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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

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LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF AL HASSAN GHAZI IBRAHIM SHAKER COMPANY (A SAUDI JOINT STOCK COMPANY) ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Scope of review

We have reviewed the accompanying consolidated balance sheet of Al Hassan Ghazi Ibrahim Shaker Company - a Saudi Joint Stock Company - ("the Company" or "the Parent Company") and its subsidiaries ("the Group") as at 31 December 2014 and the related consolidated statement of income for the three-month and twelve-month periods then ended, and the related consolidated statements of cash flows and changes in shareholders' equity for the twelve-month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the standard on interim financial information issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements in order for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
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21 January 2015

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CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	*2014 (Unaudited) SR'000*	*2013 (Audited) SR'000*
ASSETS			
CURRENT ASSETS			
Bank balances and cash		63,295	88,831
Accounts receivable and prepayments		503,116	439,146
Inventories		724,171	647,752
TOTAL CURRENT ASSETS		1,290,582	1,175,729
NON-CURRENT ASSETS			
Investment in associates	3	504,264	11,580
Property and equipment		223,627	301,268
Intangible asset		-	209
Goodwill	7	8,986	-
TOTAL NON-CURRENT ASSETS		736,877	313,057
TOTAL ASSETS		2,027,459	1,488,786
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Due to banks	4	642,766	386,546
Accounts payable and accruals		376,140	200,623
Zakat and income tax payable		16,072	18,867
Current portion of term loans	4	3,977	17,575
TOTAL CURRENT LIABILITIES		1,038,955	623,611
NON-CURRENT LIABILITIES			
Term loans	4	9,285	40,831
Employees' end of service benefits		34,277	34,614
TOTAL NON-CURRENT LIABILITIES		43,562	75,445
TOTAL LIABILITIES		1,082,517	699,056
SHAREHOLDERS' EQUITY			
Equity attributable to the shareholders of the Parent Company			
Share capital		350,000	350,000
Statutory reserve		124,380	78,841
Retained earnings		459,534	224,677
Total equity attributable to the shareholders of the Parent Company		933,914	653,518
Non-controlling interests		11,028	136,212
TOTAL SHAREHOLDERS' EQUITY		944,942	789,730
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,027,459	1,488,786

The attached notes 1 to 10 form part of these unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the three-month and twelve-month periods ended 31 December 2014

	Note	*For the three-month period ended 31 December* 2014 (Unaudited) SR'000	*For the three-month period ended 31 December* 2013 (Unaudited) SR'000	*For the twelve-month period ended 31 December* 2014 (Unaudited) SR'000	*For the twelve-month period ended 31 December* 2013 (Audited) SR'000
CONTINUING OPERATIONS					
Sales		**351,055**	318,436	**1,555,687**	1,635,177
Cost of sales		**(270,053)**	(291,906)	**(1,162,412)**	(1,271,953)
GROSS PROFIT		**81,002**	26,530	**393,275**	363,224
EXPENSES					
Selling and distribution		**(49,934)**	(36,898)	**(162,422)**	(158,410)
General and administration		**(33,450)**	(22,604)	**(120,659)**	(98,812)
		(83,384)	(59,502)	**(283,081)**	(257,222)
(LOSS)/ INCOME FROM MAIN OPERATIONS		**(2,382)**	(32,972)	**110,194**	106,002
Other income, net		**1,931**	274	**3,176**	1,885
Financial charges		**(4,441)**	(4,462)	**(13,736)**	(14,715)
Share of results of associates	3	**10,906**	303	**22,284**	159
Gain on fair valuation of equity interest retained	3 (iii)	**-**	-	**311,984**	-
INCOME/ (LOSS) BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS FROM CONTINUING OPERATIONS		**6,014**	(36,857)	**433,902**	93,331
DISCONTINUED OPERATIONS					
Gain on disposal of discontinued operations	6 (i)	**-**	-	**568**	-
Income from discontinued operations	6 (ii)	**-**	13,470	**66,507**	85,302
INCOME/ (LOSS) BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS		**6,014**	(23,387)	**500,977**	178,633
Zakat and income tax		**(1,120)**	(5,577)	**(24,766)**	(21,981)
NET INCOME/ (LOSS) BEFORE NON-CONTROLLING INTERESTS		**4,894**	(28,964)	**476,211**	156,652
(Income)/ loss attributable to non-controlling interests		**3,653**	(2,013)	**(20,815)**	(31,563)
NET INCOME/ (LOSS) FOR THE PERIOD		**8,547**	(30,977)	**455,396**	125,089
EARNINGS PER SHARE					
Weighted average number of ordinary shares outstanding		**35,000**	35,000	**35,000**	35,000
(Loss)/ earnings per share on income from main operations (in SR per share)	5	**(0.07)**	(0.94)	**3.15**	3.03
Earnings/ (loss) per share on net income for the period (in SR per share)	5	**0.24**	(0.89)	**13.01**	3.57

