

**AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT**

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

Table of contents	Page
Independent Auditor's Report	1 - 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 53



Independent Auditor's Report to the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Hassan Ghazi Ibrahim Shaker Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matters

- Impairment of trade and other receivables
- Valuation of investment in an associate

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



Independent Auditor's Report to the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
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Impairment of trade and other receivables

<p>As at December 31, 2022, the Group's gross trade and other receivables balance was SR 371 million (2021: SR 505 million) with an associated provision for impairment loss of SR 66 million (2021: SR 119 million).</p> <p>The Group assesses at each reporting date whether the trade and other receivables (carried at amortised cost) are credit-impaired. The Group's management has applied a simplified expected credit loss ("ECL") model in accordance with International Financial Reporting Standard 9 ("IFRS 9"), to determine the allowance for impairment of trade and other receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade and other receivables collections experience.</p> <p>We considered this as a key audit matter as the management applies significant judgment in determining an appropriate impairment loss allowance for receivables including macro-economic factors and the calculation of the time value for money.</p> <p><i>Refer to Note 2.2 (q) for the accounting policy and Note 6 for the related disclosures in the accompanying consolidated financial statements.</i></p>	<p>Our audit procedures related to impairment losses on trade and other receivables included:</p> <ul style="list-style-type: none"> • We obtained management's model for the impairment assessment and tested key assumptions, including those used to calculate the likelihood of default, by comparing to historical data and challenging these assumptions. We also considered the incorporation of forward looking macro-economic factors to reflect the impact of future events on expected credit losses. We also tested the arithmetical accuracy of the model. • On a sample basis, we tested the accuracy of the historical data and aging analysis of trade and other receivables used as inputs to the ECL model. • We involved our internal valuation specialists to assist us in reviewing the modelling framework in computing provisions under IFRS 9 for trade and other receivables including reviewing the model methodology and the ECL computation on a sample basis. • Performed sensitivity analysis over the reasonably possible changes in the unemployment rate with all other variables and challenged the management assumption with respect to the consideration of unemployment rate being the key macro-economic factor, in order to assess the potential impact of a range of possible outcomes. • Assessed the adequacy of the Group's disclosures in terms of applicable accounting standards.
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Independent Auditor's Report to the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<i>Valuation of investment in an associate</i>	
<p>As at December 31, 2022, the carrying value of the Group's investment in its associate, LG Shaker, amounted to SR 466 million.</p> <p>The Group is exposed to the risk of impairment of its equity-accounted investee, dependent on the performance of the investee and the environment in which it operates. The Group's management considers whether there are indicators of impairment with respect to the investment in LG Shaker and conducts its impairment test on an at least annual basis to assess the recoverability of the investment using the value-in-use model.</p> <p>Impairment assessment of this investment requires significant judgment with respect to future sales growth and profitability of the investee, cashflow projections and selection of appropriate discount rate. Further, there is a risk that the carrying value of the investment and any related impairment charge may be incorrect.</p> <p>We considered the valuation of the investment in the Group's associate as a key audit matter due to the significant judgment and assumptions involved in the impairment assessment process, and the significant amount it represents as a proportion of the Group's total assets.</p> <p><i>Refer to 2.2 (d) for the accounting policy and Note 7 for the related disclosures in the accompanying consolidated financial statements.</i></p>	<p>Our audit procedures related to the valuation of investment in an associate included:</p> <ul style="list-style-type: none"> • Utilized our internal valuations specialists to assess the key assumptions used by management in their value-in-use calculation, including cash flow projections and discount rates. Further, we assessed the reasonableness of significant management assumptions in respect of estimated future cash flows, sales growth, profitability of investee and discount rates, and we performed a sensitivity analysis on these key assumptions. • Compared management's assumptions and applied our understanding of the future prospects of the business from internal and external sources and compared the forecasts to the historical past performance of the associate. • Assessed the completeness and accuracy of the information used by the Group management as the basis of their assessment. • Considered the adequacy of the Group's disclosures in terms of applicable accounting standards.



Independent Auditor's Report to the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (continued)

Other information

The directors are responsible for the other information. The other information comprises the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



Independent Auditor's Report to the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

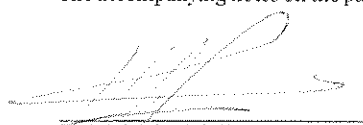
Ali A. Alotaibi
License Number 379
March 9, 2023




AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	December 31, 2022	December 31, 2021
Assets			
Non-current assets			
Property and equipment	4.1	178,306	197,345
Right of use assets	4.2	24,071	8,479
Intangible assets	5	9,854	12,010
Trade and other receivables	6	-	13,285
Investment in an associate	7	466,174	442,395
Total non-current assets		678,405	673,514
Current assets			
Inventories	8	414,349	349,959
Trade and other receivables	6	304,685	372,572
Prepayments and other debt balances	9	63,079	40,007
Cash and cash equivalents	10	72,711	53,020
Total current assets		854,824	815,558
Assets relating to disposal group classified as held for sale	32.2	82,736	-
Total assets		1,615,965	1,489,072
Equity and liabilities			
Equity			
Share capital	11	482,334	630,000
Statutory reserve	12	144,348	140,937
Retained earnings / (Accumulated losses)		27,521	(148,002)
Equity attributable to owners of the Company		654,203	622,935
Non-controlling interests	13	18,042	13,650
Total equity		672,245	636,585
Liabilities			
Non-current liabilities			
Lease Liabilities and borrowings	14	16,353	74,603
Employee Benefits obligation	15	20,808	22,527
Total non-current Liabilities		37,161	97,130
Current liabilities			
Lease Liabilities and borrowings	14	550,275	412,494
Trade and other payables	16	312,431	324,361
Zakat and foreign income tax liabilities	17	10,574	6,343
Warranty provision	18	14,189	12,159
Total current liabilities		887,469	755,357
Liabilities relating to disposal group classified as held for sale	32.2	19,990	-
Total liabilities		943,720	852,487
Total equity and liabilities		1,615,965	1,489,072

The accompanying notes on the pages from 10 to 53 form an integral part of these consolidated financial statements.


Abdulelah Abdullah Abunayyan
Chairman



Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghafeer
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of Profit or Loss and Other Comprehensive Income
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31,	
		2022	2021
Revenues	20	1,037,226	1,002,738
Cost of sales	21	(799,583)	(787,171)
Gross profit		237,643	215,567
General and Administrative expenses	24	(80,610)	(75,829)
Selling and distribution expenses	23	(108,063)	(90,241)
Impairment loss on trade and other receivables	6	(10,660)	(15,000)
Other income	22	4,047	2,136
Income from operations		42,357	36,633
Finance costs	25	(22,194)	(16,718)
Other expense- Foreign exchange loss		(1,988)	(1,789)
Share of net profit from an associate	7	23,779	23,241
Income before zakat and foreign income tax		41,954	41,367
Zakat and income tax expense	17	(10,954)	(13,420)
Net income for the year from Continuing operations		31,000	27,947
Discontinued operations			
Gain from discontinued operations	32	3,109	9
Net income for the year		34,109	27,956
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement of the employee benefits obligation	15	(1,576)	175
Other comprehensive (loss) / income for the year, net of zakat and income tax		(1,576)	175
Continuing operations		(1,564)	5
Discontinued operations		(12)	170
Total comprehensive income for the year		32,533	28,131
Profit attributable to:			
Owners of the Company		32,832	27,423
Non-controlling interests	13	1,277	533
		34,109	27,956
Total comprehensive income attributable to:			
Owners of the Company		31,268	27,554
Non-controlling interests		1,265	577
		32,533	28,131
Earnings per share:			
Basic and diluted earnings per share	26	0.68	0.44

The accompanying notes on the pages from 10 to 53 form an integral part of these consolidated financial statements.


Abdulrahman Abdullah Abunayyan
Chairman

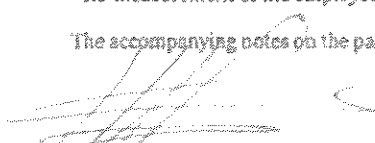

Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghafeer
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in thousands of Saudi Riyals unless otherwise stated)

Notes	For the year ended December 31,	
	2022	2021
Cash flows from operating activities		
Income before zakat and foreign income tax:		
	41,954	41,367
	3,109	9
Adjustments for non-cash items		
4.1	7,310	10,621
4.2	5,761	6,775
5	174	774
8	7,594	6,114
6	11,083	15,734
7	(23,779)	(23,241)
	(853)	(401)
4.2	-	(620)
25, 32	22,935	17,323
15	2,745	2,940
	78,031	77,395
Changes in working capital:		
	(86,665)	(60,012)
	28,056	(68,416)
	(24,936)	(9,692)
	(129)	(18,344)
	2,030	330
Cash used in operating activities		
	(3,513)	(78,739)
14	(22,379)	(16,828)
17	(6,723)	(26,447)
15	(2,320)	(5,308)
	(34,935)	(127,322)
Cash flows from investing activities		
4.1	(1,689)	(2,660)
	1,007	7,955
	(682)	5,295
Cash flows from financing activities		
14	1,961,481	1,546,909
14	(1,591,492)	(1,444,286)
	(6,701)	(7,182)
	63,288	95,141
Net increase / (decrease) in cash and cash equivalents		
	27,671	(26,886)
Cash and cash equivalents at 1 January		
	53,020	79,906
32.2	(7,980)	-
10	72,711	53,020
Non cash transactions:		
4.2	22,976	5,983
1	(147,666)	-
6	(23,679)	(1,052)
32	82,736	-
32	(19,090)	-
32	14,500	-
15	(1,576)	175

The accompanying notes on the pages from 10 to 53 form an integral part of these consolidated financial statements.


