**
Balance at end of period / year	**375,602**	**367,182**

11 EMPLOYEE BENEFITS

	30 September 2020 (Unaudited) SR	*31 December 2019 (Audited) SR*
Net defined benefit liability	**25,171**	24,121

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the local Labor Law.

- In the Kingdom of Saudi Arabia (KSA), the plan entitles an employee who completed over two but less than five years of service, to receive a payment equal to one-third of their last month salary for each completed year of service. Similarly, an employee who completed over five but less than ten years of service, to receive a payment equal to two-third of their last month salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their last month salary for each completed year of service.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

11 EMPLOYEE BENEFITS (CONTINUED)

- In the United Arab Emirates (UAE), the plan entitles a employee who completed over one year but less than three years of service, to receive a payment equal to one-third of their last month salary for each completed year of service. Similarly, an employee who completed over three years but less than five years of service, to receive a payment equal to two-thirds of their last month salary for each completed year of service. Further, an employee who completed over five years of service, to receive a payment equal to their last month salary for each completed year of service.

Reconciliation in employees end of service benefits is as follow:

	30 September 2020 SR	*31 December 2019 SR*
Balance at beginning of period / year	**24,121**	25,751
Included in Profit and Loss		
Current service cost	**1,880**	2,675
Interest cost	**523**	1,068
	2,403	3,743
Included in Other comprehensive income		
Actuarial loss	**1,045**	2,055
Benefits paid	**(2,398)**	(7,428)
Balance at end of period / year	**25,171**	24,121
Represented by:		
Net defined benefit liability for plans in:		
- Kingdom of Saudi Arabia	**21,639**	20,731
- United Arab Emirates	**3,532**	3,390
	25,171	24,121

Actuarial assumptions

The following are the principal actuarial assumptions applied at 30 September 2020 and 31 December 2019:

	30 September 2020		31 December 2019	
	KSA	**UAE**	KSA	UAE
Discount rate	**2.50%**	**1.50%**	2.97 % p.a	2.42 % p.a
Salary increase	**1.50%**	**1.50%**	2 % p.a	2.5 % p.a
Average years of past service	**7.8 years**	**12.6 years**	5.33 years	11.80 years

Sensitivity analysis

	30 September 2020		31 December 2019	
Particulars	**PVDBO**	**% Change**	PVDBO	% Change
EOSB liability	**25,171**		24,121	
+1% Discount rate	**(917)**	**-3.64%**	(741)	-3.58%
-1% Discount rate	**996**	**3.96%**	810	3.91%
+1% Salary increase rate	**996**	**3.96%**	803	3.88%
1% Salary increase rate	**(934)**	**-3.71%**	(755)	-3.64%
+10% Withdrawals rate	**(3)**	**-0.01%**	-	0.00%
-10% Withdrawals rate	**3**	**-0.01%**	-	0.00%
1 Year mortality age set back	**(263)**	**-1.05%**	(8)	-0.04%
1 Year mortality age set forward	**299**	**1.19%**	104	0.50%

PVDBO: Present value of defined benefit obligations

(In Thousands of Saudi Riyals, Unless Otherwise stated)

12 REVENUE

The Group's operations and main revenue streams are those described in the annual financial statements for the year ended 31 December 2019. 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.

Nine months ended 30 September 2020	***HVAC solutions***	***Home appliances***	***All other segments***	***Total***
	SR	***SR***	***SR***	***SR***
Saudi Arabia	**420,602**	**262,071**	**-**	**682,673**
Jordan	**4,301**	**44,021**	**2,277**	**50,599**
UAE	**-**	**-**	**2,942**	**2,942**
Total	**424,903**	**306,092**	**5,219**	**736,214**

Three months ended 30 September 2020	***HVAC solutions***	***Home appliances***	***All other segments***	***Total***
	SR	***SR***	***SR***	***SR***
Saudi Arabia	**132,900**	**90,687**	**-**	**223,587**
Jordan	**1,945**	**19,899**	**1,029**	**22,873**
UAE	**-**	**-**	**1,006**	**1,006**
Total	**134,845**	**110,586**	**2,035**	**247,466**

Nine months ended 30 September 2019	*HVAC solutions*	*Home appliances*	*All other segments*	*Total*
Saudi Arabia	445,573	196,890	-	642,463
Jordan	4,684	47,943	2,480	55,107
UAE	-	-	1,136	1,136
Total	450,257	244,833	3,616	698,706

Three months ended 30 September 2019	*HVAC solutions*	*Home appliances*	*All other segments*	*Total*
	SR	*SR*	*SR*	*SR*
Saudi Arabia	163,706	63,377	-	227,083
Jordan	1,737	17,775	920	20,432
UAE	-	-	327	327
Total	165,443	81,152	1,247	247,842

13 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share amounts are calculated by dividing the loss for the nine months attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	30 September 2020	30 September 2019
Earnings / (loss) attributable to ordinary shareholders	**7,847**	(42,394)
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the period	**63,000**	63,000
Basic and diluted earnings / (loss) per share	**0.12**	(0.67)

(In Thousands of Saudi Riyals, Unless Otherwise stated)

14 OPERATING SEGMENTS

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

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

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

All others segments represents energy solutions and mobiles.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on profit or loss and its measured consistently with profit of loss in the consolidated financial statements.

