

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

**UNAUDITED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2014**

## LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF AL HASSAN GHAZI IBRAHIM SHAKER COMPANY (A SAUDI JOINT STOCK COMPANY) ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Scope of review

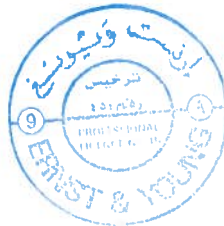
We have reviewed the accompanying consolidated balance sheet of Al Hassan Ghazi Ibrahim Shaker Company - a Saudi Joint Stock Company - (the "Company" or the "Parent Company") and its subsidiaries (the "Group") as at 30 June 2014 and the related consolidated statements of income for the three-month and six-month periods then ended, and the related consolidated statement of cash flows and changes in shareholders' equity for the six-month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the standard on interim financial information issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data 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 on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim 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



23 Ramadan 1435H  
20 July 2014

Jeddah

Al Hassan Ghazi Ibrahim Shaker Company (a Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2014

	Note	2014 SR'000	2013 SR'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances and cash		81,504	59,372
Accounts receivable and prepayments		155,081	571,629
Inventories		664,178	807,701
<b>TOTAL CURRENT ASSETS</b>		<b>900,763</b>	<b>1,438,702</b>
<b>NON-CURRENT ASSETS</b>			
Investment in associates	3	485,428	4,170
Property and equipment		165,267	300,389
Intangible asset		-	276
<b>TOTAL NON-CURRENT ASSETS</b>		<b>650,695</b>	<b>304,835</b>
<b>TOTAL ASSETS</b>		<b>1,551,458</b>	<b>1,743,537</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Due to banks	4	348,749	563,172
Accounts payable and accruals		156,440	291,702
Zakat and income tax payable		12,371	13,738
Current portion of term loans	4	3,972	20,101
<b>TOTAL CURRENT LIABILITIES</b>		<b>521,532</b>	<b>888,713</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	4	11,924	35,068
Employees' end of service benefits		32,592	33,478
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>44,516</b>	<b>68,546</b>
<b>TOTAL LIABILITIES</b>		<b>566,048</b>	<b>957,259</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity attributable to the shareholders of the Parent Company</b>			
Share capital		350,000	350,000
Statutory reserve		78,841	66,333
Retained earnings		540,243	236,818
<b>Total equity attributable to the shareholders of the Parent Company</b>		<b>969,084</b>	<b>653,151</b>
Non-controlling interests		16,326	133,127
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>985,410</b>	<b>786,278</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,551,458</b>	<b>1,743,537</b>

The attached notes 1 to 9 form part of these unaudited interim consolidated financial statements.

Al Hassan Ghazi Ibrahim Shaker Company (a Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month period ended 30 June 2014

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2014 SR'000	2013 SR'000	2014 SR'000	2013 SR'000
<b>CONTINUING OPERATIONS</b>					
Sales		484,408	526,785	796,584	922,925
Cost of sales		(352,980)	(388,755)	(595,124)	(679,178)
<b>GROSS PROFIT</b>		<b>131,428</b>	<b>138,030</b>	<b>201,460</b>	<b>243,747</b>
<b>EXPENSES</b>					
Selling and distribution		(41,283)	(45,562)	(70,799)	(81,282)
General and administration		(31,357)	(26,467)	(57,464)	(48,725)
		<b>(72,640)</b>	<b>(72,029)</b>	<b>(128,263)</b>	<b>(130,007)</b>
<b>INCOME FROM MAIN OPERATIONS</b>		<b>58,788</b>	<b>66,001</b>	<b>73,197</b>	<b>113,740</b>
Other income, net		359	(655)	588	709
Financial charges		(2,971)	(3,559)	(5,909)	(6,964)
Share of results of associates	3	4,105	(77)	3,448	(501)
Gain on fair valuation of equity interest retained	3 (iii)	311,984	-	311,984	-
<b>INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS FROM CONTINUING OPERATIONS</b>		<b>372,265</b>	<b>61,710</b>	<b>383,308</b>	<b>106,984</b>
<b>DISCONTINUED OPERATIONS</b>					
Gain on disposal of discontinued operations	6 (i)	568	-	568	-
Income from discontinued operations	6 (ii)	38,195	35,089	66,507	60,490
<b>INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS</b>		<b>411,028</b>	<b>96,799</b>	<b>450,383</b>	<b>167,474</b>
Zakat and income tax		(14,836)	(7,408)	(21,206)	(14,274)
<b>NET INCOME BEFORE NON-CONTROLLING INTERESTS</b>		<b>396,192</b>	<b>89,391</b>	<b>429,177</b>	<b>153,200</b>
Income attributable to non-controlling interests		(13,742)	(14,460)	(26,111)	(28,478)
<b>NET INCOME FOR THE PERIOD</b>		<b>382,450</b>	<b>74,931</b>	<b>403,066</b>	<b>124,722</b>
<b>EARNINGS PER SHARE</b>					
Weighted average number of ordinary shares outstanding		35,000	35,000	35,000	35,000
Earnings per share on income from main operations (in SR per share)	5	1.68	1.89	2.09	3.25
Earnings per share on net income for the period (in SR per share)	5	10.92	2.14	11.52	3.56

