

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the three-month and six-month periods ended June 30, 2015
with

INDEPENDENT AUDITORS' REVIEW REPORT



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**REVIEW REPORT ON THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

The Shareholders
Al Hassan Ghazi Ibrahim Shaker Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of Al Hassan Ghazi Ibrahim Shaker Company ("the Company") and its subsidiaries (collectively referred as "the Group") as at June 30, 2015, the related interim consolidated statements of income for the three-month and six-month periods then ended, interim consolidated statement of cash flows and changes in equity for the six-month period then ended and the attached condensed notes from 1 to 12 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated 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 interim condensed consolidated 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 consolidated 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 interim condensed consolidated 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, Ramadan 27, 1436H
Corresponding to July 14, 2015

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at June 30, 2015

(Expressed in Saudi Riyals '000)

	<u>Notes</u>	<u>2015</u>	<u>2014</u> <i>(Restated)</i>
<u>ASSETS</u>			
Current assets:			
Cash and bank balances		101,636	81,504
Trade receivables and prepayments		634,823	527,873
Inventories		848,960	664,178
Total current assets		<u>1,585,419</u>	<u>1,273,555</u>
Non-current assets:			
Investment in associates	3	536,152	485,428
Property and equipment		264,745	176,229
Intangible assets and goodwill	7	26,223	--
Total non-current assets		<u>827,120</u>	<u>661,657</u>
TOTAL ASSETS		<u>2,412,539</u>	<u>1,935,212</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Short term loans	4(a)	530,370	348,749
Current portion of long term loans	4(b)	4,432	3,972
Trade payables and accruals		777,849	540,194
Zakat and income tax payable		14,355	12,371
Total current liabilities		<u>1,327,006</u>	<u>905,286</u>
Non-current liabilities:			
Long term loans	4(b)	12,286	11,924
Employees' end of service benefits		39,390	32,592
Total non-current liabilities		<u>51,676</u>	<u>44,516</u>
TOTAL LIABILITIES		<u>1,378,682</u>	<u>949,802</u>
Equity attributable to the Company's shareholders:			
Share capital	5	630,000	350,000
Statutory reserve		133,347	78,841
Retained earnings		260,229	540,243
Total shareholders' equity		<u>1,023,576</u>	<u>969,084</u>
Non-controlling interest		10,281	16,326
TOTAL EQUITY		<u>1,033,857</u>	<u>985,410</u>
TOTAL LIABILITIES AND EQUITY		<u>2,412,539</u>	<u>1,935,212</u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month periods ended June 30, 2015

(Expressed in Saudi Riyals '000)

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2015	2014	2015	2014
Continuing Operations					
Sales		643,252	484,408	1,069,687	796,584
Cost of sales		(482,484)	(352,980)	(810,600)	(595,124)
Gross profit		160,768	131,428	259,087	201,460
Expenses:					
Selling and distribution		(50,058)	(41,283)	(87,729)	(70,799)
General and administration		(49,122)	(31,357)	(85,264)	(57,464)
Total expenses		(99,180)	(72,640)	(172,993)	(128,263)
Income from main operations		61,588	58,788	86,094	73,197
Other income, net		111	359	626	588
Financial charges		(7,972)	(2,971)	(17,366)	(5,909)
Re-measurement to fair value of equity interest already held		--	311,984	(856)	311,984
Share of profit of associates	3	29,014	4,105	37,764	3,448
Income before Zakat and Income tax and non-controlling interest from continuing operations		82,741	372,265	106,262	383,308
Discontinued Operations					
Gain on disposal of discontinued operations		--	568	--	568
Income from discontinued operations	9	--	38,195	--	66,507
Income before Zakat And Income Tax and non-controlling interest		82,741	411,028	106,262	450,383
Zakat and income tax		(3,712)	(14,836)	(5,372)	(21,206)
Net income before non-controlling interest		79,029	396,192	100,890	429,177
Share of non-controlling interest in the net loss / (income) of consolidated subsidiaries		2,978	(13,742)	7,272	(26,111)
Net income attributable to Company's shareholders		82,007	382,450	108,162	403,066
EARNINGS PER SHARE					
Weighted average number of ordinary shares outstanding		63,000	63,000	63,000	63,000
Earnings per share on income from main operations for the period (in SR per share)	6	0.98	0.93	1.37	1.16
Earnings per share on net income for the period (in SR per share)	6	1.3	6.07	1.72	6.4