Abdulrahman Abdulrahman Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
Chief Executive Officer


Hazen Elghafour
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

1 Status and nature of activities

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 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 17 Shabaan 1429H (corresponding to August 18, 2008).

The Parent Company offered 10.5 million shares to public, during the subscription period from April 26, 2010 (corresponding to 11 Jumada Awal 1431H) to May 2, 2010 (corresponding to 17 Jumada Awal 1431H). The Parent Company's shares started trading in the Saudi Stock Exchange on May 17, 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 March 29, 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.

The Company's Board of Directors recommended a decrease of the Company's share capital by an amount of SR 147.666 million to absorb the accumulated losses balance and increasing the Share Capital later by issuing equity shares at value of SR 249 million as per the announcement dated 12 Jumad Al Awwal 1443 H (corresponding to December 16, 2021). The Company has also announced the submission of its application to reduce the share capital on 19 Jamad Al Awwal 1443 H (Corresponding to December 23, 2021) to the Capital Market Authority (CMA). The CMA approved the Company's requests on March 15, 2022.

The Company's shareholders approved during the Extraordinary General Assembly Meeting held on 14 Shawwal, 1443H (corresponding to May 15, 2022) the decrease in share capital of SR 147.666 million through absorbing accumulated losses with the same amount. The legal formalities for capital decrease were finalized on June 19, 2022.

The Company's Board of Directors has decided in its meeting dated November 14, 2022 to withdraw its recommendation to the Extraordinary General Assembly and cancel the offering of rights issue shares due to the improvement in the Company's financial position and cash flow from operations, the settlement of long term debts and the sufficiency of funding sources to the Company's growth plans through bank facilities.

As at December 31, 2022, the authorized, issued, and paid-up share capital of the Company is SR 482.3 million divided into 48.2 million shares of SR 10 each. As at December 31, 2021, the authorized, issued, and paid-up share capital of the Company was SR 630 million divided into 63 million shares of SR 10 each.

The Parent Company is engaged in the trading and wholesale of spare parts, electronic equipment, household equipment and air-conditioners, maintenance of the items mentioned above and providing agency services to those companies which are in the same business.

The Company's registered office is located at the following address: Shaker Group Building, Alshafa District, King Fahad Road, Riyadh 11422, Kingdom of Saudi Arabia.

These consolidated 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").

Name	Principal field of activity	Country of incorporation	Effective ownership interest at 31 December	
			2022	2021
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited (IHSC)	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%
New Vision for Electronics and Electrical Appliances Company ("NVEEAC")	Import, export and maintenance of electrical and home appliances	Jordan	60%	60%

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

1 Status and nature of activities (continued)

Entities fully controlled through a subsidiary- EMS

Name	Principal field of activity	Country of incorporation	Effective ownership interest at December 31	
			2022	2021
EMS				
Energy Management Services Energy solution International ("EMSI")	Energy solution providers	Jordan	0%	100%
Jemain EMS Company LLC Energy solution United Arab ("JECL")	Energy solution providers	United Arab Emirates	0%	100%

The above subsidiaries have been disposed during the year ended December 31, 2022, refer to note 32 for further information.

The Group has branches which are operating under separate commercial registrations. Details of these branches are as follows:

Branch location	Commercial Registration	Commercial Registration Date
Branches of HGISC – Parent Company		
Buraidah	1131014566	July 20, 1999 (7 Rabi' al- Thani 1420H)
Khamis Mushait	5855025991	April 13, 2005 (4 Rabi' al- Awwal 1426H)
Khobar	2051029431	May 2, 2004 (13 Rabi' al- Awwal 1425H)
Jeddah	4030102685	April 3, 1994 (21 Shawwal 1414 H)
Riyadh	1010685573	February 5, 2021 (22 Jumada al-akhirah 1442H)
Riyadh	1010411362	April 20, 2014 (20 Jumada al- akhirah 1435H)
Madina	4650035092	May 5, 2004 (15 Rabi' al- Awwal 1425 H)
Mecca	4031213336	March 20, 2018 (3 Rajab 1439H)
Branches of Ibrahim Shaker Company Limited -subsidiary		
Jeddah	4030034475	May 10, 1982 (16 Rajab 1402H)
Khobar	2051010124	July 14, 1984 (15 Shawwal 1404H)
Buraidah	1131020925	June 14, 2005 (7 Jumada al- Ula 1426H)
Khamis Mushait	5855027659	January 30, 2007 (11 Muharram 1428H)
Najran	5950028155	November 3, 2013 (29 Thul- Hijjah 1434H)
Riyadh	1010045129	June 7, 1982 (15 Sha'ban 1402 H)
Tabuk	3550039676	January 15, 2018 (27 Rabi al-akhirah 1439H)
Jeddah	4030043910	June 3, 1984 (4 Ramadan 1404H)
Jeddah	4030298838	January 15, 2018 (27 Rabi' al- Thani 1439H)
Jizan	5900112066	January 22, 2018 (5 Jumada al- Ula 1439H)
Dammam	2050115449	January 30, 2018 (13 Jumada al- Ula 1439H)
Jeddah	4030034931	June 9, 1982 (16 Sha'ban 1402H)
Hafer Albatain	2511026698	January 30, 2018 (13 Jumada al- Ula 1439H)
Alhafouf	2252070059	January 31, 2018 (14 Jumada al-Ula 1439H)
Yanbu	1010671644	November 29, 2020 (14 Rabi' al-Thani 1442H)
Branches of Ibrahim Hussain Shaker Projects and Maintenance Company Limited – subsidiary		
Jeddah	4030159728	February 6, 2006 (7 Muharram 1427H)
Riyadh	1010434932	June 15, 2015 (28 Sha'ban 1436H)
Branch of ASDAA Gulf Trading Company- subsidiary		
Riyadh	1010243196	January 26, 2008 (17 Muharram 1429H)

The restatement of certain equity balances as at January 1, 2021 was due to correction of errors in 2020 and before. December 31, 2021 balances were not restated.

These consolidated financial statements were approved by the Board of Directors on March 6, 2023.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), hereafter referred to as "IFRS".

The amounts in the consolidated financial statements have been presented in Saudi Riyals (SR) with all values rounded to the nearest thousand except where stated otherwise.

b) Historic cost convention

The consolidated 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 consolidated financial statements are prepared using the accrual basis of accounting and going concern concept.

c) Basis of consolidation

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non-Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the consolidated statement of profit or loss. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

d) going concern

The Group has negative cash flows from operations for the years ended December 31, 2022 and 2021. However, The financial performance of the Group has improved during the current year due to the increase in the sales volumes and other measures which has resulted in a profit and a retained earnings position. During the year ended December 31, 2022, the Group has reported a total comprehensive income of SR 32.5 million (2021: total comprehensive income of SR 28.1 million) and, as of that date, reported retained earnings of SR 27.5 million. The Group continues to manage its trading activities, supply chain and collections of its receivables. Management continues to expect a gradual improvement in the Company's business activities based on the local measures undertaken by the Saudi government. Further, the Group's ability to meet its obligations as they become due, depends on its ability to manage the current downturn in economic activities and in subsequent periods enhancement of its results and cash flows, continued improvements in its working capital and the renewal or refinancing of loan facilities.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies

a) New Standards, Amendment to Standards and Interpretations:

The Group has considered applying the following standards and amendments for the first time for their annual reporting period commencing on or after 1 January 2022:

- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

b) New standards and interpretations not yet adopted

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these financial statements.

- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities:

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- Amendments to IAS 1, Practice statement 2 and IAS 8:

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction:

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

c) *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method when the control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

c) Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest (NCI), and any previous interest held, over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

d) Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or over those policies

The Group's investments in its associate and is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised, nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the statement of changes in equity (Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate).

The aggregate of the Group's share of profit or loss of an associate and is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognized the loss as 'Share of profit of an associate in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognized any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

e) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be recognize or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be recognize within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current

f) Fair value measurement

The Group measures certain financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, recognized the use of relevant observable inputs and recognized the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are recognized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

To measure the fair value of properties, the Group engages an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the asset being valued. Management reviews valuer's report and assesses appropriateness of assumptions and valuation techniques and the overall reasonableness of valuation. For the purpose of fair value disclosures, the Group has determined classes of assets based on the nature, characteristics and risks of the asset and the level of the fair value hierarchy, as explained above.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

f) Fair value measurement (continued)

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value. For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes,

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

g) Revenue from contracts with customers

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

For volume rebates a refund liability is recognized for expected volume discount payable to customers in relation to sales made until the end of the reporting period.

The Group provides normal warranty provisions for general repairs for two, five and ten years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognized at the time the product is sold.

Rendering of services

Revenue from service is recognized when obligation is performed or services are rendered, by reference to the stage of completion. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Generally the Group recognizes revenue from services related to installation of products, repairs or maintenance service when control is transferred being over the time the service is provided. For service contracts covering a longer period revenue is recognized on a linear basis over the contract period.

Professional consultancy fees

The Group provides consultancy services for energy value analysis during the design phase of projects and developments. Revenue from consultancy services is recognized when the obligation is performed, or services have been rendered as per the terms and condition of the respective customer contracts.

