

**AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
AL HASSAN GHAZI IBRAHIM SHAKER COMPANY (A SAUDI JOINT STOCK COMPANY)**

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Al Hassan Ghazi Ibrahim Shaker Company (a Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as at 31 March 2012 and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the three-month period then ended, which have been prepared by the Company's management and submitted to us together with all the information and explanations which we required. Our review was conducted in accordance with Saudi Organization for Certified Public Accountants ("SOCPA") standard on interim financial information. A review is limited primarily to analytical procedures applied to financial data and inquiries of Group's personnel on financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the 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 in order for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Ahmed I Reda
Certified Public Accountant
Licence No. 356

24 Jumad Awal 1433H
16 April 2012

Jeddah

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 March 2012

	<i>Note</i>	<i>2012</i> <i>SR'000</i>	<i>2011</i> <i>SR'000</i>
ASSETS			
CURRENT ASSETS			
Bank balances and cash		62,545	37,433
Accounts receivable and prepayments		374,865	319,575
Inventories		583,204	473,274
TOTAL CURRENT ASSETS		1,020,614	830,282
NON-CURRENT ASSETS			
Investment in an associate	3	4,518	4,488
Property and equipment		295,145	259,161
Intangible asset		695	1,021
TOTAL NON-CURRENT ASSETS		300,358	264,670
TOTAL ASSETS		1,320,972	1,094,952
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Due to banks	4	345,125	228,336
Accounts payable and accruals		227,737	268,402
Zakat and income tax payable		12,344	16,691
Current portion of term loan	4	38,698	4,424
TOTAL CURRENT LIABILITIES		623,904	517,853
NON-CURRENT LIABILITIES			
Employees' end of service benefits		26,303	22,591
Term loan	4	59,232	23,036
TOTAL NON-CURRENT LIABILITIES		85,535	45,627
TOTAL LIABILITIES		709,439	563,480
SHAREHOLDERS' EQUITY			
Share capital		350,000	350,000
Statutory reserve		47,569	29,547
Retained earnings		123,250	77,135
Total equity attributable to the shareholders' of the parent company		520,819	456,682
Non-controlling interests		90,714	74,790
TOTAL SHAREHOLDERS' EQUITY		611,533	531,472
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,320,972	1,094,952

The attached notes 1 to 6 form part of these unaudited 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 period ended 31 March 2012

	<i>Note</i>	<i>2012</i> <i>SR'000</i>	<i>2011</i> <i>SR '000</i>
Sales		375,870	323,036
Cost of sales		<u>(261,800)</u>	<u>(228,525)</u>
GROSS PROFIT		114,070	94,511
EXPENSES			
Selling and distribution		(36,137)	(30,820)
General and administration		<u>(26,104)</u>	<u>(23,828)</u>
		(62,241)	(54,648)
INCOME FROM MAIN OPERATIONS		51,829	39,863
Other income		2,597	448
Financial charges		(3,570)	(1,545)
Share of results of an associate	3	<u>(263)</u>	<u>(308)</u>
INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTEREST		50,593	38,458
Zakat and income tax		<u>(4,770)</u>	<u>(2,854)</u>
NET INCOME BEFORE NON-CONTROLLING INTEREST		45,823	35,604
Income attributable to non-controlling interests		<u>(5,793)</u>	<u>(1,994)</u>
NET INCOME FOR THE PERIOD		40,030	33,610
Weighted average number of ordinary shares outstanding		<u>35,000</u>	<u>35,000</u>
Earning per share:			
Earning per share on income from main operations (in SR per share)	5	<u>1.48</u>	<u>1.14</u>
Earning per share on net income for the period (in SR per share)	5	<u>1.14</u>	<u>0.96</u>





The attached notes 1 to 6 form part of these unaudited 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 three-month period ended 31 March 2012

