Al Hassan Ghazi Ibrahim Shaker Company
(a Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended
31 December 2018
Together with the audit report

INDEX

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Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company

Opinion

We have audited the consolidated financial statements of Al Hassan Ghazi Ibrahim Shaker Company – a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes (1) to (33), comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 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 Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 period. 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.

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Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (Continued)

Key Audit Matters (continued)

Impairment of Inventories

Refer to note 2.2 for the accounting policy on inventories and note 8 for the inventories disclosure.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group's gross inventories balance was SR 420 million (2017: SR 663 million) with an impairment allowance of SR 38 million (2017: SR 38 million). The management determines the level of obsolescence of inventories considering the nature, aging profile and sales expectations using historic trends and other qualitative factors. Further, at each reporting date, management reviews the valuation of inventories and the cost of inventories are written down where inventories are forecasted to be sold at below cost. We considered this as a key audit matter as the management applies significant judgment in determining an appropriate impairment allowance for inventories.	Our procedures related to the valuation of inventory included: • Assessed the design and implementation, and tested the operating effectiveness of the key controls relating to the Group's processes over establishing and monitoring the impairment of inventories. • Performed an overall ratio and trend analysis to assess the level of inventory provision and discussed with management any unusual trends or ratios. • On a sample basis, tested the accuracy of the historical data and age analysis of inventory used in determination of the inventory allowance. • Evaluated the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual results. • On a sample basis, determined the net realisable value (NRV) of inventories by examining the sales subsequent to year-end and comparing this NRV with the carrying value of inventories to consider the appropriateness of the associated allowance. • Obtained inventory count results from management to consider the appropriateness of the allowance for the expected level of defective and damaged inventory. Further, to understand the process of inventory counts, we attended inventory counts at a sample of warehouses along with management where we assessed the design and implementation and operating effectiveness of key controls over physical inventory and also performed sample test counts to evaluate the completeness and existence of management's count results.

Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (Continued)

Key Audit Matters (continued)

Impairment of trade receivables	
Refer to note 2.2 for the accounting policy on trade receivables and note 6 for the trade receivables disclosure.	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2018, the Group's gross trade receivables balance was SR 515 million (2017: SR 609 million) with an impairment losses of SR 68 million (2017: SR 62 million). The Group assesses at each reporting date whether the trade receivables (carried at amortised cost) are credit-impaired. The Group's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade receivables collections experience. We considered this as a key audit matter as the management applies significant judgment in determining an appropriate impairment loss allowance for receivables.	Our audit procedures related to impairment losses on trade receivables included: • Assessed the design and implementation, and tested the operating effectiveness of the key controls relating to the Group's processes over establishing and monitoring the impairment. • Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model. • Tested key assumptions, such as those used to calculate the likelihood of default, by comparing to historical data. We also considered the incorporation of forward looking macro economic factors to reflect the impact of future events on expected credit losses. • Involved our accounting subject matter specialist to review the methodology used in ECL model, and compared this against accepted best practice. • Considering the adequacy of the Group's disclosures in terms of applicable accounting standards.

Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (Continued)

Key Audit Matters (continued)

Valuation of equity accounted investees

Refer to Note: 2.2 for the accounting policy relating to the equity accounted investees and note 7 for the equity accounted investees disclosure.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying value of equity accounted investees amounted to SAR 491 million (2017: SAR 547 million). The Group is exposed to risk of impairment of its equity-accounted investees. The Group's management considers whether there are indicators of impairment with respect to equity accounted investees and conducts its impairment test to assess the recoverability of these investments using the value in use model. Impairment assessment of these investments requires significant judgment and there is a risk that the valuation of the assets and any related impairment charge may be incorrect. We considered equity accounted investees impairment as a key audit matter due to the significant judgment and assumptions involved in the impairment assessment process.	Our audit procedures related to the valuation of equity accounted investees included: • Assessed the design and implementation, and tested the operating effectiveness of the key controls relating to Group's processes over establishing and monitoring the impairment. • Utilised our internal valuations specialist 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, growth and discount rates and 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 forecasts to historical experience. • Assessed the completeness and accuracy of the information produced by management which was used as the basis of their assessment. • Considered the adequacy of the Group's disclosures in terms of applicable accounting standards.

Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (Continued)

Key Audit Matters (continued)

Revenue recognition

Refer to Note: 2.2 for the accounting policy relating to revenue recognition and note: 20 for the related disclosures.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group recognised total revenue of SR 774 million (2017: SR 1,039 million). Revenue is measured net of discounts, incentives and rebates earned by customers on the Group's sales. The estimation of discounts, incentives and rebates recognised based on sales made during the year is material and / or considered to be judgmental. Therefore, there is a risk that these arrangements are not appropriately reflected and as a result revenue may be misstated in the consolidated financial statements. There is also a risk that revenue may be overstated through overriding controls over the discounts, incentives and rebates recognised resulting from the pressure management may feel to achieve performance targets. Revenue from the sale of goods is recognised when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods. There is a risk that revenue may be overstated due to overriding controls resulting from the pressure management may feel to achieve performance targets at the reporting period end. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the risks and rewards have been transferred.	We performed the following procedures related to revenue recognition: • Considered the appropriateness of the Group's revenue recognition accounting policies, including those relating to discounts, incentives and rebates and assessing compliance with the policies in terms of applicable accounting standards. • Assessed the design and implementation, and tested the operating effectiveness of the Group's controls including anti-fraud controls over recognition of revenue as per Group's policy; • Assessed sales transactions taking place at either side of the year end as well as credit notes issued after the year end date to assess whether that revenue was recognized in the correct period. • We also developed an expectation of the current year revenue balance based on trend analysis information, taking into account historical weekly sales and returns information and our understanding of each market. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing. • Compared current year rebate accruals to the prior year and, where relevant, we completed further inquiries and testing. We reconciled on a sample basis claims and rebate accruals to supporting documentation and challenged management's assumptions used in estimating rebate accruals. • Performed testing over manual journals posted to revenue to identify unusual or irregular items. Considered the adequacy of the Group's disclosures in notes 19 and 20 in respect of revenue.

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Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (Continued)

Key Audit Matters (continued)

Going Concern

Refer to Note 2.1(b) for basis of preparation of the consolidated financial statements relating to going concern.

Significant key audit matter	How the matter was addressed in our audit

The Group has reported a net loss of SR 202.2 million (2017: SR 176.7 million) for the year ended 31 December 2018 and, as of that date, reported accumulated losses of SR 94 million.
 	
The financial performance of the Group has significantly deteriorated due to continuous decline in the sales volume which has resulted in the increased operating losses and the accumulated loss position in comparison with the prior years.
 	
In the normal course of business, the Group as and when fall due negotiates with the banks to renew and / or refinance its facilities.
 	
We considered this as a significant key audit matter as the management applies significant judgment in the assessment of the Group's ability to continue as a going concern.
	Our procedures related to the audit of management's assessment of the Group's ability to continue as a going concern included the evaluation of:
	
	• The process management followed to make its assessment;
	• The assumptions on which the assessment is based, including whether the assumptions
	  o are realistic and achievable in view of the Group's circumstances;
	  o are consistent with the general economic environment;
	  o are internally consistent; and
	  o are consistent with other matters relating to the consolidated financial statements.
	• Management's plans for future action, and whether management's plans are feasible in the circumstances;
	• The data used, including whether the data is relevant to the assessment and from a reliable source;
	• The budgets and forecasts for the period covered and the ability to comply with the debt covenants;
	• The level of sensitivities applied for reasonableness based on our knowledge of the business and markets served;
	• The terms of all Group's financing arrangements, including both committed and uncommitted facilities, and assessed how these had been factored into the forecast models.
	
