

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

**UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION FOR
THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2023 AND REVIEW REPORT**

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023

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Report on review of Condensed Consolidated Interim Financial Information

To the shareholders of Al Hassan Ghazi Ibrahim Shaker Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Hassan Ghazi Ibrahim Shaker Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at September 30, 2023 and the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and condensed consolidated statements of changes in equity and of cash flows for the nine-month period then ended and other explanatory notes. The Board of Directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

November 2, 2023



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

		September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	177,373	178,306
Right of use of assets		19,199	24,071
Intangible assets and goodwill	4	9,854	9,854
Investment in an associate	5	504,434	466,174
Equity investment at fair value through other comprehensive income		751	-
Total non-current assets		711,611	678,405
Current assets			
Inventories	6	396,766	414,349
Trade and other receivables	7	476,477	304,685
Prepayments and other debit balances	8	94,546	63,079
Cash and cash equivalents	9	33,037	72,711
Total current assets		1,000,826	854,824
Assets relating to disposal group classified as held for sale	18.2	-	82,736
Total assets		1,712,437	1,615,965
EQUITY AND LIABILITIES			
Equity			
Share capital		482,334	482,334
Statutory reserve		144,348	144,348
Retained earnings		87,196	27,521
Equity attributable to owners of the Company		713,878	654,203
Non-controlling interests	18.2	-	18,042
Total equity		713,878	672,245
LIABILITIES			
Non-current liabilities			
Lease liabilities	10	12,953	16,353
Employee benefits obligation		24,011	20,808
Total non-current liabilities		36,964	37,161
Current liabilities			
Lease liabilities and borrowings	10	527,109	550,275
Trade and other payables		415,058	312,431
Zakat and income tax liabilities	11	6,698	10,574
Warranty provision		12,730	14,189
Total current liabilities		961,595	887,469
Liabilities relating to disposal group classified as held for sale	18.2	-	19,090
Total liabilities		998,559	943,720
Total equity and liabilities		1,712,437	1,615,965

The notes on pages 6 to 18 form an integral part of this condensed consolidated interim financial information.


Abdullah Abdullah Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Bghafes
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income -
Unaudited
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	Three-month period ended September 30,		Nine-month period ended September 30,	
		2023	2022	2023	2022
Revenue	12	322,719	235,570	976,676	827,197
Cost of sales		(241,355)	(183,707)	(733,976)	(642,826)
Gross profit		81,364	51,863	242,700	184,371
General and administrative expenses		(26,725)	(18,715)	(76,287)	(58,244)
Selling and distribution expenses		(35,560)	(25,299)	(97,944)	(79,168)
Impairment (loss) / reversal on trade and other receivables		(400)	599	(2,840)	(10,910)
Other income, net		421	760	1,890	2,176
Income from operations		19,100	9,208	67,519	38,225
Finance costs		(11,768)	(4,721)	(36,353)	(13,989)
Foreign exchange (loss) / gain		327	(111)	(139)	489
Share of net profit from an associate	5	13,015	7,215	38,260	20,427
Profit before zakat and foreign income tax		20,674	11,591	69,287	45,152
Zakat and foreign income tax expense		(3,900)	(3,075)	(8,450)	(8,775)
Net income for the period from continuing operations		16,774	8,516	60,837	36,377
Discontinued operations:					
Gain / (loss) from discontinued operations		-	289	1,452	(1,204)
Net income for the period		16,774	8,805	62,289	35,173
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurement of the defined benefit liability		68	(797)	(1,755)	(1,639)
Other comprehensive income / (loss) for the period		68	(797)	(1,755)	(1,639)
Continuing operations		68	(814)	(1,755)	(1,593)
Discontinuing operations		-	17	-	(46)
Total comprehensive income for the period		16,842	8,008	60,534	33,534
Profit attributable to:					
Owners of the company		16,774	8,523	61,430	34,937
Non-controlling interests		-	282	859	236
		16,774	8,805	62,289	35,173
Total comprehensive income attributable to:					
Owners of the Company		16,842	7,722	59,675	33,310
Non-controlling interests		-	286	859	224
		16,842	8,008	60,534	33,534
Earnings per share (Saudi Riyals):					
Basic and diluted earnings per share	19	0.35	0.18	1.27	0.72

The notes on pages 6 to 18 form an integral part of this condensed consolidated interim financial information.


