

Al Hassan Ghazi Ibrahim Shaker Company
(a Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three and six months ended
30 June 2017
Together with the review report

INDEX	PAGE
Independent Auditors' Report on Review of Interim Financial Statements	-
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Profit or Loss and OCI	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Condensed Consolidated Interim Financial Statements	5-25



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF
INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying 30 June 2017 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2017;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2017;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2017;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2017; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

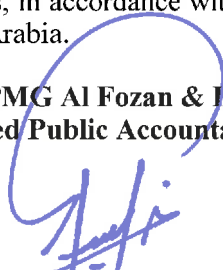
Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Group are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants


Khalil Ibrahim Al Sedais
License No: 371



Date: 1 Dhul Qa'dah 1438H
Corresponding to: 24 July 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Notes	30 June 2017 SR	31 December 2016 SR
ASSETS			
Property and equipment		250,425	256,325
Intangible assets and goodwill	4	14,650	13,155
Trade and other receivables	7	15,755	13,557
Equity accounted investees	5	598,930	577,558
Non-current assets		879,760	860,595
Inventories	6	743,790	685,344
Trade and other receivables	7	795,984	751,954
Prepayments and advances		38,173	33,926
Cash and cash equivalents		47,781	54,618
Current assets		1,625,728	1,525,842
Total assets		2,505,488	2,386,437
EQUITY			
Share capital	8	630,000	630,000
Statutory reserve	9	140,937	140,937
Retained earnings		237,273	273,257
Equity attributable to owners of the Company		1,008,210	1,044,194
Non-controlling interest		25,298	12,115
Total equity		1,033,508	1,056,309
LIABILITIES			
Loans and borrowings	10	32,031	37,882
Employee benefits	11	39,989	43,232
Non-current liabilities		72,020	81,114
Loans and borrowings	10	797,622	777,716
Trade and other payables		573,213	436,123
Zakat and foreign income tax liabilities		12,017	15,918
Provisions		17,108	19,257
Current liabilities		1,399,960	1,249,014
Total liabilities		1,471,980	1,330,128
Total equity and liabilities		2,505,488	2,386,437

The notes 1 to 17 form an integral part of these condensed consolidated interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OCI (UNAUDITED)

For the three and six months ended 30 June 2017

(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2017	2016	2017	2016
Revenue	13	337,623	533,757	629,941	928,827
Cost of sales		(263,375)	(398,356)	(488,608)	(694,767)
Gross profit		74,248	135,401	141,333	234,060
Other income		543	4,275	680	4,927
Selling and distribution expenses		(51,740)	(57,550)	(103,086)	(99,034)
Administrative expenses		(33,779)	(39,967)	(67,193)	(74,510)
Other expenses		(4,281)	(612)	(9,417)	(802)
Operating (loss) / profit		(15,009)	41,547	(37,683)	64,641
Finance costs		(8,736)	(7,146)	(16,283)	(15,046)
Share of profit of equity-accounted investees	5	5,414	13,621	21,372	27,260
(Loss) / profit before Zakat and foreign income tax		(18,331)	48,022	(32,594)	76,855
Zakat and foreign income tax expense		(2,508)	(1,740)	(4,038)	(3,641)
(Loss) / profit for the period		(20,839)	46,282	(36,632)	73,214
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Re-measurement of the defined benefit liability		-	-	-	-
Other comprehensive income for the period, net of zakat and foreign income tax		-	-	-	-
Total comprehensive (loss) / income for the period		(20,839)	46,282	(36,632)	73,214
(Loss) / profit attributable to:					
Owners of the Company		(21,094)	47,003	(35,984)	74,987
Non-controlling interests		255	(721)	(648)	(1,773)
		(20,839)	46,282	(36,632)	73,214
Total comprehensive (loss) / income attributable to:					
Owners of the Company		(21,094)	47,003	(35,984)	74,987
Non-controlling interests		255	(721)	(648)	(1,773)
		(20,839)	46,282	(36,632)	73,214
(Losses) / earnings per share:					
Basic and diluted (losses) / earnings per share (SAR)	12	(0.33)	0.75	(0.57)	1.19

The notes 1 to 17 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six months ended 30 June 2017
(In Thousands of Saudi Riyals, Unless Otherwise stated)