	We inspected correspondence with the lenders concerning the key financial covenants, and any terms attaching (including the period covered), and checked all were captured appropriately within the model to test continuing compliance for the period considered.
	
	We considered whether management's assessment includes all relevant information of which we are aware as a result of the audit.
	
	We also assessed the projections and assumptions by reference to our knowledge of the business and general market conditions and assessed the potential risk of management bias.
	
	We also assessed the going concern disclosures for accuracy, including that sufficient details were provided concerning the uncertainties.

Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditors' report thereon. The Group's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 when it becomes available 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, 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 Board of Directors 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, Company's By-laws and Regulations for Companies 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 (ISAs) 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 (ISAs) that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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 controls 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Independent Auditors' Report

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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, then we are required to draw attention in our auditors' 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 auditors' 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 the Board of Directors regarding, amongst 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 of Al Hassan Ghazi Ibrahim Shaker Company ("the Company") and its subsidiaries (collectively referred to as "the Group").

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG Al Fozan & Partners
Certified Public Accountants

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محاسبون ومراجعون قانونيون
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KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No: 371

Date: 20 Rajab 1440H
Corresponding to: 27 March 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018
(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Notes	*31 December 2018 SR*	*31 December 2017 SR*
ASSETS			
Property and equipment	*4*	**236,926**	245,668
Intangible assets and goodwill	*5*	**14,009**	14,356
Trade and other receivables	*6*	**13,049**	11,739
Equity accounted investees	*7*	**490,782**	547,007
Non-current assets		**754,766**	818,770
Inventories	*8*	**382,072**	625,161
Trade and other receivables	*6*	**451,490**	552,623
Prepayments and advances	*9*	**28,841**	26,654
Cash and cash equivalents	*10*	**17,532**	62,627
Current assets		**879,935**	1,267,065
Total assets		**1,634,701**	2,085,835
EQUITY			
Share capital	*11*	**630,000**	630,000
Statutory reserve	*12*	**140,937**	140,937
(Accumulated losses) / retained earnings		**(93,956)**	103,462
Equity attributable to owners of the Company		**676,981**	874,399
Non-controlling interests	*13*	**21,199**	20,240
Total equity		**698,180**	894,639
LIABILITIES			
Loans and borrowings	*14*	**31,000**	75,447
Employee benefits	*15*	**25,751**	32,454
Non-current liabilities		**56,751**	107,901
Loans and borrowings	*14*	**531,457**	713,655
Trade and other payables	*16*	**319,701**	339,230
Zakat and foreign income tax liabilities	*17*	**16,927**	15,621
Provisions	*18*	**11,685**	14,789
Current liabilities		**879,770**	1,083,295
Total liabilities		**936,521**	1,191,196
Total equity and liabilities		**1,634,701**	2,085,835

Abdulelah Abdullah Abunayyan
Chairman

Azzam Saud Almudaheem
CEO

Khaled Abdulrahman Bakhsh
CFO

The notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OCI
For the year ended 31 December 2018
(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Notes	***31 December 2018***	*31 December 2017*
		SR	*SR*
Revenue	*20*	**774,025**	1,038,563
Cost of sales	*21*	**(675,307)**	(862,615)
Gross profit		**98,718**	175,948
Other income	*22*	**2,901**	963
Selling and distribution expenses	*23*	**(140,336)**	(162,530)
Administrative expenses	*24*	**(110,718)**	(125,707)
Impairment loss on trade receivables	*6*	**(5,786)**	(39,913)
Other expenses		**-**	(2,233)
Operating loss		**(155,221)**	(153,472)
Finance costs	*25*	**(32,862)**	(34,044)
Share of (loss) / profit of equity-accounted investees, net of tax	*7*	**(7,225)**	18,449
Loss before Zakat and foreign income tax		**(195,308)**	(169,067)
Zakat and foreign income tax expense	*17*	**(6,873)**	(7,678)
Loss for the year		**(202,181)**	(176,745)
Other comprehensive (loss) / income			
Items that will not be reclassified to profit or loss			
Re-measurement of the defined benefit liability	*15*	**(876)**	1,244
Other comprehensive (loss) / income for the period, net of zakat and foreign income tax		**(876)**	1,244
Total comprehensive loss for the year		**(203,057)**	(175,501)
Loss attributable to:			
Owners of the Company		**(196,542)**	(171,039)
Non-controlling interests		**(5,639)**	(5,706)
		(202,181)	(176,745)
Total comprehensive loss attributable to:			
Owners of the Company		**(197,418)**	(169,795)
Non-controlling interests		**(5,639)**	(5,706)
		(203,057)	(175,501)
Losses per share:			
Basic and diluted losses per share (SAR)	*26*	**(3.12)**	(2.71)

The notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018
(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Attributable to the owners of the Company					
	Share capital	***Statutory Reserve***	***(Accumulated losses) / retained earnings***	***Total shareholders' equity***	***Non-controlling Interest***	***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 year						
Loss for the year	-	-	(171,039)	(171,039)	(5,706)	(176,745)
Other comprehensive income	-	-	1,244	1,244	-	1,244
	630,000	**140,937**	**103,462**	**874,399**	**6,409**	**880,808**
Other movement in non – controlling interest	-	-	-	-	13,831	13,831
Balance at 31 December 2017	**630,000**	**140,937**	**103,462**	**874,399**	**20,240**	**894,639**
Total comprehensive income for the year						
Loss for the year	-	-	(196,542)	(196,542)	(5,639)	(202,181)
Other comprehensive income	-	-	(876)	(876)	-	(876)
	630,000	**140,937**	**(93,956)**	**676,981**	**14,601**	**691,582**
Other movement in non – controlling interest *(note 1.7)*	-	-	-	-	6,598	6,598
Balance at 31 December 2018	**630,000**	**140,937**	**(93,956)**	**676,981**	**21,199**	**698,180**

The notes 1 to 33 form an integral part of these consolidated financial statements.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
(In Thousands of Saudi Riyals, Unless Otherwise stated)

	Note	***31 December 2018 SR***	*31 December 2017 SR*
Cash flows from operating activities:			
Loss for the year		**(202,181)**	(176,745)
Adjustments for:			
Depreciation	*4*	**14,854**	15,493
Amortisation	*5*	**462**	544
Impairment losses on inventories	*8*	**30,278**	28,785
Impairment losses on receivables	*6*	**5,786**	39,913
Gain on sale of property and equipment		**-**	(620)
Share of loss / (profit) of equity–accounted investees	*7*	**7,225**	(18,449)
Finance costs	*25*	**32,862**	34,044
Zakat and foreign income tax	*17*	**6,873**	7,678
		(103,841)	(69,357)
Change in:			
Inventories		**212,811**	31,398
Trade and other receivables		**94,037**	161,236
Prepayments and advances		**(2,187)**	7,273
Trade and other payables		**29,471**	(48,581)
Provisions and employee benefits		**3,102**	1,705
Cash generated from operating activities		**233,393**	83,674
Finance costs paid		**(33,738)**	(28,587)
Zakat paid	*17*	**(5,567)**	(7,975)
End of service benefits paid	*15*	**(12,909)**	(15,707)
Net cash from operating activities		**181,179**	31,405
Cash flows from investing activities:			
Acquisition of property and equipment	*4*	**(6,112)**	(4,901)
Proceeds from sale of property and equipment		**-**	685
Acquisition of intangible assets	*5*	**(115)**	(1,745)
Net cash used in investing activities		**(6,227)**	(5,961)
Cash flows from financing activities:			
Proceeds from loans and borrowings	*14*	**1,096,466**	2,462,018
Repayment of loans and borrowings	*14*	**(1,327,242)**	(2,497,726)
Other movement in non – controlling interests	*1.7*	**6,598**	13,831
Net cash used in financing activities		**(224,178)**	(21,877)
Net (decrease) / increase in cash and cash equivalents		**(49,226)**	3,567
Cash and cash equivalents at 1 January *		**55,370**	51,803
Cash and cash equivalents at 31 December*	*10*	**6,144**	55,370

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

Non cash transactions

Dividend from associate settled through liability	*7*	**49,000**	49,000

The notes 1 to 33 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

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

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

1.3. The 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 to provide agency services for those companies which are in the same business.

