

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

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 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 September 2013 and the related consolidated statement of income for the three-month and nine-month periods then ended, and the related consolidation statements of cash flows and changes in shareholders' equity for the nine-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

21 Dhul-Hijjah1434H
26 October 2013

Jeddah

13/50/STK



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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2013

	<i>Note</i>	<i>2013</i> <i>SR'000</i>	<i>2012</i> <i>SR'000</i>
ASSETS			
CURRENT ASSETS			
Bank balances and cash		40,598	78,472
Accounts receivable and prepayments		504,153	486,609
Inventories		755,022	630,400
TOTAL CURRENT ASSETS		1,299,773	1,195,481
NON-CURRENT ASSETS			
Investment in an associate	3	4,527	4,271
Property and equipment		296,895	300,767
Intangible asset		243	499
TOTAL NON-CURRENT ASSETS		301,665	305,537
TOTAL ASSETS		1,601,438	1,501,018
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Due to banks	4	494,980	379,465
Accounts payable and accruals		190,538	230,637
Zakat and income tax payable		14,596	13,168
Current portion of term loans	4	18,401	30,590
TOTAL CURRENT LIABILITIES		718,515	653,860
NON-CURRENT LIABILITIES			
Employees' end of service benefits		34,696	29,927
Term loans	4	29,533	47,262
TOTAL NON-CURRENT LIABILITIES		64,229	77,189
TOTAL LIABILITIES		782,744	731,049
SHAREHOLDERS' EQUITY			
Equity attributable to the shareholders of the parent company			
Share capital		350,000	350,000
Statutory reserve		66,333	47,569
Retained earnings		268,162	264,618
Total equity attributable to the shareholders of the parent company		684,495	662,187
Non-controlling interests		134,199	107,782
TOTAL SHAREHOLDERS' EQUITY		818,694	769,969
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,601,438	1,501,018

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 nine-month periods ended 30 September 2013

	Note	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Sales		394,138	455,979	1,421,628	1,422,719
Cost of sales		(280,755)	(317,832)	(970,837)	(985,632)
GROSS PROFIT		113,383	138,147	450,791	437,087
EXPENSES					
Selling and distribution		(43,713)	(41,020)	(146,367)	(128,051)
General and administration		(31,687)	(24,833)	(89,525)	(81,364)
		(75,400)	(65,853)	(235,892)	(209,415)
INCOME FROM MAIN OPERATIONS		37,983	72,294	214,899	227,672
Other income		719	(44)	1,356	4,252
Financial charges		(4,513)	(3,959)	(14,091)	(11,468)
Share of results of an associate	3	357	77	(144)	(510)
INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS		34,546	68,368	202,020	219,946
Zakat and income tax		(2,130)	(4,941)	(16,404)	(15,687)
NET INCOME BEFORE NON-CONTROLLING INTERESTS		32,416	63,427	185,616	204,259
Income attributable to non-controlling interests		(1,072)	(5,017)	(29,550)	(22,861)
NET INCOME FOR THE PERIOD		31,344	58,410	156,066	181,398
EARNINGS PER SHARE					
Weighted average number of ordinary shares outstanding		35,000	35,000	35,000	35,000
Earnings per share on income from main operations (in SR per share)	5	1.09	2.06	6.14	6.50
Earnings per share on net income for the period (in SR per share)	5	0.90	1.67	4.46	5.18

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 nine-month period ended 30 September 2013

	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES		
Income before zakat and income tax and non-controlling interests	202,020	219,946
Adjustments for:		
Depreciation	21,989	22,021
Amortisation of intangible assets	189	295
Amortisation of administrative fee	356	357
Share of results of an associate	144	510
Provision for employees' end of service benefits	4,809	5,721
Financial charges	14,091	11,468
Gain on disposal of property and equipment	(987)	(334)
	<u>242,611</u>	<u>259,984</u>
Changes in operating assets and liabilities:		
Receivables	(156,668)	(217,728)
Inventories	(125,419)	(44,807)
Payables	(8,291)	38,615
	<u>(47,767)</u>	<u>36,064</u>
Cash (used in)/ from operations	(47,767)	36,064
Financial charges paid	(14,091)	(11,468)
Zakat and income tax paid	(15,172)	(13,021)
Employees' end of service benefits paid	(1,465)	(1,523)
	<u>(78,495)</u>	<u>10,052</u>
Net cash (used in)/ from operating activities	(78,495)	10,052
INVESTING ACTIVITIES		
Purchase of property and equipment	(19,232)	(32,868)
Proceeds from disposal of property and equipment	1,165	812
Purchase of intangible asset	(32)	-
	<u>(18,099)</u>	<u>(32,056)</u>
Net cash used in investing activities	(18,099)	(32,056)
FINANCING ACTIVITIES		
Proceeds from term loans	-	24,124
Repayment of term loans	(21,044)	(30,617)
Net movement in amounts due to banks	82,885	45,524
	<u>61,841</u>	<u>39,031</u>
Net cash from financing activities	61,841	39,031
(DECREASE)/ INCREASE IN BANK BALANCES AND CASH	(34,753)	17,027
Bank balances and cash at the beginning of the period	75,351	61,445
BANK BALANCES AND CASH AT THE END OF THE PERIOD	<u>40,598</u>	<u>78,472</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 CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended 30 September 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 September 2013	-	-	156,066	156,066
Balance at 30 September 2013 (unaudited)	<u>350,000</u>	<u>66,333</u>	<u>268,162</u>	<u>684,495</u>
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 September 2012	-	-	181,398	181,398
Balance at 30 September 2012 (unaudited)	<u>350,000</u>	<u>47,569</u>	<u>264,618</u>	<u>662,187</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)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 30 September 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.

