

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

**Unaudited condensed consolidated
Interim financial information for
the three-month and nine-month periods
ended September 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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021

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

A handwritten signature in blue ink, appearing to read 'Ali A. Alotaibi', is written over a faint, light blue circular watermark or stamp.

Ali A. Alotaibi
License Number 379

November 2, 2021

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

	September 30, 2021	December 31, 2020 (Restated)	January 1, 2020 (Restated)
Note	(Unaudited)	(Audited)	(Audited)
ASSETS			
Non-current assets			
Property and equipment	3	206,309	212,860
Right of use of assets		8,572	11,337
Intangible assets and goodwill	4	12,157	12,784
Trade receivables	7	12,445	11,284
Investment in an associate	5, 20	440,311	419,154
Total non-current assets		<u>679,794</u>	<u>705,769</u>
Current assets			
Inventories	6	353,428	296,061
Trade receivables	7,20	401,599	321,891
Prepayments and other receivables	8,20	41,916	30,315
Cash and cash equivalents	9	56,864	79,906
Total current assets		<u>853,807</u>	<u>719,541</u>
Total assets		<u>1,533,601</u>	<u>1,425,310</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		630,000	630,000
Statutory reserve		140,937	140,937
Accumulated losses	20	(147,666)	(175,556)
Equity attributable to owners of the Company		<u>623,271</u>	<u>589,497</u>
Non-controlling interests		13,641	13,073
Total equity		<u>636,912</u>	<u>601,984</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities and borrowings	10	82,635	109,936
Employee benefits obligation		23,526	25,070
Long term payables		-	95,000
Total non-current liabilities		<u>106,161</u>	<u>215,096</u>
Current liabilities			
Lease liabilities and borrowings	10	404,099	278,228
Trade and other payables		368,939	342,705
Zakat and income tax liabilities	11	5,573	19,370
Provisions		11,917	11,829
Total current liabilities		<u>790,528</u>	<u>608,230</u>
Total liabilities		<u>896,689</u>	<u>823,326</u>
Total equity and liabilities		<u>1,533,601</u>	<u>1,425,310</u>

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

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 September 30,		Nine-month period ended September 30,	
		2021	2020 (Restated)	2021	2020 (Restated)
Revenue	12	260,851	247,466	838,633	736,214
Cost of sales		(203,558)	(194,800)	(662,377)	(582,068)
Gross profit		57,293	52,666	176,256	154,146
General and administrative expenses		(21,146)	(17,903)	(68,461)	(62,527)
Selling and distribution expenses		(26,846)	(25,267)	(73,451)	(63,606)
Reversal / (Provision) (reversal) on financial assets		2,572	(5,527)	(6,204)	(21,208)
Other expenses, net		(204)	(1,016)	(433)	(490)
Income from operations		11,669	2,953	27,707	6,315
Finance costs		(4,985)	(3,709)	(12,593)	(15,094)
Share of profit from an associate	20	7,533	6,125	21,157	20,583
Profit before zakat and income tax		14,217	5,369	36,271	11,804
Zakat and income tax expense		(1,880)	(1,560)	(8,630)	(5,180)
Net profit for the period		12,337	3,809	27,641	6,624
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		(106)	(936)	817	(1,045)
Other comprehensive (loss) / income for the period		(106)	(936)	817	(1,045)
Total comprehensive income for the period		12,231	2,873	28,458	5,579
Profit / (loss) attributable to:					
Owners of the Company		12,032	3,596	27,106	8,276
Non-controlling interests		305	213	535	(1,652)
Total comprehensive income / (loss) attributable to:					
Owners of the Company		11,883	2,662	27,890	7,241
Non-controlling interests		348	211	568	(1,662)
Earnings per share (Saudi Riyals):					
Basic and diluted earnings per share		0.19	0.06	0.43	0.13