Revenue is recognized overtime when the services have been rendered as per the terms and conditions of the respective customer contracts. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as contract assets.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

h) Contract balances

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

i) Zakat and Taxation

Zakat and income tax

The Parent Company and domestic subsidiaries are subject to zakat in accordance with the regulations of Zakat and Tax and Customs Authority ("ZATCA"). Foreign subsidiaries are subject to the relevant income tax regulations in their countries of domicile. Group's zakat and its share in the foreign subsidiaries income tax are accrued and charged to the consolidated statement of profit or loss and other comprehensive income currently. Additional zakat and foreign income tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

Withholding tax

The Group withholds taxes on transactions with non-resident parties in accordance with applicable ZATCA regulations.

Taxation on foreign subsidiaries

Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ("current tax") is recognized as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the subsidiary operates.

j) Foreign currency translation

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional currency and the Group's presentation currency. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the entity operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency. Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss and other comprehensive income. The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows: • assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; • income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are insignificant.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

k) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Parent Company's shareholders. Dividends for the year that are approved after the consolidated statement of financial position date are disclosed as an event after the consolidated statement of financial position date.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, i.e. when risks and rewards of ownership are transferred to the buyer, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in the consolidated statement of profit or loss. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Land is not depreciated. Depreciation is computed on a straight-line basis to their residual values over the estimated useful lives of property and equipment as follows and is recognized in the consolidated statement of profit or loss:

	<u>Years</u>
Buildings	40
Motor vehicles	5
Furniture and office equipment	6.67
Tools and equipment	5
Leasehold improvements	The lease term or useful life whichever is shorter

The useful life, residual values and depreciation method are reviewed at each reporting date and adjusted if appropriate to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

m) Leases

The Group leases real estate represented in warehouses and buildings. The duration of such lease contracts is between one to 5 years and some of these contracts have the option to extend the lease period.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

m) Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

n) Loans and borrowing costs

Loans are initially calculated at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fees are amortized over the period of the facilities to which they relate.

o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period, residual value and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

p) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

p) Investments and other financial assets (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its FA instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables

The Group de-recognizes financial liabilities when its contractual obligations are discharged or cancelled, or expire.

The Group also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

q) Impairment of financial instruments

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equivalent to a credit loss over the lifetime of the debt, except for the following:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

q) Impairment of financial instruments (continued)

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- default of the financial asset for 90 days or more from its maturity date.

Management consider 'low credit risk' for financial assets to be customers with good credit history and no historical default.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from other events that are possible over 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is of impaired credit includes the following observable data:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract such as default or delinquency for a period of more than 90 days;
- It is becoming probable that the borrower will enter bankruptcy or other financial restructuring; or
- The disappearance of an active market for the security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

r) Inventories

Inventories are presented at the lower of cost or net realizable value. The cost of inventories is based on the weighted average principle. In the case of manufactured inventory materials and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. A provision is made for obsolete and slow moving items when needed.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

s) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An assets recoverable amount is the higher of an assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

t) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents includes cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

u) Provisions (continued)

If the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a current pre-tax rate that reflects, when appropriate, current market assessments of time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold, or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually. The Group provides normal warranty provisions for general repairs for two, five and ten years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold. The Group does not provide any extended warranties or maintenance contracts to its customers.

v) Employees end of service benefits

1- Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2- Defined benefit plans

The Group operates a single employment benefit scheme of defined benefit plan driven by the Labour Law of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the estimated unit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labour Law of Saudi Arabia.

Employee benefits obligations are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

w) Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

x) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

y) Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of investment in associate and income taxes.

z) Non-current assets (or disposal group) held for sale and discontinued operations

Non-current assets (or disposal group) are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, if any.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not more than any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the condensed consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operations is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

3 Significant accounting judgments, estimates and assumptions

Use of estimates and judgements:

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Provision for slow moving inventories

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.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

3 Significant accounting judgments, estimates and assumptions (continued)

Use of estimates and judgements: (continued)

b) Impairment of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. Refer to note 27 for the sensitivity analysis.

c) Impairment of non-financial assets

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.

d) 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

e) 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.

f) Employee benefits

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. Refer to note 15 for the sensitivity analysis.

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.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

4.1 Property and equipment

The reconciliation of carrying amount is as follows:

	Lands	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
Cost:							
Balance at January 1, 2021	110,174	120,675	16,890	56,095	17,162	30,046	351,042
Additions	-	103	86	1,404	306	761	2,660
Disposals	(7,049)	-	(2,224)	(2,451)	(6)	(1,373)	(13,103)
Balance at December 31, 2021	103,125	120,778	14,752	55,048	17,462	29,434	349,599
Accumulated depreciation:							
Balance at January 1, 2021	-	34,778	15,596	45,019	14,755	28,034	138,182
Depreciation (note 24 & 32)	-	3,087	571	5,069	429	1,465	10,621
Disposals	-	-	(2,167)	(2,286)	(4)	(1,092)	(5,549)
Balance at December 31, 2021	-	37,865	14,000	47,802	15,180	28,407	143,254
Net carrying amount:							
At December 31, 2021	103,125	82,913	752	7,246	2,282	1,027	197,345
Balance at January 1, 2022	103,125	120,778	14,752	55,048	17,462	29,434	340,599
Additions	-	146	682	202	151	508	1,689
Disposals	-	-	(3,103)	(676)	(97)	(196)	(4,072)
Assets of disposal group – sale of EMS (note 32.1)	-	-	-	(402)	(374)	-	(776)
Assets relating to disposal group classified as held for sale (note 32.2)	(5,917)	(9,000)	(2,899)	(4,320)	(8,421)	(1,464)	(32,021)
Balance at December 31, 2022	97,208	111,924	9,432	49,852	8,721	28,282	305,419
Accumulated depreciation:							
Balance at January 1, 2022	-	37,865	14,000	47,802	15,180	28,407	143,254
Depreciation (note 24 & 32)	-	3,091	535	2,587	348	749	7,310
Disposals	-	-	(3,037)	(653)	(93)	(192)	(3,975)
Assets of disposal group – sale of EMS (note 32.1)	-	-	-	(378)	(343)	-	(721)
Assets relating to disposal group classified as held for sale (note 32.2)	-	(4,369)	(2,247)	(3,896)	(7,288)	(955)	(18,755)
Balance at December 31, 2022	-	36,587	9,251	45,462	7,804	28,009	127,113
Net carrying amount:							
At December 31, 2022	97,208	75,337	181	4,390	917	273	178,306

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

4.1 Property and equipment (continued)

(a) *Guarantee*

As at December 31, 2022, the Group had no pledged assets related to bank loans guarantee. (December 31, 2021, the Group had several plots of land of SR 79 million pledged as a bank loans guarantee).

(b) *Key estimates: estimate of useful lives of properties and equipment*

Note 2.2 shows the estimated useful lives of property and equipment, which vary according to their nature and usage methods. The actual useful life may be shorter or longer. Management revises its estimates of these useful lives and adjusts them as appropriate.

4.2 Leases

The Group leases real estate represented by warehouses and buildings. The duration of such lease contracts is between 1 to 5 years and some of these contracts have the option to extend the lease period.

The following table shows the balance of the right-of-use leased assets and the related lease liabilities in the consolidated statement of financial position:

	December 31, 2022	December 31, 2021
Cost - Right-of-use assets		
Building	24,333	8,921
Warehouses	20,306	20,031
	<u>44,639</u>	<u>28,952</u>
Accumulated depreciation - Right-of-use assets		
Building	4,113	5,726
Warehouses	16,455	14,747
	<u>20,568</u>	<u>20,473</u>
Net carrying amount	<u>24,071</u>	<u>8,479</u>
	December 31, 2022	December 31, 2021
Lease liabilities- current		
Building	4,536	1,231
Warehouses	1,534	2,136
	<u>6,070</u>	<u>3,367</u>
Lease liabilities- non-current		
Building	15,420	1,580
Warehouses	933	2,060
	<u>16,353</u>	<u>3,640</u>

The following table shows the movement during the year in lease liabilities:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance at the beginning of the year	7,007	10,697
Additions during the year	22,976	5,983
Interest during the year (note 25 and note 32.2)	556	495
Termination during the year	-	(2,686)
Payments during the year	(6,701)	(7,482)
Liabilities relating to disposal group classified as held for sale (note 32.2)	(1,415)	-
Balance at end of the year	<u>22,423</u>	<u>7,007</u>

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

4.2 Leases (continued)

The following table shows the movement during the year in the right-of-use assets:

	Year ended December 31, 2022	Year ended December 31, 2021
Cost		
Balance at beginning of year	28,952	26,210
Additions for the year	22,976	5,983
Disposals in the year – termination	-	(3,241)
Assets relating to disposal group classified as held for sale (note 32.2)	(6,935)	-
	44,993	28,952
Accumulated depreciation		
Balance, at beginning of year	20,473	14,873
Depreciation charge for the year	5,761	6,775
Disposals in the year - termination	-	(1,175)
Assets relating to disposal group classified as held for sale (note 32.2)	(5,312)	-
	20,922	20,473
Net book value as at year end	24,071	8,479

During the year 2021, the Group terminated one lease contract for warehouses. The financial impact on the right-of-use assets was a decrease of SR 2,066 and a decrease in lease liability of SR 2,686 as of December 31, 2021 with a gain on termination of SR 620.

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2022	2021
Depreciation charge of right-of-use assets	5,761	6,775
Interest expense (included in finance charges)	556	495
Expense relating to short-term leases	3,232	3,256
Total	9,549	10,526

Total cash outflow for the year ended December 31, 2022 amounted to SR 6,701 (SR 7,482 for the year ended December 31, 2021).

