AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(a Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months ended 30 September 2017
Together with the review report

INDEX

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Introduction

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

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

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

Scope of review

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

Conclusion

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371

Date: 18 Safar 1439H
Corresponding to: 7 November 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 September 2017
(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Notes	*30 September 2017 SR*	*31 December 2016 SR*
ASSETS			
Property and equipment		**248,836**	256,325
Intangible assets and goodwill	4	**14,508**	13,155
Trade and other receivables	7	**15,172**	13,557
Equity accounted investees	5	**598,853**	577,558
Non-current assets		**877,369**	860,595
Inventories	6	**697,378**	685,344
Trade and other receivables	7	**673,584**	751,954
Prepayments and advances		**31,013**	33,926
Cash and cash equivalents		**27,421**	54,618
Current assets		**1,429,396**	1,525,842
Total assets		**2,306,765**	2,386,437
EQUITY			
Share capital	8	**630,000**	630,000
Statutory reserve	9	**140,937**	140,937
Retained earnings		**188,101**	273,257
Equity attributable to owners of the Company		**959,038**	1,044,194
Non-controlling interest		**24,996**	12,115
Total equity		**984,034**	1,056,309
LIABILITIES			
Loans and borrowings	10	**87,920**	37,882
Employee benefits	11	**37,388**	43,232
Non-current liabilities		**125,308**	81,114
Loans and borrowings	10	**695,160**	777,716
Trade and other payables		**471,176**	436,123
Zakat and foreign income tax liabilities		**13,985**	15,918
Provisions		**17,102**	19,257
Current liabilities		**1,197,423**	1,249,014
Total liabilities		**1,322,731**	1,330,128
Total equity and liabilities		**2,306,765**	2,386,437

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OCI (UNAUDITED)
For the three and nine months ended 30 September 2017
(In Thousands of Saudi Riyals, Unless Otherwise stated)

		For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	Notes	**2017**	2016	**2017**	2016
Revenue	13	**200,995**	401,377	**830,936**	1,330,204
Cost of sales		**(171,702)**	(306,969)	**(660,310)**	(1,001,736)
Gross profit		**29,293**	94,408	**170,626**	328,468
Other income		**31**	606	**711**	5,533
Selling and distribution expenses		**(38,921)**	(41,839)	**(142,007)**	(140,873)
Administrative expenses		**(23,688)**	(38,532)	**(90,881)**	(113,042)
Other expenses		**(5,379)**	(2,811)	**(14,796)**	(3,613)
Operating (loss) / profit		**(38,664)**	11,832	**(76,347)**	76,473
Finance costs		**(8,785)**	(6,695)	**(25,068)**	(21,741)
Share of (loss) / profit of equity-accounted investees	5	**(77)**	(239)	**21,295**	27,021
(Loss) / profit before Zakat and foreign income tax		**(47,526)**	4,898	**(80,120)**	81,753
Zakat and foreign income tax expense		**(1,948)**	(1,451)	**(5,986)**	(5,092)
(Loss) / profit for the period		**(49,474)**	3,447	**(86,106)**	76,661
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurement of the defined benefit liability		-	-	-	-
Other comprehensive income for the period, net of zakat and foreign income tax		-	-	-	-
Total comprehensive (loss) / income for the period		**(49,474)**	3,447	**(86,106)**	76,661
(Loss) / profit attributable to:					
Owners of the Company		**(49,172)**	4,039	**(85,156)**	79,026
Non-controlling interests		**(302)**	(592)	**(950)**	(2,365)
		(49,474)	3,447	**(86,106)**	76,661
Total comprehensive (loss) / income attributable to:					
Owners of the Company		**(49,172)**	4,039	**(85,156)**	79,026
Non-controlling interests		**(302)**	(592)	**(950)**	(2,365)
		(49,474)	3,447	**(86,106)**	76,661
(Losses) / earnings per share:					
Basic and diluted (losses) / earnings per share (SAR)	12	**(0.78)**	0.06	**(1.35)**	1.25