	2012 SR'000	2011 SR '000
OPERATING ACTIVITIES		
Income before zakat and income tax and non-controlling interests	50,593	38,458
Adjustments for:		
Depreciation	6,903	5,450
Amortisation of intangible assets	99	95
Amortisation of administrative fee	118	118
Share of results of an associate	263	308
Provision for employees' end of service benefits	1,257	1,453
Financial charges	3,570	1,545
Gain on disposal of property and equipment	(217)	(84)
	<u>62,586</u>	<u>47,343</u>
Changes in operating assets and liabilities:		
Receivables	(105,984)	(122,141)
Inventories	2,389	(97,223)
Payables	35,715	94,741
	<u>(5,294)</u>	<u>(77,280)</u>
Cash used in operations	(5,294)	(77,280)
Financial charges paid	(3,570)	(1,545)
Zakat and income tax paid	(2,928)	(492)
Employees' end of service benefits paid	(683)	(212)
	<u>(12,475)</u>	<u>(79,529)</u>
Net cash used in operating activities	(12,475)	(79,529)
INVESTING ACTIVITIES		
Purchase of property and equipment	(11,990)	(22,444)
Proceeds from disposal of property and equipment	557	241
Purchase of intangible asset	-	(208)
	<u>(11,433)</u>	<u>(22,411)</u>
Net cash used in investing activities	(11,433)	(22,411)
FINANCING ACTIVITIES		
Proceeds from term loans	16,124	-
Repayment of term loans	(2,300)	-
Net movement in amounts due to banks	11,184	75,714
Net movement in non-controlling interest	-	11,295
	<u>25,008</u>	<u>87,009</u>
Net cash from financing activities	25,008	87,009
INCREASE/ (DECREASE) IN BANK BALANCES AND CASH	1,100	(14,931)
Bank balances and cash at the beginning of the period	61,445	52,364
BANK BALANCES AND CASH AT THE END OF THE PERIOD	62,545	37,433

The attached notes 1 to 6 form part of these unaudited interim condensed consolidated financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2012

	<i>Share Capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total equity attributable to shareholders' of the Parent Company SR'000</i>	<i>Non-controlling interests SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2010 (audited)	350,000	29,547	43,525	423,072	61,501	484,573
Net income for the period from 1 January 2011 to 31 March 2011	-	-	33,610	33,610	1,994	35,604
Net movement during the period from 1 January 2011 to 31 March 2011	-	-	-	-	11,295	11,295
Balance at 31 March 2011 (unaudited)	<u>350,000</u>	<u>29,547</u>	<u>77,135</u>	<u>456,682</u>	<u>74,790</u>	<u>531,472</u>
Balance at 31 December 2011 (audited)	350,000	47,569	83,220	480,789	84,921	565,710
Net income for the period from 1 January 2012 to 31 March 2012	-	-	40,030	40,030	5,793	45,823
Balance at 31 March 2012 (unaudited)	<u>350,000</u>	<u>47,569</u>	<u>123,250</u>	<u>520,819</u>	<u>90,714</u>	<u>611,533</u>





The attached notes 1 to 6 form part of these unaudited 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)

At 31 March 2012

1 ACTIVITIES

Al Hassan Ghazi Ibrahim Shaker Company (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 17 Shabaaan 1429 H, corresponding to 18 August 2008.

After successful completion of the Initial Public Offering Process ("IPO"), in which the Parent Company offered 10.5 million shares with a value of SR 10 each, at an offer price of SR 49 per share to public, 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 legal formalities for the revision of the By-Laws of the Parent Company have been completed during the year ended 31 December 2010. The Parent Company started trading in the stock exchange on 17 May 2010, corresponding to 3 Jumad Thani 1431 H.

The Parent Company is engaged in the manufacturing of air-conditioners and 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 head office of the Parent Company is located in Riyadh.

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

2.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group for the preparation of the interim condensed consolidated financial statements are in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of annual financial statements.

2.2 BASIS OF PREPARATION

The 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").

The 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.

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Parent Company and its subsidiaries, after elimination of all material inter-group transactions and balances.

The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Parent Company and have been rounded off to the nearest thousand, unless otherwise specified.