	<i>Attributable to the owners of the Company</i>					<i>Total</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total shareholders' equity</i>	<i>Non-controlling Interests</i>	
Balance at 1 January 2017	630,000	140,937	273,257	1,044,194	12,115	1,056,309
<i>Total comprehensive income for the period</i>						
Loss for the period	-	-	(35,984)	(35,984)	(648)	(36,632)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	630,000	140,937	237,273	1,008,210	11,467	1,019,677
Other movement in non – controlling interest (<i>note 1.7</i>)	-	-	-	-	13,831	13,831
Balance at 30 June 2017	630,000	140,937	237,273	1,008,210	25,298	1,033,508
Balance at 1 January 2016	630,000	136,185	275,790	1,041,975	15,624	1,057,599
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	74,987	74,987	(1,773)	73,214
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	630,000	136,185	350,777	1,116,962	13,851	1,130,813
Transferred to statutory reserves (<i>Note 9</i>)	-	7,506	(7,506)	-	-	-
Balance at 30 June 2016	630,000	143,691	343,271	1,116,962	13,851	1,130,813

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2017

(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Note	30 June 2017	30 June 2016
		SR	SR
Cash flows from operating activities:			
(Loss) / profit for the period		(36,632)	73,214
Adjustments for:			
Depreciation		7,814	8,126
Amortisation		206	206
Impairment losses on inventories	6	3,982	5,500
Impairment losses on receivables	7	7,784	802
Gain on sale of property and equipment		(594)	(334)
Share of profit of equity-accounted investees	5	(21,372)	(27,260)
Finance costs		16,283	15,046
Zakat and foreign income tax		4,038	3,641
		<u>(18,491)</u>	<u>78,941</u>
Change in:			
Inventories		(62,428)	59,617
Trade and other receivables		(54,012)	(237,882)
Prepayments and advances		(4,247)	(14,785)
Trade and other payables		136,819	83,513
Provisions and employee benefits		(5,393)	(1,935)
		<u>(7,752)</u>	<u>(32,531)</u>
Cash generated from operating activities		(7,752)	(32,531)
Finance costs paid		(16,011)	(9,804)
Zakat paid		(7,939)	(6,878)
		<u>(31,702)</u>	<u>(49,213)</u>
Net cash used in operating activities			
Cash flows from investing activities:			
Acquisition of property and equipment		(1,917)	(12,179)
Proceeds from sale of property and equipment		597	334
Acquisition of intangible assets		(1,701)	--
		<u>(3,021)</u>	<u>(11,845)</u>
Net cash used in investing activities			
Cash flows from financing activities:			
Proceeds from loans and borrowings		1,441,851	1,277,405
Repayment of loans and borrowings		(1,430,202)	(1,239,485)
Other movement in non – controlling interests	1.7	13,831	-
		<u>25,480</u>	<u>37,920</u>
Net cash from financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January *		(9,243)	(23,138)
Effect of exchange rate fluctuations on cash held		51,803	85,270
		<u>-</u>	<u>-</u>
Cash and cash equivalents at 30 June*		<u><u>42,560</u></u>	<u><u>62,132</u></u>

* Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

The notes 1 to 17 form an integral part of these condensed consolidated interim financial statements.

1. REPORTING ENTITY

- 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 Dhul Qadah 26, 1418H (corresponding to March 25, 1998). The Company converted from a limited liability company to a closed joint stock company pursuant to the 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 the subscription period from 26 April 2010 (corresponding to Jumada Awal 11, 1431H) to 2 May 2010 (corresponding to Jumada Awal 17, 1431H). The Parent Company’s shares started trading in the Stock Exchange on 17 May 2010 (corresponding to Jumada 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 29 March 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 separate commercial registrations.
- 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

1. REPORTING ENTITY (CONTINUED)

- 1.6. These condensed consolidated interim financial statements include the financial position and performance of the Company and its branches as well as the following subsidiaries (collectively referred as the “Group”).

Direct and indirect subsidiaries

<u>Name</u>	<u>Principal field of activity</u>	<u>Country of incorporation</u>	<u>Effective ownership interest at 30 June</u>	
			<u>2017</u>	<u>2016</u>
Ibrahim Shaker Company Limited (“ISCL”)	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited (“IHSCCL”)	Import, export and marketing services	Saudi Arabia	100%	100%
ASDAA Gulf Trading Company (“ASDAA”)	Wholesale of electronic devices	Saudi Arabia	100%	100%
Energy Management Services Emirates LLC (“EMS”) (see below)	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 fully controlled through a subsidiary - EMS

<u>Name</u>	<u>Principal field of activity</u>	<u>Country of incorporation</u>	<u>Subsidiary ownership interest at 30 June</u>	
			<u>2017</u>	<u>2016</u>
<u>EMS</u> Energy Management Services International (“EMSI”)	Energy solution providers	Jordan	100%	100%
Jernain EMS Company LLC (“JECL”)	Energy solution providers	United Arab Emirates	100%	100%

- 1.7. During six months ended 30 June 2017, the shareholders of NVEEAC resolved to absorb its accumulated losses of SR 34.5 million by waiving of their balances receivable from NVEEAC. Other movement in non – controlling interest of SR 13.8 million represent absorption of such losses by the minority shareholders of NVEEAC.
- 1.8. These condensed consolidated interim financial statements were approved by the Board of Directors on 1 Dhul Qa’ dah 1438H (corresponding to 24 July 2017).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

The accompanying condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. Up to and including at year ended 31 December 2016, the Group prepared and presented statutory financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the requirements of the Saudi Arabian Regulation for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the financial statements. In these financial statements, the term "SOCPA GAAP" refers to SOCPA GAAP before the adoption of IFRS.