Abdulelah Abdullah Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghateer
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Equity attributable to owners of the Company				
	Share capital	Statutory reserve	Retained earnings	Non-controlling interest	Total equity
January 1, 2023 (Audited)	482,334	144,348	27,521	18,042	672,245
Net income for the period	-	-	61,430	859	62,289
Other comprehensive loss for the period	-	-	(1,755)	-	(1,755)
Total comprehensive income for the period	-	-	59,675	859	60,534
Disposal of a subsidiary (note 18.2)	-	-	-	(18,901)	(18,901)
September 30, 2023 (Unaudited)	482,334	144,348	87,196	-	713,878
January 1, 2022 (Audited)	630,000	140,937	(148,002)	13,650	636,585
Net income for the period	-	-	34,925	248	35,173
Other comprehensive loss for the period	-	-	(1,627)	(12)	(1,639)
Total comprehensive income for the period	-	-	33,298	236	33,534
Capital reduction (note 1)	(147,666)	-	147,666	-	-
September 30, 2022 (Unaudited)	482,334	140,937	32,962	13,886	670,119

The notes on pages 6 to 18 form an integral part of this condensed consolidated interim financial information.


 Abdullah Abumayyan
 Chairman

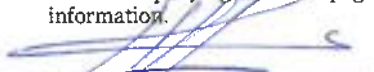

 Mohammed Ibrahim Abumayyan
 Chief Executive Officer


 Marwan Sghaier
 Vice President of Finance

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

	Note	Nine-month period ended	
		September 30,	
		2023	2022
Cash flows from operating activities			
Profit before zakat and foreign income tax:			
From continued operations		69,287	45,152
From discontinued operations		1,452	(1,204)
Adjustments for non-cash items			
Depreciation	3	2,948	5,955
Depreciation of right of use assets		4,872	4,867
Amortization		-	439
Impairment losses on trade and other receivables	7	2,840	11,227
Provision for slow-moving inventories	6	2,040	2,372
Gain on sale of property and equipment		-	(150)
Share of profit from an associate	5	(38,260)	(20,427)
Provision for employees' benefit obligation		2,435	2,196
Finance costs		36,353	14,496
Gain on disposal of a subsidiary	18	(1,452)	-
Changes in working capital			
Trade and other receivables		(174,632)	(26,369)
Inventories		15,543	(132,544)
Prepayments and other debit balances		(31,705)	(18,175)
Trade and other payables		102,627	176,217
Warranty provision		(1,459)	1,477
Zakat paid		(12,326)	(6,671)
Finance costs paid		(35,522)	(14,076)
Employee benefits obligation paid		(987)	(2,144)
Net cash (used in) / generated from operating activities		(55,946)	42,638
Cash flows from investing activities			
Additions to property and equipment	3	(2,015)	(704)
Additions to equity investment at fair value through other comprehensive income		(751)	-
Proceeds from sale of property and equipment		-	176
Proceeds from sale of Subsidiary	18	27,534	-
Net cash generated from / (used in) investing activities		24,768	(528)
Cash flows from financing activities			
Payment of lease liabilities		(5,145)	(4,638)
Repayment of bank borrowings		(1,784,406)	(1,510,332)
Proceeds from bank borrowings		1,762,154	1,505,939
Change in non-controlling interest		18,901	-
Net cash used in financing activities		(8,496)	(9,031)
Net change in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	9	(39,674)	33,079
Cash and cash equivalents of disposal group classified as held for sale	18	72,711	53,020
Cash and cash equivalents at end of the period	9	-	(238)
Cash and cash equivalents at end of the period	9	33,037	85,861
Non-cash transactions			
Addition to right of use of assets		-	16,925
Share capital decrease	1	-	147,666
Write-off of trade and other receivables	7	3,399	(21,604)

The accompanying notes on pages 6 to 18 form an integral part of this condensed consolidated interim financial information.