The following table shows the depreciation charge of the right-of-use leased assets in the consolidated statement of profit or loss and other comprehensive income:

	December 31, 2022	December 31, 2021
Depreciation charge for the year		
Building	4,054	1,751
Warehouses	1,707	5,024
	5,761	6,775

Key estimates: estimate of incremental borrowing rate, lease term

The application of IFRS16 requires management to exercise certain judgments, such as determining the incremental borrowing rate, which is one of the main inputs to the calculation of the right to use assets, therefore, management contacted some of its banks to provide them with commission rates on loans with similar values for lease contracts subject to the requirements of this accounting standard and for periods of time approximate to these contracts as well. In the opinion of management, the interest rate quotations submitted by the banks take into account the credit rating of the Group and the risks of the sector in which the Group operates, and therefore no adjustment has been made to the rates of these bank commissions.

If the incremental borrowing rate changes by 1%, this will cause an increase (decrease) in the right -of- use assets by SR 400 and SR (400) respectively (2021: SR 51 and SR (53) respectively). With regard to the judgments related to determining the lease term, most of the lease contracts are fixed-term. In the event that an extension option is available, management relies on historical experience and other factors, including facts and circumstances that create an economic incentive to exercise the extension option or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

5 Intangible assets

	<u>31 December 2022</u>	<u>31 December 2021</u>
Intangible assets (Note 5.1)		
Energy Management Services Emirates LLC	-	1,240
New Vision for Electronics and Electrical Appliances Company	-	916
	-	2,156
Goodwill (Notes 5.1 & 5.2)		
ASDAA Gulf Trading Company (ASDAA)	9,854	9,854
	9,854	12,010

Effective November 12, 2014, HGISC acquired effectively 100% shareholding in ASDAA for a 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.

5.1 reconciliation of the carrying amounts of intangible assets is as follows:

	<u>Intangible assets</u>	<u>Goodwill</u>	<u>Total</u>
Cost			
As at January 1, 2021	5,574	9,854	15,428
Additions	-	-	-
As at December 31, 2021	5,574	9,854	15,428
Additions	-	-	-
Disposal of intangible assets	(3,829)	-	(3,829)
Assets relating to disposal group classified as held for sale (note 32.2)	(1,745)	-	(1,745)
As at December 31, 2022	-	9,854	9,854
Accumulated amortization:			
As at January 1, 2021	2,644	-	2,644
Charge for the year	774	-	774
As at December 31, 2021	3,418	-	3,418
Charge for the year	174	-	174
Disposal of intangible asset	(2,589)	-	(2,589)
Assets relating to disposal group classified as held for sale (note 32.2)	(1,003)	-	(1,003)
As at December 31, 2022	-	-	-
Net carrying amount:			
As at December 31, 2022	-	9,854	9,854
As at December 31, 2021	2,156	9,854	12,010

5.2 Goodwill - ASDAA Gulf Trading Company:

The recoverable amount of this CGU is 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>2022</u>	<u>2021</u>
Discount rate	12.0%	14.0%
Terminal value growth rate	3.0%	3.0%
Budgeted EBITDA growth rate (average of next five years)	5%	5%

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

5 Intangible assets (continued)

5.2 Goodwill - ASDAA Gulf Trading Company: (continued)

Particulars	December 31, 2022		December 31, 2021	
	CGU Recoverable amount "In Millions"	% Change	CGU Recoverable amount "In Millions"	% Change
+1% Discount rate	52	(10%)	29	(9%)
-1% Discount rate	62	7%	35	9%
+1% Terminal value growth rate	61	5%	34	6%
-1% Terminal value growth rate	53	(9%)	30	(6%)
+1% Budgeted EBITDA growth rate	62	7%	33	3%
-1% Budgeted EBITDA growth rate	51	(12%)	31	(3%)

The discount rate was a pre-tax measure estimated based on the historical industry average weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter.

None of the above changes would result in an impairment on the CGU level including the recorded goodwill.

The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.

The estimated recoverable amount of the CGU exceeded its carrying value by SR 52 million (2021: SR 32 million).

6 Trade and other receivables

	December 31, 2022	December 31, 2021
Trade receivables	354,663	496,365
Less: Impairment losses on trade receivables	(60,117)	(113,433)
	<u>294,546</u>	<u>382,932</u>
Other receivables:		
Advertisement claims from suppliers	10,139	2,925
Customs duties deposit	5,956	5,956
Impairment losses on other receivables	(5,956)	(5,956)
	<u>304,685</u>	<u>385,857</u>
Current	304,685	372,572
Non-current	-	13,285
	<u>304,685</u>	<u>385,857</u>

Reconciliation of impairment losses on trade receivables is as follow:

	December 31, 2022	December 31, 2021
Balance at beginning of year	113,433	98,751
Charge for the year	10,660	15,000
Charge for the year- discontinued operations (note 32)	423	734
Write - offs during the year	(23,679)	(1,052)
Assets of disposal group – sale of EMS	(5,226)	-
Assets relating to disposal group classified as held for sale	(35,494)	-
Balance at end of year (Note 27)	<u>60,117</u>	<u>113,433</u>

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 Investment in an associate

The details of the Group's investment in associate is as follows:

Name of Company	Principal activities	Country of incorporation	Effective interest at	
			December 31, 2022	December 31, 2021
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	49%	49%

Investments in an associate is as follows:

	December 31, 2022	December 31, 2021
LG Shaker (Note 7.1)	466,174	442,395

Reconciliations for the investment in an associate are as follows:

	LG Shaker
At January 1, 2022	442,395
Share of profit for the year	23,779
At December 31, 2022	466,174
At January 1, 2021	419,154
Share of profit for the year	23,241
At December 31, 2021	442,395

No dividends have been received from the associate during the years ended December 31, 2022 and December 31, 2021.

7.1 LG Shaker

LG Shaker is a mixed limited liability company registered in the Kingdom of Saudi Arabia under the commercial registration number 1010226606 Dated 4 Dhul Hijah 1427H (corresponding to December 25, 2006). The principal activity of the company is to manufacture various types of air conditioners.

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

Balance as at	December 31, 2022	December 31, 2021
Non- current assets	102,914	102,888
Current assets	346,820	286,757
Non- current liabilities	(9,879)	(9,106)
Current liabilities	(104,565)	(102,541)
Net assets (100%)	335,290	277,998
Group's share of net assets (49%)	154,190	130,411
Goodwill	311,984	311,984
Carrying amount of interest in associate	466,174	442,395
	December 31, 2022	December 31, 2021
Revenue	541,757	397,988
Total comprehensive income (100%) (*)	57,292	43,267
Group share of the total comprehensive income (49%) (*)	23,779	23,241

(*) The difference between the Group's share in net assets of the associate and share of total comprehensive income and 49% of associate reported net assets and total comprehensive income pertains to the adjustment made for the elimination of unrealised profit on upstream transactions between the Group and its associate.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 Investment in an associate (continued)

7.1 LG Shaker (continued)

The recoverable amount of this equity-accounted investee is estimated using discounted cash flows. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation technique used.

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.

	2022	2021
Discount rate	12.00%	14.00%
Terminal value growth rate	3.00%	3.00%
Budgeted EBITDA growth rate (average of next five years)	14%	20%

Particulars	December 31, 2022		December 31, 2021	
	Investment Recoverable amount "In Millions"	% Change	Investment Recoverable amount "In Millions"	% Change
+1% Discount rate	596	(10%)	485	(8%)
-1% Discount rate	752	13%	578	10%
+1% Terminal value growth rate	728	9%	561	6%
-1% Terminal value growth rate	616	(8%)	499	(5%)
+1% Budgeted EBITDA growth rate	676	1%	552	5%
-1% Budgeted EBITDA growth rate	656	(1%)	502	(5%)

The management of the Group has assessed in detail the carrying value of LG Shaker as at December 31, 2022. These were based on certain detailed assumptions and management plans. Management expects these plans to continue to support the carrying value of the investee, although this will be dependent on the success of the plans and the continued improvement in the wider economic conditions in Saudi Arabia. Management will continue to monitor the detailed assumptions against these plans in their future impairment reviews.

8 Inventories

	December 31, 2022	December 31, 2021
Finished goods	413,226	328,780
Spare parts	43,085	50,900
Goods in transit	6,894	16,851
	463,205	396,531
Impairment losses on inventories	(48,856)	(46,572)
	414,349	349,959

Reconciliation of the impairment losses on inventories is as follows:

	December 31, 2022	December 31, 2021
Balance at beginning of year	46,572	41,914
Charge for the year (note 21)	7,594	6,114
Utilized during the year	(4,140)	(1,456)
Assets relating to disposal group classified as held for sale	(1,170)	-
Balance at end of year	48,856	46,572

- a) At December 31, 2022, the Group has outstanding bank guarantees of SR 31.9 million (December 31, 2021: SR 38.7 million) issued by local and foreign banks in respect of import of finished goods and other supplies. See note 33
- b) At December 31, 2022, the Group has outstanding bank letter of credits of SR 68.0 million (December 31, 2021: SR 175 million) issued against import of finished goods and other supplies. See note 33

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

9 Prepayments and other debt balances

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Advances		
Advances to suppliers	27,018	22,510
Other advances	16,744	6,772
Advances to employees	3,782	-
Total advances	<u>47,544</u>	<u>29,282</u>
Prepaid expenses	15,535	10,725
	<u>63,079</u>	<u>40,007</u>

10 Cash and cash equivalent

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Cash in hand	961	1,272
Bank balances - current accounts	51,524	51,748
Bank balances – deposits (*)	20,226	-
Total	<u>72,711</u>	<u>53,020</u>

* These bank balances which represents a term deposits are with maturities of 1 to 3 months maturity, and an interest rates ranging between 3% and 4.8%.