1.4. 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.

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

Branch location	Commercial registration	Date
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)
Jeddah	4030152476	December 4, 2004 (21 Shawwal 1425H)
Riyadh	1010187834	June 23, 2003 (23 Rabi' al-Thani 1424H)
Riyadh	1010411362	April 20, 2014 (20 Jumada al-akhirah 1435H)
Khobar	2051030680	February 20,2005 (11 Muharram 1426H)
Ha'ail	3350044651	May 15, 2017 (18 Sha'ban 1438H)
Madina	4650035092	May 5, 2004 (15 Rabi' al-Awwal 1425 H)
Ibrahim Shaker Company Limited – subsidiary		
Jeddah	4030034475	May 10, 1982 (16 Rajab 1402H)
Jubail	2055005681	April 21, 2003 (19 Safar 1424H)
Khobar	2051010124	July 14, 1984 (15 Shawwal 1404H)
Skaka	3400019528	September 8, 2015 (24 Thul-Qi'dah 1436H)
Baha	5800020162	July 6, 2015 (19 Ramadhan 1436H)
Buraidah	1131020925	June 14, 2005 (7 Jumada al-Ula 1426H)
Khamis Mushait	5855027659	January 30, 2007 (11 Muharram 1428H)
Najran	5990028155	November 3, 2013 (29 Thul-Hijjah 1434H)
Khobar	2051030725	March 6, 2005 (25 Muharram 1426H)
Tabuk	3550031227	August 1, 2013 (24 Ramadhan 1434H)
Riyadh	1010045129	June 7, 1982 (15 Sha'ban 1402 H)
Riyadh	1010443442	March 14, 2016 (5 Jumada al-Alkhirah 1437H)
Riyadh	1010462297	June 21, 2016 (16 Ramadhan 1437H)
Tabuk	3550039676	June 7, 1982 (15 Sha'ban 1402H)
Jeddah	4030043910	March 14, 2016 (5 Jumada al-Alkhirah 1437H)
Taif	4032052082	June 21, 2016 (16 Ramadhan 1437H)

1. REPORTING ENTITY (Continued)

Ibrahim Hussain Shaker Projects and Maintenance Company Limited – subsidiary

Jeddah	4030159728	February 6, 2006 (7 Muharram 1427H)
Riyadh	1010220028	June 5, 2006 (9 Jumada al-Ula 1427H)
Jeddah	4030281814	April 13, 2015 (24 Jumada al-Alkhirah 1436H)
Riyadh	1010434932	June 15, 2015 (28 Sha'ban 1436H)

1.6. 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").

Direct and indirect subsidiaries

Name	Principal field of activity	Country of incorporation	Effective ownership interest at 31 December 2018	2017
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 31 December 2018	2017
EMS				
Energy Management Services International ("EMSI")	Energy solution providers	Jordan	**100%**	100%
Jernain EMS Company LLC ("JECL")	Energy solution providers	United Arab Emirates	**100%**	100%

1.7. During year ended 31 December 2018, the shareholders of NVEEAC resolved to absorb its accumulated losses of SR 16.2 million by waiving of their balances receivable from NVEEAC. Other movement in non – controlling interest of SR 6.6 million represent absorption of such losses by the minority shareholders of NVEEAC.

1.8. These consolidated financial statements were approved by the Board of Directors on 20 Rajab 1440H (corresponding to 27 March 2019).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in Saudi Arabia and other standards and pronouncements as endorsed by SOCPA (“IFRSs”).

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

b) Basis of measurement

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.

The financial performance of the Group has significantly deteriorated due to continuous decline in the sales volume which has resulted in the increased operating losses, and the accumulated loss position in comparison with the prior years. During the year ended 31 December 2018 the Group has reported a net loss of SR 202.2 million (2017: SR 176.7 million) and, as of that date, reported accumulated losses of SR 94 million. The Group's ability to meet its obligations as they become due depends on its ability to enhance its results of operations and its cash flows performance, continued improvements in its working capital and the renewal or refinancing of loan facilities.

In assessing the going concern assumptions, the board has reviewed the base case plans and considers these to be achievable. In the normal course of business, the Group as and when fall due negotiates with the banks to renew and / or refinance its facilities and successfully achieves facility renewals and meet all facility repayments and its financial covenants with the banks. Subsequent to 31 December 2018, the Group has achieved successful renewal of its certain facilities, which were under negotiation as at the reporting date. The board expects successful negotiations and continuity of facilities renewals as and when fall due. In consideration of cash flows forecasts, certain trading initiatives, expected full year impact of cost rationalization undertaken in 2018, actual and continued working capital improvements, the Group expects to meet its obligations as they become due in the normal course of operation. Following the overall assessment, the board has a reasonable expectation that the Group will be able to operate as a going concern for the foreseeable future. Accordingly, the consolidated financial statements have been prepared under the going concern basis.

c) Functional and presentation currency

The consolidated 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 consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2018. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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 consolidated 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

a) Change in significant accounting policies

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2018.

i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Revenue of the Group.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's sale of goods are set out below.

2.2 Significant accounting policies (continued)

a) Change in significant accounting policies (continued)

i) IFRS 15 Revenue from Contracts with Customers

Revenue recognition under IFRS 15 (applicable form 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
Revenue is recognised when the goods are delivered and have been accepted by customers. Invoices are generated and revenue is recognised at that point in time. Invoice is generated and recognised as revenue net of applicable discounts which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognised for the items sold. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.	Under IAS 18, revenue from contracts with customers was also recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods was measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

IFRS 15 did not have a significant impact on the Group's recognition of revenue.

ii) IFRS 9 ***Financial Instruments***

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

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses.

a) Classification and measurement of financial assets and financial liabilities

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

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

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

2.2 Significant accounting policies (continued)

ii) IFRS 9 *Financial Instruments* (continued)

a) Classification and measurement of financial assets and financial liabilities (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an instrument-by-instrument basis.
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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

2.2 Significant accounting policies (continued)

ii) IFRS 9 *Financial Instruments* (continued)

a) Classification and measurement of financial assets and financial liabilities (Continued)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's financial assets as at 1 January 2018.

Financial Assets	Original Classification under IAS 39	New classification under IFRS 9
Equity Investment	Available for Sale	Equity investments at FVOCI
Debt Investment	Held to maturity	Amortized cost
Trade Receivables	Loans and Receivables	Amortized cost
Cash and cash equivalents	Loans and Receivables	Amortized cost

b) Impairment of financial assets

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

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

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

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

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

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

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

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

2.2 Significant accounting policies (continued)

ii) IFRS 9 *Financial Instruments* (continued)

c) Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

i) the Group has transferred substantially all the risks and rewards of the asset, or
ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

IFRS 9 did not have a significant impact on the Group's financial instruments.

b) 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 consolidated statement of 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 recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised 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 recognised in consolidated 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.