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

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
At 31 March 2012

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

2.2 BASIS OF PREPARATION (continued)

Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Parent Company as noted above and the following subsidiaries (hereinafter referred to as "Group"):

<i>Name</i>	<i>Principal field of activity</i>	<i>% of capital held (directly or indirectly)</i>	
		<i>2012</i>	<i>2011</i>
LG Shaker Company Limited (see note (a) below)	Manufacture of air conditioners	51%	51%
New Vision for Electronics and Electrical Appliances Company (see note (b) below)	Import, export and maintenance of electrical and home appliances	50%	50%
Ibrahim Shaker Company Limited (see notes (c) and (d) below)	Wholesale of household appliances	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited (see notes (c) and (d) below)	Import, export and marketing services	100%	100%

- a) The interim consolidated statement of income in these interim condensed consolidated financial statements includes the results of operations of LG Shaker Company Limited ("LG Shaker"), for the three-month period ended 31 March 2012, and the interim consolidated balance sheet includes the assets and liabilities of LG Shaker, as at 31 March 2012. The Parent Company holds 51% shareholding in LG Shaker and has control over the operations and management of the entity. Hence, LG Shaker has been considered as subsidiary and consolidated in these interim condensed consolidated financial statements.
- b) With effect from 26 July 2010, the Parent Company subscribed 50% shareholding in New Vision for Electronics and Electrical Appliances Company, registered in Jordan. The interim consolidated statement of income in these interim condensed consolidated financial statements includes the results of operations of New Vision for Electronics and Electrical Appliances Company (New Vision), for the three-month period ended 31 March 2012 and the interim consolidated balance sheet includes the assets and liabilities of New Vision, as at 31 March 2012. The Parent Company has control over the operations and management of New Vision. Hence, New Vision has been considered as a subsidiary and consolidated in these interim condensed consolidated financial statements.
- c) With effect from 1 January 2007, the Parent Company purchased a 90% shareholding in Ibrahim Shaker Company Limited ("ISCL") and Ibrahim Hussein Shaker Projects and Maintenance Company Limited ("IHSC"). The remaining 10% of the shareholding in ISCL is held by IHSC, and the remaining 10% of the shareholding in IHSC is held by ISCL. As such the Parent Company owns 100% of the shareholdings in ISCL and IHSC directly or indirectly. Therefore, these subsidiaries have been treated as fully owned subsidiaries of the Parent Company in these interim condensed consolidated financial statements.
- d) The interim consolidated statement of income in these interim condensed consolidated financial statements also includes the results of operations of ISCL and IHSC for the three-month period ended 31 March 2012 and the interim consolidated balance sheet includes the assets and liabilities of ISCL and IHSC as at 31 March 2012.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
At 31 March 2012

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

2.2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The details of the associate are as follows:

<i>Name</i>	<i>Principal field of activity</i>	<i>Percentage of holding</i>	
		<i>2012</i>	<i>2011</i>
Shaker Electronic and Appliances Lebanon Company ("SEALCO") (see notes (e) below)	Trading of electrical and home appliances	20%	20%

e) During the year 2009, the Parent Company purchased a 20% shareholding in SEALCO, registered in Lebanon (see note 3).

Subsidiaries

Subsidiaries are companies in which the Parent Company has, directly or indirectly, a long term investment of not less than 50% in the voting capital and / or over which it exerts control. Subsidiaries are consolidated from the date the Parent Company obtains control until such control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The attributable equity interests of third parties in the Group are included under the non-controlling interest caption in these interim condensed consolidated financial statements.

Unrealised profits and losses resulting from transactions between the Company and its subsidiaries are eliminated to the extent of the Parent Company's interest in the subsidiaries.

Zakat and income tax

Zakat and income tax is provided for in accordance with Saudi Arabian fiscal regulations. Since the Parent Company is a Saudi company, the provision is charged to the statement of income.