Abdulllah Abdullah Abunayyan
Chairman


Mohammed Ibrahim Abunayyan
Chief Executive Officer


Mazen Elghafeer
Vice President of Finance

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information
For the nine-month period ended September 30, 2023 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

1 General information

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 under Commercial Registration number 1010149252 and listed on the Saudi Stock Exchange ("Tadawul").

The address of the Group's head office and the principal activities of HGISC and its subsidiaries (collectively the "Group") remain the same as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2022.

As at September 30, 2023 and December 31, 2022, the authorized, issued, and paid-up share capital of the Company is SR 482.3 million divided into 48.2 million shares of SR 10 each.

This condensed consolidated interim financial information has been reviewed, but not audited.

2 Significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the nine-month period ended September 30, 2023 has been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022.

The condensed consolidated interim financial information comprises the financial information of the Company and its subsidiaries ("the Group").

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial information for the year ended December 31, 2022.

2.3 New and amended standards adopted by the Group

Amendments to the IFRS, effective from January 1, 2023 or later - on, do not have any effect on the Group's financial statements. Further, the Group has not early adopted any new standard, interpretation or amendment that have been issued but that are not yet effective.

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Notes to the condensed consolidated interim financial information
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2. Significant accounting policies (continued)

2.4 Critical accounting estimates and judgments

The preparation of the Group's condensed consolidated interim financial information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

As at September 30, 2023, management believes that all sources of estimation uncertainty remain similar to those disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2022. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

3 Property and equipment

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning – Net book value	178,306	197,345
Additions for the period / year	2,015	1,689
Depreciation charge for the period / year	(2,948)	(7,310)
Disposals for the period / year	-	(152)
Assets relating to disposal group classified as held for sale	-	(13,266)
Closing – Net book value	<u>177,373</u>	<u>178,306</u>

4 Intangible assets and goodwill

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Goodwill – note 4.1	<u>9,854</u>	<u>9,854</u>
	<u>9,854</u>	<u>9,854</u>

4.1 Effective November 12, 2014, HGISC acquired effectively 100% shareholding in ASDAA Gulf Trading Company ("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. Based on the impairment assessment using value in use model made at the end of 2022 financial year, there was sufficient head room available, and accordingly, no impairment loss was recognized.

The Group's management performs goodwill impairment assessment annually and when there are indicators that the carrying value of goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on December 31, 2022 will not cause the carrying value of the goodwill to materially exceeds its recoverable amount. Accordingly, no impairment loss was recognized for the nine-month period ended September 30, 2023.

5 Investment in an associate

Name of company	Principal activities	Country of incorporation	Effective interest at	
			September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	49%	49%

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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5 Investment in an associate (continued)

Reconciliation for the investment in an associate is as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At the beginning of the period / year	466,174	442,395
Share of profit for the period / year	<u>38,260</u>	<u>23,779</u>
At the end of the period / year	<u>504,434</u>	<u>466,174</u>

LG Shaker

The following table summarizes the financial information of a material associate - LG Shaker as included in its own financial statements.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Non-current assets	104,980	102,914
Current assets	401,081	346,820
Non-current liabilities	(10,898)	(9,879)
Current liabilities	<u>(70,047)</u>	<u>(104,565)</u>
Net assets	<u>425,116</u>	<u>335,290</u>

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Revenue	541,437	541,757
Total comprehensive income (100%) (*)	89,827	57,292
Group share of total comprehensive income (49%) (*)	38,260	23,779