The attached notes 1 to 10 form part of these unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve-month period ended 31 December 2014

	Note	*2014* *SR'000* *(Unaudited)*	*2013* *SR'000* *(Audited)*
OPERATING ACTIVITIES			
Income before zakat and income tax and non-controlling interests		**500,977**	178,633
Adjustments for:			
Depreciation		**12,782**	13,803
Share of results of associates	3	**(22,284)**	(159)
Provision for employees' end of service benefits		**6,403**	5,061
Provision for inventories		**(2,500)**	50,756
Financial charges		**13,736**	14,715
Gain on disposal of property and equipment		**(1,036)**	(255)
Gain on disposal of discontinued operations	6 (i)	**(568)**	-
Income from discontinued operations	6 (ii)	**(66,507)**	(85,302)
Gain on fair value of equity interest retained	3 (iii)	**(311,984)**	-
		129,019	177,252
Changes in operating assets and liabilities:			
Receivables		**(65,417)**	(119,121)
Inventories		**(139,411)**	(101,681)
Payables		**125,680**	(15,763)
Cash from/ (used in) operations		**49,871**	(59,313)
Financial charges paid		**(13,736)**	(14,715)
Zakat and income tax paid		**(11,309)**	(9,342)
Employees' end of service benefits paid		**(5,064)**	(2,360)
Net cash from /(used in) operating activities – continuing operations		**19,762**	(85,730)
Net cash (used in)/ from operating activities – discontinued operations		**(113,509)**	173,349
Net cash (used in)/ from operating activities		**(93,747)**	87,619
INVESTING ACTIVITIES			
Purchase of property and equipment		**(71,605)**	(20,415)
Proceeds from disposal of property and equipment		**335**	458
Purchase of investment in an associate		**-**	(6,750)
Purchase of investment in a subsidiary		**(20,000)**	-
Proceeds from disposal of discontinued operations	6 (i)	**3,802**	-
Net cash used in investing activities – continuing operations		**(87,468)**	(26,707)
Net cash used in investing activities – discontinued operations		**(12,030)**	(11,191)
Net cash used in investing activities		**(99,498)**	(37,898)

The attached notes 1 to 10 form part of these unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the twelve-month period ended 31 December 2014

	Note	*2014* *SR'000* *Unaudited*	*2013* *SR'000* *Audited*
FINANCING ACTIVITIES			
Repayment of term loan		(2,634)	-
Proceeds from term loans		-	13,247
Net movement in amounts due to banks		263,847	83,409
Dividends paid	5	(175,000)	-
Net cash from financing activities – continuing operations		86,213	96,656
Net cash from/ (used in) financing activities – discontinued operations		80,646	(132,897)
Net cash from/ (used in) financing activities		166,859	(36,241)
(DECREASE)/ INCREASE IN BANK BALANCES AND CASH		(26,386)	13,480
Bank balances and cash acquired during the year	7	850	-
Bank balances and cash at the beginning of the period		88,831	75,351
BANK BALANCES AND CASH AT THE END OF THE PERIOD		63,295	88,831