11 Share capital

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Authorized share capital (shares of SR 10 each)	482,334	630,000
Issued and fully paid-up capital (shares of SR 10 each)	<u>482,334</u>	<u>630,000</u>

As at December 31, 2022, the authorized, issued, and paid-up share capital of the Company is SR 482.3 million divided on 48.2 million shares of SR 10 each. As at December 31, 2021, the authorized, issued, and paid-up share capital of the Company is SR 630 million divided on 63 million shares of SR 10 each. During the current year. The Company has decreased its share capital to absorbed its accumulated losses. Refer to note 1 for further details.

12 Statutory reserve

The Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to May 2, 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 completed legal formalities on April 26, 2019 with regard to the amendment of its Bylaws.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 Non-controlling interest

December 31, 2022	NVEEAC	EMS*	Intra group Adjustments	Total
NCI percentage	40%	-	-	
Non- current assets	27,924	-	-	27,924
Current assets	54,811	-	-	54,811
Non- current liabilities	542	-	-	542
Current liabilities	37,291	-	-	37,291
Net assets	44,902	-	-	44,902
Net assets attributable to NCI	18,042	-	-	18,042
Revenue	89,335	1,087	-	90,422
Profit / (loss)	5,346	(3,310)	-	2,036
OCI	-	46	-	46
Total comprehensive income / (loss)	5,346	(3,264)	-	2,082
Profit / (loss) allocated to NCI	2,138	(861)	-	1,277
OCI allocated to NCI	-	12	-	12
Cash flows generated from / (used in) operating activities	8,694	(1,532)	-	7,162
Cash flows used in investing activities	(1,157)	-	-	(1,157)
Cash flows used in financing activities	(8,717)	-	-	(8,717)
Net decrease in cash and cash equivalents	(1,180)	(1,532)	-	(2,712)

* EMS information is for the period from January 1, 2022 till November 2, 2022 (date of sale).

December 31, 2021	NVEEAC	EMS	Intra group Adjustments	Total
NCI percentage	40%	26%	-	
Non- current assets	30,268	60	-	30,328
Current assets	58,666	17,418	-	76,084
Non- current liabilities	48,189	22,592	-	70,781
Current liabilities	1,189	3,551	-	4,740
Net assets	39,556	(8,665)	-	30,891
Net assets attributable to NCI	15,822	(2,172)	-	13,650
Revenue	81,876	1,831	-	83,707
Profit / (loss)	3,789	(3,780)	-	9
OCI	-	170	-	170
Total comprehensive(loss) / income	3,789	(3,610)	-	179
Profit / (loss) allocated to NCI	1,516	(983)	-	533
OCI allocated to NCI	-	44	-	44
Cash flows generated from / (used in) operating activities	10,276	(9,244)	-	1,032
Cash flows generated from / (used in) investing activities	93	(10)	-	83
Cash flows used in financing activities	(12,411)	(5,148)	-	(17,559)
Net decrease in cash and cash equivalents	(2,042)	(14,402)	-	(16,444)

14 Loans and borrowings

The Group has credit facility agreements with local and foreign commercial banks for long and short term borrowings in Saudi Riyal and US Dollar. Such facilities were obtained principally under Murabaha/Tawarruq arrangements. Certain facility agreements are secured against promissory notes, Corporate guarantees of the Group are provided wherever required for loans to subsidiaries. The facilities bear financial charges on prevailing market rates. The agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

14 Loans and borrowings (continued)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current:		
Lease Liability (note 4.2)	6,070	3,367
Bank loans	<u>544,205</u>	<u>409,127</u>
	<u>550,275</u>	<u>412,494</u>
Non-current:		
Lease Liability (note 4.2)	16,353	3,640
Bank loans	-	70,963
	<u>16,353</u>	<u>74,603</u>

Secured liabilities and assets pledged as security

All bank loans are secured by promissory notes signed by the Parent Company equal to the maximum facility amount. Promissory notes amounted to SR 1,065 million as at December 31, 2022 (December 31, 2021: SR 971 million).

As at December 31, 2022, the Group had no pledged assets related to bank loans guarantee. (December 31, 2021, the Group had several plots of land of SR 79 million pledged as a bank loans guarantee).

Compliance with loan covenants

Under the terms of the loans agreements, the Group is required to commit to certain levels for the following financial covenants:

- 1- Financial leverage ratio,
- 2- Current ratio,
- 3- Gearing ratio (Debt to equity not to exceed 1.5:1).
- 4- Ratio of total liabilities and tangible net worth.

The following bank loans are outstanding as at:

	Currency	Nominal interest rate	Year of maturity	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
				Total facility amount	Carrying Amount	Total facility amount	Carrying amount
Kingdom of Saudi Arabia	SR	SIBOR+ 0.75% - 4.25% per annum	2023	1,102,900	544,205	936,000	475,213
Jordan	USD	LIBOR + 3.8% per annum	2023	35,625	5,874	35,625	4,877
Liabilities related to assets held for sale (note 32)				(35,625)	(5,874)		-
				<u>544,205</u>		<u>480,090</u>	

Reconciliation of bank loans are as follows:

	<u>2022</u>	<u>2021</u>
Balance as at 1 January	480,090	377,467
Proceeds		
Kingdom of Saudi Arabia	1,898,580	1,542,477
Jordan	62,901	4,432
	1,961,481	1,546,909
Repayments		
Kingdom of Saudi Arabia	(1,829,587)	(1,440,092)
Jordan	(61,905)	(4,194)
	(1,891,492)	(1,444,286)
Liabilities related to assets held for sale (note 32)	(5,874)	-
Balance as at 31 December	<u>544,205</u>	<u>480,090</u>

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

14 Loans and borrowings (continued)

Reconciliation of movement of liabilities to cash flows arising from financing:

	Cash and cash equivalents	Loans	Lease Liabilities	Total
Balance as January 1, 2022	53,020	480,090	7,007	540,117
Non-cash transactions				
Finance expenses	-	22,379	556	22,935
Additions of lease liabilities	-	-	22,976	22,976
Liabilities relating to disposal group classified as held for sale (note 32.2)	-	(5,874)	(1,415)	(7,289)
Assets relating to disposal group classified as held for sale (note 32.2)	(7,980)	-	-	(7,980)
Net non-cash flow transaction	45,040	496,595	29,124	570,759
Cash flow transaction				
Proceeds from loans and borrowings	-	1,961,481	-	1,961,481
Payments of loans and borrowings	-	(1,891,492)	-	(1,891,492)
Payments of finance cost	-	(22,379)	-	(22,379)
Lease payments	-	-	(6,701)	(6,701)
Change in cash and cash equivalents	27,671	-	-	27,671
Net cash flow	27,671	47,610	(6,701)	68,580
Balance as December 31, 2022	72,711	544,205	22,423	639,339

	Cash and cash equivalents	Loans	Lease Liabilities	Total
Balance as January 1, 2021	79,906	377,467	10,697	468,070
Non-cash transactions				
Finance expenses	-	16,828	495	17,323
Additions of lease liabilities	-	-	5,983	5,983
Termination of lease liabilities	-	-	(2,686)	(2,686)
Net non-cash flow transaction	-	16,828	3,792	20,620
Cash flow transaction				
Proceeds from loans and borrowings	-	1,546,909	-	1,546,909
Payments of loans and borrowings	-	(1,444,286)	-	(1,444,286)
Payments of finance cost	-	(16,828)	-	(16,828)
Lease payments	-	-	(7,482)	(7,482)
Change in cash and cash equivalents	(26,886)	-	-	(26,886)
Net cash flow	(26,886)	85,795	(7,482)	51,427
Balance as December 31, 2021	53,020	480,090	7,007	540,117

15 Employee Benefits obligation

	December 31, 2022	December 31, 2021
Net defined benefit liability	20,808	22,527

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 complete over two but less than five years of service, to receive a payment equal to one-third of their last month half salary for each completed year of service. Similarly, the employees who complete up to five years to receive a payment equal to 50% of their last monthly salary for each completed year of service and over five but less than ten years of service, to receive a payment equal to two-thirds of their last monthly salary for each completed year of service. Further, the employees who complete over ten years of service, to receive a payment equal to their last monthly salary for each completed year of service.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 Employee Benefits obligation (continued)

Reconciliation in employees end of service benefits is as follows:

	December 31, 2022	December 31, 2021
Balance at beginning of year	22,527	25,070
Included in Profit and Loss		
Continued operations		
Current service cost	2,166	2,351
Interest cost	457	589
	2,623	2,940
Discontinued operations		
Current service cost	75	-
Interest cost	47	-
	122	-
Included in other comprehensive income		
Actuarial loss / (gain)	1,576	(175)
Benefit paid	(2,320)	(5,308)
Liabilities of disposal group – sale of EMS (note 32.1)	(3,720)	-
Balance at end of year	20,808	22,527
Represented by:		
Net defined benefit liability for plans in:		
-Kingdom of Saudi Arabia	20,808	18,976
-United Arab Emirates	-	3,551
	20,808	22,527

Actuarial assumptions

The following are the principal actuarial assumptions applied at December 31, 2022 and December 31, 2021:

	December 31, 2022		December 31, 2021	
	KSA	UAE	KSA	UAE
Discount rate	4.25% p.a.	-	2.40% p.a.	1.75% p.a.
Salary increase	2.00 % p. a.	-	1.00 % p. a.	1.75% p.a.
Average years of past service	7.80 years	-	7.30 years	13.00 years

