

**Al Hassan Ghazi Ibrahim Shaker Company**  
(a Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED INTERIM**  
**FINANCIAL STATEMENTS**  
**For the three months ended**  
**31 March 2018**  
together with  
**Independent Auditors' Review Report**

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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)**  
**Kingdom of Saudi Arabia**

## Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2018;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2018;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2018;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2018; 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.

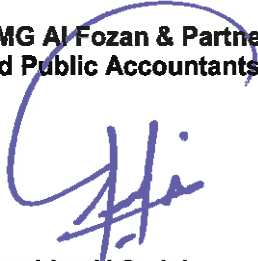
## Scope of review

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 31 March 2018 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** and its subsidiaries 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



Riyadh on: 21 Sha'aban 1439H  
Corresponding to: 7 May 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2018

(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	31 March 2018 (Unaudited) SR	31 December 2017 (Audited) SR
<b>ASSETS</b>			
Property and equipment		243,145	245,668
Intangible assets and goodwill	4	14,209	14,356
Trade and other receivables	7	13,893	11,739
Equity accounted investees	5	546,679	547,007
<b>Non-current assets</b>		<b>817,926</b>	<b>818,770</b>
Inventories	6	586,080	625,161
Trade and other receivables	7	583,017	552,623
Prepayments and advances		27,384	26,654
Cash and cash equivalents		49,616	62,627
<b>Current assets</b>		<b>1,246,097</b>	<b>1,267,065</b>
<b>Total assets</b>		<b>2,064,023</b>	<b>2,085,835</b>
<b>EQUITY</b>			
Share capital	8	630,000	630,000
Statutory reserve	9	140,937	140,937
Retained earnings		82,908	103,462
<b>Equity attributable to owners of the Company</b>		<b>853,845</b>	<b>874,399</b>
Non-controlling interest		29,945	20,240
<b>Total equity</b>		<b>883,790</b>	<b>894,639</b>
<b>LIABILITIES</b>			
Loans and borrowings	10	63,186	75,447
Employee benefits	11	31,950	32,454
<b>Non-current liabilities</b>		<b>95,136</b>	<b>107,901</b>
Loans and borrowings	10	704,065	713,655
Trade and other payables		351,686	339,230
Zakat and foreign income tax liabilities		17,589	15,621
Provisions		11,757	14,789
<b>Current liabilities</b>		<b>1,085,097</b>	<b>1,083,295</b>
<b>Total liabilities</b>		<b>1,180,233</b>	<b>1,191,196</b>
<b>Total equity and liabilities</b>		<b>2,064,023</b>	<b>2,085,835</b>

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 months ended 31 March 2018

(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	31 March 2018 SR	31 March 2017 SR
Revenue	12	214,870	288,296
Cost of sales		(162,101)	(229,490)
<b>Gross profit</b>		<b>52,769</b>	<b>58,806</b>
Other income		-	137
Selling and distribution expenses		(33,046)	(38,030)
Administrative expenses		(26,318)	(38,451)
Impairment loss on trade and other receivables		(172)	(5,136)
Other expenses		(107)	-
<b>Operating loss</b>		<b>(6,874)</b>	<b>(22,674)</b>
Finance costs		(8,153)	(7,547)
Share of (loss) / profit of equity-accounted investees	5	(329)	15,958
<b>Loss before Zakat and foreign income tax</b>		<b>(15,356)</b>	<b>(14,263)</b>
Zakat and foreign income tax expense		(1,968)	(1,530)
<b>Loss for the period</b>		<b>(17,324)</b>	<b>(15,793)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement of the defined benefit liability		-	-
<b>Other comprehensive income for the period, net of zakat and foreign income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(17,324)</b>	<b>(15,793)</b>
<b>(Loss) / profit attributable to:</b>			
Owners of the Company		(20,554)	(14,890)
Non-controlling interests		3,230	(903)
		<b>(17,324)</b>	<b>(15,793)</b>
<b>Total comprehensive (loss) / income attributable to:</b>			
Owners of the Company		(20,554)	(14,890)
Non-controlling interests		3,230	(903)
		<b>(17,324)</b>	<b>(15,793)</b>
<b>Losses per share:</b>			
Basic and diluted losses per share (SAR)	13	(0.33)	(0.24)