The attached notes 1 to 9 form part of these unaudited interim consolidated financial statements.

Al Hassan Ghazi Ibrahim Shaker Company (a Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2014

	Note	2014 SR'000	2013 SR'000
<b>OPERATING ACTIVITIES</b>			
Income before zakat and income tax and non-controlling interests		450,383	167,474
Adjustments for:			
Depreciation		6,850	6,624
Share of results of associates	3	(3,448)	501
Provision for employees' end of service benefits		4,592	3,113
Financial charges		5,909	6,964
Gain on disposal of property and equipment		(355)	(91)
Gain on disposal of discontinued operations	6(i)	(568)	-
Income from discontinued operations	6(ii)	(66,507)	(60,490)
Gain on fair value of equity interest retained	3(iii)	(311,984)	-
		84,872	124,095
Changes in operating assets and liabilities:			
Receivables		274,087	(207,735)
Inventories		(90,254)	(169,276)
Payables		(87,241)	241,973
Cash from/ (used in) operations		181,464	(10,943)
Financial charges paid		(5,909)	(6,964)
Zakat and income tax paid		(11,449)	(9,365)
Employees' end of service benefits paid		(4,631)	(1,257)
		159,475	(28,529)
Net cash used in discontinuing operations		(113,509)	(109,630)
Net cash from/ (used in) operating activities		45,966	(138,159)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(8,979)	(10,171)
Proceeds from disposal of property and equipment		938	91
Proceeds from sale of discontinued operations	6(i)	3,802	-
Net cash used in investing activities-- continuing operations		(4,239)	(10,080)
Net cash used in investing activities-- discontinued operations		(12,030)	(5,129)
Net cash used in investing activities		(16,269)	(15,209)
<b>FINANCING ACTIVITIES</b>			
Net movement in amounts due to banks		(30,170)	31,195
Dividends paid	5	(87,500)	-
Net cash (used in)/ from financing activities -continuing operations		(117,670)	31,195
Net cash from financing activities -discontinued operations		80,646	106,194
Net cash (used in)/ from financing activities		(37,024)	137,389
<b>DECREASE IN BANK BALANCES AND CASH</b>		<b>(7,327)</b>	<b>(15,979)</b>
Bank balances and cash at the beginning of the period		88,831	75,351
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>		<b>81,504</b>	<b>59,372</b>

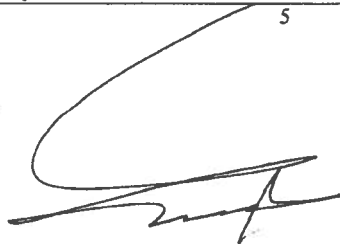
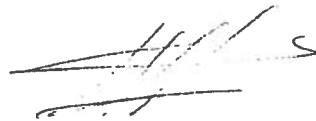
The attached notes 1 to 9 form part of these unaudited interim consolidated financial statements.

Al Hassan Ghazi Ibrahim Shaker Company (a Saudi Joint Stock Company)  
 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
 For the six-month period ended 30 June 2014

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

	<i>Share Capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Retained earnings SR '000</i>	<i>Total SR '000</i>
Balance at 31 December 2013 (audited)	350,000	78,841	224,677	653,518
Net income for the period from 1 January 2014 to 30 June 2014	-	-	403,066	403,066
Dividends (note 5)	-	-	(87,500)	(87,500)
<b>Balance at 30 June 2014 (unaudited)</b>	<b>350,000</b>	<b>78,841</b>	<b>540,243</b>	<b>969,084</b>
Balance at 31 December 2012 (audited)	350,000	66,333	112,096	528,429
Net income for the period from 1 January 2013 to 30 June 2013	-	-	124,722	124,722
<b>Balance at 30 June 2013 (unaudited)</b>	<b>350,000</b>	<b>66,333</b>	<b>236,818</b>	<b>653,151</b>

The attached notes 1 to 9 form part of these unaudited interim consolidated financial statements.

