

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

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

31 DECEMBER 2012

**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 31 December 2012 and the related consolidated statement of income for the three-month and twelve-month periods then ended, and the related consolidated statements of cash flows and changes in shareholders' equity for the twelve-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

8 Rabi Awal 1434H
20 January 2013

Jeddah



AL HASSAN GHAZI IBRAHIM SHAKER COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED BALANCE SHEET
As at 31 December 2012

	<i>Note</i>	<i>2012</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>2011</i> <i>(Audited)</i> <i>SR'000</i>
ASSETS			
CURRENT ASSETS			
Bank balances and cash		75,354	61,445
Accounts receivable and prepayments		347,888	268,881
Inventories		629,603	585,593
TOTAL CURRENT ASSETS		1,052,845	915,919
NON-CURRENT ASSETS			
Investment in an associate	3	4,671	4,781
Property and equipment		299,830	290,398
Intangible asset		400	794
TOTAL NON-CURRENT ASSETS		304,901	295,973
TOTAL ASSETS		1,357,746	1,211,892
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Due to banks	4	412,095	333,941
Accounts payable and accruals		199,238	192,022
Zakat and income tax payable		13,361	10,502
Current portion of term loan	4	26,111	33,631
TOTAL CURRENT LIABILITIES		650,805	570,096
NON-CURRENT LIABILITIES			
Employees' end of service benefits		31,352	25,729
Term loan	4	42,511	50,357
TOTAL NON-CURRENT LIABILITIES		73,863	76,086
TOTAL LIABILITIES		724,668	646,182
SHAREHOLDERS' EQUITY			
Share capital		350,000	350,000
Statutory reserve		66,333	47,569
Retained earnings		112,096	83,220
Total equity attributable to the shareholders' of the parent company		528,429	480,789
Non-controlling interests		104,649	84,921
TOTAL SHAREHOLDERS' EQUITY		633,078	565,710
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,357,746	1,211,892

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

For the three-month and twelve-month periods ended 31 December 2012

	Note	<i>For the three-month period ended 31 December</i>		<i>For the twelve-month period ended 31 December</i>	
		2012	2011	2012	2011
		(Unaudited) SR'000	(Unaudited) SR'000	(Unaudited) SR'000	(Audited) SR'000
Sales		315,192	273,084	1,737,911	1,566,165
Cost of sales		(234,550)	(197,772)	(1,220,182)	(1,099,532)
GROSS PROFIT		80,642	75,312	517,729	466,633
EXPENSES					
Selling and distribution		(43,272)	(28,523)	(171,323)	(146,197)
General and administration		(27,901)	(26,117)	(109,265)	(105,906)
		(71,173)	(54,640)	(280,588)	(252,103)
INCOME FROM MAIN OPERATIONS		9,469	20,672	237,141	214,530
Other income / (loss)		554	(2,654)	4,806	2,517
Financial charges		(4,194)	(3,882)	(15,662)	(11,452)
Share of results of an associate	3	400	166	(110)	(14)
INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTEREST		6,229	14,302	226,175	205,581
Zakat and income tax		(942)	(223)	(16,629)	(13,139)
NET INCOME BEFORE NON-CONTROLLING INTEREST		5,287	14,079	209,546	192,442
(Loss) / income attributable to non-controlling interest		955	3,918	(21,906)	(12,225)
NET INCOME FOR THE PERIOD		6,242	17,997	187,640	180,217
EARNING PER SHARE					
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	0.27	0.59	6.78	6.13
Earning per share on net income for the period (in SR per share)	5	0.18	0.51	5.36	5.15

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 FLOW
 For the twelve-month period ended 31 December 2012

	<i>For the twelve- month period ended 31 December 2012 (Unaudited) SR'000</i>	<i>For the year ended 31 December 2011 (Audited) SR '000</i>
OPERATING ACTIVITIES		
Income before zakat and income tax and non-controlling interests	226,175	205,581
Adjustments for:		
Depreciation	29,993	23,932
Amortisation of intangible assets	394	384
Amortisation of administrative fee	477	477
Share of results of an associate	110	14
Provision for employees' end of service benefits	7,550	5,216
Financial charges	15,662	11,452
Gain on disposal of property and equipment	(402)	(145)
	<u>279,959</u>	<u>246,911</u>
Changes in operating assets and liabilities:		
Receivables	(79,007)	(71,446)
Inventories	(44,010)	(209,542)
Payables	7,216	18,362
	<u>164,158</u>	<u>(15,715)</u>
Cash from / (used in) operations	164,158	(15,715)
Financial charges paid	(15,662)	(11,452)
Zakat and income tax paid	(13,770)	(16,966)
Employees' end of service benefits paid	(1,927)	(837)
	<u>132,799</u>	<u>(44,970)</u>
Net cash from / (used in) operating activities	132,799	(44,970)
INVESTING ACTIVITIES		
Purchase of property and equipment	(40,112)	(72,629)
Proceeds from disposal of property and equipment	1,089	768
Purchase of intangible asset	-	(270)
	<u>(39,023)</u>	<u>(72,131)</u>
Net cash used in investing activities	(39,023)	(72,131)
FINANCING ACTIVITIES		
Proceeds from term loans	24,124	61,787
Repayment of term loans	(39,967)	(5,618)
Net movement in amounts due to banks	78,154	181,318
Net movement in non-controlling interest	(2,178)	11,195
Dividends paid	(140,000)	(122,500)
	<u>(79,867)</u>	<u>126,182</u>
Net cash (used in) / from financing activities	(79,867)	126,182
INCREASE IN BANK BALANCES AND CASH	13,909	9,081
Bank balances and cash at the beginning of the period	61,445	52,364
BANK BALANCES AND CASH AT THE END OF THE PERIOD	75,354	61,445