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 CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2018

(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 interest</i>	
<b>Balance at 1 January 2018</b>	<b>630,000</b>	<b>140,937</b>	<b>103,462</b>	<b>874,399</b>	<b>20,240</b>	<b>894,639</b>
<i>Total comprehensive income for the period</i>						
Loss for the period	-	-	(20,554)	(20,554)	3,230	(17,324)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>630,000</b>	<b>140,937</b>	<b>82,908</b>	<b>853,845</b>	<b>23,470</b>	<b>877,315</b>
Other movement in non – controlling interest (note 1.7)	-	-	-	-	6,475	6,475
<b>Balance at 31 March 2018</b>	<b>630,000</b>	<b>140,937</b>	<b>82,908</b>	<b>853,845</b>	<b>29,945</b>	<b>883,790</b>
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	-	-	(14,890)	(14,890)	(903)	(15,793)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>630,000</b>	<b>140,937</b>	<b>258,367</b>	<b>1,029,304</b>	<b>11,212</b>	<b>1,040,516</b>
Other movement in non – controlling interest (note 1.7)	-	-	-	-	13,831	13,831
<b>Balance at 31 March 2017</b>	<b>630,000</b>	<b>140,937</b>	<b>258,367</b>	<b>1,029,304</b>	<b>25,043</b>	<b>1,054,347</b>

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 CASH FLOWS (UNAUDITED)

For the three months ended 31 March 2018

(In Thousands of Saudi Riyals, Unless otherwise stated)

	31 March 2018	31 March 2017
Note	SR	SR
<b>Cash flows from operating activities:</b>		
Loss for the period	(17,324)	(15,793)
Adjustments for:		
Depreciation	3,105	3,894
Amortisation	103	103
Impairment losses on inventories	6 93	2,590
Impairment losses on receivables	7 172	5,136
Gain on sale of property and equipment	-	(30)
Share of loss / (profit) of equity-accounted investees	329	(15,958)
Finance costs	8,153	7,547
Zakat and foreign income tax	1,968	1,530
	<u>(3,401)</u>	<u>(10,981)</u>
Change in:		
Inventories	38,988	(62,565)
Trade and other receivables	(32,720)	(10,428)
Prepayments and advances	(730)	(4,874)
Trade and other payables	7,053	44,451
Provisions	(3,032)	(1,581)
Employee benefits	(504)	(1,662)
	<u>5,654</u>	<u>(47,640)</u>
Cash generated from / (used in) operating activities	(2,750)	(8,018)
Finance costs paid	<u>2,904</u>	<u>(55,658)</u>
<b>Net cash generated from / (used in) operating activities</b>		
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(539)	(795)
Proceeds from sale of property and equipment	-	39
	<u>(539)</u>	<u>(756)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities:</b>		
Proceeds from loans and borrowings	438,374	879,032
Repayment of loans and borrowings	(460,418)	(860,868)
Other movement in non – controlling interests	1.7 6,475	13,831
	<u>(15,569)</u>	<u>31,995</u>
<b>Net cash (used in) / generated from financing activities</b>		
<b>Net decrease in cash and cash equivalents</b>	(13,204)	(24,419)
Cash and cash equivalents at 1 January *	55,370	51,803
Effect of exchange rate fluctuations on cash held	-	-
	<u>42,166</u>	<u>27,384</u>
<b>Cash and cash equivalents at 31 March*</b>		