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

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

	Attributable to the owners of the Company					
	Share capital	***Statutory reserve***	***Retained earnings***	***Total shareholders' equity***	***Non-controlling Interests***	***Total***
Balance at 1 January 2017	**630,000**	**140,937**	**273,257**	**1,044,194**	**12,115**	**1,056,309**
Total comprehensive income for the period						
Loss for the period	-	-	**(85,156)**	**(85,156)**	**(950)**	**(86,106)**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**630,000**	**140,937**	**188,101**	**959,038**	**11,165**	**970,203**
Other movement in non – controlling interest *(note 1.7)*	-	-	-	-	**13,831**	**13,831**
Balance at 30 September 2017	**630,000**	**140,937**	**188,101**	**959,038**	**24,996**	**984,034**
Balance at 1 January 2016	630,000	136,185	275,790	1,041,975	15,624	1,057,599
Total comprehensive income for the period						
Profit for the period	-	-	79,026	79,026	(2,365)	76,661
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	630,000	136,185	354,816	1,121,001	13,259	1,134,260
Transferred to statutory reserves *(Note 9)*	-	7,742	(7,742)	-	-	-
Balance at 30 September 2016	630,000	143,927	347,074	1,121,001	13,259	1,134,260

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine months ended 30 September 2017
(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Note	30 September 2017 SR	30 September 2016 SR
Cash flows from operating activities:			
(Loss) / profit for the period		**(86,106)**	76,661
Adjustments for:			
Depreciation		**11,772**	11,025
Amortisation		**309**	309
Impairment losses on inventories	6	**13,385**	5,712
Impairment losses on receivables	7	**12,680**	3,613
Gain on sale of property and equipment		**(599)**	(394)
Share of profit of equity–accounted investees	5	**(21,295)**	(27,021)
Finance costs		**25,068**	21,741
Zakat and foreign income tax		**5,986**	5,092
		(38,800)	96,738
Change in:			
Inventories		**(25,419)**	167,700
Trade and other receivables		**64,075**	(282,225)
Prepayments and advances		**2,913**	(11,649)
Trade and other payables		**34,089**	(3,981)
Provisions and employee benefits		**(7,999)**	84
Cash generated / (utilised) from operating activities		**28,859**	(33,333)
Finance costs paid		**(24,104)**	(17,779)
Zakat paid		**(7,919)**	(6,878)
Net cash used in operating activities		**(3,164)**	(57,990)
Cash flows from investing activities:			
Acquisition of property and equipment		**(4,281)**	(16,583)
Proceeds from sale of property and equipment		**597**	466
Acquisition of intangible assets		**(1,662)**	-
Net cash used in investing activities		**(5,346)**	(16,117)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**1,840,077**	1,806,993
Repayment of loans and borrowings		**(1,875,784)**	(1,768,591)
Other movement in non – controlling interests	1.7	**13,831**	-
Net cash from financing activities		**(21,876)**	38,402
Net decrease in cash and cash equivalents		**(30,386)**	(35,705)
Cash and cash equivalents at 1 January *		**51,803**	85,270
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at 30 September *		**21,417**	49,565

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

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

1. REPORTING ENTITY

1.1. Al Hassan Ghazi Ibrahim Shaker Company (the "Company" (or) the "Parent Company" (or) "HGISC") was registered as a limited liability Company in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 dated Dhul Qadah 26, 1418H (corresponding to March 25, 1998). The Company converted from a limited liability company to a closed joint stock company pursuant to the Ministerial Resolution No. 275 on Shabaan 17, 1429H (corresponding to August 18, 2008).

