

شركة الحسن غازي إبراهيم شاکر  
AL-HASSAN GHAZI IBRAHIM SHAKER COMPANY



# EMPOWERING EVERY HOME

ANNUAL REPORT  
2023

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# EMPOWERING EVERY HOME

For more than seven decades, Shaker Group has been at the forefront of empowering our commercial and retail customers. Our products, nestled in the heart of homes, offer efficient solutions throughout the Kingdom.

Shaker Group achieves this through a combination of innovation and tradition. While we pride ourselves on being a trusted and long-established partner, it's our ability to swiftly adapt to evolving needs that underpins our success.

In 2023, our unwavering commitment to empowering every home has been the driving force behind our success. Our commitment to innovation and progress is seen not only in our products but also embedded in our operational ethos.

*Shaker Group's unique solutions are enhancing homes, and fortifying communities and enterprises across Saudi Arabia.*



# ESSENTIAL SOLUTIONS, TRUSTED QUALITY

# 1

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# CHAIRMAN'S FOREWORD



**Abdulelah Abdullah Abunayyan**  
Chairman of the Board of Directors

*Dear valued shareholders,*

On behalf of the Board of Directors, it is an honor to present to you Shaker Group's 2023 Annual Report. I would like to express my gratitude to Shaker Group's leadership and their teams for their unwavering dedication to the Company and our mission, resulting in an exceptional performance throughout 2023.

Our seventy-third year marks a continuation of our journey to becoming a key participant in the Kingdom's growth. Since our establishment in 1950, we have actively contributed to Saudi Arabia's evolution, mirroring the nation's dynamic progress with our commitment to innovation and meeting the needs of our society where it matters – at the heart of households.

### *Strategy-Led Growth*

2023 has been a year of strategic foresight and strong growth across all fronts for Shaker Group. Market challenges were met with opportune strategic decisions, and we've set a definitive course towards a prosperous future.

This year marked a new phase of growth in both our core business and in our partnerships. We are investing in our future while maintaining a capital allocation framework rooted in disciplined management. Our sales surged to SAR 1.24 billion, a 19.2% increase over last year, and net profit almost doubled to SAR 65.43 million. This performance was further rooted in disciplined capital management as we extinguished our long-term debt in 2022, setting a strong foundation for 2024 and beyond.

*Sales surged to  
SAR 1.24 billion  
marking a  
19.2% increase over  
last year*

Net profit reached

**SAR 65.43  
MILLION**

*We have fortified  
our position through  
alliances with global  
industry leaders*



### *Rooted in Legacy, Navigating Change*

Shaker Group has successfully transitioned from a period of transformation to now marking our fourth consecutive year of profitability and substantial revenue growth across our core business divisions. This is a testament to the strength of our team and our ability to adapt to reflect changing customer needs.

### *Charting New Territories, Building Alliances*

Strategically, we have fortified our position through alliances with global industry leaders, expanding our product range and revenue streams. These partnerships, alongside optimized operations, have enhanced our agility, ensuring we remain at the forefront of the rapidly evolving business landscape and maintain our market leadership in Saudi Arabia's HVAC and Home Appliance sectors.

### *Vision 2030*

We are an organization that holds true to the claim of "Made in Saudi". We are actively localizing the manufacturing base of HVAC products through our jointly owned air conditioner manufacturing factory in Riyadh with LG Electronics. We are championing the National Industrial Development and Logistics Program through integrating

cutting-edge AI and robotics in our facility to drive innovation in the domestic manufacturing sector. This is all part of our vision to enhance the Kingdom's infrastructure from the bottom up, and drive shareholder value. Vision 2030 provides a clear roadmap for the Kingdom, and it continues to guide Shaker Group as we move forward.

*2024 will be another milestone in our growth journey*

***Powered by People***

At the core of our achievements is our people. Our initiatives in talent development and diversity promotion have been fundamental to our corporate ethos. We are upskilling our workforce, empowering women in key positions, and supporting our team to position Shaker Group for continued success. Our team's quality and strength are the pillars of value in all we do.

***Looking to the Future***

Our journey forward is charged with optimism and a steadfast commitment to delivering value to all stakeholders. 2024 will be another milestone in our growth journey where we will communicate our revitalized strategic plan for the years ahead.

We stand ready, under the visionary leadership of the Kingdom, to contribute significantly to the delivery of innovative products and services and the revitalization of communities across the Kingdom.

We are upskilling our workforce, empowering women in key positions.

*Our success is only possible thanks to the talent, dedication, and innovation of our team. I would like to formally thank my fellow board members, the dedicated management, and every member of Shaker Group's wider team. It is their efforts that have delivered success in 2023 and will continue to propel us into 2024.*



# CHIEF EXECUTIVE'S FOREWORD



**Mohammed Ibrahim Abunayyan**  
CEO of Al Hassan Ghazi Ibrahim  
Shaker Company

*Dear valued shareholders,*

2023 was a remarkable year for us, characterized by strong financial performance and strategic advancements. As I write this letter, I reflect back on the transformation journey we have embarked on at Shaker Group, and how we have evolved into a dynamic market leader. We are now at an accelerating growth phase to empower every home across the Kingdom.