\* 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 26 Dhul Qadah 1418H (corresponding to 25 March 1998). The Company converted from a limited liability company to a closed joint stock company pursuant to the Ministerial Resolution No. 275 on 17 Shabaan 1429H (corresponding to 18 August 2008).
- 1.2. The Parent Company offered 10.5 million shares to the public, during the subscription period from 26 April 2010 (corresponding to 11 Jumada Awal 1431H) to 2 May 2010 (corresponding to 17 Jumada Awal 1431H). The Parent Company’s shares started trading in the Stock Exchange on 17 May 2010 (corresponding to 3 Jumada Thani 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**

<b><u>Name</u></b>	<b><u>Principal field of activity</u></b>	<b><u>Country of incorporation</u></b>	<b><u>Effective ownership interest at 31 March</u></b>	
			<b><u>2018</u></b>	<b><u>2017</u></b>
Ibrahim Shaker Company Limited (“ISCL”)	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited (“IHSCL”)	Import, export and marketing services	Saudi Arabia	100%	100%
ASDAA Gulf Trading Company (“ASDAA”)	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**

<b><u>Name</u></b>	<b><u>Principal field of activity</u></b>	<b><u>Country of incorporation</u></b>	<b><u>Subsidiary ownership interest at 31 March</u></b>	
			<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>EMS</u></b>				
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 three months ended 31 March 2018, the shareholders of NVEEAC resolved to absorb its accumulated losses of SR 16.19 million (31 March 2017: SR 34.5 million) by waiving of their balances receivable from NVEEAC. Other movement in non – controlling interest of SR 6.47 million (31 March 2017: SR13.8 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 21 Sha’aban 1439H (corresponding to 7 May 2018).

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

#### a) Statement of compliance

These 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 issued by Saudi Organization for Certified Public Accountants - SOCPA ("IFRSs"). These interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements where IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies is described in note 2.2.

#### 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 ("SR") 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 31 March 2018. 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

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.

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

### 2.1 Basis of preparation (continued)

#### d) Basis of consolidation (continued)

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 applied in these condensed consolidated interim financial statements are in accordance with the International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA which are consistent with those that were applied in the Group's annual consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Certain comparative amounts have been re-classified to confirm with the current period presentation.

#### A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Revenue of the Group.

The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated.

IFRS 15 did not have a significant impact on the Group's accounting policies.

#### B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*

The details of new significant accounting policies are set out below.

##### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

### 2.2 Significant accounting policies (continued)

#### B. IFRS 9 Financial Instruments (continued)

##### i. Classification and measurement of financial assets and financial liabilities (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in condensed consolidated interim statement of profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in condensed consolidated interim statement of profit or loss. Any gain or loss on derecognition is recognized in condensed consolidated interim statement of profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in condensed consolidated interim statement of profit or loss. Other net gains and losses are recognized in condensed consolidated interim statement of other comprehensive income. On derecognition, gains and losses accumulated in condensed consolidated interim statement of other comprehensive income are reclassified to condensed consolidated interim statement of profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in condensed consolidated interim statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in condensed consolidated interim statement of other comprehensive income and are never reclassified to condensed consolidated interim statement of profit or loss.

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

### 2.2 Significant accounting policies (continued)

#### B. IFRS 9 Financial Instruments (continued)

##### ii. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Group recognizes an impairment loss or reversals in the condensed consolidated interim statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in condensed consolidated interim statement of comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the condensed consolidated interim statement of financial position.

##### iii. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (i) the Group has transferred substantially all the risks and rewards of the asset, or
  - (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

### 2.2 Significant accounting policies (continued)

#### B. IFRS 9 Financial Instruments (continued)

##### iv. Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognized in retained earnings as at 1 January 2018 as amount was not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

IFRS 9 did not have a significant impact on the Group's accounting policies.

## 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017, except for new significant judgments and key source of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 2.

