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

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016
with
INDEPENDENT AUDITORS' REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

KPMG Al Fozan & Partners
KPMG Tower
Salahudeen Al Ayoubi Road
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated balance sheet as at December 31, 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes (1) through (27) which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and Company's bylaws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements taken as a whole:

1) present fairly, in all material respects, the financial position of **Al Hassan Ghazi Ibrahim Shaker Company** and its subsidiaries as at December 31, 2016, and of its results of operations and its cash flows for the year then ended, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

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محاسبون ومراجعون قانونيون
س.ت. م رقم ٤٦
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No: 371

Riyadh on: 26 Jumada I, 1438H
Corresponding to: 23 February 2017

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

CONSOLIDATED BALANCE SHEET
As at December 31, 2016
(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

	Note	2016	2015
ASSETS			
Current assets:			
Cash and cash equivalents	4	**54,618**	85,270
Trade receivables	5	**715,491**	461,303
Inventories	6	**685,344**	935,493
Prepayments and other current assets	7	**70,389**	96,565
Total current assets		**1,525,842**	1,578,631
Non-current assets:			
Non-current trade receivable	5	**13,557**	13,011
Investment in equity accounted investees	8	**577,558**	555,459
Property and equipment	9	**257,025**	258,311
Goodwill	10	**25,699**	25,699
Total non-current assets		**873,839**	852,480
Total assets		**2,399,681**	2,431,111
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	11 (b)	**755,981**	652,912
Current portion of long-term borrowings	11 (c)	**21,735**	20,504
Trade payables	12	**346,305**	452,571
Accrued Zakat	20	**15,918**	17,586
Accrued expenses and other current liabilities	13	**109,075**	116,607
Total current liabilities		**1,249,014**	1,260,180
Non-current liabilities:			
Long-term borrowings, non-current portion	11 (c)	**37,882**	56,505
Employees' end of service benefits	14	**41,440**	39,813
Total non-current liabilities		**79,322**	96,318
Total liabilities		**1,328,336**	1,356,498
EQUITY			
Equity attributable to the Company's shareholders:			
Share capital	15	**630,000**	630,000
Statutory reserve	16	**140,937**	136,185
Retained earnings		**281,287**	285,765
Total equity attributable to the Company's shareholders		**1,052,224**	1,051,950
Non-controlling interests		**19,121**	22,663
Total equity		**1,071,345**	1,074,613
Total liabilities and equity		**2,399,681**	2,431,111

The attached notes 1 through 27 form
an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2016
(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

	Note	2016	2015
Sales		**1,642,753**	1,886,526
Cost of sales		**(1,244,789)**	(1,451,669)
Gross profit		**397,964**	434,857
Selling and distribution expenses	17	**(192,281)**	(184,598)
General and administrative expenses	18	**(155,936)**	(158,805)
Operating income		**49,747**	91,454
Other income, net	19	**7,644**	3,149
Financial charges		**(30,298)**	(16,615)
Re-measurement to fair value of equity interest in the investee	8.3	**-**	(856)
Share in net income of equity accounted investees	8.2	**22,099**	57,072
Net income before Zakat and non-controlling interests		**49,192**	134,204
Zakat	20	**(5,210)**	(8,189)
Net income before non-controlling interests		**43,982**	126,015
Non-controlling interests share in net loss of consolidated subsidiaries		**3,542**	10,521
Net income for the year		**47,524**	136,536
Earnings per share:			
Weighted average number of ordinary shares outstanding (shares)	21	**63,000**	63,000
Operating income (Saudi Riyals)	21	**0.79**	1.45
Net income (Saudi Riyals)	21	**0.75**	2.17

The attached notes 1 through 27 form
an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

