

**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 2013**

**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") and its subsidiaries (the "Group") as at 30 June 2013 and the related consolidated statement of income for the three-month and six-month periods then ended, and the related consolidation 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 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

9 Ramadan1434H  
18 July 2013



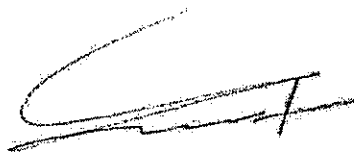
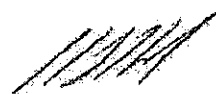
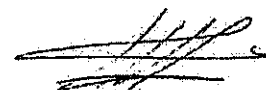
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**Al Hassani Ghazi Ibrahim Shaker Company (A Saudi Joint Stock Company)**

**CONSOLIDATED BALANCE SHEET (UNAUDITED)**

As at 30 June 2013

	<i>Note</i>	<i>2013</i> <i>SR'000</i>	<i>2012</i> <i>SR'000</i>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances and cash		59,372	131,019
Accounts receivable and prepayments		571,629	503,548
Inventories		807,701	612,508
<b>TOTAL CURRENT ASSETS</b>		<u>1,438,702</u>	<u>1,247,075</u>
<b>NON-CURRENT ASSETS</b>			
Investment in an associate	3	4,170	4,194
Property and equipment		300,389	301,279
Intangible asset		276	597
<b>TOTAL NON-CURRENT ASSETS</b>		<u>304,835</u>	<u>306,070</u>
<b>TOTAL ASSETS</b>		<u>1,743,537</u>	<u>1,553,145</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Due to banks	4	563,172	444,255
Accounts payable and accruals		291,702	275,437
Zakat and income tax payable		13,738	9,392
Current portion of term loans	4	20,101	34,869
<b>TOTAL CURRENT LIABILITIES</b>		<u>888,713</u>	<u>763,953</u>
<b>NON-CURRENT LIABILITIES</b>			
Employees' end of service benefits		33,478	28,149
Term loans	4	35,068	54,501
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>68,546</u>	<u>82,650</u>
<b>TOTAL LIABILITIES</b>		<u>957,259</u>	<u>846,603</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		350,000	350,000
Statutory reserve		66,333	47,569
Retained earnings		236,818	206,208
<b>Total equity attributable to the shareholders' of the parent company</b>		<u>653,151</u>	<u>603,777</u>
Non-controlling interests		133,127	102,765
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>786,278</u>	<u>706,542</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>1,743,537</u>	<u>1,553,145</u>

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)

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2013

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Sales	569,192	590,870	1,027,490	966,740
Cost of sales	(379,422)	(406,000)	(690,082)	(667,800)
<b>GROSS PROFIT</b>	<b>189,770</b>	<b>184,870</b>	<b>337,408</b>	<b>298,940</b>
<b>EXPENSES</b>				
Selling and distribution	(55,783)	(50,894)	(102,654)	(87,031)
General and administration	(31,241)	(30,427)	(57,838)	(56,531)
	(87,024)	(81,321)	(160,492)	(143,562)
<b>INCOME FROM MAIN OPERATIONS</b>	<b>102,746</b>	<b>103,549</b>	<b>176,916</b>	<b>155,378</b>
Other income	(714)	1,699	637	4,296
Financial charges	(5,156)	(3,939)	(9,578)	(7,509)
Share of results of an associate	(77)	(324)	(501)	(587)
<b>INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS</b>	<b>96,799</b>	<b>100,985</b>	<b>167,474</b>	<b>151,578</b>
Zakat and income tax	(7,408)	(5,976)	(14,274)	(10,746)
<b>NET INCOME BEFORE NON-CONTROLLING INTERESTS</b>	<b>89,391</b>	<b>95,009</b>	<b>153,200</b>	<b>140,832</b>
Income attributable to non-controlling interests	(14,460)	(12,051)	(28,478)	(17,844)
<b>NET INCOME FOR THE PERIOD</b>	<b>74,931</b>	<b>82,958</b>	<b>124,722</b>	<b>122,988</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)	2.94	2.96	5.05	4.44
Earning per share on net income for the period (in SR per share)	2.14	2.37	3.56	3.51

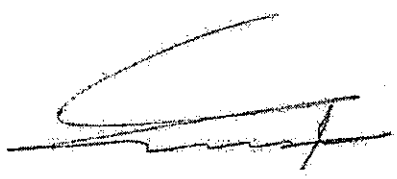
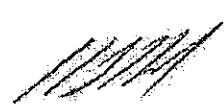
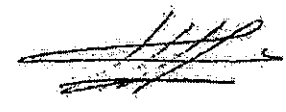
The attached notes 1 to 7 form part of these unaudited interim consolidated financial statements.

**Al Hassan Ghazi Ibrahim Shaker Company (A Saudi Joint Stock Company)**

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the six-month period ended 30 June 2013