For financial periods commencing 1 January 2017, the applicable regulations require the Group to prepare and present financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Group has prepared these condensed consolidated interim financial statements.

As required by Capital Market Authority ("CMA") through its circular dated 16 October 2016 the Group needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

As these condensed consolidated interim financial statements prepared in accordance with IAS 34 Interim Financial Reporting are for part of a period covered by its first IFRS financial statements, IFRS 1 First Time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the previously reported equity as at 30 June 2016; and comprehensive income of the Group for the three and six months ended 30 June 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's financial statements for the year ended 31 December 2016 is provided in Note 17.

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group's SOCPA GAAP annual financial statements for the year ended 31 December 2016 and the Group's interim financial statements for the quarter ended 31 March 2017 prepared in accordance with IFRS applicable to the interim financial statements.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method. Further, the condensed consolidated interim financial statements are prepared using the accrual basis of accounting and going concern concept.

c) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyal ("SAR") which is the functional currency of the Parent Company, and all values are rounded to the nearest thousand except when otherwise indicated.

d) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the parent company and its subsidiaries as at 30 June 2017. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

d) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra- group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Significant accounting policies

The accounting policies followed in these interim financial statements are the same as those applied in the Group's interim financial statements for the period ended 31 March 2017. The Group has consistently applied the same accounting policies through out all periods presented, as if these policies had always been in effect.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements:

The preparation of condensed consolidated interim 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.

Judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the condensed consolidated interim financial statements is included in the following notes:

- Note 1.6 - consolidation: whether the Group has de facto control over an investee.

Estimation uncertainty and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of inventories (note 6)

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (continued):

Impairment of trade and other receivables (note 7)

An estimate of the collectible amount of trade accounts receivable and retentions is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Fair values of assets and liabilities, including intangibles

Considerable judgement by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

Impairment of non-financial assets (notes 4 & 5)

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Warranty

Provisions for warranty is recorded based on an estimate and the actual cost and timing of future cash flows are dependent on future events. The difference between expectation and the actual future liability is accounted for in the period when such determination is made.

Customer rebates

Accounting for the amount and timing of recognition of customer rebate require the exercise of judgement. The rebate relates to the customers for achieving agreed purchase or sales targets within a set period. Where rebate span different accounting periods, the amount recognised in each period is estimated based on the probability that the customers will meet contractual target volumes based on historical and forecast performance.

Employee benefits (note 11)

The cost of end of service benefit plans and the present value of end of service benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Fair value measurement of financial instruments (note 15)

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for specific countries. There are no publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates and the management outlook for the respective country.

4 INTANGIBLE ASSETS AND GOODWILL

	<i>30 June</i> 2017 SR	<i>31 December</i> 2016 SR
- Intangible asset		
Energy Management Services Emirates LLC (<i>Note 17</i>)	3,095	3,301
New Vision for Electronics and Electrical Appliances Company	1,701	--
- <i>Goodwill (Note 4.1)</i>		
ASDAA Gulf Trading Company (ASDAA)	9,854	9,854
	<u>14,650</u>	<u>13,155</u>

4.1 Effective 12 November 2014, HGISC acquired effectively 100% 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 recorded as goodwill. The goodwill has not been tested for impairment as there were no impairment indicators as at 30 June 2017.

5 EQUITY ACCOUNTED INVESTEEES

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

<i>Name of Company</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Effective interest at</i>	
			<i>30 June</i> 2017	<i>31 December</i> 2016
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%

Investments in equity accounted investees are as follows:

	<i>30 June</i> 2017 SR	<i>31 December</i> 2016 SR
LG Shaker (<i>Note 5.1</i>)	595,305	573,633
SEALCO	3,625	3,925
	<u>598,930</u>	<u>577,558</u>

Reconciliations for the equity accounted investees are as follows:

	<u><i>LG Shaker</i></u> SR	<u><i>SEALCO</i></u> SR	<u><i>Total</i></u> SR
At 1 January 2017	573,633	3,925	577,558
Share of profit / (loss) for the period	21,672	(300)	21,372
At 30 June 2017	<u>595,305</u>	<u>3,625</u>	<u>598,930</u>
	<u><i>LG Shaker</i></u> SR	<u><i>SEALCO</i></u> SR	<u><i>Total</i></u> SR
At 1 January 2016	551,134	4,325	555,459
Share of profit / (loss) for the year	22,499	(400)	22,099
At 31 December 2016	<u>573,633</u>	<u>3,925</u>	<u>577,558</u>

5 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

5.1 The following table summarises the financial information of a material associate - LG Shaker as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the associate.