## 1 ACTIVITIES

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 17 Shabaa 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 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 BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

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

### 2.2 BASIS OF CONSOLIDATION

The interim consolidated financial statements comprise the interim financial statements of the Parent Company and its subsidiaries (hereinafter referred to as “Group”), after elimination of all material inter-group transactions and balances. Details of the subsidiaries are as follows:

<i>Name</i>	<i>Principal field of activity</i>	<i>Country of incorporation</i>	<i>% of capital held (directly or indirectly)</i>	
			<i>2014</i>	<i>2013</i>
New Vision for Electronics and Electrical Appliances Company (see note (a) below)	Import, export and maintenance of electrical and home appliances	Jordan	60%	60%
LG Shaker Company Limited (see note (b) below)	Manufacture of air conditioners	Saudi Arabia	-	51%
Ibrahim Shaker Company Limited (see notes (c) and (d) below)	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited (see notes (c) and (d) below)	Import, export and marketing services	Saudi Arabia	100%	100%

**2 BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 BASIS OF CONSOLIDATION (continued)**

a) On 26 July 2010, the Parent Company subscribed 50% shareholding in New Vision for Electronics and Electrical Appliances Company ("New Vision"), registered in Jordan. With effect from 7 October 2012, the Parent's Company shareholding in New Vision has increased from 50% to 60%, as a result of transferring a required balance from partner credit account in New Vision, classified as equity, to capital. The consolidated statement of income in these interim consolidated financial statements includes the results of operations of New Vision, for the six-month period ended 30 June 2014 and the consolidated balance sheet includes the assets and liabilities of New Vision, as at 30 June 2014. 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 consolidated financial statements.

b) 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 Company Limited ("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 discontinued to be considered as a subsidiary of HGISC. Accordingly, LG Shaker is no longer consolidated in these interim 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 (g) below and 3(iii)).

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 consolidated financial statements.

d) The consolidated statement of income in these interim consolidated financial statements also includes the results of operations of ISCL and IHSC for the six-month period ended 30 June 2014 and the consolidated balance sheet includes the assets and liabilities of ISCL and IHSC as at 30 June 2014.

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

<i>Name</i>	<i>Principal field of activity</i>	<i>Percentage of holding</i>	
		<i>2014</i>	<i>2013</i>
Shaker Electronic and Appliances Lebanon Company ("SEALCO") (see note (e) below)	Trading of electrical and home appliances	20%	20%
Energy Management Services Emirates LLC ("EMS") (see note (f) below)	Providing technical support for energy control devices and consultancy services	20%	-
LG Shaker Company Limited ("LG Shaker") (see note (g) below)	Manufacture of air conditioners	49%	-

e) In 2009, the Company purchased a 20% shareholding in SEALCO, registered in Lebanon. The associate has commenced its operations during 2010.

f) In 2013, the Company purchased a 20% shareholding in EMS, registered in United Arab Emirates.



**2 BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

- g) As mentioned in (b) above, LG Shaker is considered as an associate of the Parent Company from the effective date of SPA Agreement.

**2.3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Parent Company and its subsidiaries (the "Group") for the preparation of the interim 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 the annual financial statements.

**Subsidiaries**

Subsidiaries are companies in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts control. Subsidiaries are consolidated from the date the Group obtains control until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from Parent Company's shareholders' equity.

In case of the change in the ownership interest of a subsidiary, resulting in a loss of control, the retained investment in an enterprise, which was previously a subsidiary, is valued at its fair value at the date of change. The difference between the fair value and carrying value of retained investment is accounted for in the statement of income. Accordingly, if the Group loses control over a subsidiary, it:

- Derecognises the assets and the liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises cumulative translation differences recorded in equity, if any
- Recognises the fair value of consideration received
- Recognises the fair value of investment retained
- Recognises any gain or loss in the statement of income.

**Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued operation, the comparative statement of income is represented as if the operation had been discontinued from the start of the comparative period. In the interim consolidated statement of income of the reporting period, and the comparable period of previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the interim consolidated statement of income.