### 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.

#### *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.

### 3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### Estimation uncertainty and assumptions: (continued)

##### *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.

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>31 March 2018 (Unaudited) SR</i>	<i>31 December 2017 (Audited) SR</i>
- Intangible assets		
Energy Management Services Emirates LLC	2,785	2,889
New Vision for Electronics and Electrical Appliances Company	1,570	1,613
- Goodwill (Note 4.1)		
ASDAA Gulf Trading Company (ASDAA)	9,854	9,854
	<u>14,209</u>	<u>14,356</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. Further to the impairment test carried out at 31 December 2017 the goodwill has not been tested for impairment as there were no new impairment indicators as at 31 March 2018.



## 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>31 March 2018</i>	<i>31 December 2017</i>
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>31 March 2018 (Unaudited) SR</i>	<i>31 December 2017 (Audited) SR</i>
LG Shaker ( <i>Note 5.1</i> )	543,504	543,682
SEALCO	3,175	3,325
	<u>546,679</u>	<u>547,007</u>

Reconciliations for the equity accounted investees are as follows:

	<i>LG Shaker SR</i>	<i>SEALCO SR</i>	<i>Total SR</i>
<b>At 1 January 2018</b>	<b>543,682</b>	<b>3,325</b>	<b>547,007</b>
<b>Share of loss for the period</b>	<b>(178)</b>	<b>(150)</b>	<b>(328)</b>
<b>At 31 March 2018</b>	<b>543,504</b>	<b>3,175</b>	<b>546,679</b>
	<u>543,504</u>	<u>3,175</u>	<u>546,679</u>
	<i>LG Shaker SR</i>	<i>SEALCO SR</i>	<i>Total SR</i>
At 1 January 2017	573,633	3,925	577,558
Share of profit / (loss) for the year	19,049	(600)	18,449
Dividend	(49,000)	-	(49,000)
At 31 December 2017	543,682	3,325	547,007
	<u>543,682</u>	<u>3,325</u>	<u>547,007</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.

**Balance as at:**

	<b>31 March 2018 (Unaudited) SR</b>	<b>31 December 2017 (Audited) SR</b>
Non-current assets	123,775	127,807
Current assets	419,187	382,457
Non-current liabilities	(5,498)	(5,259)
Current liabilities	(69,742)	(38,118)
<b>Net assets</b>	<b>467,722</b>	<b>466,887</b>
Group's share of net assets	231,520	231,698
Goodwill	311,984	311,984
<b>Carrying amount of interest in associate</b>	<b>543,504</b>	<b>543,682</b>

	<b>31 March 2018 (Unaudited) SR</b>	<b>31 December 2017 (Audited) SR</b>
Revenue	51,222	380,540
Total comprehensive income before Zakat & Tax	834	31,163
Group share of total comprehensive (loss) / income after Zakat	(178)	19,049

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.

	<b>2017</b>
Discount rate	13.22%
Terminal value growth rate	3.00%
Budgeted EBITDA growth rate (average of next five years)	12.00%

The management of the Group has assessed in detail the carrying value of LG Shaker as at 31 December 2017. The detailed assumptions are considered to be the same as at 31 March 2018. Also as at 31 March 2018, there are no new indications that the carrying value of this associate is impaired.

## 6 INVENTORIES

	<i>31 March 2018 (Unaudited) SR</i>	<i>31 December 2017 (Audited) SR</i>
Finished goods	515,020	564,453
Spare parts	86,838	86,500
Goods in transit	22,168	12,061
	<u>624,026</u>	<u>663,014</u>
Impairment losses on inventories	(37,946)	(37,853)
	<u>586,080</u>	<u>625,161</u>

Reconciliation of the impairment losses on inventories is as follow:

	<i>31 March 2018 (Unaudited) SR</i>	<i>31 December 2017 (Audited) SR</i>
Balance at beginning of period / year	37,853	9,068
Charge for the period / year	93	28,785
Balance at end of period / year	<u>37,946</u>	<u>37,853</u>

- a) At 31 March 2018, the Group has outstanding bank guarantees of SR 72.3 million (31 December 2017: SR 72.6 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.
- b) At 31 March 2018, the Group has outstanding bank letter of credits of SR 41 million (31 December 2017: SR 32.8 million) issued against import of finished goods and other supplies.