	2013 SR'000	2012 SR'000
<b>OPERATING ACTIVITIES</b>		
Income before zakat and income tax and non-controlling interests	167,474	151,578
Adjustments for:		
Depreciation	14,709	14,231
Amortisation of intangible assets	156	197
Amortisation of administrative fee	235	236
Share of results of an associate	501	587
Provision for employees' end of service benefits	3,470	3,668
Financial charges	9,578	7,509
Gain on disposal of property and equipment	(91)	(351)
	<u>196,032</u>	<u>177,655</u>
Changes in operating assets and liabilities:		
Receivables	(224,144)	(234,667)
Inventories	(178,098)	(26,915)
Payables	92,873	83,415
	<u>(113,337)</u>	<u>(512)</u>
Cash used in operations	(113,337)	(512)
Financial charges paid	(9,578)	(7,509)
Zakat and income tax paid	(13,900)	(11,856)
Employees' end of service benefits paid	(1,344)	(1,248)
	<u>(138,159)</u>	<u>(21,125)</u>
Net cash used in operating activities	(138,159)	(21,125)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(15,268)	(25,592)
Proceeds from disposal of property and equipment	91	831
Purchase of intangible asset	(32)	-
	<u>(15,209)</u>	<u>(24,761)</u>
Net cash used in investing activities	(15,209)	(24,761)
<b>FINANCING ACTIVITIES</b>		
Proceeds from term loans	-	24,124
Repayment of term loans	(13,688)	(18,978)
Net movement in amounts due to banks	151,077	110,314
	<u>137,389</u>	<u>115,460</u>
Net cash from financing activities	137,389	115,460
<b>(DECREASE)/ INCREASE IN BANK BALANCES AND CASH</b>	<b>(15,979)</b>	<b>69,574</b>
Bank balances and cash at the beginning of the period	75,351	61,445
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>	<b><u>59,372</u></b>	<b><u>131,019</u></b>

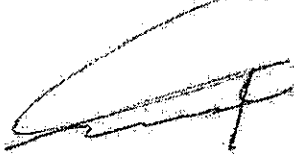
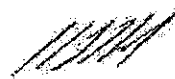
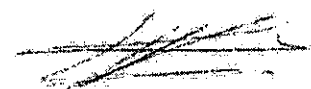




The attached notes 1 to 7 form part of these unaudited interim consolidated financial statements.

**Al Hassan Ghazi Ibrahim Shaker Company (A Saudi Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the six-month period ended 30 June 2013

	<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 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>
Balance at 31 December 2011 (audited)	350,000	47,569	83,220	480,789
Net income for the period from 1 January 2012 to 30 June 2012	-	-	122,988	122,988
<b>Balance at 30 June 2012 (unaudited)</b>	<b>350,000</b>	<b>47,569</b>	<b>206,208</b>	<b>603,777</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)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

At 30 June 2013

**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 Shabaan 1429H, 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 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 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)

At 30 June 2013

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>2013</i>	<i>2012</i>
New Vision for Electronics and Electrical Appliances Company (see note (a) below)	Import, export and maintenance of electrical and home appliances	60%	50%
LG Shaker Company Limited (see note (b) below)	Manufacture of air conditioners	51%	51%
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) 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 of 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 three-month and six-month periods ended 30 June 2013 and the consolidated balance sheet includes the assets and liabilities of New Vision, as at 30 June 2013. 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) The 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 2013, and the consolidated balance sheet includes the assets and liabilities of LG Shaker, as at 30 June 2013. 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.
- 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 ("IHSCL"). The remaining 10% of the shareholding in ISCL is held by IHSCL, and the remaining 10% of the shareholding in IHSCL is held by ISCL. As such the Parent Company owns 100% of the shareholdings in ISCL and IHSCL 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 IHSCL for the three-month and six-month periods ended 30 June 2013 and the consolidated balance sheet includes the assets and liabilities of ISCL and IHSCL as at 30 June 2013.



**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>2013</i>	<i>2012</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, 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 Parent Company 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.

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's Company shareholders' equity.

**Zakat and income tax**

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

**3 INVESTMENT IN AN ASSOCIATE**

Investment in an associate represents 20% shareholding in SEALCO. The investment is carried in the consolidated balance sheet at cost adjusted by the changes in the Parent Company's share of net assets of the associate, 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)

At 30 June 2013

4 DUE TO BANKS AND TERM LOANS

	2013 SR'000	2012 SR'000
(a) <i>Due to banks:</i>		
Overdraft	13,008	9,582
Short term loans (see notes (i) and (ii) below)	401,204	291,638
Notes payable	148,960	143,035
	<u>563,172</u>	<u>444,255</u>
(b) <i>Term loans:</i>		
Balance outstanding as at 30 June (see notes (ii) and (iii) below)	57,086	91,762
Unamortised portion of administration fees paid in advance (see note (iii) below)	(1,917)	(2,392)
	<u>55,169</u>	<u>89,370</u>
Balance of term loan as at 30 June	55,169	89,370
Less: Long term portion of term loans	(35,068)	(54,501)
	<u>20,101</u>	<u>34,869</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 Islamic financing facilities arranged with local banks, secured by promissory notes on demand issued by the Parent Company.
- (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 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 35.18 million, as at 30 June 2013, is included in the term loan balance of SR 57.08 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 EARNING PER SHARE

Earning 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.

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 Parent Company.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 30 June 2013

**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 2013</i>		
	<i>LG</i>	<i>Non - LG</i>	<i>Total</i>
	<i>Air-Conditioners and home appliances SR'000</i>	<i>Air-Conditioners and products SR'000</i>	<i>SR'000</i>
Sales	839,466	188,024	1,027,490
Cost of sales	(553,441)	(136,641)	(690,082)
Gross profit	286,025	51,383	337,408
Un-allocated expenses and income:			
Selling and distribution			(102,654)
General and administration			(57,838)
Other income			637
Financial charges			(9,578)
Share of result of an associate			(501)
Zakat and income tax			(14,274)
Net income before non-controlling interests			153,200

	<i>For the six-month period ended 30 June 2012</i>		
	<i>LG</i>	<i>Non - LG</i>	<i>Total</i>
	<i>Air-Conditioners and home appliances SR'000</i>	<i>Air-Conditioners and products SR'000</i>	<i>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

Due to non-availability of required information, disclosure of segment wise break up of assets and liabilities is not practicable.

**7 BOARD OF DIRECTORS' APPROVAL**

These unaudited interim consolidated financial statements have been approved by the Board of Directors on 18 July 2013, corresponding to 9 Ramadan 1434H.