2.2 Significant accounting policies (continued)

c) Investment in associates and joint ventures
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 joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries.

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

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture 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 or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises 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 or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture 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 or joint venture.

The financial statements of the associate or joint venture are 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 recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

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

2.2 Significant accounting policies (continued)

d) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
  Expected to be realised 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.

e) 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

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.

2.2 Significant accounting policies (continued)

e) Fair value measurement (continued)

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 recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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.

f) IFRS 15 Revenue from Contracts with Customers

Revenue is recognised 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 recognised.

Sale of goods

Revenue from the sale of goods is recognised 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. The Group provides normal warranty provisions for general repairs for two to five 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.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

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 labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

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 recognised when the obligation is performed or services have been rendered as per the terms and condition of the respective customer contracts.

g) Other income

Finance lease income

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Dividends

Revenue is recognised when the Group’s right to receive the payment is established, which is generally when shareholders approve the dividend.

2.2 Significant accounting policies (continued)

h) Contract balances

Policy applicable from 1 January 2018

i) Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

ii) Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

i) Taxation
Zakat and income tax
The Parent Company and domestic subsidiaries are subject to zakat in accordance with the regulations of General Authority for Zakat and Tax ("GAZT"). 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 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 and on dividends paid to foreign shareholders, if any, in accordance with GAZT 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 recognised 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 Group's consolidated financial statements are presented in Saudi Riyals, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.2 Significant accounting policies (continued)

j) Foreign currency translation (continued)

ii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Saudi riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation on its entirety or partially such that control, significant influence or joint control is lost, the component of OCI relating to that particular foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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 recognised 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.

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 recognised 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.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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 recognised in consolidated statement of profit or loss:

	Years
Buildings	40
Motor vehicles	5
Furniture and office equipment	6.67
Computer Equipment	3
Tools and equipment	5
Leasehold improvements	6.67

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 determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

n) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2 Significant accounting policies (continued)

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 in the period in which the expenditure is incurred.

Licenses renewable at the end of the expiry period at little or no cost to the Group are assumed to have indefinite useful life. Amortization is computed on a straight-line basis to their residual values over the estimated useful lives ranging 9 to 10 years and is recognised in consolidated statement of profit or loss.

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 amortisation 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 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 when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

p) Financial instruments – initial recognition, subsequent measurement and derecognition

i) Financial assets

a) Initial recognition and measurement

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

2.2 Significant accounting policies (continued)

p) Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

i) Financial assets (continued)

b) Classification and subsequent measurement

Financial assets – Classification: Policy applicable from 1 January 2018

On initial recognition, financial assets are classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

The subsequent measurement of financial assets depends on their classification, as described below:

2.2 Significant accounting policies (continued)

p) Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

i) **Financial assets**

b) Classification and subsequent measurement

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

Financial assets – Classification: Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
- held for trading;
- derivative hedging instruments; or
- designated as at FVTPL.

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in consolidated statement profit or loss.
Held-to-maturity financial assets	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in consolidated statement other comprehensive income and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to consolidated statement profit or loss.

2.2 Significant accounting policies (continued)

p) Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

i) **Financial assets**

c) Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

iii) the Group has transferred substantially all the risks and rewards of the asset, or
iv) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

d) Impairment of financial assets

Policy applicable from 1 January 2018

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

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

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

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

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

The Group considers the default in case of trade receivables occurs when a customer balance moves into the "Inactive" category based on its debt age analysis.

For all other financial assets, the Group considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay his dues.

2.2 Significant accounting policies (continued)

p) Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

i) **Financial assets (continued)**

d) Impairment of financial assets (continued)

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

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

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

Policy applicable before 1 January 2018

For financial assets not classified at fair value through profit or loss, the Group assesses at each reporting date whether there is any objective evidence that such financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that debtors or a Group of debtors are experiencing significant financial difficulty, default or delinquency in principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in consolidated statement of profit or loss. Interest income (recorded as finance income in the consolidated statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.2 Significant accounting policies (continued)

p) Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

i) Financial assets (continued)

d) Impairment of financial assets (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to general and administrative in the consolidated statement of profit or loss.

ii) Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortized cost or financial liabilities at fair value through profit or loss. All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs. Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are are recognized in consolidated statement of profit or loss as incurred.

q) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on the weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of the business, less any further costs expected to be incurred on completion and disposal.

r) 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 asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (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, 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.

2.2 Significant accounting policies (continued)

r) Impairment of non-financial assets (continued)

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 recognised 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 recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

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 CGUs) 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.

s) 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.

t) 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 income statement net of any reimbursement.

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 to five 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.

2.2 Significant accounting policies (continued)

u) Employees end of service benefits

Provision is made for amounts payable to employees under the Saudi Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee on a going concern basis.

The Group provides end of service benefits to employees. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit method as amended by IAS 19.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under ‘cost of sales’, ‘administration expenses’ and ‘selling and distribution expenses’ in the consolidated income statement (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

v) 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.

w) 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.

x) Finance income and finance cost

The Group’s finance income and finance costs include:

finance income;
finance cost;
dividend income;
the foreign currency gains or loss on financial assets and financial liabilities;
the gain on the re-measurement to fair value of any pre-existing interest in an acquiree in a business combination;
impairment losses recognised on financial assets (other than trade receivables);
the net gain or loss on hedging instruments that are recognised in profit or loss; and
the reclassification of net gains previously recognised in OCI.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group’s right to receive payment is established.

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 equity accounted investees and income taxes.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements:
The preparation of consolidated 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 consolidated 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 8)
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of trade and other receivables (note 6)
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.

Impairment of non-financial assets (note 5 & 7)
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 (note 18)
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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions: (continued)

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 15)
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018
(In Thousands of Saudi Riyals, Unless Otherwise stated)

4 PROPERTY AND EQUIPMENT

The reconciliation of carrying amount is as follows:

	Freehold land	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvemen
Cost:						
Balance at 1 January 2017	107,641	119,356	26,316	53,703	17,131	25,9
Additions	-	198	761	1,304	154	1,7
Disposals	-	-	(3,081)	(23)	-	
Balance at 31 December 2017	**107,641**	**119,554**	**23,996**	**54,984**	17,285	27,7
Balance at 1 January 2018	**107,641**	**119,554**	**23,996**	**54,984**	**17,285**	**27,7**
Additions	2,533	310	774	442	239	1,8
Transferred from capital work in progress	-	-	-	691	-	
Disposals	-	-	(850)	(110)	-	(
Balance at 31 December 2018	110,174	119,864	23,920	56,007	17,524	29,4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 PROPERTY AND EQUIPMENT (CONTINUED)

The reconciliation of carrying amount is as follows:

	Freehold Land	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehol improveme
Accumulated depreciation:						
Balance at 1 January 2017	-	24,036	22,064	19,711	9,930	18
Depreciation	-	3,059	847	8,112	1,630	1
Disposals	-		(3,022)	(17)		
Balance at 31 December 2017	-	**27,095**	**19,889**	**27,806**	**11,560**	**19**
Balance at 1 January 2018	-	**27,095**	**19,889**	**27,806**	**11,560**	**19**
Depreciation	-	1,744	3,433	5,278	1,589	2
Disposals	-		(850)	(110)	-	
Balance at 31 December 2018	**-**	**28,839**	**22,472**	**32,974**	**13,149**	**22**
Carrying amounts:						
At 31 December 2018	**110,174**	**91,025**	**1,448**	**23,033**	**4,375**	**6**
At 31 December 2017	107,641	92,459	4,107	27,178	5,725	7