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 twelve-month period ended 31 December 2012

	Share Capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total equity attributable to shareholders' of the Parent Company SR'000	Non-controlling interests SR'000	Total SR'000
Balance at 31 December 2010 (audited)	350,000	29,547	43,525	423,072	61,501	484,573
Net income for the year ended 31 December 2011	-	-	180,217	180,217	12,225	192,442
Transfer to statutory reserve	-	18,022	(18,022)	-	-	-
Net movement during the year ended 31 December 2011	-	-	-	-	11,195	11,195
Dividends	-	-	(122,500)	(122,500)	-	(122,500)
Balance at 31 December 2011 (audited)	350,000	47,569	83,220	480,789	84,921	565,710
Net income for the twelve-month ended 31 December 2012	-	-	187,640	187,640	21,906	209,546
Transfer to statutory reserve	-	18,764	(18,764)	-	-	-
Net movement during the twelve-month ended 31 December 2012	-	-	-	-	(2,178)	(2,178)
Dividends	-	-	(140,000)	(140,000)	-	(140,000)
Balance at 31 December 2012 (unaudited)	350,000	66,333	112,096	528,429	104,649	633,078

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 UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2012

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 UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 (continued)

At 31 December 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>
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 twelve-month periods ended 31 December 2012 and the consolidated balance sheet includes the assets and liabilities of New Vision, as at 31 December 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.
- 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 twelve-month periods ended 31 December 2012, and the consolidated balance sheet includes the assets and liabilities of LG Shaker, as at 31 December 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.
- 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 twelve-month periods ended 31 December 2012 and the consolidated balance sheet includes the assets and liabilities of ISCL and IHSCL as at 31 December 2012.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY (A SAUDI JOINT STOCK COMPANY)
 NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 (continued)
 At 31 December 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 comprising more 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 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, 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 UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 (continued)

At 31 December 2012

4 DUE TO BANKS AND TERM LOANS

	2012 SR'000	2011 SR'000
(a) <i>Due to banks:</i>		
Overdraft	6,965	3,238
Short term loans (see notes (i) and (ii) below)	310,537	231,590
Notes payable	94,593	99,113
	<u>412,095</u>	<u>333,941</u>
(b) <i>Term loans:</i>		
Balance outstanding as at 31 December (see notes (ii) and (iii) below)	70,774	86,617
Unamortised portion of administration fees paid in advance (see note (iii) below)	(2,152)	(2,629)
	<u>68,622</u>	<u>83,988</u>
Balance of term loan as at 31 December	68,622	83,988
Long term portion of term loan	(42,511)	(50,357)
	<u>26,111</u>	<u>33,631</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 34.6 million, as at 31 December 2012, is included in the term loan balance of SR 70.77 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 Company.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY (A SAUDI JOINT STOCK COMPANY)
 NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 (continued)
 At 31 December 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 twelve-month period ended 31 December 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	1,413,185	324,726	1,737,911
Cost of sales	(986,575)	(233,607)	(1,220,182)
Gross profit	426,610	91,119	517,729
Un-allocated expenses and income:			
Selling and distribution			(171,323)
General and administration			(109,265)
Other income			4,806
Financial charges			(15,662)
Share of result of an associate			(110)
Zakat and income tax			(16,629)
Net income before non-controlling interests			209,546

	<i>For the twelve-month period ended 31 December 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	1,297,683	268,482	1,566,165
Cost of sales	(910,022)	(189,510)	(1,099,532)
Gross profit	387,661	78,972	466,633
Un-allocated expenses and income:			
Selling and distribution			(146,197)
General and administration			(105,906)
Other income			2,517
Financial charges			(11,452)
Share of result of an associate			(14)
Zakat and income tax			(13,139)
Net income before non-controlling interests			192,442

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 20 January 2013, corresponding to 8 Rabi Awal 1434H.