AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months period ended
30 September 2019
Together with the
REVIEW REPORT

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months period ended 30 September 2019

INDEX	**PAGE**

KPMG

KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 (011) 874 8500
Fax +966 (011) 874 8600
Internet www.kpmg.com/sa

Licence No. 46/11/323 issued 11/3/1992

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2019; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial statements of **Al Hassan Ghazi Ibrahim Shaker Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

كي بي ام جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No: 371

Date: 9 Rabi I 1441H
Corresponding to: 6 November 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 September 2019
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
ASSETS			
Property and equipment		**247,932**	236,926
Intangible assets and goodwill	*4*	**13,550**	14,009
Trade and other receivables	*7*	**13,049**	13,049
Equity accounted investees	*5*	**501,986**	490,782
Non-current assets		**776,517**	754,766
Inventories	*6*	**287,651**	382,072
Trade and other receivables	*7*	**434,762**	451,490
Prepayments and advances		**24,212**	28,841
Cash and cash equivalents		**55,243**	17,532
Current assets		**801,868**	879,935
Total assets		**1,578,385**	1,634,701
EQUITY			
Share capital	*8*	**630,000**	630,000
Statutory reserve	*9*	**140,937**	140,937
Accumulated losses		**(138,435)**	(93,956)
Equity attributable to owners of the Company		**632,502**	676,981
Non-controlling interest		**18,079**	21,199
Total equity		**650,581**	698,180
LIABILITIES			
Loans and borrowings	*10*	**14,690**	31,000
Employee benefits	*11*	**24,954**	25,751
Trade and other payables		**95,000**	-
Non-current liabilities		**134,644**	56,751
Loans and borrowings	*10*	**412,617**	531,457
Trade and other payables		**348,588**	319,701
Zakat and foreign income tax liabilities		**20,191**	16,927
Provisions		**11,764**	11,685
Current liabilities		**793,160**	879,770
Total liabilities		**927,804**	936,521
Total equity and liabilities		**1,578,385**	1,634,701

Abdulelah Abdullah Abunayyan
Chairman

Azzam Saud Almudaiheem
CEO

Khaled Abdulrahman Bakhsh
CFO

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OCI (UNAUDITED)
For the nine months ended 30 September 2019
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Notes	*For the three-month period ended 30 September*		*For the nine-month period ended 30 September*	
		2019	2018	**2019**	2018
Revenue	*12*	**247,842**	173,980	**698,706**	601,211
Cost of sales		**(198,789)**	(146,688)	**(568,348)**	(480,087)
Gross profit		**49,053**	27,292	**130,358**	121,124
Other income		**1,642**	234	**3,059**	1,925
Selling and distribution expenses		**(27,238)**	(33,934)	**(77,625)**	(107,437)
Administrative expenses		**(24,934)**	(24,604)	**(74,537)**	(82,832)
Impairment loss on trade and other receivables		**(4,681)**	(172)	**(12,845)**	(516)
Other expenses		**-**	(4)	**-**	(90)
Operating loss		**(6,158)**	(31,188)	**(31,590)**	(67,826)
Finance costs		**(6,327)**	(8,089)	**(21,992)**	(24,536)
Share of profit / (loss) of equity-accounted investee	*5*	**7,389**	(6,537)	**13,929**	(5,783)
Loss on disposal of equity accounted investee		**-**	-	**(1,001)**	-
Loss before Zakat and foreign income tax		**(5,096)**	(45,814)	**(40,654)**	(98,145)
Zakat and foreign income tax expense		**(1,560)**	(968)	**(4,680)**	(4,905)
Loss for the period		**(6,656)**	(46,782)	**(45,334)**	(103,050)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurement of the defined benefit liability		**(52)**	-	**(945)**	-
Other comprehensive loss for the period, net of zakat and foreign income tax		**(52)**	-	**(945)**	-
Total comprehensive loss for the period		**(6,708)**	(46,782)	**(46,279)**	(103,050)
Loss attributable to:					
Owners of the Company		**(6,045)**	(44,919)	**(42,394)**	(102,120)
Non-controlling interests		**(611)**	(1,863)	**(2,940)**	(930)
		(6,656)	(46,782)	**(45,334)**	(103,050)
Total comprehensive loss attributable to:					
Owners of the Company		**(6,095)**	(44,919)	**(43,159)**	(102,120)
Non-controlling interests		**(613)**	(1,863)	**(3,120)**	(930)
		(6,708)	(46,782)	**(46,279)**	(103,050)
Losses per share:					
Basic and diluted losses per share (SAR)	13	**(0.10)**	(0.71)	**(0.67)**	(1.62)