1.2. The Parent Company offered 10.5 million shares to public, during the subscription period from 26 April 2010 (corresponding to Jumada Awal 11, 1431H) to 2 May 2010 (corresponding to Jumada Awal 17, 1431H). The Parent Company's shares started trading in the Stock Exchange on 17 May 2010 (corresponding to Jumada Thani 3, 1431H). Accordingly, after successful completion of the IPO (Initial Public Offering Process), the Parent Company was declared as a Saudi Joint Stock Company with a share capital of SR 350 million, divided into 35 million shares of SR 10 each. On 29 March 2015, a bonus of four shares for every five ordinary shares outstanding was issued and resultantly the share capital of the Company was increased from SR 350 million to SR 630 million.

1.3. The Group has branches which are operating under separate commercial registrations.

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

1.5. The Company's registered office is located at the following address:

Shaker Group Building
Alsahafa District
King Fahad Road
Riyadh 11422
Kingdom of Saudi Arabia

1. REPORTING ENTITY (Continued)

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

Direct and indirect subsidiaries

Name	Principal field of activity	Country of incorporation	Effective ownership interest at 30 September 2017	2016
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	**100%**	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited ("IHSCL")	Import, export and marketing services	Saudi Arabia	**100%**	100%
ASDAA Gulf Trading Company ("ASDAA")	Wholesale of electronic devices	Saudi Arabia	**100%**	100%
Energy Management Services Emirates LLC ("EMS") (see below)	Energy solution providers	United Arab Emirates	**74%**	74%
New Vision for Electronics and Electrical Appliances Company ("NVEEAC")	Import, export and maintenance of electrical and home appliances	Jordan	**60%**	60%

Entities fully controlled through a subsidiary - EMS

Name	Principal field of activity	Country of incorporation	Subsidiary ownership interest at 30 September 2017	2016
EMS				
Energy Management Services International ("EMSI")	Energy solution providers	Jordan	**100%**	100%
Jemain EMS Company LLC ("JECL")	Energy solution providers	United Arab Emirates	**100%**	100%

1.7. During nine months ended 30 September 2017, the shareholders of NVEEAC resolved to absorb its accumulated losses of SR 34.5 million by waiving of their balances receivable from NVEEAC. Other movement in non – controlling interest of SR 13.8 million represent absorption of such losses by the minority shareholders of NVEEAC.

1.8. These condensed consolidated interim financial statements were approved by the Board of Directors on 18 Safar 1439H (corresponding to 7 November 2017).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

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

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

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

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

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

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group's SOCPA GAAP annual financial statements for the year ended 31 December 2016 and the Group's interim financial statements for the quarter ended 30 September 2017 prepared in accordance with IFRS applicable to the interim financial statements.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Basis of consolidation

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

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

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

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

2.1 Basis of preparation (continued)

d) Basis of consolidation (continued)

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

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

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

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

2.2 Significant accounting policies

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements:
The preparation of condensed consolidated interim financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

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

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

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

Impairment of inventories (note 6)
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions (continued):

Impairment of trade and other receivables (note 7)
An estimate of the collectible amount of trade accounts receivable and retentions is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of non-financial assets (notes 4 & 5)
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

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

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

Employee benefits (note 11)
The cost of end of service benefit plans and the present value of end of service benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

4 INTANGIBLE ASSETS AND GOODWILL

	30 September 2017 SR	*31 December 2016 SR*
- Intangible asset		
Energy Management Services Emirates LLC *(Note 17)*	**2,992**	3,301
New Vision for Electronics and Electrical Appliances Company	**1,662**	--
- *Goodwill (Note 4.1)*		
ASDAA Gulf Trading Company (ASDAA)	**9,854**	9,854
	14,508	13,155

4.1 Effective 12 November 2014, HGISC acquired effectively 100% shareholding in ASDAA for purchase consideration of SR 20 million, which was in excess of the fair value of the net assets acquired by SR 9.9 million and has been recorded as goodwill. The goodwill has not been tested for impairment as there were no impairment indicators as at 30 September 2017.