The attached notes 1 to 12 form part of these
interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six month period ended June 30, 2015

(Expressed in Saudi Riyals '000)

	Note	2015	2014 (Restated)
Operating activities:			
Income before zakat and income tax and non-controlling interest		106,262	450,383
Adjustments for:			
Depreciation		5,970	6,850
Share of profit of associates	3	(37,764)	(3,448)
Fair value loss on an associate		856	--
Provision for employees' end of service benefits		3,465	4,592
Provision for inventories		2,380	5,909
Financial charges		17,366	(355)
Gain on disposal of property and equipment		(316)	(568)
Income from discontinued operations		--	(66,507)
Gain on fair value of equity interest retained		--	(311,984)
		<u>98,219</u>	<u>84,872</u>
Changes in operating assets and liabilities:			
Receivables		(137,981)	(109,667)
Inventories		(123,927)	(90,254)
Payables		368,297	296,513
Cash from operations		<u>204,608</u>	<u>181,464</u>
Financial charges paid		(10,405)	(5,909)
Zakat and income tax paid		(6,963)	(11,449)
Employees' end of service benefits paid		(416)	(4,631)
		<u>186,824</u>	<u>159,475</u>
Net cash from operating activities - continuing operations		186,824	159,475
Net cash used in operating activities - discontinued operations		--	(113,509)
Net cash from operating activities		<u>186,824</u>	<u>45,966</u>
Investing activities:			
Movement in property and equipment - net		(36,457)	(8,041)
Purchase of investment in an associate		(1,500)	--
Proceeds from sale of discontinued operations		--	3,802
Net cash used in investing activities - continuing operations		(37,957)	(4,239)
Net cash used in investing activities - discontinued operations		--	(12,030)
Net cash used in investing activities		<u>(37,957)</u>	<u>(16,269)</u>
Financing activities:			
Repayment of long term loans		(7,585)	--
Net movement in amounts due to banks		(104,564)	(30,170)
Dividend paid		--	(87,500)
Net cash used in financing activities - continuing operations		(112,149)	(117,670)
Net cash from financing activities - discontinued operations		--	80,646
Net cash used in financing activities		<u>(112,149)</u>	<u>(37,024)</u>
Net change in bank balances and cash		36,718	(7,327)
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>101,636</u>	<u>81,504</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 12 form part of these interim condensed consolidated financial statements.

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six month period ended June 30, 2015

(Expressed in Saudi Riyals '000)

	<u>Equity attributable to the Company's shareholders</u>			<u>Total shareholders' equity</u>	<u>Non-controlling interest</u>	<u>Total</u>
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>			
Balance at December 31, 2014 (audited)	350,000	122,531	442,883	915,414	11,028	926,442
Bonus shares issued (see Note 1)	280,000	--	(280,000)	--	--	--
Net income for the period from January 1, 2015 to June 30, 2015	--	--	108,162	108,162	(7,272)	100,890
Transfer to statutory reserve	--	10,816	(10,816)	--	--	--
Other movement in non-controlling interest	--	--	--	--	6,525	6,525
Balance at June 30, 2015 (unaudited)	630,000	133,347	260,229	1,023,576	10,281	1,033,857
Balance at December 31, 2013 (audited)	350,000	78,841	224,677	653,518	136,212	789,730
Net income for the period from January 1, 2014 to June 30, 2014	--	--	403,066	403,066	26,111	429,177
Non-controlling interest relating to discontinued operations	--	--	--	--	(145,997)	(145,997)
Dividend	--	--	(87,500)	(87,500)	--	(87,500)
Balance at June 30, 2014 (unaudited)	350,000	78,841	540,243	969,084	16,326	985,410

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the six month period ended June 30, 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 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 Shabaan 17, 1429H, corresponding to August 18, 2008.