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

6 Inventories

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Finished goods	387,480	413,226
Spare parts	45,250	43,085
Goods in transit	<u>8,230</u>	<u>6,894</u>
	440,960	463,205
Provision for slow-moving inventories	<u>(44,194)</u>	<u>(48,856)</u>
	<u>396,766</u>	<u>414,349</u>

Reconciliation of the provision for slow-moving inventories is as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period / year	48,856	46,572
Charge for the period / year	2,040	7,594
Utilized during the period / year	(6,702)	(4,140)
Assets relating to disposal group classified as held for sale	-	(1,170)
Balance at end of period / year	<u>44,194</u>	<u>48,856</u>

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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Notes to the condensed consolidated interim financial information
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7 Trade and other receivables

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	499,884	354,663
Less: Impairment loss on trade receivables	<u>(56,710)</u>	<u>(60,117)</u>
	443,174	294,546
Other receivables:		
Promotions claims from suppliers	33,303	10,139
Custom duty deposit	5,956	5,956
Impairment losses on other receivables	<u>(5,956)</u>	<u>(5,956)</u>
	<u>476,477</u>	<u>304,685</u>

Reconciliation of impairment losses on receivables is as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period / year	60,117	113,433
Charge for the period / year	2,840	10,660
Charge for the period/year – discontinued operations	-	423
Write-off	<u>(3,399)</u>	<u>(23,679)</u>
Assets of disposal group – sale of EMS	-	(5,226)
Assets relating to disposal group classified as held for sale	-	(35,494)
Reversal during the period / year	<u>(2,848)</u>	<u>-</u>
Balance at end of period / year	<u>56,710</u>	<u>60,117</u>

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at September 30, 2023 and December 31, 2022:

September 30, 2023 (Unaudited)	Gross carrying amount	Weighted-average loss	Loss allowance (%)
1-90 days	312,089	4,900	1.6%
91-180 days	88,732	2,452	2.8%
181-270 days	48,171	1,644	3.4%
271-360 days	3,386	320	9.4%
More than 360 days	<u>47,791</u>	<u>47,325</u>	<u>99.2%</u>
	<u>500,170</u>	<u>56,710</u>	<u>11.3%</u>
December 31, 2022 (Audited)	Gross carrying amount	Weighted-average loss	Loss allowance (%)
1-90 days	174,131	5,779	3.3%
91-180 days	92,201	2,799	3.0%
181-270 days	25,864	1,298	5.0%
271-360 days	4,414	575	13.0%
More than 360 days	<u>58,053</u>	<u>49,666</u>	<u>85.6%</u>
	<u>354,663</u>	<u>60,117</u>	<u>17.0%</u>

8 Prepayments and other debit balances

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to suppliers, employees and other advances	77,712	47,544
Prepayments	<u>16,834</u>	<u>15,535</u>
	<u>94,546</u>	<u>63,079</u>

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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Notes to the condensed consolidated interim financial information
For the nine-month period ended September 30, 2023 (Unaudited)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

9 Cash and cash equivalents

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in hand	1,527	961
Bank balances - current accounts	31,510	51,524
Bank balances – deposits (*)	-	20,226
	<u>33,037</u>	<u>72,711</u>

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

10 Lease liabilities and borrowings

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

The financial charges incurred during the period increased due to the increase in the amount of borrowings and the increase in the Saudi Arabian Inter-Bank Offered Rate (“SAIBOR”) since the second half of 2022.

Secured liabilities and assets pledged as security

All bank loans are secured by promissory notes signed by the parent Company equal to the maximum facility amount. These promissory notes amounted to SR 1,720 million as at September 30, 2023 and (December 31, 2022: SR 1,065 million).