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

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				Non-controlling interests	Total equity
	Share capital	Statutory reserve	Accumulated losses	Total		
January 1, 2021	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	-	-	27,106	27,106	535	27,641
Other comprehensive income for the period	-	-	784	784	33	817
Total comprehensive income for the period	-	-	27,890	27,890	568	28,458
September 30, 2021 (Unaudited)	630,000	140,937	(147,666)	623,271	13,641	636,912
January 1, 2020	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	-	-	8,276	8,276	(1,652)	6,624
Other comprehensive loss for the period	-	-	(1,035)	(1,035)	(10)	(1,045)
Total comprehensive income for the period	-	-	7,241	7,241	(1,662)	5,579
September 30, 2020 (Unaudited)	630,000	140,937	(174,199)	596,738	10,825	607,563

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

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	Nine-month period ended	
		September 30,	
		2021	2020 (Restated)
Cash flows from operating activities			
Profit before zakat and income tax		36,271	11,804
<u>Adjustments for non-cash items</u>		8,161	
Depreciation	3		9,197
Depreciation of right of use of assets		7,229	6,020
Amortization		627	459
Impairment losses on trade receivables	7	6,204	21,238
Impairment losses on inventories	6	5,142	8,324
Gain on property and equipment		(302)	-
Share of profit from an associate	5, 20	(21,157)	(20,583)
Provision for employee benefits obligation		2,191	2,403
Finance costs		12,593	15,094
<u>Changes in working capital</u>			
Trade receivables		(87,073)	(51,020)
Inventories		(62,509)	669
Prepayments and other receivables	8	(11,601)	4,048
Trade and other payables		26,234	40,227
Provisions		88	36
Zakat and income tax paid	11	(22,427)	(2,606)
Finance costs paid		(12,593)	(15,094)
End of service benefits paid		(2,918)	(2,398)
Net cash (utilized in) / generated from operating activities		(115,840)	27,818
Cash flows from investing activities			
Additions to property and equipment	3	(1,891)	(1,424)
Proceeds from sale of property and equipment		583	-
Net cash utilized in investing activities		(1,308)	(1,424)
Cash flows from financing activities			
Payment of lease liabilities		(6,963)	(5,317)
Repayment of bank borrowings		(1,106,802)	(827,758)
Proceeds from bank borrowings		1,207,871	836,178
Net cash generated from financing activities		94,106	3,103
Net change in cash and cash equivalents		(23,042)	29,497
Cash and cash equivalents at beginning of the period	9	79,906	47,204
Cash and cash equivalents at end of the period		56,864	76,701
Non-cash transactions			
Addition to right of use of assets		4,462	3,259

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

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

**Notes to the condensed consolidated interim financial information
For the nine-month period ended September 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 joint stock company registered 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.

As at September 30, 2021 and December 31, 2020, the authorized, issued and paid up share capital of the Company is SAR 630 million divided on 63 million shares of SAR 10 each.

The Company's Board of Directors recommended in its meeting dated September 19, 2021 to reduce the Company's capital by cancelling 15.75 million shares with one share to be cancelled for every four shares to absorb the accumulated deficit balance, and subsequently to increase the Company's share capital through the issuance of shares with the value of SAR 250 million.

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 nine-month periods ended September 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.

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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 September 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.

3. Property and equipment

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning – Net book value	212,860	223,294
Additions for the period / year	1,891	1,920
Depreciation charge for the period / year	(8,161)	(12,354)
Disposals for the period / year	(281)	-
Closing – Net book value	206,309	212,860

4. Intangible assets and goodwill

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Intangible assets	2,303	2,930
Goodwill – note 4.1	9,854	9,854
	12,157	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 Riyals ("SAR") 9.854 million and has been recorded as goodwill. Based on the impairment assessment using value in use model, there was sufficient head room available, and accordingly, no impairment loss was recognized.

The Group's management performs goodwill impairment assessment annually and when there are indicators that the carrying value of goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on December 31, 2020 will not cause the carrying value of the goodwill to materially exceeds its recoverable amount. Accordingly, no impairment loss was recognized for the nine-month period ended September 30, 2021.

