

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three months period ended March 31, 2015
with
INDEPENDENT AUDITORS' REVIEW REPORT



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REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Shareholders
Al Hassan Ghazi Ibrahim Shaker Company
(A Saudi Joint Stock Company)

Scope of Review

We have reviewed the accompanying condensed consolidated interim balance sheet of Al Hassan Ghazi Ibrahim Shaker Company ("the Company") and its subsidiaries (collectively referred as "the Group") as at March 31, 2015, the related condensed consolidated interim statements of income, cash flows and changes in equity for the three months periods then ended and the accompanying notes 1 to 11 which form an integral part of these condensed consolidated interim financial statements. These condensed consolidated interim financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the condensed consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No. 382



Jeddah, Jumada Al Thani 30, 1436H
Corresponding to April 19, 2015

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

As at 31 March 2015

(Expressed in Saudi Riyals '000)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Current assets:			
Cash and bank balances		105,882	97,633
Trade receivables and prepayments		594,965	514,204
Inventories		701,802	679,360
Total current assets		<u>1,402,649</u>	<u>1,291,197</u>
Non-current assets:			
Investment in associates	3	507,140	10,923
Property and equipment		244,087	309,829
Intangible assets and goodwill	7	25,698	176
Total non-current assets		<u>776,925</u>	<u>320,928</u>
TOTAL ASSETS		<u>2,179,574</u>	<u>1,612,125</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Short term loans	4	623,422	394,873
Current portion of long term loans	4	11,035	18,251
Trade payables and accruals		535,669	288,443
Zakat and income tax payable		17,606	18,737
Total current liabilities		<u>1,187,732</u>	<u>720,304</u>
Non-current liabilities:			
Long term loans	4	9,228	34,639
Employees' end of service benefits		38,146	34,467
Total non-current liabilities		<u>47,374</u>	<u>69,106</u>
TOTAL LIABILITIES		<u>1,235,106</u>	<u>789,410</u>
Equity attributable to the Company's shareholders:			
Share capital	5	350,000	350,000
Statutory reserve		122,531	78,841
Other reserves		(10,360)	--
Retained earnings		189,038	157,793
Proposed bonus shares		280,000	--
Proposed dividend		--	87,500
Total shareholders' equity		<u>931,209</u>	<u>674,134</u>
Non-controlling interests		13,259	148,581
TOTAL EQUITY		<u>944,468</u>	<u>822,715</u>
TOTAL LIABILITIES AND EQUITY		<u>2,179,574</u>	<u>1,612,125</u>

The attached notes 1 to 11 form part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three months period ended 31 March 2015

(Expressed in Saudi Riyals '000)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Continuing Operations			
Sales		426,435	312,176
Cost of sales		<u>(328,116)</u>	<u>(242,143)</u>
Gross profit		<u>98,319</u>	<u>70,033</u>
Expenses:			
Selling and distribution		(37,671)	(29,516)
General and administration		(36,142)	(26,107)
Total expenses		<u>(73,813)</u>	<u>(55,623)</u>
Income from main operations		24,506	14,410
Other income, net		515	228
Financial charges		(9,394)	(2,939)
Re-measurement to fair value of equity interest already held	3	(856)	-
Share of profit / (loss) from an associates	3	<u>8,750</u>	<u>(657)</u>
Income before Zakat and Income tax and non-controlling interests from continuing operations		23,521	11,042
Discontinued Operations			
Income from discontinued operations	9	<u>--</u>	<u>28,313</u>
Income before Zakat And Income Tax and non-controlling interests		23,521	39,355
Zakat and income tax		<u>(1,660)</u>	<u>(6,370)</u>
Net income before non-controlling interests		21,861	32,985
Share of non-controlling interests in the net loss / (income) of consolidated subsidiaries		<u>4,294</u>	<u>(12,369)</u>
Net income attributable to Company's shareholders		<u>26,155</u>	<u>20,616</u>
EARNINGS PER SHARE			
Weighted average number of ordinary shares outstanding		<u>35,000</u>	<u>35,000</u>
Earnings per share on income from main operations (in SR per share)	6	<u>0.70</u>	<u>0.41</u>
Earnings per share on net income for the period (in SR per share)	6	<u>0.75</u>	<u>0.59</u>