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine months ended 30 September 2019
(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 31 December 2018	**630,000**	**140,937**	**(93,956)**	**676,981**	**21,199**	**698,180**
Adjustment on initial application of IFRS 16	-	-	**(1,320)**	**(1,320)**	-	**(1,320)**
Balance at 1 January 2019	**630,000**	**140,937**	**(95,276)**	**675,661**	**21,199**	**696,860**
Total comprehensive loss for the period						
Loss for the period	-	-	**(42,394)**	**(42,394)**	**(2,940)**	**(45,334)**
Other comprehensive loss	-	-	**(765)**	**(765)**	**(180)**	**(945)**
Balance at 30 September 2019	**630,000**	**140,937**	**(138,435)**	**632,502**	**18,079**	**650,581**
Balance at 1 January 2018	630,000	140,937	103,462	874,399	20,240	894,639
Total comprehensive income for the period						
Loss for the period	-	-	(102,120)	(102,120)	(930)	(103,050)
Other comprehensive income	-	-	-	-	-	-
	630,000	140,937	1,342	772,279	19,310	791,589
Other movement in non – controlling interest *(note 1.7)*	-	-	-	-	6,475	6,475
Balance at 30 September 2018	630,000	140,937	1,342	772,279	25,785	798,064

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine months ended 30 September 2019
(In Thousands of Saudi Riyals, Unless otherwise stated)

	Note	**30 September 2019**	30 September 2018
Cash flows from operating activities:			
Loss for the period		**(45,334)**	(103,050)
Adjustments for:			
Depreciation		**13,526**	11,575
Amortisation		**459**	309
Impairment losses on inventories	*6*	**2,377**	278
Impairment losses on receivables	*7*	**12,845**	516
Share of (profit) / loss of equity–accounted investees		**(12,928)**	5,783
Finance costs		**21,992**	24,536
Zakat and foreign income tax		**4,680**	4,905
		(2,383)	(55,148)
Change in:			
Inventories		**92,044**	108,919
Trade and other receivables		**3,883**	35,763
Prepayments and advances		**2,248**	1,701
Trade and other payables		**123,887**	30,515
Employee benefits		**2,235**	-
Provisions		**79**	(7,383)
Cash generated from operating activities		**221,993**	114,367
Finance costs paid		**(21,213)**	(21,543)
Employee benefits paid		**(3,977)**	-
Zakat paid		**(1,416)**	(5,408)
Net cash generated from operating activities		**195,387**	87,416
Cash flows from investing activities:			
Acquisition of property and equipment		**(1,936)**	(2,735)
Acquisition of intangible assets		**-**	(115)
Net cash used in investing activities		**(1,936)**	(2,850)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**274,656**	862,170
Repayment of loans and borrowings		**(435,068)**	(959,122)
Proceeds from the disposal of investment in equity-accounted investee		**1,724**	-
Other movement in non – controlling interests	*1.7*	**-**	6,475
Net cash used in financing activities		**(158,688)**	(90,477)
Net increase / (decrease) in cash and cash equivalents		**34,763**	(5,911)
Cash and cash equivalents at 1 January *		**6,144**	55,370
Cash and cash equivalents at 30 September*		**40,907**	49,459

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

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 the 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 Group has branches which are operating under separate commercial registrations.

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

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

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

Direct and indirect subsidiaries

Name	**Principal field of activity**	**Country of incorporation**	**Effective ownership interest at 30 September**	
			2019	2018
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%

1. REPORTING ENTITY (CONTINUED)

Entities fully controlled through a subsidiary - EMS

Name	Principal field of activity	Country of incorporation	Subsidiary ownership interest at 30 September 2019	2018
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 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 6.48 million represent absorption of such losses by the minority shareholders of NVEEAC.