5 EQUITY ACCOUNTED INVESTEES

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

Name of Company	*Principal activities*	*Country of incorporation*	*Effective interest at 30 September 2017*	*Effective interest at 31 December 2016*
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	**49%**	49%
Shaker Electronic and Appliances Lebanon Company ("SEALCO")	Trading of electrical and home appliances	Lebanon	**20%**	20%

Investments in equity accounted investees are as follows:

	30 September 2017 SR	*31 December 2016 SR*
LG Shaker *(Note 5.1)*	**595,378**	573,633
SEALCO	**3,475**	3,925
	598,853	577,558

Reconciliations for the equity accounted investees are as follows:

	LG Shaker SR	*SEALCO SR*	*Total SR*
At 1 January 2017	**573,633**	**3,925**	**577,558**
Share of profit / (loss) for the period	**21,745**	**(450)**	**21,295**
At 30 September 2017	**595,378**	**3,475**	**598,853**

	LG Shaker SR	*SEALCO SR*	*Total SR*
At 1 January 2016	551,134	4,325	555,459
Share of profit / (loss) for the year	22,499	(400)	22,099
At 31 December 2016	573,633	3,925	577,558

(In Thousands of Saudi Riyals, Unless Otherwise stated)

5 EQUITY ACCOUNTED INVESTEES (continued)

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

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

Balance as at:	***30 September 2017 SR***	*31 December 2016 SR*
Non-current assets	**131,759**	144,578
Current assets	**492,883**	480,814
Non-current liabilities	**(5,549)**	(4,989)
Current liabilities	**(39,185)**	(75,595)
Net assets	**579,908**	544,808
Group's share of net assets	**283,394**	261,649
Goodwill	**311,984**	311,984
Carrying amount of interest in associate	**595,378**	573,633

	30 September 2017 SR	*31 December 2016 SR*
Revenue	**348,762**	531,002
Total comprehensive income	**35,099**	65,332
Group share of total comprehensive income	**21,745**	22,499

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

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

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

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

(In Thousands of Saudi Riyals, Unless Otherwise stated)

6 INVENTORIES

	30 September 2017 SR	*31 December 2016 SR*
Finished goods	**625,429**	588,913
Spare parts	**87,025**	91,726
Goods in transit	**7,377**	13,773
	719,831	694,412
Impairment losses on inventories	**(22,453)**	(9,068)
	697,378	685,344

Reconciliation of the impairment losses on inventories is as follow:

	30 September 2017 SR	*31 December 2016 SR*
Balance at beginning of period / year	**9,068**	10,525
Charge for the period / year	**13,385**	5,712
Utilised during the period / year	-	(7,169)
Balance at end of period / year	**22,453**	9,068

a) At 30 September 2017, the Group has outstanding bank guarantees of SR 48 million (31 December 2016: SR 65.8 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.

b) At 30 September 2017, the Group has outstanding bank letter of credits of SR 41 million (31 December 2016: SR 29.2 million) issued against import of finished goods and other supplies.

7 TRADE AND OTHER RECEIVABLES

	30 September 2017 SR	*31 December 2016 SR*
Trade receivables	**701,796**	763,065
Other receivables:		
Advertisement claims from suppliers	**19,169**	20,567
Custom duty deposit	**5,961**	5,956
Amount due from related parties (note 16)	**228**	151
Non trade receivables	**5,856**	9,789
Impairment losses on receivables	**(44,254)**	(34,017)
	688,756	765,511
Non-current	**15,172**	13,557
Current	**673,584**	751,954
	688,756	765,511

(In Thousands of Saudi Riyals, Unless Otherwise stated)

7 TRADE AND OTHER RECEIVABLES (continued)

Reconciliation of impairment losses on receivables is as follows:

	30 September 2017 SR	*31 December 2016 SR*
Balance at beginning of period / year	**34,017**	29,973
Charge for the period / year	**12,680**	4,114
Utilised during the period / year	**(2,443)**	(70)
Balance at end of period / year	**44,254**	34,017