Compliance with loan covenants

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

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

As of September 30, 2023, the Group’s total borrowing facilities amounted to SAR 1,720 million out of which SAR 1,201 million was unutilized.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:		
Lease Liability	5,156	6,070
Bank borrowings	521,953	544,205
	<u>527,109</u>	<u>550,275</u>
Non-current:		
Lease Liability	12,953	16,353
	<u>12,953</u>	<u>16,353</u>
Total lease liabilities	18,109	22,423
Total bank borrowings	521,953	544,205
Total lease liabilities and borrowings	<u>540,062</u>	<u>566,628</u>

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
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Notes to the condensed consolidated interim financial information
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(All amounts in thousands of Saudi Riyals unless otherwise stated)

11 Zakat and foreign income tax liabilities

The Group submitted its zakat returns for the years up to 2022 to the Zakat, Tax and Customs Authority (ZATCA). Moreover, the Group's zakat returns for the years 2014 to 2018 were finalized and the related liabilities were paid during the prior year. The assessment related to the financial year of 2014 was finalized and the related additional assessment amounting to SR 274 thousands was paid during the year. The assessments related to 2019 and 2020 financial years have been finalized and the related liabilities were paid of SR 6.8 million during the period. The Group's management and its zakat advisor believe that the current level of zakat provision is sufficient and adequate.

12 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.

September 30, 2023 (Unaudited)	HVAC solutions	Home appliances	All other segments	Total
Saudi Arabia	623,300	353,376	-	976,676
<i>September 30, 2022 (Unaudited)</i>				
Saudi Arabia	519,287	307,910	-	827,197

13 Operating segments

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

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

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

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments.

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

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

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13 Operating segments (continued)

Segment information provided to the board of directors:

The table below shows the segment information provided to the Board of Directors for the reportable segments for the period ended September 30, 2023 and September 30, 2022, also the basis on which revenue is recognized:

For the period ended September 30, 2023	HVAC Solutions	Home appliances	Total reportable segments
Revenues from external customers	623,300	353,376	976,676
Cost of sales	(450,406)	(283,570)	(733,976)
Gross profit	172,894	69,806	242,700
General and administrative expenses	(50,577)	(25,710)	(76,287)
Selling and distribution expenses	(68,530)	(29,414)	(97,944)
Impairment loss on trade and other receivables	(2,840)	-	(2,840)
Other income, net	1,877	13	1,890
Income from operations	52,824	14,695	67,519
Finance costs	(35,542)	(811)	(36,353)
Foreign exchange (loss) /gain	(460)	321	(139)
Share of net profit from an associate	38,260	-	38,260
Segments profit before zakat and foreign income tax	55,082	14,205	69,287
Zakat and foreign income tax	(5,612)	(2,838)	(8,450)
Net income for the period from continued operations	49,470	11,367	60,837
Discontinued operations			
Gain from discontinued operations	1,452	-	1,452
Net income for the period	50,922	11,367	62,289

For the period ended September 30, 2022	HVAC Solutions	Home appliances	Total reportable segments
Revenues from external customers	519,287	307,910	827,197
Cost of sales	(406,235)	(236,591)	(642,826)
Gross profit	113,052	71,319	184,371
General and administrative expenses	(37,269)	(20,975)	(58,244)
Selling and distribution expenses	(54,753)	(24,415)	(79,168)
Impairment loss on trade and other receivables	(8,810)	(2,100)	(10,910)
Other income, net	119	2,057	2,176
Income from operations	12,339	25,886	38,225
Finance costs	(13,843)	(146)	(13,989)
Foreign exchange (loss) /gain	489	-	489
Share of net profit from an associate	20,427	-	20,427
Segments profit before zakat and foreign income tax	19,412	25,740	45,152
Zakat and foreign income tax	(4,749)	(4,026)	(8,775)
Profit for the period from continued operations	14,663	21,714	36,377
Discontinued operations			
Loss from discontinued operations	(1,204)	-	(1,204)
Net income for the period	13,459	21,714	35,173

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13 Operating segments (continued)