LG Shaker is a mixed limited liability company registered in KSA under the commercial registration number 1010226606 Dated 4 Dhul Hijjah 1427 H (25 December 2006). The main activity of the Company is to manufacture various types of air conditioners.

<i>Balance as at:</i>	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Non-current assets	136,205	144,578
Current assets	528,133	480,814
Non-current liabilities	(5,247)	(4,989)
Current liabilities	(71,223)	(75,595)
Net assets	587,868	544,808
Group's share of net assets	283,321	261,649
Goodwill	311,984	311,984
Carrying amount of interest in associate	595,305	573,633
	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Revenue	309,580	531,002
Total comprehensive income	51,216	65,332
Group share of total comprehensive income	21,672	22,499

The recoverable amount of this equity-accounted investee was based on fair value less costs of disposal, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	<u>2016</u>
Discount rate	14%
Terminal value growth rate	2.20%
Budgeted EBITDA growth rate (average of next five years)	14%

The management of the Group has assessed in detail the carrying value of LG Shaker as at 31 December 2016. The detailed assumptions are considered to be the same as at 30 June 2017. Also as at 30 June 2017, there are no indications that the carrying value of this associate is impaired.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

(In Thousands of Saudi Riyals, Unless Otherwise stated)

6 INVENTORIES

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Finished goods	647,857	588,913
Spare parts	89,206	91,726
Goods in transit	19,777	13,773
	<u>756,840</u>	<u>694,412</u>
Impairment losses on inventories	(13,050)	(9,068)
	<u>743,790</u>	<u>685,344</u>

Reconciliation of the impairment losses on inventories is as follow:

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Balance at beginning of period / year	9,068	10,525
Charge for the period / year	3,982	5,712
Utilised during the period / year	-	(7,169)
Balance at end of period / year	<u>13,050</u>	<u>9,068</u>

- a) At 30 June 2017, the Group has outstanding bank guarantees of SR 44.3 million (31 December 2016: SR 65.8 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.
- b) At 30 June 2017, the Group has outstanding bank letter of credits of SR 62 million (31 December 2016: SR 29.2 million) issued against import of finished goods and other supplies.

7 TRADE AND OTHER RECEIVABLES

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Trade receivables	809,460	763,065
Other receivables:		
Advertisement claims from suppliers	27,365	20,567
Custom duty deposit	5,956	5,956
Amount due from related parties (note 16)	151	151
Non trade receivables	8,125	9,789
Impairment losses on receivables	(39,318)	(34,017)
	<u>811,739</u>	<u>765,511</u>
Non-current	15,755	13,557
Current	795,984	751,954
	<u>811,739</u>	<u>765,511</u>

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment losses on receivables is as follows:

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Balance at beginning of period / year	34,017	29,973
Charge for the period / year	7,784	4,114
Utilised during the period / year	(2,483)	(70)
Balance at end of period / year	<u>39,318</u>	<u>34,017</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. This is based on historical pattern behaviour and extensive analysis of customer's credit risk, including underlying customer's credit ratings if they are available. Accordingly, management believes that there is no further credit allowance required in excess of the provision for impairment of receivables.

8 SHARE CAPITAL

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Authorised share capital (shares of SR 10 each)	630,000	630,000
Issued and fully paid up capital (shares of SR 10 each)	<u>630,000</u>	<u>630,000</u>

At 30 June 2017, the authorized, issued and paid up share capital of the Company is SR 630 million consisting of 63 million shares of SR 10 each.

9 STATUTORY RESERVE

The new Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to 2 May 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 has completed legal formalities on 26 April 2017 with regard to the amendment of its Bylaws. This reserve is currently not available for distribution to the shareholders of the Company. Due to the loss making position for the six months ended 30 June 2017, no such transfer was required as at the current reporting date.

10 LOANS AND BORROWINGS

The Group has credit facility agreements with local and foreign commercial banks for long and short term loans and borrowings in Saudi Riyal, United Arab Emirates Dirham and Jordanian Dinar. Such facilities were obtained principally under Murabaha / Tawarruq arrangements. The utilised portion of the long term facilities are repayable on equal monthly instalments. The facility agreements are secured by promissory notes and corporate and personal guarantees from the shareholders of the Group. The facilities bear financial charges on prevailing market rates.