As decided by the shareholders of the Parent Company, the Parent Company offered 30% of share capital to public, during subscription period from 26 April 2010 (corresponding to 11 Jumad Awal 1431H) to 2 May 2010 (corresponding to 17 Jumad Awal 1431H). The Parent Company started trading in the stock exchange on 17 May 2010 (corresponding to 3 Jumad Thani 1431 H). Accordingly, after successful completion of the IPO (Initial Public Offering Process) the Parent Company was declared a Saudi Joint Stock Company with a share capital of SR 350 million (divided into 35 million shares of SR 10 each).

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 the annual financial statements.

2.2 BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA").

The interim consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

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

The interim consolidated financial statements are expressed in Saudi Riyals, being the functional currency of the Parent Company and have been rounded off to the nearest thousand, unless otherwise specified.

The results presented in the interim consolidated financial statements may not be an accurate indicator of the annual financial results.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 30 September 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 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 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 nine-month periods ended 30 September 2013 and the consolidated balance sheet includes the assets and liabilities of New Vision, as at 30 September 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 nine-month periods ended 30 September 2013, and the consolidated balance sheet includes the assets and liabilities of LG Shaker, as at 30 September 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 nine-month periods ended 30 September 2013 and the consolidated balance sheet includes the assets and liabilities of ISCL and IHSCL as at 30 September 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 on consolidation.

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 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 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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 30 September 2013

4 DUE TO BANKS AND TERM LOANS

	2013 SR'000	2012 SR'000
(a) <i>Due to banks:</i>		
Overdraft	2,665	6,183
Short term loans (see notes (i) and (ii) below)	426,332	230,874
Notes payable	65,983	142,408
	<u>494,980</u>	<u>379,465</u>
(b) <i>Term loans:</i>		
Balance outstanding as at 30 September (see notes (ii) and (iii) below)	49,730	80,125
Unamortised portion of administration fees paid in advance (see note (iii) below)	(1,796)	(2,273)
	<u>47,934</u>	<u>77,852</u>
Balance of term loan as at 30 September	47,934	77,852
Less: Long term portion of term loans	(29,533)	(47,262)
	<u>18,401</u>	<u>30,590</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 30 September 2013, is included in the term loan balance of SR 49.73 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 EARNINGS PER SHARE

Earnings 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.

Earnings 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) (continued)

At 30 September 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 nine-month period ended 30 September 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	1,154,207	267,421	1,421,628
Cost of sales	(780,219)	(190,618)	(970,837)
Gross profit	373,988	76,803	450,791
Un-allocated expenses and income:			
Selling and distribution			(146,367)
General and administration			(89,525)
Other income			1,356
Financial charges			(14,091)
Share of result of an associate			(144)
Zakat and income tax			(16,404)
Net income before non-controlling interests			185,616

	<i>For the nine-month period ended 30 September 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	1,165,498	257,221	1,422,719
Cost of sales	(800,625)	(185,007)	(985,632)
Gross profit	364,873	72,214	437,087
Un-allocated expenses and income:			
Selling and distribution			(128,051)
General and administration			(81,364)
Other income			4,252
Financial charges			(11,468)
Share of result of an associate			(510)
Zakat and income tax			(15,687)
Net income before non-controlling interests			204,259

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

7 BOARD OF DIRECTORS' APPROVAL

These unaudited interim consolidated financial statements have been approved by the Board of Directors on 26 October 2013, corresponding to 21 Dhul-Hijjah 1434H.