Segment information provided to the Board of Directors (continued):

	HVAC solutions	Home Appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
September 30, 2023						
Reportable segment assets	1,826,285	809,147	2,635,432	1,511	(924,506)	1,712,437
Additions to property and equipment	2,015	-	2,015	-	-	2,015
December 31, 2022						
Reportable segment assets	1,586,482	632,430	2,218,912	-	(602,947)	1,615,965
Additions to property and equipment	1,542	147	1,689	-	-	1,689
September 30, 2023						
Total segment liabilities	1,081,349	496,426	1,577,775	1,411	(580,627)	998,559
December 31, 2022						
Total segment liabilities	893,930	293,212	1,187,142	-	(243,422)	943,720

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

All non-current assets are geographically located in Saudi Arabia as at September 30, 2023 and December 31, 2022.

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14 Seasonality of operations

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

For the 12 months ended September 30, 2023, the HVAC solutions segment reported revenue of SR 767.6 million (for 12 months ended September 30, 2022: SR 682 million) and net profit of SR 55.1 million (net profit for 12 months ended September 30, 2022: SR 22.8 million).

15 Capital and financial risk management

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

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

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

The Group's adjusted net debt to equity ratio at September 30, 2023 was as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total liabilities	998,559	943,720
Less: cash and cash equivalents	<u>(33,037)</u>	<u>(72,711)</u>
Adjusted net debt	965,522	871,009
Total equity	713,878	672,245
Equity	713,878	672,245
Adjusted net debt to equity ratio	135%	130%

The management believes that the Group has ability to meet its obligation as:

- (a) The Group's current assets are more than its current liabilities; and
- (b) The Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available (see Note 10).

Management has assessed the Group's ability to continue as a going concern and is satisfied that the Group has the resources and borrowing facilities from multiple banks to continue in business for the foreseeable future. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, this condensed consolidated interim financial information has been prepared on a going concern basis.

16 Related parties

- (a) *Transactions with key management personnel*

The following table describes compensations to key management personnel:

	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Short-term employees' benefits	7,457	6,209
Board of Directors and Audit Committee remuneration	1,874	1,500

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16 Related parties (continued)

(b) Related parties' balances

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties		
LG Shaker	172,582	189,231
LG Electronics	7,009	10,049
LG Electronics Saudi Arabia Limited	33,285	-

The above balances have been classified under trade and other payables.

(c) Related Parties transactions

The following transactions are conducted in accordance with the terms and conditions of commission and are determined in the agreements signed with the related parties and approved by the management.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Purchases from related party		
LG Shaker	545,988	350,899
LG Electronics	42,990	27,925
LG Electronics Saudi Arabia Limited	213,775	-
Settlement to related party		
LG Shaker	(562,637)	(211,934)
LG Electronics	(46,370)	(39,679)
LG Electronics Saudi Arabia Limited	(180,490)	-

17 Contingencies and commitments

The Group has the following as of September 30, 2023:

- a) On September 30, 2023, the Group has outstanding bank guarantees of SR 90.0 million (December 31, 2022: SR 31.9 million) issued by local and foreign banks in respect of importing of finished goods and other supplies.
- b) At September 30, 2023, the Group has outstanding bank letters of credit of SR 373.7 million (December 31, 2022: SR 68 million) issued against importing of finished goods and other supplies.
- c) The Group has a contractual obligation regarding the purchase of land amounting to SR 10.9 million as of September 30, 2023.