(In Thousands of Saudi Riyals, Unless Otherwise stated)

5 INTANGIBLE ASSETS AND GOODWILL

	31 December 2018 SR	*31 December 2017 SR*
- Intangible assets *(Note 5.1)*		
Energy Management Services Emirates LLC	**2,477**	2,889
New Vision for Electronics and Electrical Appliances Company	**1,678**	1,613
	4,155	4,502
- *Goodwill (Note 5.1 & 5.2)*		
ASDAA Gulf Trading Company (ASDAA)	**9,854**	9,854
	14,009	14,356

Effective 12 November 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 amount is as under;

	Intangible assets SR	***Goodwill SR***	***Total SR***
Cost			
As at 1 January 2017	3,714	9,854	13,568
Additions	1,745	-	1,745
As at 31 December 2017	**5,459**	**9,854**	**15,313**
Additions	115	-	115
As at 31 December 2018	**5,574**	**9,854**	**15,428**
Accumulated amortisation:			
As at 1 January 2017	413	-	413
Charge for the year	544	-	544
As at 31 December 2017	957	-	957
Charge for the year	462	-	462
As at 31 December 2018	**1,419**	**-**	**1,419**
Net carrying amount:			
As at 31 December 2018	**4,155**	**9,854**	**14,009**
As at 31 December 2017	4,502	9,854	14,356

(In Thousands of Saudi Riyals, Unless Otherwise stated)

5 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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.

	2018	2017
Discount rate	**14.4%**	13.6%
Terminal value growth rate	**2.7%**	3%
Budgeted EBITDA growth rate (average of next five years)	**10%**	10%

The discount rate was a post-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. 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 SAR 12.56 million (2017: SAR 12.73 million)

(In Thousands of Saudi Riyals, Unless Otherwise stated)

6 TRADE AND OTHER RECEIVABLES

	31 December 2018 SR	*31 December 2017 SR*
Trade receivables	**515,047**	608,899
Other receivables:		
Advertisement claims from suppliers	**5,992**	5,220
Custom duty deposit	**4,756**	5,956
Amount due from related parties (note 29)	**151**	151
Non trade receivables	**6,108**	5,865
Impairment losses on receivables	**(67,515)**	(61,729)
	464,539	564,362
Non-current	**13,049**	11,739
Current	**451,490**	552,623
	464,539	564,362

Reconciliation of impairment losses on receivables is as follow:

	31 December 2018 SR	*31 December 2017 SR*
Balance at beginning of year	**61,729**	34,017
Charge for the year	**5,786**	39,913
Utilised during the year	**-**	(12,201)
Balance at end of year	**67,515**	61,729

(In Thousands of Saudi Riyals, Unless Otherwise stated)

7 EQUITY ACCOUNTED INVESTEES

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

Name of Company	*Principal activities*	*Country of incorporation*	*Effective interest at* ***31 December 2018***	*Effective interest at 31 December 2017*
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:

	31 December 2018 SR	*31 December 2017 SR*
LG Shaker *(Note 7.1)*	**488,057**	543,682
SEALCO	**2,725**	3,325
	490,782	547,007

Reconciliations for the equity accounted investees are as follows:

	LG Shaker SR	***SEALCO SR***	***Total SR***
At 1 January 2018	**543,682**	**3,325**	**547,007**
Share of loss for the year	**(6,625)**	**(600)**	**(7,225)**
Dividend	**(49,000)**	**-**	**(49,000)**
At 31 December 2018	**488,057**	**2,725**	**490,782**

	LG Shaker SR	*SEALCO SR*	*Total SR*
At 1 January 2017	573,633	3,925	577,558
Share of profit / (loss) for the year	19,049	(600)	18,449
Dividend	(49,000)	-	(49,000)
At 31 December 2017	543,682	3,325	547,007

(In Thousands of Saudi Riyals, Unless Otherwise stated)

7 EQUITY ACCOUNTED INVESTEES (CONTINUED)

7.1 LG Shaker

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

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.

Balance as at:	***31 December 2018 SR***	*31 December 2017 SR*
Non-current assets	**114,108**	127,807
Current assets	**308,152**	382,457
Non-current liabilities	**(5,372)**	(5,259)
Current liabilities	**(17,386)**	(38,118)
Net assets (100%)	**399,502**	466,887
Group's share of net assets (49%)	**176,073**	231,698
Goodwill	**311,984**	311,984
Carrying amount of interest in associate	**488,057**	543,682

	31 December 2018 SR	*31 December 2017 SR*
Revenue	**144,659**	380,540
Total comprehensive (loss) / income (100%)	**(18,386)**	31,163
Group share of total comprehensive (loss) / income (49%)	**(6,625)**	19,049

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.

	2018	**2017**
Discount rate	**14.8%**	13.22%
Terminal value growth rate	**2.7%**	3.00%
Budgeted EBITDA growth rate (average of next five years)	**11.00%**	12.00%

The management of the Group has assessed in detail the carrying value of LG Shaker as at 31 December 2018. These were based on certain detailed assumptions and management plans. Management expect these plans 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.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

8 INVENTORIES

	31 December 2018 SR	*31 December 2017 SR*
Finished goods	**333,473**	564,453
Spare parts	**70,893**	86,500
Goods in transit	**15,290**	12,061
	419,656	663,014
Impairment losses on inventories	**(37,584)**	(37,853)
	382,072	625,161

Reconciliation of the impairment losses on inventories is as follows:

	31 December 2018 SR	*31 December 2017 SR*
Balance at beginning of year	**37,853**	9,068
Charge for the year	**30,278**	28,785
Utilised during the year	**(30,547)**	-
Balance at end of year	**37,584**	37,853

a) At 31 December 2018, the Group has outstanding bank guarantees of SR 77.7 million (31 December 2017: SR 72.6 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.

b) At 31 December 2018, the Group has outstanding bank letter of credits of SR 11.6 million (31 December 2017: SR 32.8 million) issued against import of finished goods and other supplies.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

9 PREPAYMENTS AND ADVANCES

	31 December 2018 SR	*31 December 2017 SR*
Advances		
Advances to suppliers	**18,055**	14,230
Other advances	**3,862**	4,792
Total advances	**21,917**	19,022
Prepaid expenses	**6,924**	7,632
	28,841	26,654

10 CASH AND CASH EQUIVALENTS

	31 December 2018 SR	*31 December 2017 SR*
Cash in hand	**4,635**	1,725
Bank balances – current account	**12,897**	60,902
Cash and cash equivalents in the statement of financial position	**17,532**	62,627
Bank overdrafts used for cash management purposes	**(11,388)**	(7,257)
Cash and cash equivalents in the statement of cash flows	**6,144**	55,370

11 SHARE CAPITAL

	31 December 2018 SR	*31 December 2017 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 31 December 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.