1.8. These condensed consolidated interim financial statements were approved by the Board of Directors on 9 Rabi I, 1441H (corresponding to 6 November 2019).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants - SOCPA (“IFRSs”). These interim financial statements should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2018 (‘last annual financial statements’). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

b) Basis of measurement

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

The financial performance of the Group has deteriorated in recent years due to decline in the sales volume which has resulted in operating losses and the accumulated loss position. During the nine month period ended 30 September 2019, the Group has reported a net loss of SR 45.3 million (2018: SR 103 million) and, as of that date, reported accumulated losses of SR 138.4 million (31 December 2018: 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

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. During the nine months period ended 30 September 2019, the Group has achieved successful renewal of its certain facilities, which were under negotiation as at 31 December 2018. The group has also managed to drawdown from certain facilities that are under renewal as at 30 September 2019. The board expects successful negotiations and continuity of facilities renewals. In consideration of cash flows forecasts, certain trading initiatives improving sales volume, 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 condensed consolidated interim financial statements have been prepared under the going concern basis.

c) Functional and presentation currency

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

d) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the parent company and its subsidiaries as at 30 September 2019. 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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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 Change in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and nonlease components as a single lease component.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 Change in significant accounting policies (continued)

A) Definition of a lease (continued)

B) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

Property, plant and equipment

In thousands of SAR	**Buildings**
Balance as at 1 January 2019	21,336
Balance as at 30 September 2019	17,403

The Group presents lease liabilities in note 10 'loans and borrowings' in the statement of financial position.

B.1) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 Change in significant accounting policies (continued)

B.2) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include buildings. The leases typically run for a period upto 5 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of warehouses and offices. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C) As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

D) Impact on financial statements

D.1) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

In thousands of SAR	1 January 2019
Right-of-use assets presented in property, plant and equipment	21,336
Lease liabilities	20,275
Prepayments	(2,381)
Accumulated losses	1,320

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 Change in significant accounting policies (continued)

D) Impact on financial statements (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5.67%.

D.2) Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised SR 17.4 million of right-of-use assets and SR 17.3 million of lease liabilities as at 30 September 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Group recognised SR 5.2 million of depreciation charges and SR 0.8 million of interest costs from these leases.

For the impact of IFRS 16 on segment information, see Note 14.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements:
The preparation of condensed consolidated interim financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual consolidated financial statements for the year ended 31 December 2017, except for new significant judgments and key source of estimation uncertainty related to the application of IFRS 16, which are described in Note 2.

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment of trade and other receivables (note 7)
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. 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 (notes 4 & 5)
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

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

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

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

The mortality rate is based on publicly available mortality tables for specific countries. There are no publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates and the management outlook for the respective country.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

4 INTANGIBLE ASSETS AND GOODWILL

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
- Intangible assets		
Energy Management Services Emirates LLC	**2,167**	2,477
New Vision for Electronics and Electrical Appliances Company	**1,529**	1,678
- Goodwill (Note 4.1)		
ASDAA Gulf Trading Company (ASDAA)	**9,854**	9,854
	13,550	14,009

4.1 Effective 12 November 2014, HGISC acquired effectively 100% shareholding in ASDAA for purchase consideration of SR 20 million, which was in excess of the fair value of the net assets acquired by SR 9.9 million and has been recorded as goodwill.

5 EQUITY ACCOUNTED INVESTEES

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

Name of Company	Principal activities	Country of incorporation	Effective interest at 30 September 2019	Effective interest at 31 December 2018
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%

Investments in equity accounted investees are as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
LG Shaker *(Note 5.1)*	**501,986**	488,057
SEALCO *(Note 5.2)*	**-**	2,725
	501,986	490,782

Reconciliations for the equity accounted investees are as follows:

	LG Shaker	**SEALCO**	**Total**
At 1 January 2019	**488,057**	**2,725**	**490,782**
Share of profit for the period	**13,929**	**-**	**13,929**
Disposal of investment	**-**	**(2,725)**	**(2,725)**
At 30 September 2019	**501,986**	**-**	**501,986**

	LG Shaker	SEALCO	Total
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

(In Thousands of Saudi Riyals, Unless Otherwise stated)

5 EQUITY ACCOUNTED INVESTEES (CONTINUED)

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

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

Balance as at:	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
Non-current assets	**106,067**	114,108
Current assets	**424,445**	308,152
Non-current liabilities	**(6,141)**	(5,372)
Current liabilities	**(96,728)**	(17,386)
Net assets	**427,643**	399,502
Group's share of net assets	**190,002**	176,073
Goodwill	**311,984**	311,984
Carrying amount of interest in associate	**501,986**	488,057