18 Disposal groups

18.1 Disposal group – Sale of EMS

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

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18 Disposal groups (continued)

18.1 Disposal group – Sale of EMS (continued)

An analysis of the results in relation to the operations of disposal group during the period ended September 30, 2022, is as follows:

18.1.a Financial performance and cash flow information

	For the period ended September 30, 2022
Revenue	903
Expenses	(6,115)
Loss before zakat and income tax	(5,212)
Income tax expense	-
Net loss from discontinued operations	(5,212)
Other comprehensive income from discontinued operations	(46)
Total comprehensive loss from discontinued operations	(5,258)
Net cash used in operating activities	(1,215)
Net cash used in investing activities	-
Net cash used in financing activities	-
Net decrease in cash and cash equivalent from the discontinued operations	(1,215)

18.2 Disposal group – Sale of New Vision Company

On May 16, 2023, the Group signed an agreement for sale its entire share of investment in New vision Company for a transaction price of SR 27.5 million which was 60% owned by the Group. An analysis of the results in relation to the operations of disposal group classified as held for sale during the nine-month period ended September 30, 2023, and 2022 is as follows:

18.2.a Financial performance and cash flow information

	For the period ended May 16, 2023	For the period ended September 30, 2022
Revenue	39,782	65,862
Expenses	(37,635)	(61,854)
Profit before zakat and income tax	2,147	4,008
Income tax expense	-	-
Net profit from discontinued operations	2,147	4,008
Other comprehensive income from discontinued operations	-	-
Total comprehensive income from discontinued operations	2,147	4,008
Net cash used in operating activities	(805)	(1,074)
Net cash used in investing activities	(1,320)	(10)
Net cash used in financing activities	(135)	316
Net increase in cash and cash equivalent from the discontinued operations	(2,260)	(768)

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18 Disposal groups (continued)

18.2 Disposal group – Sale of New Vision Company (continued)

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

The following assets and liabilities for sale in relation to the discontinued operations as at May 16, 2023 and December 31, 2022:

	May 16, 2023	December 31, 2022
Assets relating to disposal group		
Property and equipment	13,152	13,266
Right of use of assets	2,019	1,623
Intangible assets	669	742
Inventory	16,419	14,581
Trade and other receivables	41,671	42,680
Prepayments and other debt balances	2,985	1,864
Cash and cash equivalents	5,720	7,980
Total assets of disposal group	82,635	82,736
Liabilities relating to disposal group		
Short-term loans	9,827	5,874
Lease liabilities	1,903	1,415
Trade and other payables	23,856	11,801
Total liabilities of disposal group	35,586	19,090
Net assets of disposal group	47,049	63,646

The net loss on disposal was as follows:

	2023
Consideration received	27,534
Net assets of disposal group (60% of net assets)	(28,229)
Net loss on disposal	(695)

The total gain/(loss) from discontinued operations was as follows:

	September 30, 2023	September 30, 2022
Net loss from EMS	-	(5,212)
Net gain from New Vision Company	2,147	4,008
Net loss from disposal of New Vision Company	(695)	-
Total gain/(loss) from discontinued operations	1,452	(1,204)

- The statement of cash flows is presented based on the consolidated figures. The Group considered the cash and cash equivalents of the disposal group, classified as held for sale, as not significant.

The condensed interim statement of profit or loss and other comprehensive income shows the following amounts relating to discontinued operations for the nine-month period ended September 30:

	2023	2022
Impairment losses on trade receivables	-	317
Finance cost	-	507

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19 Basic and diluted earnings per share

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

	September 30, 2023	September 30, 2022
Earnings attributable to ordinary shareholders		
From continuing operations	60,837	36,389
From discontinued operations	593	(1,452)
	61,430	34,937
Weighted average number of ordinary shares outstanding	48,233	48,233
Basic and diluted earnings per share		
From continuing operations attributable to the owners of the Parent Company	1.26	0.75
From discontinued operations attributable to the owners of the Parent Company	0.01	(0.03)
Total basic and diluted earnings per share attributable to the owners of the Parent Company	1.27	0.72

20 Subsequent events

There are no subsequent events after the nine-month period ended at September 30, 2023 which requires adjustment or disclosure to this condensed consolidated interim financial information.

21 Approval of the financial information

This condensed consolidated interim financial information was approved by the Company's Board of Directors on November 1, 2023.