12 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 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 year ended 31 December 2018, no such transfer was required as at the current reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13 NON-CONTROLLING INTERESTS

31 December 2018	**NVEEAC**	**EMS**	**Intra group Adjustments**	**Total**
NCI percentage	**40%**	**26%**		
Non-current assets	**22,981**	**13,169**	**-**	**36,150**
Current assets	**107,713**	**37,411**	**-**	**145,124**
Non-current liabilities	**-**	**(9,211)**	**-**	**(9,211)**
Current liabilities	**(86,226)**	**(28,245)**	**-**	**(114,471)**
Net assets	**44,468**	**13,124**	**-**	**57,592**
Net assets attributable to NCI	**17,787**	**3,412**	**-**	**21,199**
Revenue	**77,302**	**21,679**	**-**	**98,981**
Profit / (loss)	**(19,596)**	**8,460**	**-**	**(11,136)**
OCI	**-**	**-**	**-**	**-**
Total comprehensive (loss) / income	**(19,596)**	**8,460**	**-**	**(11,136)**
Profit / (loss) allocated to NCI	**(7,838)**	**2,199**	**-**	**(5,639)**
OCI allocated to NCI	**-**	**-**	**-**	**-**
Cash flows used in operating activities	**15,894**	**(1,070)**	**-**	**(14,824)**
Cash flows (used in) / from investment activities	**(3,384)**	**(5)**	**-**	**(3,389)**
Cash flows from / (used in) financing activities (dividends to NCI: nil)	**(17,384)**	**(3,234)**	**-**	**(20,618)**
Net decrease in cash and cash equivalents	**(4,874)**	**(4,299)**	**-**	**(9,173)**

31 December 2017	NVEEAC	EMS	Intra group Adjustments	Total
NCI percentage	40%	26%		
Non-current assets	22,491	11,899	-	34,390
Current assets	151,473	22,840	-	174,313
Non-current liabilities	-	(12,438)	-	(12,438)
Current liabilities	(127,048)	(20,379)	-	(147,427)
Net assets	46,916	1,922	-	48,838
Net assets attributable to NCI	18,766	500	974	20,240
Revenue	121,195	19,256	-	140,451
(Loss) / profit	(19,244)	7,662	-	(11,582)
OCI	-	-	-	-
Total comprehensive income	(19,244)	7,662	-	(11,582)
Profit / (loss) allocated to NCI	(7,698)	1,992	-	(5,706)
OCI allocated to NCI	-	-	-	-
Cash flows used in operating activities	(9,675)	(7,460)	-	(17,135)
Cash flows from / (used in) investment activities	(3,637)	6,360	-	2,723
Cash flows from financing activities (dividends to NCI: nil)	11,554	(2,204)	-	9,350
Net decrease in cash and cash equivalents	(1,758)	(3,304)	-	(5,062)

(In Thousands of Saudi Riyals, Unless Otherwise stated)

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

	31 December 2018 SR	*31 December 2017 SR*
Current:		
Bank overdraft	**11,388**	7,257
Bank loans	**520,069**	706,398
	531,457	713,655
Non-current:		
Bank loans	**31,000**	75,447
	31,000	75,447

The following bank loans are outstanding as at:

	Currency	**Nominal interest rate**	**Year of maturity**	**31 December 2018** Face value SR	**31 December 2018** Carrying amount SR	31 December 2017 Face value SR	31 December 2017 Carrying amount SR
Kingdom of Saudi Arabia	SAR	2.6%-4.16% per annum	2019-2021	**572,160**	**437,229**	690,800	647,167
	USD	2.7% -2.8% per annum	2019	**59,813**	**59,813**	35,072	35,072
United Arab Emirates	AED	1 month EIBOR + 4% per annum (minimum of 4.5%)	2019 - 2021	**23,373**	**21,536**	23,373	20,416
Jordan	JD	9.75% per annum	2017	**-**	**-**	15,869	1,325
	USD	LIBOR + 2.95% per annum	2019	**93,750**	**32,491**	93,750	77,865
					551,069		781,845

Reconciliation of bank loans are as follows:

	2018	2017
Balance as at 1 January	**781,845**	**817,553**
Proceeds		
Kingdom of Saudi Arabia	1,056,913	2,375,699
United Arab Emirates	4,131	5,035
Jordan	35,421	81,284
	1,096,465	**2,462,018**
Repayments		
Kingdom of Saudi Arabia	(1,242,113)	(2,425,605)
United Arab Emirates	(3,008)	(2,997)
Jordan	(82,120)	(69,124)
	(1,327,241)	**(2,497,726)**
Balance as at 31 December 2018	**551,069**	**781,845**

(In Thousands of Saudi Riyals, Unless Otherwise stated)

14 LOANS AND BORROWINGS (continued)

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

	Bank overdraft	**Loans**
Balance as 1 January 2018	**7,257**	**781,845**
Changes from financing activities		
Proceeds from loans and borrowings	**4,131**	**1,096,466**
Payment of loans and borrowings	**-**	**(1,327,242)**
Total changes from financing activities	**4,131**	**(230,776)**
Other changes		
Finance expenses	**-**	**32,862**
Finance expenses paid	**-**	**(26,155)**
Accrued interest payable movement	-	**(6,707)**
Balance as 31 December 2018	**11,388**	**551,069**

	Bank overdraft	Loans
Balance as 1 January 2017	2,815	817,553
Changes from financing activities		
Proceeds from loans and borrowings	4,442	2,462,018
Payment of loans and borrowings	-	(2,497,726)
Total changes from financing activities	4,442	(35,708)
Other changes		
Finance expenses	-	34,044
Finance expenses paid	-	(28,587)
Accrued interest payable movement	-	(5,457)
Balance as 31 December 2017	7,257	781,845

(In Thousands of Saudi Riyals, Unless Otherwise stated)

15 EMPLOYEE BENEFITS

	31 December 2018 SR	*31 December 2017 SR*
Net defined benefit liability	**25,751**	32,454
	25,751	32,454

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

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

Reconciliation in employees end of service benefits is as follow;

	31 December 2018 SR	*31 December 2017 SR*
Balance at beginning of year	**32,454**	43,232
Included in Profit and Loss		
Current service cost	**4,395**	5,003
Interest cost	**935**	1,170
	5,330	6,173
Included in Other comprehensive income		
Actuarial loss / (gain)	**876**	(1,244)
Benefit paid	**(12,909)**	(15,707)
Balance at end of year	**25,751**	32,454

Represented by:
Net defined benefit liability for plans in:

- Kingdom of Saudi Arabia	**23,327**	30,143
- United Arab Emirates	**2,424**	2,311
	25,751	32,454

Actuarial assumptions

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

	31 December 2018		**31 December 2017**	
	KSA	**UAE**	**KSA**	**UAE**
Discount rate	**4.2% p.a**	**3.7 % p.a**	3.65 % p.a	3.5 % p.a
Salary increase	**2% p.a**	**3.18 % p.a**	2% p.a	3 % p.a
Average years of past service	**5.33 years**	**3.54 years**	5.24 years	9.69 years

(In Thousands of Saudi Riyals, Unless Otherwise stated)

15 EMPLOYEE BENEFITS (continued)

Sensitivity analysis

	31 December 2018		31 December 2017	
Particulars	**PVDBO**	**% Change**	PVDBO	% Change
EOSB liability	**25,751**		32,454	
+1% Discount rate	**(1,244)**	**-4.80%**	(1,581)	-4.87%
-1% Discount rate	**1,396**	**5.40%**	1,754	5.40%
+1% Salary increase rate	**1,530**	**5.91%**	1,917	5.91%
1% Salary increase rate	**(1,387)**	**-5.41%**	(1,755)	-5.41%
+10% Withdrawals rate	**36**	**0.01%**	(14)	-0.04%
-10% Withdrawals rate	**(37)**	**-0.01%**	4	0.01%
1 Year mortality age set back	**5**	**0.00%**	(1)	0.00%
1 Year mortality age set forward	**9**	**0.00%**	1	0.00%