	Note	2016	2015
Cash flows from operating activities:			
Income before Zakat and non-controlling interests		**49,192**	134,204
Adjustments for:			
Depreciation	9	**14,919**	13,490
Provision for doubtful debts	5	**4,114**	10,209
Provision for inventories	6	**5,712**	4,559
Gain on disposal of property and equipment	19	**(1,279)**	(2,179)
Share in net income of equity accounted investees	8.2	**(22,099)**	(57,072)
Provision for employees' end of service benefits	14	**14,571**	7,411
Financial charges		**30,298**	16,615
Re-measurement to fair value of equity interest in the investee	8.3	**--**	856
		95,428	128,093
Changes in operating assets and liabilities:			
Trade receivables		**(258,848)**	(109,335)
Inventories		**244,437**	(212,388)
Prepayments and other current assets		**37,138**	25,089
Trade payables		**(106,266)**	197,790
Accrued expenses and other current liabilities		**(12,303)**	(31,097)
		(414)	(1,848)
Employees' end of service benefits paid	14	**(12,944)**	(3,892)
Financial charges paid		**(25,527)**	(16,615)
Zakat paid	20	**(6,878)**	(6,549)
Net cash used in operating activities		**(45,763)**	(28,904)
Cash flows from investing activities:			
Additions to property and equipment	9	**(25,288)**	(38,484)
Proceed from sale of property and equipment		**1,972**	2,925
Investment in an associate		**--**	(1,500)
Net cash used in investing activities		**(23,316)**	(37,059)
Cash flows from financing activities:			
Net movement in short-term borrowings		**103,069**	17,978
Proceeds from long-term borrowings		**3,576**	57,500
Repayment of long-term borrowings		**(20,968)**	(4,794)
Dividend paid	15	**(47,250)**	--
Net other movement in non-controlling interests		**--**	15,631
Net cash provided by financing activities		**38,427**	86,315
Net (decrease) / increase in cash and cash equivalents		**(30,652)**	20,352
Cash and cash equivalents acquired during the year		**--**	5
Cash and cash equivalents at beginning of the year		**85,270**	64,913
Cash and cash equivalents at end of the year	4	**54,618**	85,270

The attached notes 1 through 27 form
an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016
(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

	Equity attributable to the Company's shareholders					
	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total
Balance at January 1, 2015	350,000	122,531	442,883	915,414	11,028	926,442
Net income for the year	--	--	136,536	136,536	(10,521)	126,015
Transfer to statutory reserve	--	13,654	(13,654)	--	--	--
Bonus shares (note 15)	280,000	--	(280,000)	--	--	--
Other movement in non-controlling interests	--	--	--	--	22,156	22,156
Balance at December 31, 2015	630,000	136,185	285,765	1,051,950	22,663	1,074,613
Net income for the year	--	--	47,524	47,524	(3,542)	43,982
Transfer to statutory reserve	--	4,752	(4,752)	--	--	--
Dividend paid (note 15)	--	--	(47,250)	(47,250)	--	(47,250)
Balance at December 31, 2016	**630,000**	**140,937**	**281,287**	**1,052,224**	**19,121**	**1,071,345**

The attached notes 1 through 27 form
an integral part of these consolidated financial statements.

1. THE COMPANY, ITS SUBSIDIARIES AND NATURE OF BUSINESS

1.1. Al Hassan Ghazi Ibrahim Shaker Company (the "Company" (or) the "Parent Company" (or) "HGISC") was registered as a limited liability Company in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 dated 26 Dhul Qidah 1418H (corresponding to March 25, 1998). The Company has converted from a limited liability company to a closed joint stock company pursuant to Ministerial Resolution No. 275 on Shabaan 17, 1429H (corresponding to August 18, 2008).

1.2. The Parent Company offered 10.5 million shares 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 as 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, a bonus of four shares for every five ordinary shares outstanding was issued and resultantly the share capital of the Company was increased from SR 350 million to SR 630 million.

1.3. The Group has branches which are operating under a separate CR (see note 25).

1.4. 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.

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

Shaker Group Building
Alsahafa District
King Fahad Road
Riyadh 11422
Kingdom of Saudi Arabia

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

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

1.6. These consolidated financial statements include the financial position and performance of the Company and its branches as well as the following subsidiaries (collectively the "Group").

Direct and indirect subsidiaries

Name	Principal field of activity	Country of incorporation	Effective ownership interest at December 31, 2016	2015
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	**100%**	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited ("IHSCL")	Import, export and marketing services	Saudi Arabia	**100%**	100%
ASDAA Gulf Trading Company ("ASDAA") (note 10 (a))	Wholesale of electronic devices	Saudi Arabia	**100%**	100%
Energy Management Services Emirates LLC ("EMS") (note 10 (b))	Energy solution providers	United Arab Emirates	**74%**	74%
New Vision for Electronics and Electrical Appliances Company ("NVEEAC")	Import, export and maintenance of electrical and home appliances	Jordan	**60%**	60%

Entities controlled through a subsidiary

Name	Principal field of activity	Country of incorporation	Subsidiary ownership interest at December 31, 2016	2015
EMS				
Energy Management Services International ("EMSI")	Energy solution providers	Jordan	**100%**	100%
Jemain EMS Company LLC ("JECL")	Energy solution providers	United Arab Emirates	**100%**	100%

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

The new Regulation for Companies issued through Royal Decree M/3 on November 11, 2015 (hereinafter referred as "The Law") came into force on 25 Rajab 1437H (corresponding to May 2, 2016). The Company has to amend its Bylaws for any changes to align the Bylaws to the provisions of The Law. Consequently, the Company shall present the amended Bylaws to the stockholders in their Extraordinary General Assembly meeting for their ratification. The full compliance with The Law is expected not later than 24 Rajab 1438H (corresponding to April 21, 2017).