10 LOANS AND BORROWINGS (CONTINUED)

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

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
<i>Current:</i>		
Bank overdraft	5,221	2,815
Bank loans	784,194	774,901
Notes payable	8,207	-
	<u>797,622</u>	<u>777,716</u>
<i>Non-current:</i>		
Bank loans	32,031	37,882
	<u>32,031</u>	<u>37,882</u>

The following bank loans and notes payable are outstanding as at 30 June 2017:

	Currency	Nominal interest rate	Year of maturity	Face value SR	Carrying amount SR
Kingdom of Saudi Arabia	SAR	2.6%-4.16% per annum	2017-2019	707,500	681,250
	USD	2.7% -2.8% per annum	2017	56,265	56,265
United Arab Emirates	AED	1 month EIBOR + 4% per annum (minimum of 4.5%)	2018 - 2021	17,930	14,757
Jordan	JD	9.75% per annum	2017	15,869	3,322
	USD	LIBOR + 2.95% per annum	2017	93,750	60,631
					<u>816,225</u>
<u>Notes payable</u>					
Kingdom of Saudi Arabia	SAR	-	2017	8,207	8,207
					<u>824,432</u>

Reconciliation of bank loans and notes payable are as follows:

Balance as at 1 January 2017	812,783
<i>Proceeds</i>	
Kingdom of Saudi Arabia	1,409,480
United Arab Emirates	593
Jordan	31,778
	<u>1,441,851</u>
<i>Repayments</i>	
Kingdom of Saudi Arabia	(1,393,947)
United Arab Emirates	(1,399)
Jordan	(34,856)
	<u>(1,430,202)</u>
Balance as at 30 June 2017	<u>824,432</u>

11 EMPLOYEE BENEFITS

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Net defined benefit liability	39,989	43,232
	39,989	43,232

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the local Labor Law.

- In Kingdom of Saudi Arabia (KSA), the plan entitles an employee who completed over two but less than five years of service, to receive a payment equal to one-third of their final salary for each completed year of service. Similarly, an employee who completed over five but less than ten years of service, to receive a payment equal to two-third of their final salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their final salary for each completed year of service.
- In United Arab Emirates (UAE), the plan entitles a employee who completed over one year but less than three years of service, to receive a payment equal to one-third of their final salary for each completed year of service. Similarly, an employee who completed over three years but less than five years of service, to receive a payment equal to two-thirds of their final salary for each completed year of service. Further, an employee who completed over five years of service, to receive a payment equal to their final salary for each completed year of service.

Reconciliation in employees end of service benefits is as follow;

	<i>30 June 2017 SR</i>	<i>31 December 2016 SR</i>
Balance at beginning of period / year	43,232	44,696
<i>Included in Profit and Loss</i>		
Current service cost	2,271	10,345
Interest cost	802	1,788
	3,073	12,133
<i>Included in Other comprehensive income</i>		
Actuarial (gain) / loss	-	(652)
Benefit paid	(6,316)	(12,945)
Balance at end of period / year	39,989	43,232
Represented by:		
Net defined benefit liability for plans in:		
- Kingdom of Saudi Arabia	37,815	41,148
- United Arab Emirates	2,174	2,084
	39,989	43,232

11 EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

The following are the principal actuarial assumptions applied at 30 June 2017 and 31 December 2016:

	KSA	UAE
Discount rate	4.00% p.a	4.00% p.a
Salary increase	1.50% p.a	3.00% p.a
Average years of past service	6.5 years	7.65 years

Sensitivity analysis

Particulars	30 June 2017	
	PVDBO	% Change
EOSB liability	39,989	
+1% Discount rate	(2,480)	-6.20%
-1% Discount rate	2,767	6.92%
+1% Salary increase rate	2,807	7.02%
-1% Salary increase rate	(2,560)	-6.40%
+10% Withdrawals rate	415	1.04%
-10% Withdrawals rate	(656)	-1.64%
1 Year mortality age set back	13	0.03%
1 Year mortality age set forward	(13)	-0.03%

PVDBO: Present value of defined benefit obligations

12 BASIC AND DILUTED (LOSSES) / EARNINGS PER SHARE

Basic and diluted (losses) / earnings per share amounts are calculated by dividing the profit for the six months attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	<i>30 June 2017 SR</i>	<i>30 June 2016 SR</i>
(Loss) / profit attributable to ordinary shareholders	<u>(35,984)</u>	<u>74,987</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the period	<u>63,000</u>	<u>63,000</u>
Basic and diluted (losses) / earnings per share	<u>(0.57)</u>	<u>1.19</u>

13 OPERATING SEGMENTS

For management purposes, the Group is organized into three main business segments based on internal reporting provided to the chief operating decision maker:

Heating, ventilation and air-conditioning solutions (HVAC): Represents residential and commercial air conditioners including chillers and related services.

Home appliances: Represents televisions, washing machines, dryers, refrigerators, irons, gas cookers, and floor care.