**Zakat and income tax**

Zakat and income tax is provided for in accordance with Saudi Arabian fiscal regulations. Since the Parent Company is wholly owned by Saudi shareholders, the provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

At 30 June 2014

**3 INVESTMENT IN ASSOCIATES**

Investment in associates is carried in the consolidated 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:

<i>Name</i>	<i>Country of incorporation</i>	<i>2014 SR'000</i>	<i>2013 SR'000</i>
Shaker Electronic and Appliances Lebanon Company ("SEALCO") (see note (i) below)	Beirut - Lebanon	4,275	4,170
Energy Management Services Emirates LLC ("EMS") (see note (ii) below)	Dubai- United Arab Emirates	6,368	-
LG Shaker Company Limited ("LG Shaker"), (see note (iii) below)	Riyadh- Kingdom of Saudi Arabia	474,785	-
<b>Total</b>		<b>485,428</b>	<b>4,170</b>

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

**i) Shaker Electronic and Appliances Lebanon Company**

	<i>2014 SR'000</i>	<i>2013 SR'000</i>
At 1 January	4,815	4,671
Share of results for the period	(540)	(501)
At 30 June	4,275	4,170

**ii) Energy Management Services Emirates LLC**

	<i>2014 SR'000</i>	<i>2013 SR'000</i>
At 1 January	6,765	-
Share of results for the period	(397)	-
At 30 June	6,368	-

In November 2013, the Parent Company acquired 20% shareholding in EMS for an aggregate consideration of US\$ 1.6 million (SR 6 million). Furthermore, the Parent Company contributed additional US\$ 200 thousand (SR 750 thousand) towards the increase in capital of EMS, representing its 20% share.

At 30 June 2014

**3 INVESTMENT IN ASSOCIATES (continued)****iii) LG Shaker Company Limited**

	<i>2014</i> <i>SR'000</i>	<i>2013</i> <i>SR'000</i>
Cost of investment	470,400	-
Share of results for the period	4,385	-
	<hr/>	<hr/>
At 30 June	<u>474,785</u>	<u>-</u>

As mentioned in note 2, the retained equity interest of 49% in LG shaker is considered as investment in an associate. This initial cost of investment represents the fair value of retained equity interest of 49% on the date of change in shareholding. The fair value of retained equity interest of 49% was determined by an independent valuer based in Discounted Cash flow ("DCF") methodology, which reflects LG Shaker's future financial performance. The difference between the fair value and the carrying value of remaining shareholding, amounting to SR 312 million, is recorded in the interim consolidated statement of income.

**4 DUE TO BANKS AND TERM LOANS**

	<i>2014</i> <i>SR'000</i>	<i>2013</i> <i>SR'000</i>
(a) <i>Due to banks:</i>		
Overdraft	3,170	13,008
Short term loans (see notes (a) and (c)(i) below)	263,309	401,204
Notes payable	82,270	148,960
	<hr/>	<hr/>
	<u>348,749</u>	<u>563,172</u>
(b) <i>Term loans:</i>		
Balance outstanding as at 30 June (see notes (b) and (c) below)	15,896	57,086
Unamortised portion of administration fees paid in advance (see note c(ii) below)	-	(1,917)
	<hr/>	<hr/>
Balance of term loan as at 30 June	15,896	55,169
Less: Non-current portion of term loans	(11,924)	(35,068)
	<hr/>	<hr/>
Current portion of term loans	<u>3,972</u>	<u>20,101</u>

- a) 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 Murabha financing facility with limit of SR 48 million and SR 78 million, respectively. The outstanding balance of the utilized facilities amounting to SR 49 million (30 June 2013: SR 56.8 million), is included in short term loan balance of SR 263 million at 30 June 2014 (30 June 2013: SR 401 million). The facility carries commission at commercial rates.
- b) During November 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 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.
- c) As mentioned in note 2, LG Shaker is discontinued to be considered as a subsidiary of HGISC, and is not consolidated in these interim consolidated financial statements. Accordingly, the related assets and liabilities are not included in the consolidated balance sheet. However, the comparative information above includes the following short and long term borrowings of LG Shaker.

**4 DUE TO BANKS AND TERM LOANS (continued)**

	<i>2013</i> <i>SR'000</i>
Short Term Loans	233,818
Term Loans	57,086
	<u>290,904</u>

- i) The short-term and long-term borrowing facilities of LG Shaker from local banks 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 promissory notes on demand and corporate guarantees of the partners of LG Shaker Company Limited.
- ii) During 2010, LG Shaker 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, as at 30 June 2013 amounted to SR 35.13 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 Effective Interest Rate ("EIR") method. The SIDF loan is secured by mortgage over fixed assets including land of that subsidiary, and corporate guarantees of the partners of LG Shaker Company Limited.