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

8 SHARE CAPITAL

	30 September 2017 SR	*31 December 2016 SR*
Authorised share capital (shares of SR 10 each)	**630,000**	630,000
Issued and fully paid up capital (shares of SR 10 each)	**630,000**	630,000

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

9 STATUTORY RESERVE

The new Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to 2 May 2016) requires companies to set aside 10% of its net income in each year to a statutory reserve until such reserve reaches 30% of the share capital. The Company has completed legal formalities on 26 April 2017 with regard to the amendment of its Bylaws. This reserve is currently not available for distribution to the shareholders of the Company. Due to the loss making position for the nine months ended 30 September 2017, no such transfer was required as at the current reporting date.

10 LOANS AND BORROWINGS

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

(In Thousands of Saudi Riyals, Unless Otherwise stated)

10 LOANS AND BORROWINGS (continued)

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

	30 September 2017 SR	*31 December 2016 SR*
Current:		
Bank overdraft	**6,004**	2,815
Bank loans	**689,156**	774,901
	695,160	777,716
Non-current:		
Bank loans	**87,920**	37,882
	87,920	37,882

The following bank loans are outstanding as at 30 September 2017:

	Currency	**Nominal interest rate**	**Year of maturity**	**Face value SR**	**Carrying amount SR**
Kingdom of Saudi Arabia	SAR	2.67%-4.16% per annum	2017-2019	**660,800**	**630,800**
	USD	2.7% -2.9% per annum	2017	**56,265**	**56,265**
United Arab Emirates	AED	1 month EIBOR + 4% per annum (minimum of 4.5%)	2018 - 2021	**17,930**	**13,957**
Jordan	JD	9.75% per annum	2017	**15,869**	**2,320**
	USD	LIBOR + 2.95% per annum	2017	**93,750**	**73,734**
					777,076

Reconciliation of bank loans are as follows:

Balance as at 1 January 2017		**812,783**
Proceeds		
Kingdom of Saudi Arabia	**1,778,046**	
United Arab Emirates	**593**	
Jordan	**61,438**	
		1,840,077
Repayments		
Kingdom of Saudi Arabia	**(1,821,171)**	
United Arab Emirates	**(2,200)**	
Jordan	**(52,413)**	
		(1,875,784)
Balance as at 30 September 2017		**777,076**

(In Thousands of Saudi Riyals, Unless Otherwise stated)

11 EMPLOYEE BENEFITS

	30 September 2017 SR	*31 December 2016 SR*
Net defined benefit liability	**37,388**	43,232
	37,388	43,232

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

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

Reconciliation in employees end of service benefits is as follow;

	30 September 2017 SR	*31 December 2016 SR*
Balance at beginning of period / year	**43,232**	44,696
Included in Profit and Loss		
Current service cost	**3,401**	10,345
Interest cost	**1,146**	1,788
	4,547	12,133
Included in Other comprehensive income		
Actuarial (gain) / loss	-	(652)
Benefit paid	**(10,391)**	(12,945)
Balance at end of period / year	**37,388**	43,232
Represented by:		
Net defined benefit liability for plans in:		
- Kingdom of Saudi Arabia	**35,168**	41,148
- United Arab Emirates	**2,220**	2,084
	37,388	43,232

(In Thousands of Saudi Riyals, Unless Otherwise stated)

11 EMPLOYEE BENEFITS (continued)

Actuarial assumptions

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

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

Sensitivity analysis

Particulars	30 September 2017 PVDBO	% Change
EOSB liability	37,388	
+1% Discount rate	(2,255)	-6.03%
-1% Discount rate	2,413	6.45%
+1% Salary increase rate	2,748	7.35%
-1% Salary increase rate	(2,608)	-6.98%
+10% Withdrawals rate	115	0.31%
-10% Withdrawals rate	(121)	-0.32%
1 Year mortality age set back	29	0.08%
1 Year mortality age set forward	(30)	-0.08%

PVDBO: Present value of defined benefit obligations

12 BASIC AND DILUTED (LOSSES) / EARNINGS PER SHARE

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

	30 September 2017 SR	*30 September 2016 SR*
(Loss) / profit attributable to ordinary shareholders	**(85,156)**	79,026
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the period	**63,000**	63,000
Basic and diluted (losses) / earnings per share	**(1.35)**	1.25

(In Thousands of Saudi Riyals, Unless Otherwise stated)

13 OPERATING SEGMENTS

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

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

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

All others segments represents energy solutions and mobiles.