## 7 TRADE AND OTHER RECEIVABLES

	<i>31 March 2018 (Unaudited) SR</i>	<i>31 December 2017 (Audited) SR</i>
Trade receivables	633,924	608,899
Other receivables:		
Advertisement claims from suppliers	12,206	5,220
Custom duty deposit	5,956	5,956
Amount due from related parties (note 17)	268	151
Non trade receivables	6,457	5,865
Impairment losses on receivables	(61,901)	(61,729)
	<u>596,910</u>	<u>564,362</u>
Non-current	13,893	11,739
Current	583,017	552,623
	<u>596,910</u>	<u>564,362</u>

## 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment losses on receivables is as follow:

	<b>31 March 2018 (Unaudited) SR</b>	<b>31 December 2017 (Audited) SR</b>
Balance at beginning of period / year	61,729	34,017
Charge for the period / year	172	39,913
Utilised during the period / year	-	(12,201)
Balance at end of period / year	<u>61,901</u>	<u>61,729</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

	<b>31 March 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Authorised share capital (shares of SR 10 each)	<u>630,000</u>	<u>630,000</u>
Issued and fully paid up capital (shares of SR 10 each)	<u>630,000</u>	<u>630,000</u>

At 31 March 2018, 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. During 2017, the Company completed legal formalities 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 three months ended 31 March 2018, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2018

(In Thousands of Saudi Riyals, Unless Otherwise stated)

**10 LOANS AND BORROWINGS (CONTINUED)**

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

	<b>31 March 2018 (Unaudited) SR</b>	<b>31 December 2017 (Audited) SR</b>
<b>Current:</b>		
Bank overdraft		
Bank loans	7,450	7,257
	<b>696,615</b>	<b>706,398</b>
	<b>704,065</b>	<b>713,655</b>
<b>Non-current:</b>		
Bank loans	63,186	75,447
	<b>63,186</b>	<b>75,447</b>

The following bank loans are outstanding as at 31 March 2018:

	Currency	Nominal interest rate	Year of maturity	Face value SR	Carrying amount SR
Kingdom of Saudi Arabia	SAR	2.6%- 4.16% per annum	2017-2020	632,228	<b>583,418</b>
	USD	2.7% - 2.8% per annum	2018	91,337	<b>91,337</b>
United Arab Emirates	AED	1 month EIBOR + 4% per annum (minimum of 4.5%)	2018 - 2021	22,373	<b>12,621</b>
Jordan	JD	9.75% per annum	2018	15,869	<b>333</b>
	USD	LIBOR + 2.95% per annum	2018	93,750	<b>72,092</b>
					<b>759,801</b>

Reconciliation of bank loans are as follows:

Balance as at 1 January 2018 **781,845**

**Proceeds**

Kingdom of Saudi Arabia	431,146
United Arab Emirates	-
Jordan	7,228
	<b>438,374</b>

**Repayments**

Kingdom of Saudi Arabia	(445,888)
United Arab Emirates	(538)
Jordan	(13,992)
	<b>(460,418)</b>

Balance as at 31 March 2018 **759,801**

**11 EMPLOYEE BENEFITS**

	<i>31 March 2018 (Unaudited) SR</i>	<i>31 December 2017 (Audited) SR</i>
Net defined benefit liability	<u>31,950</u>	<u>32,454</u>
	<u><u>31,950</u></u>	<u><u>32,454</u></u>

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 last month 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 last month salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their last month 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 last month 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 last month salary for each completed year of service. Further, an employee who completed over five years of service, to receive a payment equal to their last month salary for each completed year of service.