(b) New accounting framework

As required by SOCPA, all listed companies are required to transition to International Financial Reporting Standards ("IFRS") as endorsed by SOCPA effective January 1, 2017 for preparation of their financial statements. In preparing the first set of IFRS financial statements, the Company will analyze the impact of the first time adoption of IFRS on current and prior year financial statements and will accordingly incorporate the necessary adjustments in its first set of IFRS financial statements.

(c) Basis of measurement

The accompanying consolidated financial statements have been prepared under historical cost basis convention, using the accrual basis of accounting and the going concern assumption.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries listed in note 1. The financial statements of the subsidiaries are prepared for the same reporting year as the Company.

i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group/Company transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

2. BASIS OF PREPARATION (continued)

(d) Basis of consolidation (continued)

ii) Non-Controlling Interest (NCI)

Non-controlling interest represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

(e) Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR), which is the functional and reporting currency of the Company. All amounts have been rounded off to the nearest thousand, unless otherwise stated.

(f) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time and past recovery rates.

ii) Provision for slow moving inventory items

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

iii) Cost to complete the projects

As part of application of percentage of completion method on contract accounting, the cost to complete the project is estimated. These estimates include, amongst other items, the construction costs, variation orders by contractors and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods.

iv) Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

v) Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income. Impairment losses recognized on goodwill is not reversible.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Group's consolidated financial statements. Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Group without any restrictions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combinations

Business combinations (except for entities under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill.

If the cost of the acquired investee is less than its fair value as of the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion to their book values.

(c) Trade receivables

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to the same line item in the consolidated statement of income as the original estimate.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value comprises estimated selling price in the ordinary course of business and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

(e) Investments in associates – equity accounted investees

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investments in associates – equity accounted investees (continued)

Associates are accounted for using the equity method (equity accounted investee), which are initially recognized at cost including goodwill identified on acquisition. The Company's share in its investees' post-acquisition income and losses is recognized in the consolidated statement of income and its share in post-acquisition movements in reserves is recognized in the Company's equity. When the Company's share of losses exceeds its interest in an equity accounted investee, the Company's carrying amount is reduced to nil and recognition of further losses is continued when the Company has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealized gains on transactions between the Company and its equity accounted investees are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of income.

(f) Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

(g) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is based on the cost of an asset less its estimated residual value expected at their date of disposal.

Depreciation is recognised in consolidated statement of income on a straight line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated.

The estimated useful lives of each part of individual item of property and equipment are as follows:

	Years
Buildings	40
Motor vehicles	4
Furniture and office equipment	6.67
Tools and equipment	5
Leasehold improvements	4 years / lease term (whichever is shorter)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property and equipment (continued)

Gain on sale of property and equipment is recognized in the consolidated statement of income when risks and rewards of ownership are transferred to the buyer representing the difference between the selling price and the net carrying value of the assets at the date of disposal. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if necessary.

(h) Trade payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(i) Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred.

(j) Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all are assessed at each balance sheet date and disclosed in the Company's consolidated financial statements under contingent liabilities.

(k) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

(l) Warranties

A provision for warranties is required when the underlying products and services are sold. The provision is based on historical working data and a weighing of all possible outcomes against their associated probabilities. Warranties provision is charged in the consolidated statement of income.

(m) Leases

Operating lease payments are recognised as an expense in the consolidated statement of income on a straight line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group,
- it can be reliably measured, regardless of when the payment is being made
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Project revenues are recognized on percentage of completion method for each project, which is determined using output measures (surveys of work performed or physical completed portion of the contract work) or alternatively applying the input measure (the proportion of costs incurred to date to the total estimated contract cost). Changes in cost estimates and losses on uncompleted contracts, if any, are recognized in the period they are determined. When it is probable that the total contract costs will exceed the total contract revenues, the expected loss is recognized immediately. Sale is recorded net of returns, trade discounts and volume rebates.

