

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

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED  
30 JUNE 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 consolidated balance sheet of Al Hassan Ghazi Ibrahim Shaker Company - A Saudi Joint Stock Company - (the "Company") and its subsidiaries (the "Group") as at 30 June 2012 and the related consolidated statements of income for the three-month and six-month periods then ended, and the related consolidated statements of cash flows and changes in shareholders' equity for the six-month period then ended. These interim consolidated financial statements are the responsibility of 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 Saudi Organization for Certified Public Accountants' auditing standard on interim financial reporting. 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

25 Shaban 1433H  
15 July 2012

Jeddah

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2012

	Note	2012 SR'000	2011 SR'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances and cash		131,019	210,446
Accounts receivable and prepayments		503,548	405,479
Inventories		612,508	544,629
<b>TOTAL CURRENT ASSETS</b>		<b>1,247,075</b>	<b>1,160,554</b>
<b>NON-CURRENT ASSETS</b>			
Investment in an associate	3	4,194	4,747
Property and equipment		301,279	269,438
Intangible asset		597	926
<b>TOTAL NON-CURRENT ASSETS</b>		<b>306,070</b>	<b>275,111</b>
<b>TOTAL ASSETS</b>		<b>1,553,145</b>	<b>1,435,665</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Due to banks	4	444,255	426,667
Accounts payable and accruals		275,437	338,461
Zakat and income tax payable		9,392	6,324
Current portion of term loan	4	34,869	4,424
<b>TOTAL CURRENT LIABILITIES</b>		<b>763,953</b>	<b>775,876</b>
<b>NON-CURRENT LIABILITIES</b>			
Employees' end of service benefits		28,149	23,758
Term loan	4	54,501	23,156
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>82,650</b>	<b>46,914</b>
<b>TOTAL LIABILITIES</b>		<b>846,603</b>	<b>822,790</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		350,000	350,000
Statutory reserve		47,569	29,547
Retained earnings		206,208	150,768
<b>Total equity attributable to the shareholders' of the parent company</b>		<b>603,777</b>	<b>530,315</b>
Non-controlling interests		102,765	82,560
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>706,542</b>	<b>612,875</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,553,145</b>	<b>1,435,665</b>

The attached notes 1 to 7 form part of these unaudited interim 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 30 June 2012

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2012 SR'000	2011 SR'000	2012 SR'000	2011 SR'000
Sales		590,870	556,366	966,740	879,402
Cost of sales		(406,000)	(390,094)	(667,800)	(618,619)
<b>GROSS PROFIT</b>		<b>184,870</b>	<b>166,272</b>	<b>298,940</b>	<b>260,783</b>
<b>EXPENSES</b>					
Selling and distribution		(50,894)	(50,114)	(87,031)	(80,934)
General and administration		(30,427)	(28,083)	(56,531)	(51,911)
		(81,321)	(78,197)	(143,562)	(132,845)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>103,549</b>	<b>88,075</b>	<b>155,378</b>	<b>127,938</b>
Other income		1,699	1,990	4,296	2,438
Financial charges		(3,939)	(2,700)	(7,509)	(4,245)
Share of results of an associate	3	(324)	260	(587)	(48)
<b>INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTEREST</b>		<b>100,985</b>	<b>87,625</b>	<b>151,578</b>	<b>126,083</b>
Zakat and income tax		(5,976)	(6,222)	(10,746)	(9,076)
<b>NET INCOME BEFORE NON-CONTROLLING INTEREST</b>		<b>95,009</b>	<b>81,403</b>	<b>140,832</b>	<b>117,007</b>
Income attributable to non-controlling interest		(12,051)	(7,770)	(17,844)	(9,764)
<b>NET INCOME FOR THE PERIOD</b>		<b>82,958</b>	<b>73,633</b>	<b>122,988</b>	<b>107,243</b>
<b>EARNING PER SHARE</b>					
Weighted average number of ordinary shares outstanding		35,000	35,000	35,000	35,000
Earning per share on income from main operations (in SR per share)	5	2.96	2.52	4.44	3.66
Earning per share on net income for the period (in SR per share)	5	2.37	2.10	3.51	3.06

The attached notes 1 to 7 form part of these unaudited interim consolidated financial statements.



AL HASSAN GHAZI IBRAHIM SHAKER COMPANY  
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six-month period ended 30 June 2012

	2012 SR '000	2011 SR '000
<b>OPERATING ACTIVITIES</b>		
Income before zakat and income tax and non-controlling interests	151,578	126,083
Adjustments for:		
Depreciation	14,231	10,941
Amortisation of intangible assets	197	190
Amortisation of administrative fee	236	239
Share of results of an associate	587	48
Provision for employees' end of service benefits	3,668	2,903
Financial charges	7,509	4,245
Gain on disposal of property and equipment	(351)	(253)
	<u>177,655</u>	<u>144,396</u>
Changes in operating assets and liabilities:		
Receivables	(234,667)	(208,045)
Inventories	(26,915)	(168,578)
Payables	83,415	164,801
	<u>(512)</u>	<u>(67,426)</u>
Cash used in operations	(512)	(67,426)
Financial charges paid	(7,509)	(4,245)
Zakat and income tax paid	(11,856)	(17,081)
Employees' end of service benefits paid	(1,248)	(495)
	<u>(21,125)</u>	<u>(89,247)</u>
Net cash used in operating activities	(21,125)	(89,247)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(25,592)	(38,395)
Proceeds from disposal of property and equipment	831	593
Purchase of intangible asset	-	(208)
	<u>(24,761)</u>	<u>(38,010)</u>
Net cash used in investing activities	(24,761)	(38,010)
<b>FINANCING ACTIVITIES</b>		
Proceeds from term loans	24,124	-
Repayment of term loans	(18,978)	-
Net movement in amounts due to banks	110,314	274,044
Net movement in non-controlling interest	-	11,295
	<u>115,460</u>	<u>285,339</u>
Net cash from financing activities	115,460	285,339
<b>INCREASE IN BANK BALANCES AND CASH</b>	<b>69,574</b>	<b>158,082</b>
Bank balances and cash at the beginning of the period	61,445	52,364
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>	<b>131,019</b>	<b>210,446</b>