**5 EARNINGS PER SHARE**

Earnings per share on income from main operations 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.

On 21 January 2014 (corresponding to 20 Rabi Alawal 1435H), the Board of Directors of the Parent Company proposed cash dividends of SR 2.5 per share for the year ended 31 December 2013, which represents 25% of total paid up capital amounting to SR 87.5 million. On 3 April 2014 (corresponding to 3 Jumada Thani 1435H), shareholders has approved the proposed cash dividends which was subsequently paid on 27 April 2014 (corresponding to 27 Jumada Thani 1435H).

**6 DISCONTINUED OPERATIONS**

- i) As mentioned in note 2, the Parent Company sold 2% of its shareholding in LG Shaker for a cash consideration of SR 3,801,088. As a result, the Parent Company's equity interest in LG Shaker decreased from 51% to 49%, and consequently, LG Shaker is discontinued to be considered as a subsidiary of the Parent Company. The gain arising on disposal is shown below:

	<i>2014</i> <i>SR</i>
Total sale consideration	3,801,088
Carrying value of equity interest disposed	(3,232,973)
	<u>568,115</u>

The retained equity interest of 49% in LG Shaker is classified as investment in an associate (see note 3 (iii)).

**6 DISCONTINUED OPERATIONS (continued)**

- ii) The disposal of shareholding in LG Shaker is classified as discontinued operations. As mentioned in note 2, subsequent to disposal, LG Shaker is discontinued to be considered as a subsidiary of the Parent Company. Accordingly, the related assets and liabilities of LG Shaker are not included in the consolidated balance sheet.

The results of discontinued operations until the date of disposal are presented below:

	<i>2014</i> <i>SR'000</i>	<i>2013</i> <i>SR'000</i>
Sales	434,279	567,265
Cost of sales	(345,834)	(473,604)
<b>GROSS PROFIT</b>	<b>88,445</b>	<b>93,661</b>
<b>EXPENSES</b>		
Selling and distribution	(14,831)	(21,372)
General and administration	(6,469)	(9,113)
	<b>(21,300)</b>	<b>(30,485)</b>
<b>INCOME FROM MAIN OPERATIONS</b>	<b>67,145</b>	<b>63,176</b>
Other income	(41)	(72)
Financial charges	(597)	(2,614)
<b>INCOME FROM DISCONTINUED OPERATIONS</b>	<b>66,507</b>	<b>60,490</b>

**7 OPERATING SEGMENT INFORMATION**

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

	<i>For the six-month period ended 30 June 2014</i>		
	<i>LG</i> <i>Air-Conditioners</i> <i>and home</i> <i>appliances</i> <i>SR'000</i>	<i>Non - LG</i> <i>Air-Conditioners</i> <i>and</i> <i>products</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Sales	663,855	132,729	796,584
Cost of sales	(504,470)	(90,654)	(595,124)
Gross profit	159,385	42,075	201,460
Un-allocated expenses and income:			
Selling and distribution			(70,799)
General and administration			(57,464)
Other income			588
Financial charges			(5,909)
Share of result of associates			3,448
Gain on fair valuation of equity interest retained			311,984
Income from discontinued operations			66,507
Gain on disposal of discontinued operations			568
Zakat and income tax			(21,206)
Net income before non-controlling interests			<b>429,177</b>

**7 OPERATING SEGMENT INFORMATION (continued)**

	<i>For the six -month period ended 30 June 2013</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	734,901	188,024	922,925
Cost of sales	(542,537)	(136,641)	(679,178)
Gross profit	192,364	51,383	243,747
Un-allocated expenses and income:			
Selling and distribution			(81,282)
General and administration			(48,725)
Other income			709
Financial charges			(6,964)
Share of result of an associate			(501)
Income from discontinued operations			60,490
Zakat and income tax			(14,274)
Net income before non-controlling interests			153,200

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

**8 BOARD OF DIRECTORS' APPROVAL**

These unaudited interim consolidated financial statements have been approved by the Board of Directors on 20 July 2014, corresponding to 23 Ramadan 1435H.

**9 COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to confirm presentation in the current period.