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

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

	HVAC solutions SR	*Home appliances SR*	*Total reportable segments SR*	*All other segments SR*	*Adjustments and eliminations SR*	***Total SR***
As at 30 September 2017						
Assets and liabilities:						
Segment assets	**1,811,558**	**540,716**	**2,352,274**	**45,696**	**(91,205)**	**2,306,765**
Segment liabilities	**1,156,663**	**212,716**	**1,369,379**	**44,557**	**(91,205)**	**1,322,731**
For the nine months ended 30 September 2017						
Segment revenues	**550,303**	**262,525**	**812,828**	**18,108**	**-**	**830,936**
Segments (loss) / profit before zakat and foreign income tax	**(79,291)**	**(1,210)**	**(80,501)**	**381**	**-**	**(80,120)**

	HVAC solutions SR	*Home appliances SR*	*Total reportable segments SR*	*All other segments SR*	*Adjustments and eliminations SR*	*Total SR*
As at 31 December 2016						
Assets and liabilities:						
Segment assets	1,939,238	539,513	2,478,751	30,187	(122,501)	2,386,437
Segment liabilities	1,178,266	240,152	1,418,418	34,211	(122,501)	1,330,128
For the nine month ended 30 September 2016						
Segment revenues	937,529	377,530	1,315,059	15,145	-	1,330,204
Segments profit / (loss) before zakat and foreign income tax	91,862	(8,731)	83,131	(1,378)	-	81,753

More than 87% of the Group's revenue and 91% of the Group's total assets are based in Kingdom of Saudi Arabia.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

14 SEASONALITY OF OPERATIONS

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

For the 12 months ended 30 September 2017, the HVAC solutions segment reported revenue of SR 767 million (for 12 months ended 30 September 2016: SR 1,174 million) and net loss of SR 140 million (net profit for 12 months ended 30 September 2016: SR 79 million).

15 FINANCIAL INSTRUMENTS

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

	Carrying amount		**Fair Value**			
	Non-current assets	**Current assets**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2017						
Financial assets not measured at fair value						
Trade and other receivables	**15,172**	**667,623**	-	-	-	-
Cash and cash equivalents	--	**27,421**	-	-	-	-
Total	**15,172**	**695,044**	-	-	-	-

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

	Carrying amount		**Fair Value**			
	Non-current liabilities	**Current liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2017						
Financial liabilities not measured at fair value						
Loans and borrowings	**87,920**	**689,156**	-	-	-	-
Trade and other payables	--	**407,814**	-	-	-	-
Bank overdrafts	--	**6,004**	-	-	-	-
Total	**87,920**	**1,102,974**	-	-	-	-

	Carrying amount		Fair Value			
	Non-current liabilities	Current liabilities	Leve 11	Level 2	Level 3	Total
31 December 2016						
Financial liabilities not measured at fair value						
Loans and borrowings	37,882	774,901	-	-	-	-
Trade and other payables	-	420,942	-	-	-	-
Bank overdrafts	-	2,815	-	-	-	-
Total	37,882	1,198,658	-	-	-	-

(In Thousands of Saudi Riyals, Unless Otherwise stated)

16 RELATED PARTY TRANSACTIONS

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

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

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			30 September 2017	30 September 2016	**30 September 2017**	31 December 2016
SEALCO	Associate	Expense paid on behalf of company	--	--	**228**	151
					228	151