Reconciliation in employees end of service benefits is as follow;

	<i>31 March 2018 SR</i>	<i>31 December 2017 SR</i>
<b>Balance at beginning of period / year</b>	<b>32,454</b>	<b>43,232</b>
<b><i>Included in Profit and Loss</i></b>		
Current service cost	1,062	5,003
Interest cost	287	1,170
	1,349	6,173
<b><i>Included in Other comprehensive income</i></b>		
Actuarial (gain) / loss	-	(1,244)
Benefit paid	(1,853)	(15,707)
<b>Balance at end of period / year</b>	<u><u>31,950</u></u>	<u><u>32,454</u></u>
<b>Represented by:</b>		
Net defined benefit liability for plans in:		
- Kingdom of Saudi Arabia	29,592	30,143
- United Arab Emirates	2,358	2,311
	<u><u>31,950</u></u>	<u><u>32,454</u></u>

## 11 EMPLOYEE BENEFITS (CONTINUED)

### Actuarial assumptions

The following are the principal actuarial assumptions applied at 31 March 2018 and 31 December 2017:

	KSA	UAE
Discount rate	3.65% p.a	3.5% p.a
Salary increase	2% p.a	3% p.a
Average years of past service	5.24 years	9.69 years

### Sensitivity analysis

Particulars	31 March 2018		31 December 2017	
	PVDBO	% Change	PVDBO	% Change
EOSB liability	31,950		32,454	
+1% Discount rate	(1,566)	-4.90%	(1,581)	-4.87%
-1% Discount rate	1,737	5.4%	1,754	5.40%
+1% Salary increase rate	1,898	5.9%	1,917	5.91%
-1% Salary increase rate	(1,738)	-5.5%	(1,755)	-5.41%
+10% Withdrawals rate	12	0.00%	(14)	-0.04%
-10% Withdrawals rate	(3)	0.00%	4	0.01%
1 Year mortality age set back	1	0.00%	(1)	0.00%
1 Year mortality age set forward	(1)	0.00%	1	0.00%

PVDBO: Present value of defined benefit obligations

## 12 REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers for sale of products and services provided. Control of product is transferred at a point in time and directly sold to customers and when services are rendered.

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in Note 2.

31 March 2018	HVAC	Home	All other	Total
	solutions	appliances	segments	
	SR	SR	SR	SR
Saudi Arabia	111,182	57,715	-	168,897
Jordan	2,304	23,579	1,219	27,102
UAE	-	-	18,871	18,871
<b>Total</b>	<b>113,486</b>	<b>81,294</b>	<b>20,090</b>	<b>214,870</b>

31 March 2017	HVAC	Home	All other	Total
	solutions	appliances	segments	
	SR	SR	SR	SR
Saudi Arabia	189,921	66,554	-	256,475
Jordan	3,152	25,940	1,200	30,292
UAE	-	-	1,529	1,529
<b>Total</b>	<b>193,073</b>	<b>92,494</b>	<b>2,729</b>	<b>288,296</b>

### 13 BASIC AND DILUTED (LOSSES) / EARNINGS PER SHARE

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

	<i>31 March 2018 SR</i>	<i>31 March 2017 SR</i>
(Loss) attributable to ordinary shareholders	<u>(20,554)</u>	<u>(14,890)</u>
Weighted average number of ordinary shares outstanding during the period	<u>Shares 63,000</u>	<u>Shares 63,000</u>
Basic and diluted (losses) / earnings per share	<u>(0.33)</u>	<u>(0.24)</u>