MAJOR NON- CASH TRANSACTIONS

Assets and liabilities acquired during the period (note 7) have been excluded from the above cash flows as they do not involve movement of cash.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve-month period ended 31 December 2014

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

	Share Capital SR'000	*Statutory reserve SR'000*	*Retained earnings SR'000*	*Total SR'000*
Balance at 31 December 2013 (audited)	350,000	78,841	224,677	653,518
Net income for the twelve-month period ended 31 December 2014	-	-	455,396	455,396
Transfer to statutory reserve	-	45,539	(45,539)	-
Dividends (note 5)	-	-	(175,000)	(175,000)
Balance at 31 December 2014 (unaudited)	**350,000**	**124,380**	**459,534**	**933,914**
Balance at 31 December 2012 (audited)	350,000	66,333	112,096	528,429
Net income for the twelve-month period ended 31 December 2013	-	-	125,089	125,089
Transfer to statutory reserve	-	12,508	(12,508)	-
Balance at 31 December 2013 (audited)	350,000	78,841	224,677	653,518

The attached notes 1 to 10 form part of these unaudited interim consolidated financial statements.

1 ACTIVITIES

Al Hassan Ghazi Ibrahim Shaker Company (the "Company" (or) the "Parent Company" (or) "HGISC") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia.

The Ministerial Decision (No. 275), announcing the transfer of the Parent Company from a Limited Liability Company to a Closed Saudi Joint Stock Company, with a share capital of SR 350 million (divided into 35 million shares of SR 10 each), was obtained on 17 Shabaan 1429H, corresponding to 18 August 2008.

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

The Parent Company is engaged in manufacturing air-conditioners and trading and wholesale of spare parts, electronic equipment, household equipment and air-conditioners and maintenance, supply and install lighting appliances and systems as well as, energy solution services, equipment and measurements and control devices and to provide agency services for those companies which are in the same business.

The head office of the Parent Company is located in Riyadh.

2 BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA"). The interim consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The interim consolidated financial statements are expressed in Saudi Riyals, being the functional currency of the Parent Company and have been rounded off to the nearest thousand Saudi Riyals, except when otherwise indicated.

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

2.2 BASIS OF CONSOLIDATION

The interim consolidated financial statements comprise the interim financial statements of the Parent Company and its subsidiaries (hereinafter referred to as "the Group"), after elimination of all material inter-group transactions and balances. Details of the subsidiaries are as follows:

Name	*Principal field of activity*	*Country of incorporation*	*% of capital held (directly or indirectly)*	
			2014	*2013*
New Vision for Electronics and Electrical Appliances Company (see note (a) below)	Import, export and maintenance of electrical and home appliances	Jordan	60%	60%
LG Shaker Company Limited (see note (b) below)	Manufacture of air conditioners	Saudi Arabia	-	51%
Ibrahim Shaker Company Limited (see notes (c) and (d) below)	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited (see notes (c) and (d) below)	Import, export and marketing services	Saudi Arabia	100%	100%
ASDAA Gulf Trading Company ("ASDAA") (see note (e) below)	Wholesale of electronic devices	Saudi Arabia	100%	-

2 BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

a) On 26 July 2010, the Parent Company subscribed 50% shareholding in New Vision for Electronics and Electrical Appliances Company ("New Vision"), registered in Jordan. With effect from 7 October 2012, the Parent's Company shareholding in New Vision has increased from 50% to 60%, as a result of transferring a required balance from partner credit account in New Vision, classified as equity, to capital. The consolidated statement of income in these interim consolidated financial statements includes the results of operations of New Vision, for the three-month and twelve-month periods ended 31 December 2014 and the consolidated balance sheet includes the assets and liabilities of New Vision, as at 31 December 2014. The Parent Company has control over the operations and management of New Vision. Hence, New Vision has been considered as a subsidiary and consolidated in these interim consolidated financial statements.

b) According to the agreement signed between HGISC and LG Electronics Inc. to establish LG Shaker in 2006, LG Electronics Inc. had a call option to buy additional 2% shareholding in LG Shaker Company Limited ("LG Shaker"). During 2013, LG Electronics Inc. decided to exercise the aforementioned option and signed a Sale Purchase Agreement ("SPA Agreement") with HGISC. Based on the SPA Agreement, LG Electronics Inc. agreed to buy and HGISC agreed to sell 2% of the net book value of the shareholding in LG Shaker related to HGISC. The effective date of the SPA Agreement was dependent on the completion of the legal formalities, including approval from regulatory authorities in Kingdom of Saudi Arabia.