The attached notes 1 to 11 form part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the three months period ended 31 March 2015
(Expressed in Saudi Riyals '000)

	Note	2015	2014
Operating activities:			
Income before zakat and income tax and non-controlling interests		23,521	39,355
Adjustments for:			
Depreciation		3,036	3,470
Share of results of associates	3	(8,750)	657
Provision for employees' end of service benefits		2,221	1,052
Provision for inventories		2,379	--
Financial charges		9,394	2,939
Gain on disposal of property and equipment		(316)	--
Income from discontinued operations		--	(28,313)
Gain on fair value of equity interest retained		--	(22)
		<u>31,485</u>	<u>19,138</u>
Changes in operating assets and liabilities:			
Receivables		(98,123)	(45,038)
Inventories		24,611	12,457
Payables		117,719	84,543
Cash from operations		<u>75,692</u>	<u>71,100</u>
Financial charges paid		(5,895)	(2,939)
Employees' end of service benefits paid		(416)	(1,457)
		<u> </u>	<u> </u>
Net cash from operating activities - continuing operations		69,381	66,704
Net cash used in operating activities - discontinued operations		--	(55,769)
Net cash from operating activities		<u>69,381</u>	<u>10,935</u>
Investing activities:			
Movement in property and equipment - net		(12,865)	(4,180)
Net cash used in investing activities - continuing operations		(12,865)	(4,180)
Net cash used in investing activities - discontinued operations		--	(647)
Net cash used in investing activities		<u>(12,865)</u>	<u>(4,827)</u>
Financing activities:			
Repayment of term loans		(4,040)	--
Net movement in amounts due to banks		(11,512)	(35,702)
Net cash used in financing activities - continuing operations		(15,552)	(35,702)
Net cash from financing activities - discontinued operations		--	38,396
Net cash (used in) / from financing activities		<u>(15,552)</u>	<u>2,694</u>
Net change in bank balances and cash		40,964	8,802
Bank balances and cash acquired during the period		5	--
Bank balances and cash at the beginning of the period		<u>64,913</u>	<u>88,831</u>
Bank balances and cash at the end of the period		<u>105,882</u>	<u>97,633</u>

MAJOR NON- CASH TRANSACTIONS

Assets and liabilities acquired during the period have been excluded from the above cash flows as they do not involve movement of cash.

The attached notes 1 to 11 form part of these condensed consolidated interim financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2015

(Expressed in Saudi Riyals '000)

	Equity attributable to the Company's shareholders						Non-controlling interests	Total
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed bonus shares / dividend	Sub total		
Balance at 31 December 2014 (audited)	350,000	122,531	--	442,883	--	915,414	11,028	926,442
Net income for the period from 1 January 2015 to 31 March 2015	--	--	--	26,155	--	26,155	(4,294)	21,861
Cash flow hedge – changes in fair value	--	--	(10,360)	--	--	(10,360)	--	(10,360)
Bonus shares (see Note 5)	--	--	--	(280,000)	280,000	--	--	--
Other movement in non-controlling interest	--	--	--	--	--	--	6,525	6,525
Balance at 31 March 2015 (Unaudited)	350,000	122,531	(10,360)	189,038	280,000	931,209	13,259	944,468
Balance at 31 December 2013 (audited)	350,000	78,841	--	224,677	--	653,518	136,212	789,730
Net income for the period from 1 January 2014 to 31 March 2014	--	--	--	20,616	--	20,616	12,369	32,985
Dividends	--	--	--	(87,500)	87,500	--	--	--
Balance at 31 March 2014 (Unaudited)	350,000	78,841	--	157,793	87,500	674,134	148,581	822,715

The attached notes 1 to 11 form part of these condensed consolidated interim financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three months period ended 31 March 2015

(Expressed in Saudi Riyals '000)

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS

Al Hassan Ghazi Ibrahim Shaker Company (the "Company" (or) the "Parent Company" (or) "HGISC") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia.