Sensitivity analysis

Particulars	December 31, 2022		December 31, 2021	
	PVDBO	% Change	PVDBO	% Change
EOSB liability	20,808		22,527	
+ 1% Discount rate	(769)	(3.69%)	(744)	(3.30%)
- 1% Discount rate	837	4.18%	804	3.57%
+ 1% Salary increase rate	848	3.92%	797	3.54%
-1% Salary increase rate	(793)	(3.66%)	(736)	(3.27%)
1 Year mortality age set back	(1)	(0.01%)	(152)	(0.67%)
1 Year mortality age set forward	1	0.01%	171	0.76%

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

15 Employee Benefits obligation (continued)

Sensitivity analysis (continued)

PVDBO: Present value of defined benefit obligations

Employee benefit expenses

	December 31, 2022	December 31, 2021
Salaries and benefits	77,761	77,983
Social security contributions	2,331	2,424
Expenses related to post - employment defined benefit plans	2,625	2,940
	82,717	83,347

The weighted average duration of the defined benefit obligation is 6.8 years (December 31, 2021: 5.75 years). The expected maturity analysis is as follows:

	Less than one year	1-2 years	2-5 years	Over 5 years	Total
December 31, 2022	5,874	3,223	6,996	8,677	24,770
December 31, 2021	7,780	4,023	6,035	7,258	25,096

16 Trade and other payables

	December 31, 2022	December 31, 2021
Trade payables due to related parties (note 28)	199,280	147,750
Trade payables - third party	35,520	89,143
Total trade payables	234,800	236,893
Accrued expenses	7,881	21,742
Employee benefits	9,493	10,780
Contract liabilities-advance from customers	17,094	15,838
Accrued cost for vendors	6,154	7,115
Other payables	37,009	31,993
Total other payables	77,631	87,468
Total trade and other payables	312,431	324,361

17 Zakat and other foreign income tax liabilities

a) Zakat provision

Movement of the Company's Zakat provision for the year ended 31 December comprise of the following:

	2022	2021
Balance, beginning of the year	6,343	19,370
Current year expense	10,954	13,420
Payments during the year	(6,723)	(26,447)
Balance, end of the year	10,574	6,343

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

17 Zakat and other foreign income tax liabilities (continued)

b) Status of assessments

Zakat

Standalone:

Zakat assessments have been finalized with the Zakat, Tax and Customs Authority (ZATCA) up to the year ended December 31, 2006 for HGISC and December 31, 2007 for ISCL and IHSC and 31 December 2011 for ASDAA

Consolidated:

The Company filed Zakat declarations on a consolidated basis from the year 2008 onwards for HGISC, ISC and HSCL. The results of ASDAA were reported in the consolidated declaration from November 13, 2014.

The Group submitted its zakat returns for the years up to 2021 to the Zakat, Tax and Customs Authority (ZATCA). Moreover, the Group's zakat returns for the years 2015 to 2018 were finalized and the related liabilities were paid during the prior year. The assessment related to the financial year of 2014 was finalized and initially resulted in an additional zakat amount of SR 4.8 million which has been appealed by the Group. The assessments related to 2019 and 2020 financial years have been finalized during the current year and resulted in an additional initial zakat amount of SR 11.2 million. This amount has been appealed to the General Secretarial of Zakat, Tax and Customs Authority on April 20, 2022. The Group's management and its zakat advisor believe that the current level of zakat provision is sufficient and adequate.

Foreign Income Tax

Due to taxable losses in Jordan subsidiary. NVEEAC there is no foreign income tax liability.

18 Warranty provision

A provision is recognized for expected warranty claims on products sold for which the Group is liable to cover warranty. It is expected all these costs will be incurred within two to ten years after the reporting date. Assumptions used to calculate the provision for warranties are based on product sales, date of sale, warranty period, and estimated level of repairs and warranty costs. The estimate has been made based on historical warranty trend. Movement for warranty provision is as follows

The movement in provisions is as follows:

	December 31,	December 31,
	2022	2021
Balance, beginning of the year	12,159	11,829
Charge for the year	6,083	4,600
Utilized during the year	(4,053)	(4,270)
Balance, end of the year	14,189	12,159

Provisions are recognized when the Group has a present obligation as result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products. warranty is normally granted for 2 to 10 years after the sale. Warranty provision is recognised to cover the cost of repair of defective products.

Provision related to warranties created as per Group's policy for the purpose of repair or replacements of defected goods.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

19 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 commercially conditioners including chillers and related services.

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

All other segments represent consultancy services for energy solutions and sale mobile phones.

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.

CoDM uses segments Profit Before Tax (PBT) to measure performance being the most relevant in evaluating the results of segments.

Transfer prices between operating segments are on mutually agreed terms in a manner similar to transactions with third parties.

Segment information provided to the board of directors:

The table below shows the segment information provided to the board of directors for the reportable segments for the year ended December 31, 2022 and 2021 and also the basis on which revenue is recognised:

For the year ended December 31, 2022	HVAC Solutions	Home Appliances	Total reportable segments	Adjustments and eliminations	Total
Revenues from external customers	677,072	360,154	1,037,226	-	1,037,226
Cost of sales	(515,769)	(283,814)	(799,583)	-	(799,583)
Gross profit	161,303	76,340	237,643	-	237,643
General and administrative expenses	(57,498)	(23,112)	(80,610)	-	(80,610)
Selling and distribution expenses	(74,031)	(34,032)	(108,063)	-	(108,063)
Impairment loss on trade and other receivables	(8,910)	(1,750)	(10,660)	-	(10,660)
Other income	3,958	89	4,047	-	4,047
Income from operations	24,822	17,535	42,357	-	42,357
Finance costs	(21,644)	(550)	(22,194)	-	(22,194)
Other expenses – Foreign exchange loss	(2,810)	822	(1,988)	-	(1,988)
Share of Profit from an associate	23,779	-	23,779	-	23,779
Segments profit before zakat and foreign income tax	24,147	17,807	41,954	-	41,954
Zakat and foreign income tax	(6,105)	(4,849)	(10,954)	-	(10,954)
Net income for the year from continuing operations	18,042	12,958	31,000	-	31,000
Discontinued operations					
Gain from discontinued operations	3,109	-	3,109	-	3,109
Net income for the year	21,151	12,958	34,109	-	34,109

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

19 Segment reporting (continued)

For the year ended December 31, 2021	HVAC Solutions	Home Appliances	Total reportable segments	Adjustments and eliminations	Total
Revenues from external customers	594,240	408,498	1,002,738	-	1,002,738
Cost of sales	(457,980)	(329,191)	(787,171)	-	(787,171)
Gross profit	136,260	79,307	215,567	-	215,567
General and administrative expenses	(52,631)	(23,198)	(75,829)	-	(75,829)
Selling and distribution expenses	(59,048)	(31,193)	(90,241)	-	(90,241)
Impairment loss on trade and other receivables	(9,932)	(5,068)	(15,000)	-	(15,000)
Other income	2,136	-	2,136	-	2,136
Income from operations	16,785	19,848	36,633	-	36,633
Finance costs	(16,440)	(278)	(16,718)	-	(16,718)
Other expenses – Foreign exchange loss	(2,108)	319	(1,789)	-	(1,789)
Share of Profit from an associate	23,241	-	23,241	-	23,241
Segments profit before zakat and foreign income tax	21,478	19,889	41,367	-	41,367
Zakat and foreign income tax	(7,641)	(5,779)	(13,420)	-	(13,420)
Net income for the year from continuing operations	13,837	14,110	27,947	-	27,947
Discontinued operations					
Gain from discontinued operations	9	-	9	-	9
Net income for the year	13,846	14,110	27,956	-	27,956

2022	HVAC solutions	Home appliances	Total reportable segments	Adjustments and eliminations	Total
Reportable segment assets	1,586,482	632,430	2,218,912	(602,947)	1,615,965
Additions to properties and equipment	1,542	147	1,689	-	1,689

2021	HVAC solutions	Home appliances	Total reportable segments	Adjustments and eliminations	Total
Reportable segment assets	1,483,077	580,301	2,063,378	(574,306)	1,489,072
Additions to properties and equipment	2,588	72	2,660	-	2,660

2022	HVAC Solutions	Home appliances	Total reportable segments	Adjustments and eliminations	Total
Total segment liabilities	893,930	293,212	1,187,142	(243,422)	943,720

2021	HVAC Solutions	Home appliances	Total reportable segments	Adjustments and eliminations	Total
Total segment liabilities	810,224	268,418	1,078,642	(226,155)	852,487

Adjustments and eliminations represent intercompany transactions and consolidation elimination entries transactions and the intercompany transactions are mainly related to financing transactions.

The non-current assets are geographically located in KSA by 100 % as at December 31, 2022 (97% as at December 31, 2021) and in Jordan by 0% as at December 31, 2021 (3% as at December 31, 2021).

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

20 Revenue

The Group's revenue is derived from contracts with customers for sale of goods and rendering of services.

Revenues from sale of goods are satisfied at a point in time when the products are sold to and accepted by customers. Service revenues are recognized overtime.