On 26 May 2014, the legal formalities for transferring 2% of the shareholding in LG Shaker to LG Electronics Inc. were completed. As a result, the Parent Company's equity interest in LG Shaker decreased from 51% to 49% and LG Shaker is discontinued to be considered as a subsidiary of HGISC. Accordingly, LG Shaker is no longer consolidated in these interim consolidated financial statements of the Group. However, HGISC continues to retain significant influence over the operations and management of LG Shaker. Therefore, the equity interest of 49% retained in LG Shaker is classified as investment in associate, and subsequently accounted for under equity method of accounting (see note (h) below and 3 (iii)).

c) With effect from 1 January 2007, the Parent Company purchased a 90% shareholding in Ibrahim Shaker Company Limited ("ISCL") and Ibrahim Hussein Shaker Projects and Maintenance Company Limited ("IHSCL"). The remaining 10% of the shareholding in ISCL is held by IHSCL, and the remaining 10% of the shareholding in IHSCL is held by ISCL. As such the Parent Company owns 100% of the shareholdings in ISCL and IHSCL directly or indirectly. Therefore, these subsidiaries have been treated as fully owned subsidiaries of the Parent Company in these consolidated financial statements.

d) The consolidated statement of income in these interim consolidated financial statements also includes the results of operations of ISCL and IHSCL for the three-month and twelve-month periods ended 31 December 2014 and the consolidated balance sheet includes the assets and liabilities of ISCL and IHSCL as at 31 December 2014.

e) With effect from 12 November 2014, the Parent Company purchased 95% shareholding in ASDAA. The remaining 5% of the shareholding in ASDAA is held by ISCL for and on behalf of the Parent Company. As such the Parent Company owns 100% of the shareholdings in ASDAA. Therefore, ASDAA have been treated as fully owned subsidiary of the Parent Company in these interim consolidated financial statements (note 7).

2 BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

Name	*Principal field of activity*	*Percentage of holding*	
		2014	*2013*
Shaker Electronic and Appliances Lebanon Company ("SEALCO") (see note (f) below)	Trading of electrical and home appliances	20%	20%
Energy Management Services Emirates LLC ("EMS") (see note (g) below)	Providing technical support for energy control devices and consultancy services	20%	20%
LG Shaker Company Limited ("LG Shaker") (see note (h) below)	Manufacture of air conditioners	49%	-

f) In 2009, the Company purchased a 20% shareholding in SEALCO, registered in Lebanon. The associate has commenced its operations during 2010.

g) In 2013, the Company purchased a 20% shareholding in EMS, registered in United Arab Emirates. On 29 December 2014, the Company signed an agreement to acquire additional 54% shareholding in EMS. However, the legal formalities for the transfer of ownership of additional 54% shareholding to the name of the Company were still in progress, as at 31 December 2014.

h) As mentioned in (b) above, LG Shaker is considered as an associate of the Parent Company from the effective date of SPA Agreement.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Parent Company and its subsidiaries (the "Group") for the preparation of the interim consolidated financial statements are in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements.

Subsidiaries
Subsidiaries are companies in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts control. Subsidiaries are consolidated from the date the Group obtains control until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from Parent Company's shareholders' equity.

In case of the change in the ownership interest of a subsidiary, resulting in a loss of control, the retained investment in an enterprise, which was previously a subsidiary, is valued at its fair value at the date of change. The difference between the fair value and carrying value of retained investment is accounted for in the statement of income. Accordingly, if the Group loses control over a subsidiary, it:

- Derecognises the assets and the liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises cumulative translation differences recorded in equity, if any
- Recognises the fair value of consideration received
- Recognises the fair value of investment retained
- Recognises any gain or loss in the consolidated statement of income.