3 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 20% shareholding in SEALCO. The investment is carried in the balance sheet at the lower of the equity-accounted amount and the recoverable amount, and the pro rata share of results of the associate, which is not material to the Group, is included in the interim consolidated statement of income, based on the un-reviewed management accounts of SEALCO.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
At 31 March 2012

4 DUE TO BANKS AND TERM LOANS

	2012 SR'000	2011 SR'000
(a) <i>Due to banks:</i>		
Overdraft	2,942	-
Short term loans (see notes (i) and (ii) below)	266,165	191,853
Notes payable	76,018	36,483
	<u>345,125</u>	<u>228,336</u>
(b) <i>Term loans:</i>		
Balance outstanding as at 31 March (see notes (ii) and (iii) below)	100,441	30,448
Unamortised portion of administration fees paid in advance (see note (iii) below)	(2,511)	(2,988)
	<u>97,930</u>	<u>27,460</u>
Balance of term loan as at 31 March	97,930	27,460
Long term portion of term loan	(59,232)	(23,036)
	<u>38,698</u>	<u>4,424</u>
Current portion of term loan	38,698	4,424

- (i) The short term loans include loan obtained by the subsidiary company, LG Shaker Company Limited, which are guaranteed by promissory notes on demand, secured by corporate guarantees, and carry commission at commercial rates. Also included in the short term loans, loans obtained by the Parent Company which is part of the financing facilities arranged with local banks, secured by promissory notes on demand issued by the Parent Company and carry commission at commercial rates.
- (ii) The subsidiary company, LG Shaker Company Limited, has obtained short-term and long-term borrowing facilities from local banks which bear financial charges at prevailing market rates based on Saudi inter-bank offer rate (SIBOR). Such facilities provide for loans, letters of credit and guarantee and notes payable for bills of exchange to finance working capital. The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2011 through 2015. The borrowing facilities under the agreement are secured by corporate guarantees.
- (iii) During the year ended 31 December 2010, the subsidiary company, LG Shaker Company Limited, has signed an agreement with Saudi Industrial Development Fund ("SIDF") for a loan of SR 46.8 million, which is fully withdrawn. The outstanding balance of SIDF loan amounting to SR 41.9 million, as at 31 March 2012, is included in the term loan balance of SR 100.4 million. The SIDF loan was received net of an administration charge amounting to SR 3.5 million, which is being amortized over the term of loan on straight line basis. The SIDF loan is secured by mortgage over fixed assets including land of that subsidiary, and corporate and personal guarantees of the partners of LG Shaker Company Limited.

5 EARNING PER SHARE

Earning per share on income from main operations are calculated by dividing income from main operations by weighted average number of shares in issue during the period.

Earning 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 Group.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
At 31 March 2012

6 OPERATING SEGMENT INFORMATION

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

	<i>For the three-month period ended 31 March 2012</i>		
	<i>LG Air-Conditioners and home appliances SR'000</i>	<i>Non - LG Air-Conditioners and products SR'000</i>	<i>Total SR'000</i>
Sales	291,101	84,769	375,870
Cost of sales	(198,643)	(63,157)	(261,800)
Gross profit	92,458	21,612	114,070
Un-allocated expenses and income:			
Selling and distribution			(36,137)
General and administration			(26,104)
Other income			2,597
Financial charges			(3,570)
Share of result of an associate			(263)
Zakat and income tax			(4,770)
Net income before non-controlling interests			45,823

	<i>For the three-month period ended 31 March 2011</i>		
	<i>LG Air-Conditioners and home appliances SR'000</i>	<i>Non - LG Air-Conditioners and products SR'000</i>	<i>Total SR'000</i>
Sales	269,903	53,133	323,036
Cost of sales	(192,717)	(35,808)	(228,525)
Gross profit	77,186	17,325	94,511
Un-allocated expenses and income:			
Selling and distribution			(30,820)
General and administration			(23,828)
Other income			448
Financial charges			(1,545)
Share of result of an associate			(308)
Zakat and income tax			(2,854)
Net income before non-controlling interests			35,604

The Parent Company maintains the assets and liabilities as a single pool of resources. Therefore, it is not possible to disclose the assets and liabilities by segment.