(p) Expenses

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Zakat and taxes

i) Zakat and income tax

The Company and its domestic subsidiaries are subject to Zakat in accordance with the regulations of General Authority for Zakat and Tax ("GAZT"). Foreign subsidiaries are subject to the relevant income tax regulations in their countries of domicile. Company's Zakat and its share in the foreign subsidiaries income tax are accrued and charged to the consolidated statement of income currently. Additional Zakat and foreign income tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

ii) Withholding tax

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders, if any, in accordance with GAZT regulations.

(r) Foreign currency translation

i) Transactions and balances

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities of the Company denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Company at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated statement of income.

ii) Foreign subsidiaries and associates

The results and financial position of a foreign subsidiary and associate having reporting currencies other than functional currency of the Company, are translated into the functional currency. Cumulative adjustments resulting from the translations are reported as a separate component of equity.

When investment in a foreign subsidiary and associate is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in consolidated income statement as part of gain or loss on disposal or sale.

Dividends received from foreign associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated income statement.

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(t) Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

(u) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	2016	2015
Cash in hand	**6,262**	5,244
Bank balances	**48,356**	80,026
	54,618	85,270

5. TRADE RECEIVABLES

5.1 Trade receivables at December 31 comprise the following:

	2016	2015
Trade receivables	**763,065**	504,287
Provision for doubtful debts (note 5.2)	**(34,017)**	(29,973)
	729,048	474,314
Presented in the balance sheet as follows:		
Current portion shown under current assets	**715,491**	461,303
Non-current portion shown under non-current assets	**13,557**	13,011

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

5. TRADE RECEIVABLES (continued)

5.2 Movement in provision for doubtful debts is as follows:

	2016	2015
Opening balance	**29,973**	7,000
Acquired through subsidiary	--	13,247
Charge for the year (note 18)	**4,114**	10,209
Written off	**(70)**	(483)
Closing balance	**34,017**	29,973

6. INVENTORIES

6.1 Inventories at December 31 comprise the following:

	2016	2015
Finished goods	**588,913**	852,500
Spare parts	**91,726**	85,363
Goods in transit	**13,773**	8,155
	694,412	946,018
Provisions for obsolete and slow moving inventory (note 6.2)	**(9,068)**	(10,525)
	685,344	935,493

6.2 Movement in provision for obsolete and slow moving inventory is as follows:

	2016	2015
Opening balance	**10,525**	10,300
Provided during the year	**5,712**	4,559
Write-off	**(7,169)**	(4,334)
Closing balance	**9,068**	10,525

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets at December 31 comprise the following:

	2016	2015
Advertisement claims from suppliers	**20,567**	32,750
Advance to suppliers	**18,065**	13,371
Prepaid expenses	**9,810**	19,607
Advance to employees	**6,051**	5,673
Custom duty deposit	**5,956**	5,956
Amount due from related parties (note 24)	**151**	151
Other receivables	**9,789**	19,057
	70,389	96,565

8. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

Name	Principal field of activity	Country of incorporation	% of capital held (directly or indirectly) at December 31, 2016	2015
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	**49%**	49%
Shaker Electronic and Appliances Lebanon Company ("SEALCO")	Trading of electrical and home appliances	Lebanon	**20%**	20%

8.2 Investment in equity accounted investees at December 31 comprise the following:

	2016	2015
LG Shaker (note 8.3 (a))	**573,633**	551,134
SEALCO (note 8.3 (b))	**3,925**	4,325
EMS (note 8.3 (c))	**--**	--
	577,558	555,459

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

8. INVESTMENT IN EQUITY ACCOUNTED INVESTESS (continued)

Total movement in equity accounted investees is as follows:

	2016	2015
At January 1	**555,459**	504,264
Share of profit for the year	**22,099**	57,072
Re-measurement to fair value of equity interest already held	--	(856)
Transfer as a consolidated subsidiary	--	(5,021)
At December 31	**577,558**	555,459

8.3 Movement in equity accounted investees during the year ended December 31 is analysed as follows:

a) LG Shaker

	2016	2015
At January 1	**551,134**	493,371
Share of profit for the year	**22,499**	57,763
At December 31	**573,633**	551,134

b) SEALCO

	2016	2015
At January 1	**4,325**	4,898
Share of loss for the year	**(400)**	(573)
At December 31	**3,925**	4,325

c) EMS

	2016	2015
At January 1	--	5,995
Share of profit for the period until date of consolidation	--	(118)
Re-measurement to fair value of equity interest already held	--	(856)
Transfer as a consolidated subsidiary	--	(5,021)
At December 31	--	--

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

9. PROPERTY AND EQUIPMENT

The movement in property and equipment during the year ended December 31 is analysed as follows:

	Freehold Land	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Capital work in progress	**Total 2016**	Total 2015
Cost:									
Balance at January 1, 2016	107,641	124,419	28,867	28,187	16,050	23,253	14,237	**342,654**	326,685
Acquired through subsidiary	--	--	--	--	--	--	--	**--**	1,836
Additions	--	952	2,630	4,386	1,274	2,678	13,368	**25,288**	38,484
Transfer from capital work in progress	--	--	--	16,643	--	--	(16,643)	**--**	--
Reclassification to Advance to supplier	--	--	--	--	--	--	(10,962)	**(10,962)**	--
Disposals	--	--	(5,181)	(1,528)	(193)	--	--	**(6,902)**	(24,351)
Balance at December 31, 2016	107,641	125,371	26,316	47,688	17,131	25,931	--	**350,078**	342,654
Accumulated depreciation:									
Balance at January 1, 2016	--	20,982	25,038	14,546	9,038	14,739	--	**84,343**	92,743
Acquired through subsidiary	--	--	--	--	--	--	--	**--**	1,715
Charge for the year (note 9 (a))	--	3,204	1,902	5,457	1,083	3,273	--	**14,919**	13,490
Disposals	--	--	(4,876)	(1,142)	(191)	--	--	**(6,209)**	(23,605)
Balance at December 31, 2016	--	24,186	22,064	18,861	9,930	18,012	--	**93,053**	84,343
Net book value:									
At December 31, 2016	**107,641**	**101,185**	**4,252**	**28,827**	**7,201**	**7,919**	**--**	**257,025**	--
At December 31, 2015	107,641	103,437	3,829	13,641	7,012	8,514	14,237	--	258,311

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

9. PROPERTY AND EQUIPMENT (continued)

a) Depreciation charge for the year ended December 31 has been allocated as follows:

	2016	2015
Cost of sales	**973**	754
General and administrative expenses (note 18)	13,946	12,736
	14,919	13,490

10. GOODWILL

Goodwill at December 31 comprise the following:

	2016	2015
ASDAA Gulf Trading Company (note 10 (a))	**9,854**	9,854
Energy Management Services Emirates LLC (note 10 (b))	15,845	15,845
	25,699	25,699

a) Effective November 12, 2014, HGISC acquired effectively 100% of shareholding in ASDAA for purchase consideration of SR 20 million, which was in excess of the fair value of the net assets acquired by SR 9.9 million and has been accounted for as goodwill.

The management reviews goodwill for impairment annually for the purpose of impairment testing. Goodwill has been allocated to the investee (i.e. a single cash generating unit). The recoverable amount of the cash generating unit is determined based on a value in use calculated using cash flow projection based on financial budgets.

b) During 2014, HGISC entered into an agreement to acquire additional 54% shareholding in EMS increasing its previous shareholding of 20% to revised 74%. Effective March 10, 2015, legal formalities for the transfer of 54% shareholding in EMS were completed and hence consolidated its results as a subsidiary since this date.

11. BANK BORROWINGS

a) The Group has credit facility agreements with local and foreign commercial banks for long and short-term borrowings in Saudi Riyals, United Arab Emirates Dirham and Jordanian Dinar. Such facilities were obtained principally under Marabaha arrangements. The utilised portion of the long-term facilities are repayable on equal monthly instalments. The facility agreements are secured by promissory notes. The facilities bear financial charges on prevailing market rates.

The loan agreement contains certain covenants, which among other things, requires certain financial ratios to be maintained.

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

11. BANK BORROWINGS (continued)

b) Short-term borrowings

Short-term borrowings at December 31 represent the following:

	2016	2015
Short term loans	**753,166**	652,912
Overdraft	**2,815**	--
	755,981	652,912

Parent Company:
HGISC has murabaha financing facilities with national and international banks amounting to SR 631 million and USD 23 million in order to finance the Company's working capital requirements. The financing carries interest at a rate ranging between 2.33% to 4.16% is secured by promissory notes.

NVEEAC:
NVEEAC has a murabaha financing facility with ABC Islamic Bank (Bahrain) amounting to USD 25 million in order to finance the Company's purchases at an interest rate of nine-month LIBOR + 2.95% margin. The loan is repayable in 8 months from the drawdown date and is secured against a corporate guarantee of the Parent Company.