All others segments represents energy solutions and mobiles.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on profit or loss and its measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

	<i>HVAC solutions SR</i>	<i>Home appliances SR</i>	<i>Total reportable segments SR</i>	<i>All other segments SR</i>	<i>Adjustments and eliminations SR</i>	<i>Total SR</i>
<i>As at 30 June 2017</i>						
Assets and liabilities:						
Segment assets	<u>2,010,688</u>	<u>578,158</u>	<u>2,588,846</u>	<u>34,463</u>	<u>(117,821)</u>	<u>2,505,488</u>
Segment liabilities	<u>1,310,457</u>	<u>242,400</u>	<u>1,552,857</u>	<u>36,944</u>	<u>(117,821)</u>	<u>1,471,980</u>
<i>For the six month ended 30 June 2017</i>						
Segment revenues	<u>421,993</u>	<u>199,962</u>	<u>621,955</u>	<u>7,986</u>	<u>-</u>	<u>629,941</u>
Segments profit / (loss) before zakat and foreign income tax	<u>(35,243)</u>	<u>2,734</u>	<u>(32,509)</u>	<u>(85)</u>	<u>-</u>	<u>(32,594)</u>

13 OPERATING SEGMENTS (CONTINUED)

	<i>HVAC solutions SR</i>	<i>Home appliances SR</i>	<i>Total reportable segments SR</i>	<i>All other segments SR</i>	<i>Adjustments and eliminations SR</i>	<i>Total SR</i>
<i>As at 31 December 2016</i>						
Assets and liabilities:						
Segment assets	1,939,238	539,513	2,478,751	30,187	(122,501)	2,386,437
Segment liabilities	1,178,266	240,152	1,418,418	34,211	(122,501)	1,330,128
<i>For the six months ended 30 June 2016</i>						
Segment revenues	662,222	257,962	920,184	8,643	-	928,827
Segments profit / (loss) before zakat and foreign income tax	59,491	18,814	78,305	(1,450)	-	76,855

More than 89% of the Group's revenue and 92% of the Group's total assets are based in Kingdom of Saudi Arabia.

14 SEASONALITY OF OPERATIONS

The group's HVAC solutions segments is subject to seasonal fluctuation as a result of weather conditions. In particular, the sale of air conditioners in key geographic areas are affected by winter weather conditions, which occur primarily during October to March. The group attempts to minimize the seasonal impact by managing inventories to meet demand during this period.

For the 12 months ended 30 June 2017, the HVAC solutions segment reported revenue of SR 914 million (for 12 months ended 30 June 2016: SR 1,221 million) and net loss of SR 61 million (net profit for 12 months ended 30 June 2016: SR 90 million).

15 FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy for financial instruments measured at fair values. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		Fair Value			Total
	Non-current assets	Current assets	Level 1	Level 2	Level 3	
30 June 2017						
<i>Financial assets not measured at fair value</i>						
Trade and other receivables	15,755	790,028	-	-	-	-
Cash and cash equivalents	--	47,781	-	-	-	-
Total	15,755	837,809	-	-	-	-

	Carrying amount		Fair Value			Total
	Non-current assets	Current assets	Level 1	Level 2	Level 3	
31 December 2016						
<i>Financial assets not measured at fair value</i>						
Trade and other receivables	13,557	745,998	-	-	-	-
Cash and cash equivalents	-	54,618	-	-	-	-
Total	13,557	800,616	-	-	-	-

	Carrying amount		Fair Value			Total
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 3	
30 June 2017						
<i>Financial liabilities not measured at fair value</i>						
Loans and borrowings	32,031	792,401	-	-	-	-
Trade and other payables	--	539,622	-	-	-	-
Bank overdrafts	--	5,221	-	-	-	-
Total	32,031	1,337,244	-	-	-	-

	Carrying amount		Fair Value			Total
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 3	
31 December 2016						
<i>Financial liabilities not measured at fair value</i>						
Loans and borrowings	37,882	774,901	-	-	-	-
Trade and other payables	-	420,942	-	-	-	-
Bank overdrafts	-	2,815	-	-	-	-
Total	37,882	1,198,658	-	-	-	-

16 RELATED PARTY TRANSACTIONS

Significant balances and transactions with related parties included in the condensed consolidated interim financial statements are as follows:

a) Due from related parties – under trade and other receivables:

<u>Name</u>	<u>Relationship</u>	<u>Nature of Transaction</u>	<u>Amount of Transaction</u>		<u>Closing Balance</u>	
			<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
SEALCO	Associate	Expense paid on behalf of company	--	--	151	151
					<u>151</u>	<u>151</u>

b) Due to related parties – under trade and other payables:

<u>Name</u>	<u>Relationship</u>	<u>Nature of Transaction</u>	<u>Amount of Transaction</u>		<u>Closing Balance</u>	
			<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
LG Shaker	Associate	Purchase of finished goods	303,784	373,576	372,755	244,857
LG Electronics (Levant)	Associate	Purchase of finished goods	44,470	35,073	10,428	2,819
Board of Directors	Key management	Remuneration and meeting attendance fee	1,661	768	967	2,028
Subsidiary shareholder – NVEEAC	Key management	Advances	13,831	1,058	6,475	20,358
Subsidiary shareholder – EMS	Key Management	Advances	77	220	898	821
					<u>391,523</u>	<u>270,883</u>

17 FIRST TIME ADOPTION OF IFRS

As stated in note 2, the Group's first condensed consolidated interim financial statements were prepared for the three month period ended 31 March 2017 in accordance with IFRSs. The accounting policies followed in these interim financial statements are the same as those applied in the Group's interim financial statements for the period ended 31 March 2017. The Group has consistently applied the same accounting policies through out all periods presented, as if these policies had always been in effect.

In preparing its opening IFRS statement of financial position as at 1 January 2016, the Group adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRSs affected the Group's financial position and financial performance were set out in the interim condensed financial statements for the three months period ended 31 March 2017.

Exemptions applied

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Group has applied the following exemptions:

17 FIRST TIME ADOPTION OF IFRS (CONTINUED)

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

- a) IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates that occurred before 1 January 2015. Use of this exemption means that the previous GAAP carrying amounts of assets and liabilities, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

However, the Group has applied IFRS 3 to its acquisitions of subsidiaries from 1 January 2015. As a result acquisition of one of the subsidiaries of the Group (EMS) has been amended to confirm to the requirements of IFRS. The adjustments made are reflected in the Group's reconciliation of statement of financial position as at 30 June 2016.

- b) The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- c) The Group has applied the transitional provisions in IFRIC 4 - "Determining whether an Arrangement Contains a Lease" and has assessed all arrangements based upon the conditions in place as at the date of transition to determine if they contain lease.
- d) The Group has applied the transitional provisions in IAS 23- "Borrowing Costs" and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated borrowing costs capitalised under SOCPA on qualifying assets prior to the date of transition to IFRS. No amount has been capitalised in the current period.
- e) The Group has elected to disclose the following amounts prospectively from the date of transition (IFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed): (i) the present value of the end of service obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on the plan liabilities and the plan assets.
- f) No items of property and equipment have been measured at fair value at the date of transition to IFRS.
- g) Cumulative currency translation differences for all foreign operations are deemed to be immaterial to the overall financial statements as at date of transition.

Estimates

The estimates at 30 June 2016 are consistent with those made for the same dates in accordance with previous GAAP (after adjustments to reflect any differences in accounting policies) apart from Post-employment benefits where application of previous GAAP did not require estimation.

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions as of 30 June 2016.

17 **FIRST TIME ADOPTION OF IFRS (CONTINUED)**

Reconciliation of Equity

	Not e	30 June 2016		
		Previous GAAP	Effect of transitio n to IFRS	IFRSs
Assets				
Property and equipment	17.3	262,714	(350)	262,364
Intangible assets and goodwill	17.1	25,699	(12,337)	13,362
Trade and other receivables		13,259	-	13,259
Equity-accounted investees		582,719	-	582,719
Non-current asset		884,391	(12,687)	871,704
Inventories		870,376	-	870,376
Trade and other receivables		756,049	-	756,049
Prepayments and advances		53,436	-	53,436
Cash and cash equivalents		62,174	-	62,174
Current asset		1,742,035	-	1,742,035
Total Assets		2,626,426	(12,687)	2,613,739
Equity				
Share capital		630,000	-	630,000
Statutory reserves		143,691	-	143,691
Retained earnings		353,319	(10,048)	343,271
Equity attributable to owners of the Company		1,127,010	(10,048)	1,116,962
Non-controlling interest	17.1 & 17.2	20,854	(7,003)	13,851
Total equity		1,147,864	(17,051)	1,130,813
Liabilities				
Loans and borrowings		47,853	-	47,853
Employee benefits	17.2	39,495	4,364	43,859
Total non-current liabilities		87,348	4,364	91,712
Loans and borrowings		720,030	-	720,030
Trade and other payables		630,862	-	630,862
Zakat and foreign income tax liabilities		14,349	-	14,349
Provisions		25,973	-	25,973
Total current liabilities		1,391,214	-	1,391,214
Total liabilities		1,478,562	4,364	1,482,926
Total equity and liabilities		2,626,426	(12,687)	2,613,739

17 FIRST TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of statement of profit and loss and other comprehensive income for three months ended 30 June 2016