The attached notes 1 to 7 form part of these unaudited interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended 30 June 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 2011 (audited)	350,000	47,569	83,220	480,789	84,921	565,710
Net income for the period from 1 January 2012 to 30 June 2012	-	-	122,988	122,988	17,844	140,832
<b>Balance at 30 June 2012 (unaudited)</b>	<b>350,000</b>	<b>47,569</b>	<b>206,208</b>	<b>603,777</b>	<b>102,765</b>	<b>706,542</b>
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 30 June 2011	-	-	107,243	107,243	9,764	117,007
Net movement during the period from 1 January 2011 to 30 June 2011	-	-	-	-	11,295	11,295
Balance at 30 June 2011 (unaudited)	350,000	29,547	150,768	530,315	82,560	612,875


The attached notes 1 to 7 form part of these unaudited interim consolidated financial statements.

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
At 30 June 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 Shabaan 1429 H, corresponding to 18 August 2008.

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

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.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
At 30 June 2012**

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

**2.2 BASIS OF PREPARATION (continued)**

**Basis of consolidation**

These interim 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 consolidated financial statements includes the results of operations of LG Shaker Company Limited ("LG Shaker"), for the three-month and six-month periods ended 30 June 2012, and the interim consolidated balance sheet includes the assets and liabilities of LG Shaker, as at 30 June 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 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 consolidated financial statements includes the results of operations of New Vision for Electronics and Electrical Appliances Company (New Vision), for the three-month and six-month periods ended 30 June 2012 and the interim consolidated balance sheet includes the assets and liabilities of New Vision, as at 30 June 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 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 consolidated financial statements.
- d) The interim consolidated statement of income in these interim consolidated financial statements also includes the results of operations of ISCL and IHSC for the three-month and six-month periods ended 30 June 2012 and the interim consolidated balance sheet includes the assets and liabilities of ISCL and IHSC as at 30 June 2012.



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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
At 30 June 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 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 interim consolidated statement of income.

3 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 20% shareholding in SEALCO. The investment is carried in the interim consolidated balance sheet at cost, plus post-acquisition changes in the Parent Company's share of net assets of the associate, less any impairment, which is not material to the Group, based on the un-reviewed management accounts of SEALCO.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
At 30 June 2012

4 DUE TO BANKS AND TERM LOANS

	2012 SR'000	2011 SR'000
(a) <i>Due to banks:</i>		
Overdraft	9,582	-
Short term loans (see notes (i) and (ii) below)	291,638	264,309
Notes payable	143,035	162,358
	<u>444,255</u>	<u>426,667</u>
(b) <i>Term loans:</i>		
Balance outstanding as at 30 June (see notes (ii) and (iii) below)	91,762	30,448
Unamortised portion of administration fees paid in advance (see note (iii) below)	(2,392)	(2,868)
	<u>89,370</u>	<u>27,580</u>
Balance of term loan as at 30 June	89,370	27,580
Long term portion of term loan	(54,501)	(23,156)
	<u>34,869</u>	<u>4,424</u>

- (i) The short term loans include loan obtained by the subsidiary company, LG Shaker Company Limited, which are guaranteed by promissory notes on demand signed by the partners of LG Shaker Company Limited and secured by corporate guarantees of the partners of LG Shaker Company Limited. These short term loans 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 of the partners of LG Shaker Company Limited.
- (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 30 June 2012, is included in the term loan balance of SR 91.76 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 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 CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 30 June 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 six-month period ended 30 June 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	790,240	176,500	966,740
Cost of sales	(536,480)	(131,320)	(667,800)
Gross profit	253,760	45,180	298,940
Un-allocated expenses and income:			
Selling and distribution			(87,031)
General and administration			(56,531)
Other income			4,296
Financial charges			(7,509)
Share of result of an associate			(587)
Zakat and income tax			(10,746)
Net income before non-controlling interests			140,832

	<i>For the six-month period ended 30 June 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	738,004	141,398	879,402
Cost of sales	(517,510)	(101,109)	(618,619)
Gross profit	220,494	40,289	260,783
Un-allocated expenses and income:			
Selling and distribution			(80,934)
General and administration			(51,911)
Other income			2,438
Financial charges			(4,245)
Share of result of an associate			(48)
Zakat and income tax			(9,076)
Net income before non-controlling interests			117,007

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.

7 BOARD OF DIRECTORS' APPROVAL

These unaudited interim consolidated financial statements have been approved by the Board of Directors on 15 July 2012, corresponding to 25 Shaban 1433H.