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

	HVAC solutions	***Home appliances***	***Total reportable segments***	***All other segments***	***Adjustments and eliminations***	***Total***
As at 30 September 2020						
Assets and liabilities:						
Segment assets	**1,482,808**	**466,187**	**1,948,995**	**70,958**	**(496,408)**	**1,523,545**
Segment liabilities	**820,374**	**167,936**	**988,310**	**52,714**	**(166,574)**	**874,450**
For the nine months ended 30 September 2020						
Segment revenues	**424,903**	**306,092**	**730,995**	**5,219**	**-**	**736,214**
Segments (loss) / profit before zakat and foreign income tax	**(6,889)**	**20,727**	**13,838**	**(2,463)**	**-**	**11,375**

	HVAC solutions SR	*Home appliances SR*	*Total reportable segments SR*	*All other segments SR*	*Adjustments and eliminations SR*	*Total SR*
As at 31 December 2019						
Assets and liabilities:						
Segment assets	1,458,742	463,699	1,922,441	70,428	(525,598)	1,467,271
Segment liabilities	(805,293)	(184,921)	(990,214)	(49,675)	216,563	(823,326)
For the nine months ended 30 September 2019						
Segment revenues	450,257	244,833	695,090	3,616	-	698,706
Segments (loss) / profit before zakat and foreign income tax	(39,904)	5,598	(34,306)	(6,348)	-	(40,654)

Approximately 93% (30 September 2019: 92%) of the Group's revenue and 92% (31 December 2019: 89%) of the Group's total assets are based in the Kingdom of Saudi Arabia.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

15 SEASONALITY OF OPERATIONS

The group's HVAC solutions segments is subject to seasonal fluctuation as a result of weather conditions. In particular, the sale of air conditioners in key geographic areas are affected by winter weather conditions, which occur primarily during October to March. The group attempts to minimize the seasonal impact by managing inventories to meet demand during this period.

For the 12 months ended 30 September 2020, the HVAC solutions segment reported revenue of SR 535 million (for 12 months ended 30 September 2019: SR 562 million) and net loss of SR 24.3 million (net loss for 12 months ended 30 September 2019: SR 133 million).

16 FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy for financial instruments measured at fair values. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		**Fair Value**			
	Non-current assets	**Current assets**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2020						
Financial assets not measured at fair value						
Trade and other receivables	-	**420,745**	-	-	-	-
Cash and cash equivalents	-	**94,125**	-	-	-	-
Total	-	**514,870**	-	-	-	-

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

(In Thousands of Saudi Riyals, Unless Otherwise stated)

16 FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount		**Fair Value**			
	Non-current liabilities	**Current liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2020						
Financial liabilities not measured at fair value						
Borrowings	**162,043**	**213,559**	--	--	--	--
Trade and other payables	**95,000**	**318,329**	--	--	--	--
Bank overdrafts	--	**17,424**	--	--	--	--
Lease liabilities	**6,506**	**6,347**	--	--	--	--
Total	**263,549**	**555,659**	--	--	--	--

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

17 RISK MANAGEMENT

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 30 September 2020:

30 September 2020	**Gross carrying amount**	**Weighted-average loss**	**Loss allowance (%)**
1–90 days	**207,484**	**2,490**	**1.2%**
91–180 days	**67,364**	**876**	**1.3%**
181–270 days	**20,767**	**468**	**2.25%**
271–360 days	**16,177**	**799**	**4.94%**
More than 360 days	**202,513**	**97,578**	**48.18%**
	514,305	**102,211**	

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

(In Thousands of Saudi Riyals, Unless Otherwise stated)

18 RELATED PARTY TRANSACTIONS

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

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

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			30 September 2020	30 September 2019	**30 September 2020**	31 December 2019
LG Shaker	Associate	Purchase of finished goods	**240,649**	205,777	**207,073***	207,464
LG Electronics (Levant)	Associate	Purchase of finished goods	**47,093**	28,944	**21,767**	7,856
Board of Directors	Key management	Remuneration and meeting attendance fee	**1,450**	1,500	**1,217**	2,226
					230,057	217,546

*As at 30 September 2020, SR 95 million (31 December 2019: SR 95 million) out of this amount has been classified as non-current trade and other payables which is due for payment on 1 October 2021.

19 ZAKAT AND FOREIGN INCOME TAX LIABILITIES

During the current quarter the GAZT raised its final assessment for the year 2014. Management subsequent to the current quarter has contested the aforesaid final assessment (raised by GAZT) by filing its objection to the appellate authorities. Further, the GAZT is in the process of seeking additional information from the company to finalize its Zakat assessments for the years 2015 to 2018. The Group is submitting its replies for the queries raised by the GAZT and the final assessments are yet to be raised by the GAZT for the aforesaid years (i.e. 2015-2018). Management believes that the current level of provisioning issufficient.