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

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			30 September 2017	30 September 2016	**30 September 2017**	31 December 2016
LG Shaker	Associate	Purchase of finished goods	**338,992**	442,868	**334,307**	244,857
LG Electronics (Levant)	Associate	Purchase of finished goods	**68,766**	83,221	**13,264**	2,819
Board of Directors	Key management	Remuneration and meeting attendance fee	**1,144**	1,727	**450**	2,028
Subsidiary shareholder – NVEEAC	Key management	Advances	-	1,559	**6,492**	20,358
Subsidiary shareholder – EMS	Key Management	Advances	**517**	220	**1,338**	821
					355,851	270,883

17 FIRST TIME ADOPTION OF IFRS

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

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

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

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

17 FIRST TIME ADOPTION OF IFRS (continued)

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

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

b) The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

c) The Group has applied the transitional provisions in IFRIC 4 -"Determining whether an Arrangement Contains a Lease "and has assessed all arrangements based upon the conditions in place as at the date of transition to determine if they contain lease.

d) The Group has applied the transitional provisions in IAS 23- "Borrowing Costs" and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated borrowing costs capitalised under SOCPA on qualifying assets prior to the date of transition to IFRS. No amount has been capitalised in the current period.

e) The Group has elected to disclose the following amounts prospectively from the date of transition (IFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed): (i) the present value of the end of service obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on the plan liabilities and the plan assets.

f) No items of property and equipment have been measured at fair value at the date of transition to IFRS.

g) Cumulative currency translation differences for all foreign operations are deemed to be immaterial to the overall financial statements as at date of transition.

Estimates

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

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

(In Thousands of Saudi Riyals, Unless Otherwise stated)

17 FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of Equity

		30 September 2016		
	Note	*Previous GAAP*	*Effect of transition to IFRS*	*IFRSs*
Assets				
Property and equipment	17.3	264,322	(525)	263,797
Intangible assets and goodwill	17.1	25,699	(12,440)	13,259
Trade and other receivables		13,651	-	13,651
Equity-accounted investees		582,480	-	582,480
Non-current asset		886,152	(12,965)	873,187
Inventories		762,081	-	762,081
Trade and other receivables		797,189	-	797,189
Prepayments and advances		50,300	-	50,300
Cash and cash equivalents		51,144	-	51,144
Current asset		1,660,714	-	1,660,714
Total Assets		2,546,866	(12,965)	2,533,901
Equity				
Share capital		630,000	-	630,000
Statutory reserves		143,927	-	143,927
Retained earnings		355,445	(8,371)	347,074
Equity attributable to owners of the Company		1,129,372	(8,371)	1,121,001
Non-controlling interest	17.1 & 17.2	20,259	(7,000)	13,259
Total equity		1,149,631	(15,371)	1,134,260
Liabilities				
Loans and borrowings		43,171	-	43,171
Employee benefits	17.2	42,099	2,406	44,505
Total non-current liabilities		85,270	2,406	87,676
Loans and borrowings		726,731	-	726,731
Trade and other payables		542,088	-	542,088
Zakat and foreign income tax liabilities		15,800	-	15,800
Provisions		27,346	-	27,346
Total current liabilities		1,311,965	-	1,311,965
Total liabilities		1,397,235	2,406	1,399,641
Total equity and liabilities		2,546,866	(12,965)	2,533,901

(In Thousands of Saudi Riyals, Unless Otherwise stated)