EMS:
The bank overdraft bears interest rate of 1 month EIBOR + 4% per annum (minimum of 4.5%).

c) Long-term borrowings

Long-term borrowings at December 31 represent the following:

	2016	2015
Commercial banks	**59,617**	77,009
Presented in the balance sheet as follows:		
Current portion shown under current liabilities	**21,735**	20,504
Non-current portion shown under non-current liabilities	**37,882**	56,505
	59,617	77,009

Parent Company:
During 2015, the Parent Company obtained a long-term loan from National Commercial Bank amounting to Saudi Riyal 57.5 million at an interest rate of 3.69%. The loan is repayable in 46 equal monthly instalments and is secured against signed promissory note.

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

11. BANK BORROWINGS (continued)

c) Long-term borrowings (continued)

NVEEAC:
During 2013, NVEEAC obtained a long-term loan from Capital Bank amounting to Jordanian Dinar 3 million at an interest rate of 9.75%. The loan is repayable in 48 equal monthly instalments and is secured against personal guarantee of the shareholders and Mr. Abd Alraoof Al Bitar.

EMS:
During 2015, EMS obtained long-term loans from financial institutions carrying interest rate of 1 month EIBOR+ 4% per annum (minimum of 4.5% per annum) in order to finance the equipment, advance engineering and installation for a significant project.

EMS obtained the loan with the following repayment dates:

- Term Loan 1 – Amounting to AED 7,707,290 and repayable in 60 monthly equal instalments commencing from January 17, 2017.
- Term Loan 2 – Amounting to AED 7,400,000 and repayable in 60 monthly equal instalments.
- Term Loan 3 – Amounting to AED 1,875,004 and repayable in 24 monthly equal instalments.

The above loans of EMS have the following securities:

- Inward financial guarantee to cover total facilities from Riyadh Bank – Kingdom of Saudi Arabia and approved by the Arab Bank Plc.
- Assignment of project proceeds from Etisalat to Arab Bank Plc.
- Irrevocable assignment of Trade Receivables and hypothecation of inventory on pari passu basis in favor of Arab Bank Plc.

12. TRADE PAYABLES

Trade payables at December 31 comprise the following:

	2016	2015
Related parties (note 24)	**247,676**	403,220
Other parties	**98,629**	49,351
	346,305	452,571

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise the following:

	2016	2015
Accrued expenses	**31,935**	42,223
Warranty provision	**19,257**	27,071
Amounts due to related parties (note 24)	**23,207**	22,850
Advances from customers	**15,181**	15,676
Payable to project vendors	**13,123**	--
Other payables	**6,372**	8,787
	109,075	116,607

14. EMPLOYEES' END OF SERVICE BENEFITS

Employees' end of service benefits at December 31 comprise the following:

	2016	2015
Opening balance	**39,813**	34,343
Transferred through acquisition of subsidiary	--	1,951
Provision for the year	**14,571**	7,411
Payments made during the year	**(12,944)**	(3,892)
Closing balance	**41,440**	39,813

15. SHARE CAPITAL

At December 31, 2016, the authorized, issued and paid up share capital of the Company is SR 630 million (2015: SR 630 million) consisting of 63 million shares (2015: 63 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 of Director'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 Board of Directors in its meeting held on October 17, 2016, resolved to distribute interim dividend amounting to SR 47.25 million (representing SR 0.75 per share). This amount was paid on November 23, 2016.

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

16. STATUTORY RESERVE

In accordance with the Company's Bylaws and the previous Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income in each year to a statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income in each year to a statutory reserve until such reserve reaches 30% of the share capital. The Company is currently in the process of amending its Bylaws as described in note 2(a). This reserve is currently not available for distribution to the shareholders of the Company.

17. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended December 31 comprise the following:

	2016	2015
Employee costs	**82,093**	71,946
Publicity and advertising	**44,276**	45,983
Sales commission	**25,987**	25,087
Rent	**14,908**	14,289
Travel and transportation	**10,705**	5,812
Warranty expenses	**3,852**	10,496
Utilities	**1,591**	1,401
Printing and stationery	**897**	1,052
Insurance	**659**	800
Repairs and maintenance	**658**	3,216
Materials and installations	**458**	348
Communication	**254**	1,451
Other	**5,943**	2,717
	192,281	184,598

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

	2016	2015
Employee costs	**87,556**	90,054
Deprecation (note 9)	**13,946**	12,736
Rent	**12,036**	10,607
Travel and transportation	**11,067**	9,729
Professional fees	**10,281**	4,102
Repairs and maintenance	**5,300**	8,358
Bad and doubtful debts (note 5)	**4,114**	10,209
Board of Directors' remuneration (note 24)	**2,120**	1,600
Utilities	**1,835**	2,028
Insurance	**1,655**	1,271
Communication	**1,415**	1,608
Printing and stationery	**1,254**	1,931
Entertainment	**169**	739
Other	**3,188**	3,833
	155,936	158,805