For the year ended December 31, 2022	HVAC Solutions	Home appliances	All other segments	Total
Revenue From sales of goods				
Saudi Arabia	663,584	360,154	-	1,023,738
Revenue From rendering services				
Saudi Arabia	13,488	-	-	13,488
Total	677,072	360,154	-	1,037,226
For the year ended December 31, 2021				
Revenue From sales of goods				
Saudi Arabia	569,357	408,498	-	977,855
Revenue From rendering services				
Saudi Arabia	24,883	-	-	24,883
Total	594,240	408,498	-	1,002,738

21 Cost of sales

	December 31, 2022	December 31, 2021
Material cost	761,231	743,542
Impairment losses on inventories (note 8)	7,594	6,114
Installation cost	5,326	14,887
Others	25,432	22,628
	799,583	787,171

22 Other income

Other income for the year ended 31 December comprise the following:

	December 31, 2022	December 31, 2021
Rental income	2,868	-
Gain on disposal of property and equipment	855	401
Others	324	1,735
	4,047	2,136

23 Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December comprise the following:

	December 31, 2022	December 31, 2021
Employee costs	50,661	44,496
Dealer promotional incentives	15,402	12,124
Publicity and advertising	10,307	7,028
Sales commission	10,284	8,056
Transportation	4,892	2,980
ROU Depreciation	4,692	5,400
Warranty expenses	4,300	4,402
Rent	1,505	1,199
Printing and stationery	1,122	565
Repairs and maintenance	555	255
Utilities	411	474
Materials and installations	185	214
Insurance	111	228
Others	3,636	2,510
	168,063	90,211

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

24 General and Administrative expenses

General and administrative expenses for the year ended 31 December comprise the following:

	December 31, 2022	December 31, 2021
Employee costs	32,055	32,545
Professional fees	10,494	8,362
Travel	8,120	8,000
External Labor	6,542	5,767
Depreciation (note 4.1)	5,902	8,808
Repairs and maintenance	4,912	1,959
Communication	2,024	1,290
Insurance	1,768	1,734
Rent	1,727	1,742
Utilities	1,448	1,404
Printing and stationery	735	607
Entertainment	116	10
Others	4,767	3,601
	80,610	75,829

25 Finance cost

Finance costs, net for the year ended 31 December comprise the following:

	December 31, 2022	December 31, 2021
Finance charges	15,622	15,097
Bank charges	6,118	1,258
Interest on lease liabilities (note 4.2)	454	363
	22,194	16,718

26 Basic and diluted earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the earnings for the year ended attributable to owners of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	December 31, 2022	December 31, 2021
Earnings attributable to owners of the Parent Company		
From continuing operations	31,001	27,414
From discontinued operations	1,831	9
	32,832	27,423
Weighted average number of ordinary shares outstanding	48,233	63,000
Basic and diluted earnings per share		
From continuing operations attributable to the owners of the Parent Company	0.64	0.44
From discontinued operations attributable to the owners of the Parent Company	0.04	(0.00)
Total basic and diluted earnings per share attributable to the owners of the Parent Company	0.68	0.44

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 Financial instruments – fair values

This note provides information about the Group's financial instruments, including:

- An overview of all financial instruments held by the Group;
- Specific information about each type of financial instruments.

Financial assets

Financial assets are measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The decision to classify these financial assets into appropriate categories depends on:

- The business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

All financial assets owned by the Group are measured at amortized cost, with the fair values being not materially different from their carrying amounts due to their short-term nature.

Financial liabilities

The fair values of financial liabilities are not materially different from their carrying amounts, since the interest payable on those liabilities is either close to current market rates or the liabilities are of a short-term nature.

Financial instruments – risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk;
- Market risk; and
- Liquidity risk.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Company's Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are provided to the Audit Committee.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Audit Committee.

Credit risk

The Group is exposed to credit risk as a result of the counterparty's failure to meet its contractual obligations when due, in respect of:

- Trade receivables
- Cash at banks

In monitoring customer credit risk, customers are grouped according to their credit characteristic and geographic location and existence of previous financial difficulties.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 Financial instruments – fair values (continued)

Credit risk (continued)

The Group is closely monitoring the economic environment in taking actions to limit its exposure to customers in countries experiencing particular economic volatility. Purchase limits are monitored, particularly for customers operating in Kingdom of Saudi Arabia, because the Group's experience is that the recent economic volatility has had a greater impact for customers than for customers in other countries.

Credit risk is the risk that the Group will incur a financial loss as a result of the failure of the customer or counterparty to a financial instrument to fulfil its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. Impairment losses on financial assets recognized in consolidated statement of profit or loss and other comprehensive income amounted to SR 11.8 million (2021: SR 15.7 million).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. management also considers the factors that may influence the credit risk of its customers base, including the default risk of the industry and the country in which customers operate. Further, details of concentration of revenue are included in note 19.

For receivables, the Group has set a credit policy according to which each new customer is individually analysed according to the financial solvency before presenting the Group's standard payment and delivery terms and conditions, and it includes reviewing the financial statements, information about the business and in some cases bank references. credit limits are set for each customer and are reviewed periodically. The Group limits its exposure to credit risk by providing credit terms that usually do not exceed three months on average.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry, and existence of previous financial difficulties.

As at December 31, 2022 and December 31, 2021 the exposure to credit risks for receivables was as follows:

Gross carrying amount	December 31, 2022	December 31, 2021
Trade receivables (note 6)	354,663	496,365
Cash and cash equivalents (Bank balances and deposits) (note 10)	71,750	51,748
Total	426,413	548,113

* For trade receivables, the Group grouped the customers who can buy on credit by geographic region, the maximum exposure to the credit risk for total current and non-current trade receivables by geographic region are as follows:

	For the year ended 31 December	
	2022	2021
KSA	304,685	323,290
Jordan	-	46,602
UAE	-	15,965
	304,685	385,857

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (including but not limited to audited financial statements, management accounts and cash flow projections) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of loss such as general economic and/or market conditions, client financial performance and profitability, cash flow or liquidity issues, payment delays and past due information and management experience.

These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions such as oil prices over the expected lives of the receivables. The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers that represent a large number of low value balances. The expected loss rates are based on the payment profiles of sales over a period of 36 months.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 Financial instruments – fair values (continued)

Credit risk (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables based on geographical area as at December 31, 2022 and December 31, 2021:

December 31, 2022	Gross carrying amount	Weighted average loss	Loss allowance (%)
KSA	354,663	60,117	17.0%
Jordan	-	-	-
UAE	-	-	-
	354,663	60,117	17.0%

December 31, 2021	Gross carrying amount	Weighted average loss	Loss allowance (%)
KSA	393,499	73,136	18.6%
Jordan	81,675	35,071	42.9%
UAE	21,191	5,226	24.7%
	496,365	113,433	22.9%

The following table provides information about the exposure to credit risk and ECLs for all trade receivables as at December 31, 2022 and December 31, 2021:

2022	Gross carrying amount	Weighted average loss	Loss allowance (%)
1-90 days	174,131	5,779	3.3%
91-180 days	92,201	2,799	3.0%
181-270 days	25,864	1,298	5.0%
271-360 days	4,414	575	13.0%
More than 360 days	58,053	49,666	85.6%
	354,663	60,117	17.0%

2021	Gross carrying amount	Weighted average loss	Loss allowance (%)
1-90 days	185,152	3,528	1.9%
91-180 days	87,192	1,615	1.9%
181-270 days	44,745	1,737	3.9%
271-360 days	6,074	439	7.2%
More than 360 days	173,202	106,114	61.3%
	496,365	113,433	22.9%

Factors impacting ECL model:

- 1- Trade receivables collections.
- 2- Forward looking information included in ECL model is the unemployment rate which is correlated to the Group's trade receivables.

Sensitivity

The following table demonstrates the sensitivity of the impairment of trade receivables to reasonably possible changes in unemployment rates with all other variables held constant:

	December 31, 2022	December 31, 2021
Increase by 100 basis points	106	736
Decrease by 100 basis points	(106)	(736)

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 Financial instruments – fair values (continued)

Credit risk (continued)

Sensitivity (continued)

The Group has assessed other receivables as underperforming receivables and as the expected lifetime of related financial assets for less than 12 months the Group has applied the expected loss measurement over the life of the assets. The expected losses of other receivables as at December 31, 2022 are SR 5,956 (2021: SR 5,956).

Financial instruments and cash deposits

The Group has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at December 31, 2022 is insignificant (December 31, 2021: insignificant). The cash balance as at December 31, 2022 is SR 71.7 million (December 31, 2021: SR 51.7 million).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low.

Market risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, commission rates and goods prices, will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risks

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals. However, the Group has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Jordanian Dinar. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly. However management believe that the effect of currency translation is insignificant for these subsidiaries as exchange currencies are regularly fixed to Saudi Riyal.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group - primarily Saudi Arabian Riyal, but also US Dollar and Jordanian Dinar. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. Currency risk regarding purchase in Euro is immaterial.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 Financial instruments – fair values (continued)

Profit rate risk

Profit rate risk is the exposure to risks associated with the effect of fluctuations in the prevailing profit rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha) and other banking facilities amounting to SR 544 million as at December 31, 2022 (2021: SR 480 million) carry fee of variable profit financing according to prevailing market rates. The Group's management monitors the fluctuations in commission rates on an ongoing basis.

The interest rate profile of the Group's interest -bearing financial instruments as reported to the management of the Group is as follows:

	<u>2022</u>	<u>2021</u>
Financial liabilities:		
Fixed rate instruments	-	-
Variable rate instruments	544,205	480,090
	<u>544,205</u>	<u>480,090</u>

Sensitivity Analysis

A reasonably possible change of 1% interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates remain constant

	<u>Profit or loss</u>		<u>Equity net of tax</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
31-December-2022				
Variable rate instruments	5,442	(5,442)	5,442	(5,442)
31-December-2021				
Variable rate instruments	4,801	(4,801)	4,801	(4,801)

Price risk

The Group is not exposed to price risk as it does not have financial instruments sensitive to market prices.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments.