As decided by the shareholders of the Parent Company, the Parent Company offered 30% of share capital to public, during subscription period from April 26, 2010 (corresponding to Jumad Awal 11, 1431H) to May 2, 2010 (corresponding to Jumad Awal 17, 1431H). The Parent Company's shares started trading in the stock exchange on May 17, 2010 (corresponding to Jumad Thani 3, 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.

On March 29, 2015, the Board of Directors proposed to increase the Company's share capital to SR 630 million by issuing four bonus shares for every five ordinary shares outstanding as of that date. Later, the shareholders in the Annual General Assembly Meeting on May 21, 2015, approved the Board's proposal and authorized issuance of 28 million bonus share at a nominal value SR 10 each and resultantly the share capital of the Company was increased from SR 350 million to SR 630 million. The legal formalities for the increase in capital were completed on June 14, 2015.

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 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 June 30, 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%

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY

(A Saudi Joint Stock Company)

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

For the six month period ended June 30, 2015

(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>
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%
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 May 26, 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. Accordingly, LG Shaker is no longer consolidated in these interim condensed consolidated 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 November 12, 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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(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the six month period ended June 30, 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 December 29, 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 March 10, 2015. Accordingly, the Parent Company holds 74% shareholding in EMS, as at June 30, 2015 and considered as a subsidiary in these interim condensed consolidated financial statements from the date of completion of legal formalities. (see note 7).

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	Energy solution providers	United Arab Emirates	--	20%

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA"). These interim condensed consolidated 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 annual audited consolidated financial statements for the year ended December 31, 2014.

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

2.2 Basis of Measurement

The interim condensed consolidated financial statements have been prepared under the historical cost convention.

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

For the six month period ended June 30, 2015

(Expressed in Saudi Riyals '000)

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

2.3 Functional and presentation currency

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

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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 (see note (i) below)	531,827	474,785
Shaker Electronic and Appliances Lebanon Company (see note (ii) below)	4,325	4,275
Energy Management Services Emirates LLC (see note (iii) below)	--	6,368
Total	536,152	485,428

Movement in investment in associates during the period ended June 30 was as follows:

i) LG Shaker Company Limited

	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
At January 1	493,372	470,400
Share of profit for the period	38,455	4,385
At June 30	531,827	474,785

ii) Shaker Electronic and Appliances Lebanon Company

	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
At January 1	4,898	4,815
Share of profit for the period	(573)	(540)
At June 30	4,325	4,275

iii) Energy Management Services Emirates LLC

	<u>2015</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>
At January 1	5,995	6,765
Share of profit for the period till March 10, 2015	(118)	(397)
Re-measurement to fair value of equity interest already held	(3,909)	--
Transfer to consolidated subsidiary	(1,968)	--
At June 30	--	6,368

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(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	3,679	3,170
Short term loans (see note (i) below)	429,727	263,309
Notes payable	96,964	82,270
	<u>530,370</u>	<u>348,749</u>
(b) <i>Long term loans:</i>		
Balance outstanding as at June 30 (see notes (ii) below)	16,718	15,896
Less: Non-current portion of long term loans	<u>(12,286)</u>	<u>(11,924)</u>
Current portion of long term loans	<u>4,432</u>	<u>3,972</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 19.5 million and SR 56.37 million, respectively. The outstanding balance of the utilized facilities amounting to SR 41 million (2014: SR 49 million), is included in short term loan balance of SR 430 million at June 30, 2015 (2014: SR 263 million). The facility carries commission at commercial rates.

ii) During 2013, New Vision Company Limited, a subsidiary company, obtained a long term facility from a local bank, for SR 15.9 million, which was fully withdrawn. The outstanding balance amounting to SR 11.59 million is included in the long term loan balance of SR 16.7 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.

5. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 630 million (2014: SR 350 million) at period end consisting of 63 million shares (2014: 35 million shares) of SR 10 each.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the six month period ended June 30, 2015

(Expressed in Saudi Riyals '000)

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 weighted average number of shares has been retrospectively adjusted for the prior period to reflect the effect of the changes in number of shares due to bonus 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 interim condensed 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.