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

19. OTHER INCOME, NET

Other income, net for the year ended December 31 comprise the following:

	2016	2015
Gain / (loss) on foreign exchange	**1,544**	(188)
Gain on disposal of property and equipment	**1,279**	2,179
Miscellaneous, net	**4,821**	1,158
	7,644	3,149

20. ZAKAT

a) Zakat provision

Movement of Company's Zakat provision for the year ended December 31 comprise the following:

	2016	2015
Balance, beginning of the year	**17,586**	15,946
Charge of the year	**5,210**	8,189
Paid during the year	**(6,878)**	(6,549)
Balance, end of the year	**15,918**	17,586

b) Status of assessments

Zakat:

Standalone:
Zakat assessments have been finalised with the General Authority for Zakat and Tax (GAZT) up to the year ended December 31, 2006 for HGISC and December 31, 2007 for ISCL and IHSCL and December 2011 for ASDAA.

Consolidated:
The Company filed Zakat declarations on consolidated basis from 2008 to 2015 for HGISC, ISC, IHSCL and ASDAA. The results of ASDAA were reported in the consolidated declaration from 13 November 2014.

During the year 2014, the Company received the final assessment for HGISC on standalone basis for the year 2007 and for HGISC, ISCL and IHSCL on consolidated basis for the years from 2008 to 2011 from GAZT with additional liabilities of Zakat and withholding tax amounted to SR 0.31 million. The Company has appealed on these assessments to the GAZT and management believes that outcome of the appeal will be in favour of the Company.

Zakat assessment for the year 2012 to 2015 have not yet been raised by GAZT.

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

20. ZAKAT (continued)

b) Status of assessments (continued)

Income tax:

The Company's subsidiaries in Jordan are subject to income tax. There were no taxes levied during the year due to tax losses. Tax assessment for NVEEAC has been finalised with Income and Sales Tax Department in Jordan and received final tax clearances for all years up to 2014. Tax assessment for the year 2015 has not yet been raised by Income and Sales Tax Department.

21. EARNINGS PER SHARE

Earnings per share on operating income including non-controlling interests is calculated by dividing operating income by weighted average number of shares in issue during the year.

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

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

22. OPERATING SEGMENT INFORMATION

The Company's operations are conducted in Saudi Arabia, Jordan and United Arab Emirates. Over 90% of the Group's operation are conducted within Saudi Arabia. The management views the activities of the Group's operations under two business units, as detailed below:

	December 31, 2016		
	LG Air-Conditioners and home appliances	Non – LG Air-Conditioners and Products	**Total**
Sales	1,282,714	360,039	**1,642,753**
Cost of sales	(989,824)	(254,965)	**(1,244,789)**
Gross profit	292,890	105,074	**397,964**
Un-allocated expenses and income:			
Selling and distribution expenses			**(192,281)**
General and administrative expenses			**(155,936)**
Other income, net			**7,644**
Financial charges			**(30,298)**
Share in net income of equity accounted investees			**22,099**
Zakat			**(5,210)**
Net income before non-controlling interests			**43,982**

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

22. OPERATING SEGMENT INFORMATION (continued)

	December 31, 2015		
	LG Air-Conditioners and home appliances	Non – LG Air-Conditioners and Products	Total
Sales	1,502,300	384,226	1,886,526
Cost of sales	(1,176,864)	(274,805)	(1,451,669)
Gross profit	325,436	109,421	434,857
Un-allocated expenses and income:			
Selling and distribution expenses			(184,598)
General and administrative expenses			(158,805)
Other income, net			3,149
Financial charges			(16,615)
Re-measurement to fair value of equity interest in the investee			(856)
Share in net income of equity accounted investees			57,072
Zakat			(8,189)
Net income before non-controlling interests			126,015

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

23. CONTINGENCIES AND COMMITMENTS

a) At December 31, 2016, the Group has commitments for capital expenditures of SR 3,351 (2015: 4,460)

b) The Group has entered into an interest rate swap contract to hedge its interest rate risk on term loans obtained from banks with a notional amount of Nil (2015: SR 16.67 million). The change in fair value of SR Nil (2015: 10) has not been reflected in the consolidated statement of income, as the management considers that the amount of the fair value adjustment is not material.

c) At December 31, 2016, the Group has outstanding bank guarantees of SR 65.8 million (2015: SR 95.2 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.

d) At December 31, 2016, the Group has outstanding bank letter of credits of SR 29.2 million (2015: SR 14 million) issued against import of finished goods and other supplies.