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.

The Ministerial Decision (No. 275), announcing the transfer of the Parent Company from a Limited Liability Company to a Closed Saudi Joint Stock Company, with a share capital of SR 350 million (divided into 35 million shares of SR 10 each), was obtained on 17 Shabaan 1429H, corresponding to 18 August 2008.

As decided by the shareholders of the Parent Company, the Parent Company offered 30% of share capital to public, during subscription period from 26 April 2010 (corresponding to 11 Jumad Awal 1431H) to 2 May 2010 (corresponding to 17 Jumad Awal 1431H). The Parent Company's shares started trading in the stock exchange on 17 May 2010 (corresponding to 3 Jumad Thani 1431H). Accordingly, after successful completion of the IPO (Initial Public Offering Process) the Parent Company was declared a Saudi Joint Stock Company with a share capital of SR 350 million, divided into 35 million shares of SR 10 each.

The Company's registered office is located at the following address:

North circle Road, Exit 5
P.O. Box 5124
Riyadh
Kingdom of Saudi Arabia

At March 31, the Parent Company has investments in the following majority owned / controlled subsidiaries (collectively described as "Group").

<u>Name</u>	<u>Principal field of activity</u>	<u>Country of incorporation</u>	<u>Effective % of capital held (directly or indirectly)</u>	
			<u>2015</u>	<u>2014</u>
New Vision for Electronics and Electrical Appliances Company	Import, export and maintenance of electrical and home appliances	Jordan	60%	60%
LG Shaker Company Limited (see note (a) below)	Manufacture of air conditioners	Saudi Arabia	--	51%
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	100%	100%

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

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(Expressed in Saudi Riyals '000)

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS (continued)

<u>Name</u>	<u>Principal field of activity</u>	<u>Country of incorporation</u>	<u>Effective % of capital held (directly or indirectly)</u>	
			<u>2015</u>	<u>2014</u>
Ibrahim Hussein Shaker Projects and Maintenance Company Limited	Import, export and marketing services	Saudi Arabia	100%	100%
ASDAA Gulf Trading Company ("ASDAA") (see note (b) below)	Wholesale of electronic devices	Saudi Arabia	100%	--
Energy Management Services Emirates LLC ("EMS") (see notes (c) below)	Energy solution providers	United Arab Emirates	74%	--

- a) LG Shaker Company Limited ("LG Shaker") is principally engaged in the production of air conditioners. According to the agreement signed between HGISC and LG Electronics Inc. to establish LG Shaker in 2006, LG Electronics Inc. had a call option to buy additional 2% shareholding in LG Shaker. During 2013, LG Electronics Inc. decided to exercise the aforementioned option and signed a Sale Purchase Agreement ("SPA Agreement") with HGISC. Based on the SPA Agreement, LG Electronics Inc. agreed to buy and HGISC agreed to sell 2% of the net book value of the shareholding in LG Shaker related to HGISC. The effective date of the SPA Agreement was dependent on the completion of the legal formalities, including approval from regulatory authorities in Kingdom of Saudi Arabia.

On 26 May 2014, the legal formalities for transferring 2% of the shareholding in LG Shaker to LG Electronics Inc. were completed. As a result, the Parent Company's equity interest in LG Shaker decreased from 51% to 49% and LG Shaker is considered to be a discontinued subsidiary of HGISC as the Company is no longer engaged in manufacturing activities. Accordingly, LG Shaker is no longer consolidated in these condensed consolidated interim financial statements of the Group. However, HGISC continues to retain significant influence over the operations and management of LG Shaker. Therefore, the equity interest of 49% retained in LG Shaker is classified as investment in associate, and subsequently accounted for under equity method of accounting (see note 3).