17 FIRST TIME ADOPTION OF IFRS (continued)

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

	Note	*Previous GAAP*	*Effect of transition to IFRS 30 September 2016*	*IFRS*
Revenue		401,377	-	401,377
Cost of sale		(306,969)	-	(306,969)
Gross profit		94,408	-	94,408
Other income		606	-	606
Selling and distribution expenses	17.2	(43,210)	1,371	(41,839)
Administrative expenses	17.1, 17.2 & 17.3	(38,841)	309	(38,532)
Other expenses		(2,811)	-	(2,811)
Operating profit		10,152	1,680	11,832
Finance cost		(6,695)	-	(6,695)
Share of loss of equity – accounted investees		(239)	-	(239)
Profit before zakat and foreign income tax		3,218	1,680	4,898
Zakat and foreign income tax expense		(1,451)	-	(1,451)
Profit for the period		1,767	1,680	3,447
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of employee benefits		-	-	-
Other comprehensive income for the period, net of zakat and foreign income tax		-	-	-
Total comprehensive income for the period		1,767	-	3,447
Profit attributable to:				
Owners of the company		2,362		4,039
Non-controlling interests	17.2	(595)	3	(592)
		1,767		3,447
Total comprehensive income attributable to:				
Owners of the Company		2,362		4,039
Non-controlling interests	17.2	(595)	3	(592)
		1,767		3,447
Earnings per share:				
Basic and diluted earnings per share (SR)		0.04		0.06

(In Thousands of Saudi Riyals, Unless Otherwise stated)

17 FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of statement of profit and loss and other comprehensive income for nine months ended 30 September 2016

	Note	*Previous GAAP*	*Effect of transition to IFRS 30 September 2016*	*IFRS*
Revenue		**1,330,204**	-	**1,330,204**
Cost of sale		(1,001,736)	-	(1,001,736)
Gross profit		**328,468**	-	**328,468**
Other income		**5,533**	-	**5,533**
Selling and distribution expenses	17.2	**(142,607)**	**1,734**	**(140,873)**
Administrative expenses	17.1, 17.2 & 17.3	**(112,951)**	**(91)**	**(113,042)**
Other expenses		**(3,613)**	-	**(3,613)**
Operating profit		**74,830**	**1,643**	**76,473**
Finance cost		**(21,741)**	-	**(21,741)**
Share of profit of equity – accounted investees		**27,021**	-	**27,021**
Profit before zakat and foreign income tax		**80,110**	**1,643**	**81,753**
Zakat and foreign income tax expense		**(5,092)**	-	**(5,092)**
Profit for the period		**75,018**	**1,643**	**76,661**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of employee benefits		-	-	-
Other comprehensive income for the period, net of zakat and foreign income tax		-	-	-
Total comprehensive income for the period		75,018	-	76,661
Profit attributable to:				
Owners of the company		**77,422**		**79,026**
Non-controlling interests	17.2	**(2,404)**	**39**	**(2,365)**
		75,018		**76,661**
Total comprehensive income attributable to:				
Owners of the Company		**77,422**		**79,026**
Non-controlling interests	17.2	**(2,404)**	39	**(2,365)**
		75,018		**76,661**
Earnings per share:				
Basic and diluted earnings per share (SR)		**1.23**		**1.25**

(In Thousands of Saudi Riyals, Unless Otherwise stated)

17 FIRST-TIME ADOPTION OF IFRS (continued)

Notes to the reconciliations

17.1 Intangible asset

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

	30 September 2016 SR
Condensed consolidated statement of profit or loss	
Administrative expenses	**(309)**
	(309)
Condensed consolidated statement of financial position	
Goodwill	**(15,845)**
Intangible assets	**3,405**
Non-controlling interests	**7,086**
Adjustments to retained earnings	**(5,354)**

17.2 Employee benefit

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

The impact arising from the change is summarised as follows:

	30 September 2016 SR
Condensed consolidated statement of profit or loss	
Selling and distribution expenses	**1,734**
Administrative expenses	**743**
	2,477
Condensed consolidated statement of financial position	
Employee benefits	**(2,406)**
Non-controlling interests	**(86)**
Adjustments to retained earnings	**(2,492)**

17.3 Other adjustment resulting from conversion

Other adjustment relates to the componentization of certain property and equipment related items which has reduced the profits for nine month months ended 30 September 2016 by SR 0.525 million, and profits for the year ended 31 December 2016 by SR 0.7 million.