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24. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Company. Terms and conditions of these transactions are approved by the Company's management. In addition to the disclosures set out in notes 1, 7, 10, 12, 13 and 18 significant related parties transactions and balances arising there from are described below:

a) Due from related parties – under prepayments and other current assets:

Name	Relationship	Nature of transactions	Amount of transactions 2016	Amount of transactions 2015	Closing balance 2016	Closing balance 2015
SEALCO	Associate	Expenses paid on behalf of company	--	--	**151**	151

b) Due to related parties – under trade payables:

Name	Relationship	Nature of transactions	Amount of transactions 2016	Amount of transactions 2015	Closing balance 2016	Closing balance 2015
LG Shaker Company Limited	Associate	Purchase of finished goods	**492,798**	942,803		
		Sales	**172**	2,689	**244,857**	397,042
LG Electronics Company (Levant)	Associate	Purchase of finished goods	**99,543**	119,372	**2,819**	6,178
					247,676	403,220

c) Due to related parties – under accrued expenses and other current liabilities:

Name	Relationship	Nature of transactions	Amount of transactions 2016	Amount of transactions 2015	Closing balance 2016	Closing balance 2015
Board of Directors	Key management	Remuneration and meeting attendance fee	**2,120**	1,600	**2,028**	1,600
Subsidiary shareholders – NVEEAC	Key management	Advances	**1,485**	4,625	**20,358**	20,220
Subsidiary shareholder – EMS	Key management	Advances	--	95	**821**	1,030
					23,207	22,850

(Expressed in Thousands of Saudi Riyals, Unless Otherwise Stated)

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Remuneration:

Name	Nature of transactions	Amount of transactions 2016	2015
Key management personnel	Remuneration	**8,484**	11,696
Board of Directors	Remuneration and meeting attendance fee	**2,120**	1,600

25. BRANCHES

Details of the branches of the Group as at December 31, 2016 are:

Branch location	Commercial registration	Date
HGISC - Parent Company		
Riyadh	1010149252	March 25, 1988 (7 Sha'ban 1408H)
Buraydah	14566	July 20, 1999 (7 Rabi' al-Thani 1420H)
Khamis Meshit	25991	April 13, 2005 (4 Rabi' al-Awwal 1426H)
Khubar	29431	May 2, 2004 (13 Rabi' al-Awwal 1425H)
Jeddah	102685	April 3, 1994 (21 Shawwal 1414 H)
Jeddah	152476	December 4, 2004 (21 Shawwal 1425H)
Riyadh	187834	June 23, 2003 (23 Rabi' al-Thani 1424H)
Riyadh	411362	April 20, 2014 (20 Jumada al-akhirah 1435H)
Ibrahim Shaker Company Limited – subsidiary		
Jeddah	4030034475	May 10, 1982 (16 Rajab 1402)
Jubail	4030056881	April 21, 2003 (19 Safar 1424)
Khubar	4030010124	July 14, 1984 (15 Shawwal 1404)
Skaka	4030019528	September 8, 2015 (24 Thul-Qi'dah 1436)
Baha	4030020162	October 22, 2005 (19 Ramadhan 1426)
Buraidah	4030020925	June 14, 2005 (7 Jumada al-Ula 1426)
Khamis Mushait	4030027659	January 30, 2007 (11 Muharram 1428)
Najran	4030028155	November 3, 2013 (29 Thul-Hijjah 1434)
Khubar	4030030725	March 6, 2005 (25 Muharram 1426)
Tabuk	4030031227	August 2, 2013 (25 Ramadhan 1434)
Ibrahim Hussain Shaker Projects and Maintenance Company Limited – subsidiary		
Jeddah	4030159728	February 6, 2006 (1 Muharram 1427H)
Riyadh	4030220028	June 5, 2006 (9 Jumada al-Ula 1427)
Jeddah	4030281814	April 13, 2015 (24 Jumada al-Alkhirah 1436)
Riyadh	4030434932	June 15, 2015 (28 Sha'ban 1436)

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade receivables, investment in equity accounted investees, short-term borrowings, long-term borrowings, trade payables and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has no significant concentration of credit risks. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risks arise mainly from short-term bank deposits and bank debts and long-term debts, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying consolidated financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

27. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors for issuance on Jumada Al Awwal 26, 1438H, corresponding to February 23, 2017.