### 14 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 of 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 31 March 2018</i>						
<b>Assets and liabilities:</b>						
Segment assets	<u>1,934,993</u>	<u>529,632</u>	<u>2,464,625</u>	<u>59,546</u>	<u>(460,148)</u>	<u>2,064,023</u>
Segment liabilities	<u>(1,048,591)</u>	<u>(215,985)</u>	<u>(1,264,576)</u>	<u>(35,254)</u>	<u>119,597</u>	<u>(1,180,233)</u>
<i>For the three month ended 31 March 2018</i>						
Segment revenues	<u>113,486</u>	<u>81,294</u>	<u>194,780</u>	<u>20,090</u>	<u>-</u>	<u>214,870</u>
Segments profit / (loss) before zakat and foreign income tax	<u>(20,184)</u>	<u>(5,011)</u>	<u>(25,195)</u>	<u>16,272</u>	<u>(6,433)</u>	<u>(15,356)</u>



**14 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 2017</i>						
Assets and liabilities:						
Segment assets	1,626,310	506,403	2,132,713	49,087	(95,965)	2,085,835
Segment liabilities	(1,053,326)	(204,583)	(1,257,909)	(43,297)	110,010	(1,191,196)
<i>For the three months ended 31 March 2017</i>						
Segment revenues	193,073	92,494	285,567	2,729	-	288,296
Segments profit / (loss) before zakat and foreign income tax	(14,526)	159	(14,367)	(635)	739	(14,263)

More than 79% (31 March 2017: 90%) of the Group's revenue and 92% (31 December 2017: 90%) of the Group's total assets are based in Kingdom of Saudi Arabia.

**15 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 31 March 2018, the HVAC solutions segment reported revenue of SR 594 million (for 12 months ended 31 March 2017: SR 1,086 million) and net loss of SR 174 million (net profit for 12 months ended 31 March 2017: SR 17.8 million).

## 16 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
	<u>Amortised cost</u>	<u>Total carrying amount</u>	Level 1	Level 2	Level 3	
<b>31 March 2018</b>						
<b>Financial assets not measured at fair value</b>						
Trade and other receivables	590,954	590,954	-	-	-	-
Cash and cash equivalents	49,616	49,616	-	-	-	-
<b>Total</b>	<b>640,570</b>	<b>640,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Carrying amount		Fair Value			Total
	<u>Amortised cost</u>	<u>Total carrying amount</u>	Level 1	Level 2	Level 3	
<b>31 December 2017</b>						
<b>Financial assets not measured at fair value</b>						
Trade and other receivables	558,406	558,406	-	-	-	-
Cash and cash equivalents	62,627	62,627	-	-	-	-
<b>Total</b>	<b>621,033</b>	<b>621,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Carrying amount		Fair Value			Total
	<u>Other financial liabilities</u>	<u>Total carrying amount</u>	Level 1	Level 2	Level 3	
<b>31 March 2018</b>						
<b>Financial liabilities not measured at fair value</b>						
Loans and borrowings	759,801	759,801	-	-	-	-
Trade and other payables	336,506	336,506	-	-	-	-
Bank overdrafts	7,450	7,450	-	-	-	-
<b>Total</b>	<b>1,103,757</b>	<b>1,103,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Carrying amount		Fair Value			Total
	<u>Other financial liabilities</u>	<u>Total carrying amount</u>	Level 1	Level 2	Level 3	
<b>31 December 2017</b>						
<b>Financial liabilities not measured at fair value</b>						
Loans and borrowings	781,845	781,845	-	-	-	-
Trade and other payables	324,049	324,049	-	-	-	-
Bank overdrafts	7,257	7,257	-	-	-	-
<b>Total</b>	<b>1,113,151</b>	<b>1,113,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 17 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>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 December 2017</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>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
LG Shaker	Associate	Purchase of finished goods	51,221	201,089	200,091	203,771
LG Electronics (Levant)	Associate	Purchase of finished goods	7,892	11,843	10,343	18,621
Board of Directors	Key management	Remuneration and meeting attendance fee	483	1,177	1,887	1,404
Subsidiary shareholder – NVEEAC	Key management	Advances	(6,479)	13,831	-	6,479
Subsidiary shareholder – EMS	Key Management	Advances	(1,144)	77	-	1,144
					<u>212,321</u>	<u>231,419</u>