PVDBO: Present value of defined benefit obligations

Employee benefit expenses

	31 December 2018 SR	*31 December 2017 SR*
Salaries and benefits	**97,256**	111,386
Social security contributions	**2,913**	3,229
Expenses related to post-employment defined benefit plans	**5,330**	6,173
Expenses related to paid leaves	**4,696**	5,763
	110,195	126,551

16 TRADE AND OTHER PAYABLES

	31 December 2018 SR	*31 December 2017 SR*
Trade payables due to related parties (note 29)	**176,241**	222,392
Other trade payables	**45,659**	41,624
Total trade payables	**221,900**	264,016
Accrued expenses	**32,992**	19,491
Employee benefits	**14,914**	11,932
Amounts due to related parties (note 29)	**1,530**	9,027
Contract liabilities – advance from customers	**14,683**	15,181
Payable to project vendors	**16,206**	5,852
Other payables	**17,476**	13,731
Total other payables	**97,801**	75,214
Total trade and other payables	**319,701**	339,230

(In Thousands of Saudi Riyals, Unless Otherwise stated)

17 ZAKAT AND FOREIGN INCOME TAX LIABILITIES

a) Zakat provision

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

	2018	2017
Balance, beginning of the year	**15,621**	15,918
Current year expense	**6,873**	5,618
Under provision in prior year	**-**	2,060
Charge for the year	**6,873**	7,678
Paid during the year	**(5,567)**	(7,975)
Balance, end of the year	**16,927**	15,621

b) Status of assessments

Zakat:

Standalone:
Zakat assessments have been finalised with the General Authority for Zakat and Tax (GAZT) up to the year ended 31 December 2006 for HGISC and 31 December 2007 for ISCL and IHSCL and 31 December 2011 for ASDAA.

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

During the year 2014, the Company received the final assessment for HGISC on standalone basis for the year 2007 and for HGISC, ISCL and IHSCL on consolidated basis for the years from 2008 to 2011 from GAZT with additional liabilities of Zakat and withholding tax amounted to SR 0.31 million. The Company has appealed on these assessments to the GAZT and management believes that outcome of the appeal will be in favour of the Company. Also, the GAZT has issued the final assessment for the year 2012 with amount of SR 0.12 million and the company has paid the amount to finalize the assessment for the year mentioned.

Zakat assessment for the years 2013 to 2017 have not yet been raised by GAZT.

Foreign Income Tax:

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

18 PROVISIONS

The movement in provisions is as follows:

	31 December 2018	*31 December 2017*
Balance, beginning of the year	**14,789**	19,257
Charge for the year	**7,471**	5,812
Utilized during the year	**(10,575)**	(10,280)
Balance, end of the year	**11,685**	14,789

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

(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 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 31 December 2018						
Assets and liabilities:						
Segment assets	**1,293,675**	**451,492**	**1,745,167**	**56,461**	**(166,927)**	**1,634,701**
Segment liabilities	**(903,068)**	**(168,900)**	**(1,071,968)**	**(41,336)**	**176,783**	**(936,521)**
For the year ended 31 December 2018						
Segment revenues	**470,609**	**278,258**	**748,867**	**25,159**	**-**	**774,026**
Segments profit / (loss) before zakat and foreign income tax	**(195,241)**	**(32,364)**	**(227,605)**	**7,578**	**24,719**	**(195,308)**

	HVAC solutions SR	*Home appliances SR*	*Total reportable segments SR*	*All other segments SR*	*Adjustments and eliminations SR*	*Total SR*
As at 31 December 2017						
Assets and liabilities:						
Segment assets	1,626,310	506,403	2,132,713	49,087	(95,965)	2,085,835
Segment liabilities	(1,053,326)	(204,583)	(1,257,909)	(43,297)	110,010	(1,191,196)
For the year ended 31 December 2017						
Segment revenues	673,507	334,757	1,008,264	30,299	-	1,038,563
Segments profit / (loss) before zakat and foreign income tax	(167,325)	(26,015)	(193,340)	5,931	18,342	(169,067)

More than 87% (2017: 87%) of the Group's revenue and 91% (2017: 90%) of the Group's total assets are based in Kingdom of Saudi Arabia.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

20 REVENUE

The Group's revenue is derived from contracts with customers for sale of products and services provided. Control of product is transferred at a point in time and directly sold to customers and when services are rendered.

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

For the year ended 31 December 2018	***HVAC solutions SR***	***Home appliances SR***	***All other segments SR***	***Total SR***
Saudi Arabia	**464,038**	**211,005**	**-**	**675,043**
Jordan	**6,571**	**67,253**	**3,478**	**77,302**
UAE	**-**	**-**	**21,680**	**21,680**
Total	**470,609**	**278,258**	**25,158**	**774,025**

For the year ended 31 December 2017	*HVAC solutions SR*	*Home appliances SR*	*All other segments SR*	*Total SR*
Saudi Arabia	660,176	240,225	-	900,401
Jordan	13,331	94,532	11,043	118,906
UAE	-	-	19,256	19,256
Total	673,507	334,757	30,299	1,038,563

21 COST OF SALES

	31 December 2018 SR	*31 December 2017 SR*
Material cost	**626,741**	814,572
Installation cost	**14,262**	16,116
Impairment losses on inventories *(note 8)*	**30,278**	28,785
Others	**4,026**	3,142
	675,307	862,615

22 OTHER INCOME

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

	31 December 2018 SR	*31 December 2017 SR*
Gain on foreign exchange	**621**	-
Gain on disposal of property and equipment	**-**	620
Others, net	**2,280**	343
	2,901	963

(In Thousands of Saudi Riyals, Unless Otherwise stated)

23 SELLING AND DISTRIBUTION EXPENSES

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

	31 December 2018 SR	*31 December 2017 SR*
Employee costs	**58,733**	69,891
Publicity and advertising	**35,367**	36,687
Sales commission	**11,571**	19,703
Rent	**12,897**	13,862
Transportation	**8,711**	9,439
Warranty expenses	**7,893**	5,307
Utilities	**942**	1,272
Printing and stationery	**453**	788
Insurance	**443**	546
Repairs and maintenance	**615**	449
Materials and installations	**198**	274
Communication	**256**	486
Others	**2,257**	3,826
	140,336	162,530

24 ADMINISTRATIVE EXPENSES

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

	31 December 2018 SR	*31 December 2017 SR*
Employee costs	**52,946**	67,748
Depreciation (note 4)	**14,854**	15,493
Rent	**9,198**	11,334
Professional fees	**9,146**	5,927
Repairs and maintenance	**6,262**	6,717
Travel	**5,690**	3,703
Utilities	**1,436**	2,968
Insurance	**1,113**	1,214
Communication	**1,365**	1,241
Printing and stationery	**665**	909
Entertainment	**112**	148
Others	**7,931**	8,305
	110,718	125,707

(In Thousands of Saudi Riyals, Unless Otherwise stated)

25 FINANCE COSTS

Other expenses, net for the year ended 31 December comprise the following:

	31 December 2018 SR	*31 December 2017 SR*
Bank charges	**1,330**	1,097
Finance charges	**31,532**	32,947
	32,862	34,044

26 BASIC AND DILUTED LOSSES PER SHARE

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

	31 December 2018 SR	*31 December 2017 SR*
Loss attributable to ordinary shareholders	**(196,542)**	(171,039)
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the year	**63,000**	63,000
Basic and diluted losses per share	**(3.12)**	(2.71)

27 OPERATING LEASE

Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases which relates to warehouses and branches were payable as follows:

	31 December 2018 SR	*31 December 2017 SR*
Less than one year	**16,512**	14,660
Between one and five years	**11,080**	26,130
More than five years	**2,377**	5,500
Total	**29,969**	46,290