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Revenue	**223,647**	144,659
Total comprehensive income / (loss) before Zakat & Tax	**34,745**	(18,386)
Group share of total comprehensive income / (loss) after Zakat	**13,929**	(6,625)

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

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

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

The management of the Group has assessed in detail the carrying value of LG Shaker as at 31 December 2018. The detailed assumptions are considered to be the same as at 30 September 2019. As at 30 September 2019, there are no new indications that the carrying value of this associate is impaired.

5.2 On 31 January 2019, the Group has disposed its investment in SEALCO.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

6 INVENTORIES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Finished goods	**221,650**	333,473
Spare parts	**71,862**	70,893
Goods in transit	**20,083**	15,290
	313,595	419,656
Impairment losses on inventories	**(25,944)**	(37,584)
	287,651	382,072

Reconciliation of the impairment losses on inventories is as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Balance at beginning of year	**37,584**	37,853
Charge for the year	**2,377**	30,278
Utilised during the year	**(14,017)**	(30,547)
Balance at end of period / year	**25,944**	37,584

a) At 30 September 2019, the Group has outstanding bank guarantees of SR 77.4 million (31 December 2018: SR 77.7 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.

b) At 30 September 2019, the Group has outstanding bank letter of credits of SR 16.3 million (31 December 2018: SR 11.6 million) issued against import of finished goods and other supplies.

7 TRADE AND OTHER RECEIVABLES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables	**511,761**	515,047
Other receivables:		
Advertisement claims from suppliers	**6,506**	5,992
Custom duty deposit	**5,956**	5,956
Amount due from related parties (note 17)	**-**	151
Non trade receivables	**5,148**	6,108
Impairment losses on receivables	**(81,560)**	(68,715)
	447,811	464,539
Non-current	**13,049**	13,049
Current	**434,762**	451,490
	447,811	464,539

(In Thousands of Saudi Riyals, Unless Otherwise stated)

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment losses on receivables is as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Balance at beginning of period / year	**68,715**	61,729
Charge for the period / year	**12,845**	6,986
Balance at end of period / year	**81,560**	68,715

8 SHARE CAPITAL

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Authorised share capital (shares of SR 10 each)	**630,000**	630,000
Issued and fully paid up capital (shares of SR 10 each)	**630,000**	630,000

At 30 September 2019, the authorized, issued and paid up share capital of the Company is SR 630 million consisting of 63 million shares of SR 10 each.

9 STATUTORY RESERVE

The new Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to 2 May 2016) requires companies to set aside 10% of its net income in each year to a statutory reserve until such reserve reaches 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company. Due to the loss making position for the nine months ended 30 September 2019, no such transfer was required as at the current reporting date.

10 LOANS AND BORROWINGS

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

(In Thousands of Saudi Riyals, Unless Otherwise stated)

10 LOANS AND BORROWINGS (CONTINUED)

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

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Current:		
Lease liabilities	**7,004**	-
Bank overdraft	**14,336**	11,388
Bank loans	**391,277**	520,069
	412,617	531,457
Non-current:		
Lease liabilities	**10,343**	-
Bank loans	**4,347**	31,000
	14,690	31,000

The following bank loans are outstanding as at:

				30 *September* 2019 *(Unaudited)*		31 December 2018 *(Audited)*	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value SR**	**Carrying amount SR**	Face value SR	Carrying amount
Kingdom of Saudi Arabia	SAR	2.6%-4.16% per annum	2019-2021	613,477	**314,853**	572,160	437,229
	USD	2.7% -2.8% per annum	2019-2020	94,000	**50,804**	59,813	59,813
United Arab Emirates	AED	1 month EIBOR + 4% per annum (min of 4.5%)	2019-2021	23,373	**7,551**	23,373	21,536
Jordan	USD	LIBOR + 2.95% per annum	2019-2020	93,750	**22,416**	93,750	32,491
					395,624		551,069

Reconciliation of bank loans are as follows:

Balance as at 1 January	**551,069**	781,845
Proceeds		
Kingdom of Saudi Arabia	**274,656**	1,056,913
United Arab Emirates	**-**	4,131
Jordan	**-**	35,421
	274,656	1,096,465
Repayments		
Kingdom of Saudi Arabia	**(406,041)**	(1,242,113)
United Arab Emirates	**(13,985)**	(3,008)
Jordan	**(10,075)**	(82,120)
	(430,101)	(1,327,241)
Balance as at 30 *September* 2019	**395,624**	551,069

(In Thousands of Saudi Riyals, Unless Otherwise stated)

11 EMPLOYEE BENEFITS

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Net defined benefit liability	**24,954**	25,751
	24,954	25,751

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:

	30 September 2019 SR (Unaudited)	31 December 2018 SR (Audited)
Balance at beginning of period / year	**25,751**	32,454
Included in Profit and Loss		
Current service cost	**1,434**	4,395
Interest cost	**801**	935
	2,235	5,330
Included in Other comprehensive income		
Actuarial loss	**945**	876
Benefit paid	**(3,977)**	(12,909)
Balance at end of period / year	**24,954**	25,751

Represented by:		
Net defined benefit liability for plans in:		
- Kingdom of Saudi Arabia	**21,796**	23,327
- United Arab Emirates	**3,158**	2,424
	24,954	25,751

(In Thousands of Saudi Riyals, Unless Otherwise stated)

11 EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions
The following are the principal actuarial assumptions applied at 30 September 2019 and 31 December 2018:

	KSA	UAE
Discount rate	3.8% p.a	3.7 % p.a
Salary increase	2% p.a	3.18 % p.a
Average years of past service	7.58 years	3.54 years

Sensitivity analysis

	30 September 2019		31 December 2018	
Particulars	**PVDBO**	**% Change**	PVDBO	% Change
EOSB liability	**24,954**		25,751	
+1% Discount rate	**(770)**	**-3.54%**	(1,244)	-4.80%
-1% Discount rate	**842**	**3.86%**	1,396	5.40%
+1% Salary increase rate	**836**	**3.84%**	1,530	5.91%
1% Salary increase rate	**(786)**	**-3.61%**	(1,387)	-5.41%
+10% Withdrawals rate	**-**	**0.00%**	36	0.01%
-10% Withdrawals rate	**-**	**0.00%**	(37)	-0.01%
1 Year mortality age set back	**(9)**	**-0.04%**	5	0.00%
1 Year mortality age set forward	**109**	**0.50%**	9	0.00%

PVDBO: Present value of defined benefit obligations

12 REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. 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.

	HVAC solutions	*Home appliances*	*All other segments*	*Total*
Nine months ended 30 September 2019				
Saudi Arabia	**445,573**	**196,890**	**-**	**642,463**
Jordan	**4,684**	**47,943**	**2,480**	**55,107**
UAE	**-**	**-**	**1,136**	**1,136**
Total	**450,257**	**244,833**	**3,616**	**698,706**

	HVAC solutions	*Home appliances*	*All other segments*	*Total*
Three months ended 30 September 2019				
Saudi Arabia	**163,706**	**63,377**	**-**	**227,083**
Jordan	**1,737**	**17,775**	**920**	**20,432**
UAE	**-**	**-**	**327**	**327**
Total	**165,443**	**81,152**	**1,247**	**247,842**

(In Thousands of Saudi Riyals, Unless Otherwise stated)

12 REVENUE (CONTINUED)

Nine months ended 30 September 2018	*HVAC solutions*	*Home appliances*	*All other segments*	*Total*
Saudi Arabia	352,875	159,814	-	512,689
Jordan	5,530	56,606	2,928	65,064
UAE	-	-	23,458	23,458
Total	358,405	216,420	26,386	601,211

	HVAC solutions	*Home appliances*	*All other segments*	*Total*
Three months ended 30 September 2018	*SR*	*SR*	*SR*	*SR*
Saudi Arabia	105,400	48,376	-	153,776
Jordan	1,529	15,659	810	17,998
UAE	-	-	2,206	2,206
Total	106,929	64,035	3,016	173,980

13 BASIC AND DILUTED LOSSES PER SHARE

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

	30 September 2019	30 September 2018
Loss attributable to ordinary shareholders	**(42,394)**	(102,120)
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the period	**63,000**	63,000
Basic and diluted losses per share	**(0.67)**	(1.62)