- b) With effect from 12 November 2014, the Parent Company purchased 95% shareholding in ASDAA. The remaining 5% of the shareholding in ASDAA is held by ISCL for and on behalf of the Parent Company. As such the Parent Company owns 100% of the shareholdings in ASDAA. (see note 7).

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three months period ended 31 March 2015

(Expressed in Saudi Riyals '000)

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS (continued)

- c) In 2013, the Company purchased 20% shareholding in EMS, registered in United Arab Emirates. On 29 December 2014, the HGISC signed an agreement with EMS to acquire additional 54% shareholding in EMS increasing its current shareholding from 20% to 74% against a consideration of SR 1.5 million. The legal formalities for the transfer of ownership of 54% shareholding in EMS have been completed on 10 March 2015. Accordingly, the Parent Company holds 74% shareholding in EMS, as at 31 March 2015 and considered as a subsidiary in these condensed interim consolidated financial statements from the date of completion of legal formalities.

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

<u>Name</u>	<u>Principal field of activity</u>	<u>Country of incorporation</u>	<u>% of capital held (directly or indirectly)</u>	
			<u>2015</u>	<u>2014</u>
Shaker Electronic and Appliances Lebanon Company	Trading of electrical and home appliances	Lebanon	20%	20%
LG Shaker Company Limited	Manufacture of air conditioners	Saudi Arabia	49%	--
Energy Management Services Emirates LLC	Providing technical support for energy control devices and consultancy services	United Arab Emirates	--	20%

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The accompanying condensed consolidated interim financial statements have been prepared in accordance with Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA"). The condensed consolidated interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December, 2014.

The results presented in the condensed consolidated interim financial statements may not be an accurate indicator of the annual financial results.

2.2 Basis of Measurement

The condensed interim consolidated financial statements have been prepared under the historical cost convention. Certain comparative amounts have been reclassified to conform with the current period's presentation.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three months period ended 31 March 2015
(Expressed in Saudi Riyals '000)

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

2.3 Functional and presentation currency

These condensed consolidated interim financial statements have been presented in Saudi Riyals (SR), which is the functional currency of the Company. Financial information, presented in Saudi Riyals, has been rounded off to the nearest thousand.

2.4 Significant Accounting Policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2014 except for the following policy:

Derivative financial instruments and hedge accounting

The Group is using forward contracts as hedging instruments to hedge its exposure to the variability in cash flows. Hedging instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Hedging instrument is carried as financial asset when the fair value is positive and as financial liability when the fair value is negative.

For the purpose of hedge accounting, hedging instrument is classified as cash flow hedge. The effective portion of the gain or loss on the hedging instrument is recognised directly in shareholders' equity in other reserve, while any ineffective portion is recognised immediately in the interim consolidated statement of income in financial charges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed in an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Amount recognised in equity is transferred to the interim consolidated statement of income when the hedged transaction affects profit or loss.

3. INVESTMENT IN ASSOCIATES

Investment in associates is carried in the condensed consolidated interim balance sheet at cost adjusted by the changes in the Parent Company's share of net assets of the associates. The consolidated statement of income reflects the share of results of operation of the associates. Details of the associates are as follows:

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(UNAUDITED)

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(Expressed in Saudi Riyals '000)

3. INVESTMENT IN ASSOCIATES (continued)

<u>Name</u>	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
LG Shaker Company Limited	502,815	--
Shaker Electronic and Appliances Lebanon Company	4,325	4,345
Energy Management Services Emirates LLC	--	6,578
Total	<u>507,140</u>	<u>10,923</u>

Movement in investment in associates during the period ended 31 March was as follows:

i) LG Shaker Company Limited

	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
At 1 January	493,372	--
Share of results for the period	9,443	--
At 31 March	<u>502,815</u>	<u>--</u>

ii) Shaker Electronic and Appliances Lebanon Company

	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
At 1 January	4,898	4,815
Share of results for the period	(573)	(470)
At 31 March	<u>4,325</u>	<u>4,345</u>

iii) Energy Management Services Emirates LLC

	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
At 1 January	5,995	6,765
Share of results for the period till 10 March 2015	(120)	(187)
Re-measurement to fair value of equity interest already held	(856)	--
Transfer to consolidated subsidiary	(5,019)	--
At 31 March	<u>--</u>	<u>6,578</u>