Further as discussed in note 1 (c), with effective March 10, 2015, the Parent Company acquired 54% of shareholding in EMS 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 includes intangible asset related to customer contract amounting to SR 15.8 million. Purchase price allocation to the identifiable assets acquired and liabilities assumed will be completed by the end of this year.

8. BUSINESS COMBINATION ACHIEVED IN STAGES

On Jamad-ul-Awal 19, 1436H, corresponding to March 10, 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 interim condensed consolidated financial statements include the results of EMS from March 10, 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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For the six month period ended June 30, 2015

(Expressed in Saudi Riyals '000)

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>June 30, 2014</i>
Sales	434,279
Cost of sales	(345,834)
GROSS PROFIT	<u>88,445</u>
EXPENSES	
Selling and distribution	(14,831)
General and administration	(6,469)
	<u>(21,300)</u>
INCOME FROM MAIN OPERATIONS	67,145
Other income	(41)
Financial charges	(597)
	<u>(638)</u>
INCOME FROM DISCONTINUED OPERATIONS	<u>66,507</u>

10. OPERATING SEGMENT INFORMATION

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

	June 30, 2015		
	LG Air- Conditioners and home appliances	Non – LG Air- Conditioners and Products <i>(Unaudited)</i>	Total
Sales	864,175	205,512	1,069,687
Cost of sales	(673,135)	(137,465)	(810,600)
Gross profit	<u>191,040</u>	<u>68,047</u>	<u>259,087</u>
Un-allocated expenses and income:			
Selling and distribution			(87,729)
General and administration			(85,264)
Other income, net			626
Financial charges			(17,366)
Re-measurement to fair value of equity interest already held			(856)
Share of profit of associates			37,764
Zakat and income tax			(5,372)
			<u>(87,837)</u>
Net income before non-controlling interest			<u>100,890</u>

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

For the six month period ended June 30, 2015

(Expressed in Saudi Riyals '000)

10. OPERATING SEGMENT INFORMATION (continued)

	June 30, 2014		Total
	LG Air- Conditioners and home appliances	Non – LG Air- Conditioners and Products <i>(Unaudited)</i>	
Sales	663,855	132,729	796,584
Cost of sales	(504,470)	(90,654)	(595,124)
Gross profit	<u>159,385</u>	<u>42,075</u>	<u>201,460</u>
Un-allocated expenses and income:			
Selling and distribution			(70,799)
General and administration			(57,464)
Other income, net			588
Financial charges			(5,909)
Share of profit of associates			3,448
Gain on fair value of equity interest retained			311,984
Income from discontinued operations			66,507
Gain on disposal			568
Zakat and income tax			<u>(21,206)</u>
Net income before non-controlling interest			<u><u>429,177</u></u>

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

11. PRIOR PERIOD ADJUSTMENTS

Subsequent to the original issuance of group unaudited interim condensed consolidated financial statement for the three-month and six-month periods ended June 30, 2014, the group has determined that they have offset an amount SR 383.754 million under trade payables and accruals with trade receivables and prepayments that does not meet offsetting criteria prescribed under the accounting framework. Accordingly, comparative amounts have been grossed up and restated. Such restatement does not have any impact on opening retained earnings. Furthermore, certain comparative amounts have also been reclassified to conform with the current period's presentation. Effect of this restatement and reclassification on the interim condensed consolidated financial statements for the period ended June 30, 2014 is summarized below:

	As previously reported at June 30, 2014	Restatement amount	Reclassification amount	June 30, 2014, as restated
Trade receivables and Prepayments	155,081	383,754	(10,962)	527,873
Property and equipment	165,267	--	10,962	176,229
Trade payables and accruals	156,440	383,754	--	540,194

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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For the six month period ended June 30, 2015

(Expressed in Saudi Riyals '000)

12. BOARD OF DIRECTORS' APPROVAL

These unaudited interim condensed consolidated financial statements have been approved by the Board of Directors on Ramadan 27, 1436H, corresponding to July 14, 2015.