	Note	Previous GAAP	Effect of transition to IFRS 30 June 2016	IFRS
Revenue		533,757	-	533,757
Cost of sale		(398,356)	-	(398,356)
Gross profit		135,401	-	135,401
Other income		4,275	-	4,275
Selling and distribution expenses	17.2	(57,260)	(290)	(57,550)
Administrative expenses	17.1, 17.2 & 17.3	(39,565)	(402)	(39,967)
Other expenses		(612)	-	(612)
Operating profit		42,239	(692)	41,547
Finance cost		(7,146)	-	(7,146)
Share of profit of equity – accounted investees		13,621	-	13,621
Profit before zakat and foreign income tax		48,714	(692)	48,022
Zakat and foreign income tax expense		(1,740)	-	(1,740)
Profit for the period		46,974	(692)	46,282
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of employee benefits		-	-	-
Other comprehensive income for the period, net of zakat and foreign income tax		-	-	-
Total comprehensive income for the period		46,974	(692)	46,282
Profit attributable to:				
Owners of the company		47,689		47,003
Non-controlling interests	17.2	(715)	(6)	(721)
		46,974		46,282
Total comprehensive income attributable to:				
Owners of the Company		47,689		47,003
Non-controlling interests	17.2	(715)	(6)	(721)
		46,974		46,282
Earnings per share:				
Basic and diluted earnings per share (SR)		0.76		0.75

17 FIRST TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of statement of profit and loss and other comprehensive income for six months ended 30 June 2016

	<i>Note</i>	<i>Previous GAAP</i>	<i>Effect of transition to IFRS 30 June 2016</i>	<i>IFRS</i>
Revenue		928,827	-	928,827
Cost of sale		(694,767)	-	(694,767)
Gross profit		<u>234,060</u>	-	234,060
Other income		4,927	-	4,927
Selling and distribution expenses	17.2	(99,397)	363	(99,034)
Administrative expenses	17.1, 17.2 & 17.3	(74,110)	(400)	(74,510)
Other expenses		(802)	-	(802)
Operating profit		<u>64,678</u>	(37)	64,641
Finance cost		(15,046)	-	(15,046)
Share of profit of equity – accounted investees		27,260	-	27,260
Profit before zakat and foreign income tax		<u>76,892</u>	(37)	76,855
Zakat and foreign income tax expense		(3,641)	-	(3,641)
Profit for the period		<u>73,251</u>	(37)	73,214
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of employee benefits		-	-	-
Other comprehensive income for the period, net of zakat and foreign income tax		-	-	-
Total comprehensive income for the period		<u>73,251</u>	(37)	73,214
Profit attributable to:				
Owners of the company		75,060		74,987
Non-controlling interests	17.2	(1,809)	36	(1,773)
		<u>73,251</u>		73,214
Total comprehensive income attributable to:				
Owners of the Company		75,060		74,987
Non-controlling interests	17.2	(1,809)	36	(1,773)
		<u>73,251</u>		73,214
Earnings per share:				
Basic and diluted earnings per share (SR)		<u>1.19</u>		1.19

17 FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Notes to the reconciliations

17.1 Intangible asset

As explained in note 17 a), the Group has applied IFRS to its acquisitions of subsidiaries from 1 January 2015. As a result, reversal of goodwill of SR 16 million, and recognition of intangible asset of SR 4 million were recorded under the acquisition accounting as per IFRS. The impact arising from the change is summarised as follows:

	<i>30 June</i>
	<i>2016</i>
	<i>SR</i>
Condensed consolidated statement of profit or loss	
Administrative expenses	(206)
	<u>(206)</u>
Condensed consolidated statement of financial position	
Goodwill	(15,845)
Intangible assets	3,508
Non-controlling interests	7,086
	<u>(5,251)</u>
Adjustments to retained earnings	<u>(5,251)</u>

17.2 Employee benefit

Under its previous GAAP, the employee's end of service of liability was calculated at the current value of the vested benefits to which the employees is entitled, should his service be terminated at the balance sheet date. Under IFRS the obligation is determined using the projected unit credit method, and actuarial valuations are obtained at each year end.

The impact arising from the change is summarised as follows:

	<i>30 June</i>
	<i>2016</i>
	<i>SR</i>
Condensed consolidated statement of profit or loss	
Selling and distribution expenses	363
Administrative expenses	156
	<u>519</u>
Condensed consolidated statement of financial position	
Employee benefits	(4,364)
Non-controlling interests	(83)
	<u>(4,447)</u>
Adjustments to retained earnings	<u>(4,447)</u>

17.3 Other adjustment resulting from conversion

Other adjustment relates to the componentization of certain property and equipment related items which has reduced the profits for six month months ended 30 June 2016 by SR 0.35 million, and profits for the year ended 31 December 2016 by SR 0.7 million.