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three months period ended 31 March 2015

(Expressed in Saudi Riyals '000)

4. DUE TO BANKS AND TERM LOANS

	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
(a) <i>Short term loans:</i>		
Overdraft	4,994	2,778
Short term loans (see notes (i) and (iv) below)	582,765	367,221
Notes payable	35,663	24,874
	<u>623,422</u>	<u>394,873</u>
(b) <i>Long term loans:</i>		
Balance outstanding as at 31 March (see notes (ii) to (iv) below)	20,263	54,449
Unamortised portion of administration fees paid in advance	--	(1,559)
	<u>20,263</u>	<u>52,890</u>
Balance of term loan as at 31 March	20,263	52,890
Less: Non-current portion of term loans	<u>(9,228)</u>	<u>(34,639)</u>
Current portion of term loans	<u>11,035</u>	<u>18,251</u>

- i) Included in the short term loans, loans obtained by the Parent Company which is part of Islamic financing facilities arranged with local banks, secured by promissory notes on demand issued by the Parent Company. Further, New Vision for Electronics and Electrical Appliances, a subsidiary company, has a short term revolving credit facility and Murabaha financing facility with limit of SR 34 million and SR 75 million, respectively. The outstanding balance of the utilized facilities amounting to SR 69 million (31 March 2014: SR 72 million), is included in short term loan balance of SR 583 million at 31 March 2015 (31 March 2014: SR 367 million). The facility carries commission at commercial rates.
- ii) During 2013, New Vision Company Limited, a subsidiary company, has obtained a long term facility from a local bank, for SR 15.9 million, which was fully withdrawn. The outstanding balance amounting to SR 7.3 million is included in the term loan balance of SR 20.2 million. The loan is repayable over 48 equal monthly instalments. The loan bears financing charges at the prevailing market rates. The borrowing facilities under the agreement are secured by corporate and personal guarantees of the partners of New Vision Company Limited.
- iii) During November 2014, New Vision Company Limited, a subsidiary company, has obtained a long term facility from a local bank, for SR 15.9 million, which was fully withdrawn. The loan is repayable over 48 equal monthly instalments, commencing May 2014. The loan bears financing charges at the prevailing market rates. The outstanding balance of SR 12.9 million is included in the term loan balance SR 20.2 million. The borrowing facilities under the agreement are secured by corporate and personal guarantees of the partners of New Vision Company Limited.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Expressed in Saudi Riyals '000)

4. DUE TO BANKS AND TERM LOANS (continued)

- iv) As mentioned in note 9, LG Shaker is considered to be as a discontinued subsidiary of HGISC, and is not consolidated in these condensed consolidated interim financial statements. Accordingly, the related assets and liabilities are not included in the condensed consolidated interim balance sheet. However, the comparative information above includes the following short and long term borrowings of LG Shaker.

	<i>31 March</i> <i>2014</i> <i>(Unaudited)</i>
Short Term Loans	51,656
Term Loans	<u>31,000</u>
	<u>82,656</u>

5. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 350 million at period end consisting of 35 million shares of SR 10 each.

The Board of Directors in its meeting held on 29 March, 2015, proposed to increase the Company's share capital to SR 630 million by issuing four bonus shares for every five ordinary shares outstanding. This bonus share issue is subject to approval of the shareholders in their meeting.

6. EARNINGS PER SHARE

Earnings per share on income from main operations including non-controlling interest is calculated by dividing income from main operations by weighted average number of shares in issue during the period.

Earnings per share on net income is calculated by dividing the net income by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is not applicable to the Parent Company.