2 BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued operation, the comparative statement of income is represented as if the operation had been discontinued from the start of the comparative period. In the interim consolidated statement of income of the reporting period, and the comparable period of previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of income.

Business combination and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any minority interests in the acquiree. For each business combination, the acquirer measures the minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

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, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

Zakat and income tax
Zakat and income tax is provided for in accordance with Saudi Arabian fiscal regulations. Since the Parent Company is wholly owned by Saudi shareholders, the provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

3 INVESTMENT IN ASSOCIATES

Investment in associates is carried in the consolidated balance sheet at cost adjusted by the changes in the Parent Company's share of net assets of the associates. The consolidated statement of income reflects the share of results of operation of the associates. Details of the associates are as follows:

Name	*Country of incorporation*	*2014 SR'000*	*2013 SR'000*
Shaker Electronic and Appliances Lebanon Company ("SEALCO") (see note (i) below)	Beirut - Lebanon	4,898	4,815
Energy Management Services Emirates LLC ("EMS") (see note (ii) below)	Dubai- United Arab Emirates	5,995	6,765
LG Shaker Company Limited ("LG Shaker"), (see note (iii) below)	Riyadh- Kingdom of Saudi Arabia	493,371	-
Total		**504,264**	11,580

Movement in investment in associates during the period ended 31 December was as follows:

i) Shaker Electronic and Appliances Lebanon Company

	2014 SR'000	*2013 SR'000*
At 1 January	4,815	4,671
Share of results for the period	83	144
At 31 December	4,898	4,815

ii) Energy Management Services Emirates LLC

	2014 SR'000	*2013 SR'000*
At 1 January	6,765	-
Acquisition cost	-	6,000
Addition during the period	-	750
Share of results for the period	(770)	15
At 31 December	5,995	6,765

In November 2013, the Parent Company acquired 20% shareholding in EMS for an aggregate consideration of US$ 1.6 million (SR 6 million). Furthermore, the Parent Company contributed additional US$ 200 thousand (SR 750 thousand) towards the increase in capital of EMS, representing its 20% share.

On 29 December 2014, the HGISC signed an agreement with EMS to acquire additional 54% shareholding in EMS increasing its current shareholding from 20% to 74% against a consideration of SR 1.5 million. The legal formalities for the transfer of ownership of 54% shareholding in EMS were still under progress, as at 31 December 2014. Accordingly, the Parent Company holds 20% shareholding in EMS, as at 31 December 2014 and continued to be considered as an associate in these consolidated financial statements.

3 INVESTMENT IN ASSOCIATES (continued)

iii) LG Shaker Company Limited

	2014 *SR'000*	*2013* *SR'000*
Cost of investment	**470,400**	-
Share of results for the period	**22,971**	-
At 31 December	**493,371**	-

As mentioned in note 2, the retained equity interest of 49% in LG shaker is considered as investment in an associate. This initial cost of investment represents the fair value of retained equity interest of 49% on the date of change in shareholding. The fair value of retained equity interest of 49% was determined by an independent valuer based in Discounted Cash flow ("DCF") methodology, which reflects LG Shaker's future financial performance. The difference between the fair value and the carrying value of remaining shareholding, amounting to SR 312 million, is recorded in the consolidated statement of income.

4 DUE TO BANKS AND TERM LOANS

		2014 *SR'000*	*2013* *SR'000*
(a)	*Due to banks:*		
	Overdraft	**3,152**	3,199
	Short term loans (see notes (a) and (c (i) below)	**601,762**	362,950
	Notes payable	**37,852**	20,397
		642,766	386,546
(b)	*Term loans:*		
	Balance outstanding as at 31 December (see notes (b) and (c) below)	**13,262**	60,082
	Unamortised portion of administration fees paid in advance (see note c(ii) below)	-	(1,676)
	Balance of term loan as at 31 December	**13,262**	58,406
	Less: Non-current portion of term loans	**(9,285)**	(40,831)
	Current portion of term loans	**3,977**	17,575