14 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.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

14 OPERATING SEGMENTS (CONTINUED)

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

	HVAC solutions	*Home appliances*	*Total reportable segments*	*All other segments*	*Adjustments and eliminations*	*Total*
As at 30 September 2019						
Assets and liabilities:						
Segment assets	**1,558,222**	**452,565**	**2,010,787**	**55,914**	**(488,316)**	**1,578,385**
Segment liabilities	**(895,860)**	**(168,848)**	**(1,064,708)**	**(47,083)**	**183,987**	**(927,804)**
For the nine month ended 30 September 2019						
Segment revenues	**450,257**	**244,833**	**695,090**	**3,616**	**-**	**698,706**
Segments (loss) / profit before zakat and foreign income tax	**(39,049)**	**6,348**	**(32,701)**	**(6,348)**	**(1,605)**	**(40,654)**

	HVAC solutions	*Home appliances*	*Total reportable segments*	*All other segments*	*Adjustments and eliminations*	*Total*
As at 31 December 2018						
Assets and liabilities:						
Segment assets	1,606,194	451,492	2,057,686	56,461	(479,446)	1,634,701
Segment liabilities	(903,068)	(168,900)	(1,071,968)	(41,336)	176,783	(936,521)
For the nine months ended 30 September 2018						
Segment revenues	358,405	216,420	574,825	26,386	-	601,211
Segments (loss) / profit before zakat and foreign income tax	(101,365)	(18,399)	(119,764)	13,499	8,120	(98,145)

The Group has initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised right-of-use assets and liabilities from those lease contracts. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated (for details see Note 2.2 above).

More than 92% (30 September 2018: 85%) of the Group's revenue and 92% (31 December 2018: 91%) of the Group's total assets are based in Kingdom of Saudi Arabia.

(In Thousands of Saudi Riyals, Unless Otherwise stated)

15 SEASONALITY OF OPERATIONS

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

For the 12 months ended 30 September 2019, the HVAC solutions segment reported revenue of SR 562 million (for 12 months ended 30 September 2018: SR 486 million) and net loss of SR 133 million (net loss for 12 months ended 30 September 2018: SR 189 million).

16 FINANCIAL INSTRUMENTS

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

	Carrying amount		**Fair Value**			
	Non-current assets	**Current assets**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2019						
Financial assets not measured at fair value						
Trade and other receivables	**13,049**	**428,256**	--	--	--	--
Cash and cash equivalents	--	**55,243**	--	--	--	--
Total	**13,049**	**483,499**	--	--	--	--

	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	445,498	-	-	-	-
Cash and cash equivalents	-	17,532	-	-	-	-
Total	13,049	463,030	-	-	-	-

	Carrying amount		**Fair Value**			
	Non-current liabilities	**Current liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 September 2019						
Financial liabilities not measured at fair value						
Loans	**4,347**	**391,277**	--	--	--	--
Trade and other payables	**95,000**	**348,588**	--	--	--	--
Bank overdrafts	--	**14,336**	--	--	--	--
Lease liabilities	**10,343**	**7,004**	--	--	--	--
Total	**109,690**	**761,205**	--	--	--	--

(In Thousands of Saudi Riyals, Unless Otherwise stated)

16 FINANCIAL INSTRUMENTS (CONTINUED)

	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	-	319,701	-	-	-	-
Bank overdrafts	-	11,388	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Total	31,000	851,158	-	-	-	-

17 RELATED PARTY TRANSACTIONS

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

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

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			30 September 2019	30 September 2018	**30 September 2019**	31 December 2018
SEALCO	Associate	Sale of investment in SEALCO	**1,724**	--	**--**	151
					--	151

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

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			30 September 2019	30 September 2018	**30 September 2019**	31 December 2018
LG Shaker	Associate	Purchase of finished goods	**205,777**	132,851	**272,364**	167,728
LG Electronics (Levant)	Associate	Purchase of finished goods	**28,944**	59,010	**23,080**	8,156
Board of Directors	Key management	Remuneration and meeting attendance fee	**1,500**	1,450	**2,085**	1,887
Subsidiary shareholder – NVEEAC	Key management	Advances	**--**	6,479	**-**	-
Subsidiary shareholder – EMS	Key Management	Advances	**--**	1,144	**-**	-
					297,529	177,771