7. INTANGIBLE ASSETS AND GOODWILL

As discussed in note 1 (b), with effective 12 November 2014, the Parent Company acquired 100% of shareholding in ASDAA Gulf Trading Company ("ASDAA") for a cash consideration of SR 20 million. The purchase consideration in excess of the fair value of the net assets acquired in ASDAA amounted to SR 9.9 million and has been accounted for as goodwill in these condensed interim consolidated financial statements. The Group has recorded the fair value of the net assets acquired and resulting goodwill at provisional amounts pending receipt of the final valuations of the assets acquired.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Expressed in Saudi Riyals '000)

7. INTANGIBLE ASSETS AND GOODWILL (continued)

Further as discussed in note 1 (c), with effective 10 March 2015, the Parent Company acquired 54% of shareholding in EMS Dubai for a cash consideration of SR 1.5 million. The acquisition has been accounted for using the purchase method of accounting. Fair value of net assets acquired in EMS Dubai includes intangible asset related to customer contract amounting to SR 15.8 million.

8. BUSINESS COMBINATION ACHIEVED IN STAGES

On 19 Jamad-ul-Awal 1436H corresponding to 10 March 2015, the Company completed the acquisition of 54% shares in Energy Management Services LLC "EMS" held by TECOM Investments LLC, for an agreed value of SAR 1.5 million. These condensed consolidated interim financial statements include the results of EMS from 10 March 2015, as the Parent Company - obtained control of EMS from that date.

The re-measurement to fair value of the Group's existing 20% interest in EMS resulted in a one-time loss of SR 0.8 million. As at the date of acquisition, the carrying amounts of the assets and liabilities approximate their fair values except for customer contract.

9. DISCONTINUED OPERATIONS

The disposal of shareholding in LG Shaker is classified as discontinued operations and the results of discontinued operations are presented below:

	<i>31 March, 2014</i>
	<i>(Unaudited)</i>
Sales	230,316
Cost of sales	(189,008)
GROSS PROFIT	<u>41,308</u>
EXPENSES	
Selling and distribution	(8,220)
General and administration	(4,529)
	<u>(12,749)</u>
INCOME FROM MAIN OPERATIONS	28,559
Other income	(25)
Financial charges	(221)
	<u>(246)</u>
INCOME FROM DISCONTINUED OPERATIONS	<u>28,313</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three months period ended 31 March 2015

(Expressed in Saudi Riyals '000)

10. OPERATING SEGMENT INFORMATION

The management views the activities of the Group's operations under two business units, as detailed below:

	31 March 2015		
	LG Air- Conditioners and home appliances	Non – LG Air- Conditioners and Products (Unaudited)	Total
Sales	341,043	85,392	426,435
Cost of sales	(268,852)	(59,264)	(328,116)
Gross profit	72,191	26,128	98,319
Un-allocated expenses and income:			
Selling and distribution			(37,671)
General and administration			(36,142)
Other income			515
Financial charges			(9,394)
Re-measurement to fair value of equity interest already held			(856)
Share of result of associates			8,750
Zakat and income tax			(1,660)
Net income before non-controlling interests			21,861
	31 March 2014		
	LG Air- Conditioners and home appliances	Non – LG Air- Conditioners and Products (Unaudited)	Total
Sales	246,010	66,166	312,176
Cost of sales	(196,648)	(45,495)	(242,143)
Gross profit	49,362	20,671	70,033
Un-allocated expenses and income:			
Selling and distribution			(29,516)
General and administration			(26,107)
Other income			228
Financial charges			(2,939)
Share of result of associates			(657)
Income from discontinued operations			28,313
Zakat and income tax			(6,370)
Net income before non-controlling interests			32,985

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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For the three months period ended 31 March 2015

(Expressed in Saudi Riyals '000)

10. OPERATING SEGMENT INFORMATION (continued)

The Group assets and liabilities are managed on a group basis and are not allocated to operating segments.

11. BOARD OF DIRECTORS' APPROVAL

These unaudited condensed consolidated interim financial statements have been approved by the Board of Directors on 30 Jumada Al Thani 1436H, corresponding to 19 April 2015.