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5. Investment in an associate

<i>Name of Company</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Effective interest at</i>	
			September 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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited) (Restated)
At the beginning of the period / year	419,154	457,128
Prior period adjustment (note 20)	-	(13,321)
	419,154	443,807
Share of profit for the period / year after elimination of unrealized profit on upstream transactions – restated	21,157	24,347
Dividend	-	(49,000)
At the end of the period / year	440,311	419,154

LG Shaker

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Non-current assets	102,788	99,130
Current assets	261,745	249,908
Non-current liabilities	(7,866)	(7,800)
Current liabilities	(78,548)	(106,506)
Net assets	278,119	234,732

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Revenue	327,537	328,618
Total comprehensive income	43,389	50,652

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

6. Inventories

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Finished goods	316,978	244,535
Spare parts	53,503	66,450
Goods in transit	30,003	26,990
	<u>400,484</u>	<u>337,975</u>
Impairment losses on inventories	(47,056)	(41,914)
	<u>353,428</u>	<u>296,061</u>

Reconciliation of the impairment losses on inventories is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period / year	41,914	28,453
Charge for the period / year	5,142	13,529
Utilised during the period / year	-	(68)
Balance at end of period / year	<u>47,056</u>	<u>41,914</u>

7. Trade receivables

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited) (Restated)
Trade receivables	518,999	460,566
Prior period adjustments (Note 20)	-	(28,640)
Total trade receivable after prior period adjustments	<u>518,999</u>	<u>431,926</u>
Less: Impairment loss on trade receivables	(104,955)	(98,751)
	<u>414,044</u>	<u>333,175</u>
Current	401,599	321,891
Non-current	12,445	11,284
	<u>414,044</u>	<u>333,175</u>

Reconciliation of impairment losses on receivables is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period / year	98,751	80,973
Charge for the period / year	6,204	17,778
Balance at end of period / year	<u>104,955</u>	<u>98,751</u>

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Notes to the condensed consolidated interim financial information
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(All amounts in thousands of Saudi Riyals unless otherwise stated)

7. Trade receivables (continued)

As of September 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 2.1 million. The loss rate is 15% against the respective balance. The maximum remaining exposure as of the reporting date was SR 12.2 million, however management believes that adequate level of provision was recognized to cover the expected credit losses.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 30 September 2021 and 31 December 2020:

30 September 2021
(Unaudited)

	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss Allowance (%)</u>
1-90 days	220,449	3,234	1.5%
91-180 days	106,886	1,522	1.4%
181-270 days	18,334	433	2.4%
271-360 days	7,090	281	4.0%
More than 360 days	166,240	99,485	59.8%
	<u>518,999</u>	<u>104,955</u>	

31 December 2020
(Restated)

	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss Allowance (%)</u>
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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited) (Restated)
Prepayments / advances to suppliers	38,201	26,372
Other	3,715	3,943
Total	<u>41,916</u>	<u>30,315</u>

9. Cash and cash equivalents

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash in hand	3,698	17,339
Bank balances	53,166	62,567
Total	<u>56,864</u>	<u>79,906</u>

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10. Lease liabilities and borrowings

The Group has credit facility agreements with local and foreign commercial banks for long and short term borrowings in Saudi Riyal, US Dollar and Jordanian Dinar. Such facilities were obtained principally under Murabaha / Tawarruq arrangements. The utilized portion of the long-term facilities are repayable on equal monthly instalments ranging between four to six years. Certain facility agreements are secured against promissory notes and pledge of certain buildings 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 September 30, 2021 there has not been any non-compliance observed for any of the covenants.

As of September 30, 2021, the Group's total borrowing facilities amounted to SAR 702 million out of which SAR 223 was unutilized.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current:		
Lease Liability	4,875	5,017
Bank borrowings	<u>399,224</u>	<u>273,211</u>
	404,099	278,228
Non-current:		
Lease Liability	3,323	5,680
Bank borrowings	<u>79,312</u>	<u>104,256</u>
	82,635	109,936
Total lease liabilities	<u>8,198</u>	<u>10,697</u>
Total bank borrowings	<u>478,536</u>	<u>377,467</u>
Total lease liabilities and borrowings	486,734	388,164

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

11 Zakat and income tax liabilities

The Group submitted its zakat returns for the years up to 2020 to the Zakat, Tax and Customs Authority (ZATCA). Moreover, the Group's zakat returns for the years 2015 to 2018 were finalized and the related liabilities were paid during the period. The assessment related to the financial year of 2014 was finalized and initially resulted in an additional zakat amount of SAR 4.8 million which has been appealed by the Group. The assessment related to 2019 and 2020 financial years has been started during the period and it is still under process by the Authority. The Group's management believes that the current level of Zakat provision is sufficient.