Management monitors rolling forecasts of the Group's liquidity reserve comprising the undrawn borrowing facilities amounting to SR 520.8 million (December 31, 2021: SR 491.5) (See note 14) and cash and cash equivalents amounting to SR 72 million as at December 31, 2022 (December 31, 2021: SR 53) (See note 10) on the basis of expected cash flows. This is generally carried out at a Group level. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The associate has outstanding credit facility guaranteed by the Company in proportion to its share. As of December 31, 2022 and 2021, no loans were drawn by the associate under the facility agreement.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 Financial instruments – fair values (continued)

Liquidity risk (continued)

The following are the contractual maturities of the financial liabilities at the end of the reporting period. Amounts are shown in total and not discounted:

Contractual maturities of financial liabilities as at December 31, 2022	Less than one year	Saudi Riyals		Total	Carrying amount
		1- 2 years	2- 5 years and more		
Trade payables due to related parties	199,280	-	-	199,280	199,280
Trade payables - third party	35,520	-	-	35,520	35,520
Loans	574,136	-	-	574,136	544,205
Lease liabilities	8,068	9,555	5,617	23,240	22,423
Total	817,004	9,555	5,617	832,176	801,428

Contractual maturities of financial liabilities as at December 31, 2021	Less than one year	Saudi Riyals		Total	Carrying amount
		1- 2 years	2- 5 years and more		
Trade payables due to related parties	147,750	-	-	147,750	147,750
Trade payables - third party	89,143	-	-	89,143	89,143
Loans	408,816	76,215	16,563	501,594	480,090
Lease liabilities	6,832	3,778	-	10,610	7,007
Total	652,541	79,993	16,563	749,097	723,990

The following table summarize the assets and liabilities expected recovery/settlement period:

Assets	expected time frame for recovery /settlement	December 31,	December 31,
		2022	2021
Prepayments and other debt balances	Less than 1 year	63,079	40,007
Trade and other receivables	Less than 1 year	304,685	372,572
Trade and other receivables (non-current)	After 2 years	-	13,285
Inventories	Less than 1 year	414,349	349,959
Liabilities		December 31,	December 31,
Non-current liabilities		2022	2021
Loans	2 to 3 years	-	70,963
Lease liabilities	More than 1 year	16,353	3,640
Current liabilities			
Loans	Less than 1 year	544,205	409,127
Trade and other payables	Less than 1 year	312,431	324,361
Lease liabilities	Less than 1 year	6,070	3,367

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

28 Related party transactions

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

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

Name	Relationship	Nature of Transaction	Transactions		Closing Balance		
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
LG Shaker	Associate	Purchase of finished goods	532,284	389,004	189,231	128,427	
LG Electronics	A 51% owner of LG Shaker Company (Note 7)	Purchase of finished goods	57,269	67,126	10,049	19,323	
Total trade and other payable (note 16)						199,280	147,750
Key management (1 personnel)	Key management	Remuneration and meeting attendance fee	2,040	1,800	1,386	1,410	
						200,666	149,160

b) Key management personal compensation:

	2022	2021
Short-term employee benefits	8,428	6,378
Post-employment benefits	339	266
	8,767	6,644

29 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitor the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings, less cash, and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio at December 31, 2022 was as follows:

	2022	2021
Total liabilities	943,720	852,487
Less: cash and cash equivalents	(72,711)	(53,020)
Adjusted net debt	871,009	799,467
Total equity	672,245	636,585
Equity	672,245	636,585
Adjusted net debt to equity ratio	130%	126%

30 Dividends

No dividends have been declared nor paid during the year ended December 31, 2022 (2021: nil)

31 Subsequent events

No material events occurred subsequent to the reporting date which could materially affect the consolidated financial statements and the related disclosures for the year ended December 31, 2022.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

32 Disposal groups

32.1 Disposal group– Sale of EMS

On November 2, 2022, The Group signed an agreement with the minority shareholders for exiting its entire share of investment in Energy Management services Emirates LLC (EMS) group for a transaction price of SR 14.5 million which was a 74% owned by the Group.

An analysis of the results in relation to the operations of disposal group during the year ended December 31, 2022, and 2021 is as follows:

32.1.a Financial performance and cash flow information

	For the year ended Dec 31,	
	2022	2021
Revenue	1,087	1,831
Expenses	(4,397)	(5,611)
Loss before zakat and income tax	(3,310)	(3,780)
Income tax expense	-	-
Net loss from discontinued operations	(3,310)	(3,780)
Other comprehensive income from discontinued operations	46	170
Total comprehensive loss from discontinued operations	(3,264)	(3,610)
Net cash used in operating activities	(1,532)	(9,244)
Net cash used in investing activities	-	(10)
Net cash used in financing activities	-	(5,148)
Net decrease in cash and cash equivalent from the discontinued operations	(1,532)	(14,402)

32.1.b Assets and liabilities of disposal group – Sale of EMS

The following assets and liabilities for sale in relation to the discontinued operations as at November 2, 2022 (date of sale):

	2022
Assets relating to disposal group	
Property and equipment	55
Trade and other receivables	16,059
Cash and cash equivalents	2,984
Total assets of disposal group	19,098
Liabilities relating to disposal group	
Employee benefits obligation	3,720
Trade and other payables	5,076
Total liabilities of disposal group	8,796
Net assets of disposal group	10,302

The net gain on disposal was as follows:

	2022
Consideration received	-
Consideration receivable	14,500
Total consideration	14,500
Net assets of disposal group (74% of net assets)	7,624
Intangible asset recorded by the Company (note 5)	1,240
Balances due from EMS Company	(22,291)
Net gain on disposal	1,073

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

32 Disposal groups (continued)

32.2 Disposal group classified as held for sale

On December 31, 2022, the Board of Directors of Al Hassan Ghazi Ibrahim Shaker Company committed to a plan to sell New vision Company which is a 60% owned subsidiary by the Group and an active program to locate a buyer and complete the plan is applied. An analysis of the results in relation to the operations of disposal group classified as held for sale during the year ended December 31, 2022, and 2021 is as follows:

32.2.a Financial performance and cash flow information

	For the year ended Dec 31,	
	2022	2021
Revenue	89,335	81,876
Expenses	(83,989)	(78,087)
Profit before zakat and income tax	5,346	3,789
Income tax expense	-	-
Net profit from discontinued operations	5,346	3,789
Other comprehensive income from discontinued operations	-	-
Total comprehensive income from discontinued operations	5,346	3,789
Net cash generated from operating activities	8,694	10,276
Net cash (used in) / generated from investing activities	(1,157)	93
Net cash used in financing activities	(8,717)	(12,411)
Net decrease in cash and cash equivalent from the discontinued operations	(1,180)	(2,042)

32.2.b Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities are classified as held for sale in relation to the discontinued operations as at December 31, 2022:

	2022
Assets relating to disposal group classified as held for sale	
Property and equipment	13,266
Right of use assets	1,623
Intangible assets	742
Inventory	14,581
Trade and other receivables	42,680
Prepayments and other debt balances	1,864
Cash and cash equivalents	7,980
Total assets of disposal group classified as held for sale	82,736
Liabilities relating to disposal group classified as held for sale	
Lease liabilities	1,415
Short term loans	5,874
Trade and other payables	11,801
Total liabilities of disposal group classified as held for sale	19,090

- The statement of cash flow is presented based on the consolidated figures, the Group considered the cash and cash equivalents of the disposal group classified as held for sale as not significant.
- The segment information related to the disposal group classified as held for sale is included in other segments category (see note 19).

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

32 Disposal groups (continued)

32.2 Disposal group classified as held for sale (continued)

32.2.b Assets and liabilities of disposal group classified as held for sale (continued)

The statement of profit or loss and other comprehensive income shows the following amounts relating to discontinued operations:

	<u>2022</u>	<u>2021</u>
Depreciation charge of property and equipment (note 4.1)	1,408	1,813
Depreciation charge of right-of-use assets (note 4.2)	1,069	1,375
Interest on lease liabilities (note 4.2)	102	132
Expense relating to short-term leases (note 4.2)	-	315
impairment losses on trade receivables (note 6)	423	734
Finance costs	741	605

The net gain from discontinued operations was as follows:

	<u>2022</u>	<u>2021</u>
Net loss from EMS	(3,310)	(3,780)
Net gain from new vision	5,346	3,789
Net gain from disposal of EMS	1,073	-
Total gain from discontinued operations	<u>3,109</u>	<u>9</u>

33 Contingencies and commitments

The Group has the following as at December 31, 2022.

- a) Outstanding bank guarantees of SR 31.9 million (December 31, 2021: SR 38.7 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.
- b) Outstanding bank letters of credit of SR 68.0 million (December 31, 2021: SR 175 million) issued against import of finished goods and other supplies.
- c) The Group has a contractual obligation with regard to purchase of lot of land amounting to SR 10.9 million as of December 31, 2022.

34 Conflict in Ukraine

The Russian-Ukrainian conflict started in February 2022 resulting a steep increase of crude oil and natural gas prices and at the same time affected share prices at stock exchanges. The course of events required a reassessment of certain accounting estimates, assumptions and judgements of the Group's exposure on impairment risks and expected credit losses. No significant operational costs were recognised in these consolidated financial statements directly associated with the Russian-Ukrainian conflict. Management will keep monitoring the situation and further developments.