a) Included in the short term loans, loans obtained by the Parent Company which is part of Islamic financing facilities arranged with local banks, secured by promissory notes on demand issued by the Parent Company. Further, New Vision for Electronics and Electrical Appliances, a subsidiary company, has a short term revolving credit facility and Murabha financing facility with limit of SR 48 million and SR 78 million, respectively. The outstanding balance of the utilized facilities amounting to SR 56 million (31 December 2013: SR 77 million), is included in short term loan balance of SR 601 million at 31 December 2014 (31 December 2013: SR 362 million). The facility carries commission at commercial rates.

b) During 2013, New Vision Company Limited, a subsidiary company, has obtained a long term facility from a local bank, for SR 15.9 million, which was fully withdrawn. The loan is repayable over 48 equal monthly instalments. The loan bears financing charges at the prevailing market rates. The borrowing facilities under the agreement are secured by corporate and personal guarantees of the partners of New Vision Company Limited.

4 DUE TO BANKS AND TERM LOANS (continued)

c) As mentioned in note 2, LG Shaker is discontinued to be considered as a subsidiary of HGISC, and is not consolidated in these interim consolidated financial statements. Accordingly, the related assets and liabilities are not included in the consolidated balance sheet. However, the comparative information above includes the following short and long term borrowings of LG Shaker.

	2013 ***SR'000***
Short Term Loans	**7,627**
Term Loans (see note (ii) below)	**42,511**
	50,138

i) The short-term and long-term borrowing facilities of LG Shaker from local banks bear financial charges at prevailing market rates based on Saudi inter-bank offer rate ("SIBOR"). Such facilities provide for loans, letters of credit and guarantee and notes payable for bills of exchange to finance working capital. The aggregate maturities of these loans, based on their respective repayment schedules, are spread in 2011 through 2015. The borrowing facilities under the agreement are secured promissory notes on demand and corporate guarantees of the partners of LG Shaker Company Limited.

ii) During 2010, LG Shaker signed an agreement with Saudi Industrial Development Fund ("SIDF") for a loan of SR 46.8 million, which is fully withdrawn. The outstanding balance of SIDF loan, as at 31 December 2013 amounted to SR 32.9 million. The SIDF loan was received net of an administration charge amounting to SR 3.5 million, which is being amortized over the term of loan on Effective Interest Rate ("EIR") method. The SIDF loan is secured by mortgage over fixed assets including land of that subsidiary, and corporate guarantees of the partners of LG Shaker Company Limited.

5 EARNINGS PER SHARE

Earnings per share on income from main operations is calculated by dividing income from main operations by weighted average number of shares in issue during the period.

Earnings per share on net income is calculated by dividing the net income by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is not applicable to the Parent Company.

On 21 January 2014 (corresponding to 20 Rabi Alawal 1435H), the Board of Directors of the Parent Company proposed cash dividends of SR 2.5 per share for the year ended 31 December 2013, which represents 25% of total paid up capital amounting to SR 87.5 million. On 3 April 2014 (corresponding to 3 Jumada Thani 1435H), shareholders have approved the proposed cash dividends which was paid on 27 April 2014 (corresponding to 27 Jumada Thani 1435H).

Further, on 20 November 2014 (corresponding to 27 Muharam 1436H), the Board of Directors of the Parent Company approved interim cash dividends of SR 2.5 per share for the nine-month period ended 30 September 2014 amounting to SR 87.5 million, which was paid before the year ended 31 December 2014.

6 DISCONTINUED OPERATIONS

i) As mentioned in note 2, the Parent Company sold 2% of its shareholding in LG Shaker for a cash consideration of SR 3,801,088. As a result, the Parent Company's equity interest in LG Shaker decreased from 51% to 49%, and consequently, LG Shaker is discontinued to be considered as a subsidiary of the Parent Company. The gain arising on disposal is shown below:

	2014 SR'000
Total sale consideration	**3,802**
Carrying value of equity interest disposed	**(3,234)**
Gain on disposal	**568**

The retained equity interest of 49% in LG Shaker is classified as investment in an associate (see note 3 (iii)).

ii) The disposal of shareholding in LG Shaker is classified as discontinued operations. As mentioned in note 2, subsequent to disposal, LG Shaker is discontinued to be considered as a subsidiary of the Parent Company. Accordingly, the related assets and liabilities of LG Shaker are not included in the consolidated balance sheet for the year 2014.