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.

September 30, 2021 (Unaudited)	HVAC solutions	Home appliances	All other segments	Total
Saudi Arabia	446,379	329,479	-	775,858
Jordan	5,196	53,178	2,751	61,125
UAE	-	-	1,650	1,650
Total	451,575	382,657	4,401	838,633
September 30, 2020 (Unaudited)				
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

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Notes to the condensed consolidated interim financial information
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(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.

	<i><u>HVAC solutions</u></i>	<i><u>Home appliances</u></i>	<i><u>Total reportable segments</u></i>	<i><u>All other segments</u></i>	<i><u>Adjustments and eliminations</u></i>	<i><u>Total</u></i>
As at September 30, 2021 (Unaudited)						
Total assets	1,516,629	582,955	2,099,584	21,750	(587,733)	1,533,601
Total liabilities	836,285	265,651	1,101,936	27,494	(232,741)	896,689
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 nine months ended September 30, 2021 (Unaudited)						
Revenues	455,060	379,784	834,844	3,789	-	838,633
Profit / (loss) before zakat and income tax	10,427	27,913	38,340	(2,069)	-	36,271
For the nine months ended September 30, 2020 (Restated)						
Revenues	424,903	306,092	730,995	5,219	-	736,214
(Loss) / profit before zakat and income tax	(6,460)	20,727	14,267	(2,463)	-	11,804

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 September 2021, the HVAC solutions segment reported revenue of SAR 563 million (for 12 months ended 30 September 2020: SAR 535 million) and net profit of SAR 31.1 million (net loss for 12 months ended 30 September 2020: SAR 24.3 million).

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited) (Restated)
Equity	636,912	608,454
Total Debt	896,689	787,138
Total equity and total Debt	<u>1,533,601</u>	<u>1,395,592</u>
Gearing ratio	<u>58.47%</u>	<u>56.40%</u>

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:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Short term employees' benefits	4,997	4,434
BOD and audit committee remuneration	1,350	1,450

(b) Related parties' balances

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Due to related parties		
LG Shaker	161,185	207,073
LG Electronics	13,744	21,767

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

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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.

	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
Purchases from related party		
LG Shaker	317,091	240,712
LG Electronics	48,008	47,914
Settlement to related party		
LG Shaker	(309,025)	(241,040)
LG Electronics	(46,918)	(37,485)

17 Contingencies and commitments

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

- a) At September 30, 2021, the Group has outstanding bank guarantees of SAR 49.98 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 September 30, 2021, the Group has outstanding bank letters of credit of SAR 30.43 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 SAR 10.9 million as of September 30, 2021.

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 September 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.

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19 Subsequent events

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

20 Restatements

Certain amounts in the comparative periods have been corrected and, accordingly, restated in the condensed consolidated interim statement of financial position as at December 31, 2020 and 1 January 2020, and in the condensed consolidated interim 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 nine-month period ended 30 September 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 Condensed consolidated interim 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

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20 Restatements (continued)

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

	Note	As previously stated	Restatement	As restated
For the nine-month period ended September 30, 2020:				
Share of profit from associate	20 (a)	20,154	429	20,583
Profit before zakat and income tax		11,375	429	11,804
Net profit for the period		6,195	429	6,624
Total comprehensive income for the period		5,150	429	5,579
Earnings per share basic and diluted		0.12	0.01	0.13
For the three-month period ended September 30, 2020:				
Share of profit from associate	20 (a)	6,717	(592)	6,125
Profit before zakat and income tax		5,961	(592)	5,369
Net profit for the period		4,401	(592)	3,809
Total comprehensive income for the period		3,465	(592)	2,873
Earnings per share basic and diluted		0.07	(0.01)	0.06

21 Approval of the financial information

This condensed consolidated interim financial information was approved by the Company's Board of Directors on November 2, 2021.