Amounts recognised in consolidated profit or loss

	31 December 2018 SR	*31 December 2017 SR*
Lease expense	**22,095**	25,196

(In Thousands of Saudi Riyals, Unless Otherwise stated)

28 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**
31 December 2018						
Financial assets not measured at fair value						
Trade and other receivables	**13,049**	**440,742**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**-**	**17,532**	**-**	**-**	**-**	**-**
Total	**13,049**	**458,274**	**-**	**-**	**-**	**-**

	Carrying amount		Fair Value			
	Non-current assets	Current assets	Level 1	Level 2	Level 3	Total
31 December 2017						
Financial assets not measured at fair value						
Trade and other receivables	11,739	541,447	-	-	-	-
Cash and cash equivalents	--	62,627	-	-	-	-
Total	11,739	604,074	-	-	-	-

	Carrying amount		**Fair Value**			
	Non-current liabilities	**Current liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2018						
Financial liabilities not measured at fair value						
Loans	**31,000**	**520,069**	**-**	**-**	**-**	**-**
Trade and other payables	**-**	**305,018**	**-**	**-**	**-**	**-**
Bank overdrafts	**-**	**11,388**	**-**	**-**	**-**	**-**
Total	**31,000**	**836,475**	**-**	**-**	**-**	**-**

	Carrying amount		Fair Value			
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 3	Total
31 December 2017						
Financial liabilities not measured at fair value						
Loans	75,447	706,398	-	-	-	-
Trade and other payables	-	324,049	-	-	-	-
Bank overdrafts	-	7,257	-	-	-	-
Total	75,447	1,037,704	-	-	-	-

(In Thousands of Saudi Riyals, Unless Otherwise stated)

29 RELATED PARTY TRANSACTIONS

Significant balances and transactions with related parties included in the consolidated 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	
			31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
SEALCO	Associate	Expense paid on behalf of company	**--**	--	**151**	151
					151	151

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

Name	**Relationship**	**Nature of Transaction**	**Amount of Transaction**		**Closing Balance**	
			31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
LG Shaker	Associate	Purchase of finished goods	**135,436**	367,765	**167,728**	203,771
LG Electronics (Levant)	Associate	Purchase of finished goods	**60,754**	100,185	**8,156**	18,621
Board of Directors	Key management	Remuneration and meeting attendance fee	**1,934**	2,098	**1,887**	1,404
Subsidiary shareholder – NVEEAC	Key management	Advances	**-**	13,879	**-**	6,479
Subsidiary shareholder – EMS	Key Management	Advances	**-**	323	**-**	1,144
					177,771	231,419

c) Key management personnel compensation:

	2018	2017
Short-term employee benefits	**6,831**	8,888
Post-employment benefits	**381**	354
	7,212	9,242

(In Thousands of Saudi Riyals, Unless Otherwise stated)

30 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 monitors 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 31 December 2018 was as follows:

	2018	2017
Total liabilities	**936,521**	1,191,196
Less: cash and cash equivalents	**(17,532)**	(62,627)
Adjusted net debt	**918,989**	1,128,569
Total equity	**698,180**	894,639
Adjusted equity	**698,180**	894,639
Adjusted net debt to adjusted equity ratio	**132%**	126%

31 RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

i) 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 board of directors has established the audit committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risk 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 Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Group Audit Committee is assisted in its role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

31 RISK MANAGEMENT (CONTINUED)

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instruments fails to meet its contractual obligations, and arises principally from the Group's trade receivable and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, 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.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Sale limits are established for each customer and reviewed annually.

The Group limits its exposure to credit risk from trade receivables by establishing a defined limit to each category of customers based on the historical experience with the customer.

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

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.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

As at 31 December, the maximum exposure to the credit risk for total current and non-current trade and other receivables by geographic region was as follows:

	For the year ended 31 December	
	2018	2017
KSA	**351,901**	442,636
Jordan	**62,484**	87,399
UAE	**50,154**	34,327
	464,539	564,362

As at 31 December, the ageing of trade receivables that were past due and not impaired was as follows:

	For the year ended 31 December	
	2018	2017
Less than 120 days	**107,311**	149,910
More than 120 days to one year	**80,848**	113,108
More than one year	**62,076**	73,803
	250,235	336,821

Management believes that the unimpaired amounts that are past due by more than 120 days are still collectible in full, based on historical payments behaviour and extensive analysis of customers credit risk, including underlying customers' credit ratings if they are available.

Cash and cash equivalents

The Group held cash at bank of SR 17.5 million (2017: SR 62.6 million). The cash at banks are held with banks with good credit ratings.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

31 RISK MANAGEMENT (CONTINUED)

ii) Credit risk (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2018:

31 December 2018	Gross carrying amount	Weighted-average loss	Loss allowance (%)
1–90 days	203,175	2,435	1.2%
91–180 days	83,494	3,700	4.4%
181–270 days	49,346	2,998	6.1%
271–360 days	29,447	4,367	14.8%
More than 360 days	149,585	54,015	36.1%
	515,047	**67,515**	

Cash and cash equivalents

The Group held cash at bank of SR 17.5 million (2017: SR 62.6 million). The cash at banks are held with banks with good credit ratings.

iii) 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 is 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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 December 2018	***Carrying amount***	***Total***	***less than one year***	***More than one year***
Liabilities				
Loans and borrowings	**551,069**	**551,069**	**520,069**	**31,000**
Bank overdraft	**11,388**	**11,388**	**11,388**	**-**
Trade and other payables	**319,701**	**319,701**	**319,701**	**-**
TOTAL	**882,158**	**882,158**	**882,158**	**31,000**

31 December 2017	*Carrying amount*	*Total*	*less than one year*	*More than one year*
Liabilities				
Loans and borrowings	781,845	781,845	706,398	75,447
Bank overdraft	7,257	7,257	7,257	-
Trade and other payables	339,230	339,230	339,230	-
TOTAL	1,128,332	1,128,332	1,052,885	75,447

The above table represent the contractual undiscounted cash flows relating to financial liabilities which are not usually closed out before contractual maturity.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

31 RISK MANAGEMENT (CONTINUED)

iv) MARKET RISK

Market risk is the risk that changes in the market prices – such as foreign exchange rates, interest rates and equity 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 optimising the return.

i) Currency risk

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 and U.A.E. Dirhams. The Group's management monitors such fluctuations and manages its effect on the consolidated interim financial statements accordingly.

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.

ii) Profit rate risk

Profit rate risk arises from the possibility that the changes in profit rates will affect either the fair values or the future cash flows of financial instruments. The Company monitors positions daily to ensure maintenance of positions within established gap limits.

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

	2018	2017
Financial liabilities		
Fixed-rate instruments	**529,966**	690,694
Variable-rate instruments	**32,491**	98,408
	562,457	789,102

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.

	Profit or loss		**Equity net of tax**	
	Increase	**Decrease**	**Increase**	**Decrease**
31 December 2018				
Variable rate instruments	**332**	**(332)**	**332**	**(332)**
31 December 2017				
Variable rate instruments	976	(976)	976	(976)

The Group does not account for any fixed-rate financial assets or financial liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet applicable to the Group's consolidated financial statements are listed below. This listing of standards and amendments issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Following are standards and amendments issued but not yet effective:

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group has started an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

a) Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
b) Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards.
c) Amendments to References to Conceptual Framework in IFRS standards.

33 DIVIDEND

No dividend has been paid during the year ended 31 December 2018 (2017: nil).