The results of discontinued operations until the date of disposal are presented below:

	2014 SR'000	*2013 SR'000*
Sales	**434,279**	837,113
Cost of sales	**(345,834)**	(700,826)
GROSS PROFIT	**88,445**	136,287
EXPENSES		
Selling and distribution	**(14,831)**	(27,001)
General and administration	**(6,469)**	(19,016)
	(21,300)	(46,017)
INCOME FROM MAIN OPERATIONS	**67,145**	90,270
Other income	**(41)**	(575)
Financial charges	**(597)**	(4,393)
INCOME FROM DISCONTINUED OPERATIONS	**66,507**	85,302

7 GOODWILL

As discussed in note 2.2 (e), with effective 12 November 2014, the Parent Company acquired 100% of shareholding in ASDAA Gulf Trading Company ("ASDAA") for a cash consideration of SR 20 million.

The acquisition has been accounted for using the purchase method of accounting. The purchase consideration in excess of the fair value of the net assets acquired, amounted to SR 8.9 million, has been accounted for as goodwill in these consolidated financial statements.

The Group has recorded the fair value of the net assets acquired and resulting goodwill at provisional amounts pending receipt of the final valuations of the assets acquired. The details of net assets acquired are as follows:

	Provisional Fair value SR'000
Net assets acquired:	
Cash and bank balances	**850**
Trade receivables	**8,531**
Inventories	**8,336**
Property, plant and equipment	**383**
Trade and other payables	**(6,779)**
End of service benefits provision	**(307)**
Group net assets acquired	**11,014**
Goodwill (provisional amount)	**8,986**
Purchase consideration	**20,000**

8 OPERATING SEGMENT INFORMATION

The management views the activities of the Group's operations under two business units, as detailed below:

	For the twelve-month period ended 31 December 2014		
	LG Air-Conditioners and home appliances SR'000	*Non - LG Air-Conditioners and products SR'000*	*Total SR'000*
Sales	1,298,333	257,354	**1,555,687**
Cost of sales	(994,201)	(168,211)	**(1,162,412)**
Gross profit	304,132	89,143	**393,275**
Un-allocated expenses and income:			
Selling and distribution			**(162,422)**
General and administration			**(120,659)**
Other income, net			**3,176**
Financial charges			**(13,736)**
Share of result of associates			**22,284**
Gain on fair valuation of equity interest retained			**311,984**
Gain on disposal of discontinued operations			**568**
Income from discontinued operations			**66,507**
Zakat and income tax			**(24,766)**
Net income before non-controlling interests			**476,211**

8 OPERATING SEGMENT INFORMATION (continued)

	For the twelve -month period ended 31 December 2013		
	LG Air-Conditioners and home appliances SR'000	*Non - LG Air-Conditioners and products SR'000*	*Total SR'000*
Sales	1,290,027	345,150	1,635,177
Cost of sales	(1,027,017)	(244,936)	(1,271,953)
Gross profit	263,010	100,214	363,224
Un-allocated expenses and income:			
Selling and distribution			(158,410)
General and administration			(98,812)
Other income, net			1,885
Financial charges			(14,715)
Share of result of an associate			159
Income from discontinued operations			85,302
Zakat and income tax			(21,981)
Net income before non-controlling interests			156,652

Group management operate and manage Group assets and liabilities at group level. Accordingly, Group assets and liabilities are not allocated to operating segments separately.

9 BOARD OF DIRECTORS' APPROVAL

These unaudited interim consolidated financial statements have been approved by the Board of Directors on 21 January 2015, corresponding to 1 Rabi Thani 1436H.

10 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to confirm presentation in the current period.