*Empowering Every Home*

Captures our year's theme, mirroring our ambition to make a meaningful difference across Saudi households. This vision, underpinned by our strong business fundamentals, yielded impressive results. We cemented our market leadership position, expanded our footprint, reached more customers online, grew our product portfolio, and invested in digitalizing our systems.

Our human capital is the driving force of our growth and innovation, and our talent is stronger than ever. This year, we raised the Saudization rate to 37% with the goal of enabling local talent and becoming a partner of success for every individual, all in the name of empowering our people.

*“Empowering Every Home.”  
This encapsulates the breadth of our ambition and reflects the positive difference we are making in households right across Saudi Arabia.*

HVAC segment accounted for

**64.7%**

of revenue

Raised Saudization Rate to

**37%**

## Global Footprint, Local Impact

Shaker Group's global footprint, coupled with a distinct local identity and brand, is underscored by our representation of six world-class brands and leadership in local HVAC manufacturing.

Our footprint has grown to span over 20 countries through exports from our joint venture factory with LG, which boasts an annual production capacity surpassing 750,000 units utilizing the latest manufacturing technologies and automation.

In addition to representing our operational scale, the LG-Shaker factory embodies the ethos of Shaker Group as a global player with a Saudi identity. It serves as a powerful example of the way that our local values support the Kingdom's Vision 2030 and our global ambitions.



## Insights into Market Dynamics

The operational scale of Shaker Group continues to grow. But alongside that expansion, we are also aware that customers' needs are changing. As a business we are adapting our sales channels and product range to reflect this.

E-commerce transactions within the Kingdom totaled SAR 122.7 billion in 2022, and we are investing into our e-commerce platform to leverage this potential. In 2023, we recorded over 800,000 unique visits across our e-commerce store and app, and this is expected to grow over time. To complement this, we are digitalizing our operating model and processes to help us gain dynamic real-time insights into demand trends to optimize our offering.



E-Commerce transactions within the Kingdom, totaled

# SAR 122.7BN

## Our Performance

Shaker Group's revenue soared by 19.2% to SAR 1.24 billion and net profits almost doubled to SAR 65.43 million. This was our highest revenue since 2016 and net profit since 2015. The HVAC segment was a major contributor, accounting for 64.7% of revenue, while Home Appliances made up 35.3%. Both segments saw remarkable year-on-year growth – 21.2% for Home Appliances and 18.1% for HVAC – driven by an expanded product range, effective channel marketing and mix, and strong B2B growth through mega projects in the Kingdom.



## Charting the Course Ahead

As we build on our 2023 success, Shaker Group is poised to achieve even greater heights against the backdrop of the secular growth drivers in the Kingdom. The HVAC and Home Appliances sectors are expected to grow by 20% and 16% respectively by 2027, and we are well-positioned to leverage this growth. Shaker Group continues to be an important contributor to shaping the nation's economic future and empowering households. We are excited about the future, and plan to unveil a new strategic vision in 2024 that will guide us into our next phase of growth.

*In closing, I extend my sincere gratitude to our dedicated team, esteemed shareholders, and valued stakeholders. Together, we are delivering sustainable growth and value for the business and the Kingdom.*

# SHAKER GROUP 70 YEARS OF EMPOWERING HOMES

From humble beginnings in 1950, Shaker Group has set out on a goal to empower every home in Saudi Arabia. Our journey, spanning over seven decades, is not just a testament to resilience and innovation, but a story of passion and dedication to improving lives and enriching experiences within the four walls that matter most.

Over the years, we have evolved from a local company into a leader in HVAC and home appliances. Today, we're proud to be a trusted partner to families across the Kingdom, providing them with cutting-edge solutions from globally recognized brands. Our leadership in technology extends beyond just products; it's about empowering homes with comfort, convenience, and energy efficiency.

Our journey hasn't been without its milestones. Transforming into a joint stock company in 2008 marked a turning point, allowing us to reach new heights. We've ventured into new markets, expanded our offerings, and made strategic decisions to solidify our position as a trusted provider. Today, we stand at the forefront of innovation, forging strong local manufacturing partnerships that not only fuel our growth but also contribute to the Kingdom's economic development.



# SHAKER GROUP 70 YEARS OF EMPOWERING HOMES

Our extensive distribution network ensures that our products reach every corner of the country, enriching lives and enhancing experiences for businesses and families alike. We don't just sell products; we offer peace of mind with unparalleled after-sales services, personalized support, and educational resources. Our commitment goes beyond simply delivering best-in-class solutions; it's about empowering our customers to create homes that reflect their unique needs and aspirations.

Through continuous innovation, strategic partnerships, and a deep understanding of our customers' needs, we strive to be more than just a provider; we aim to be a trusted partner in your journey towards a more comfortable, convenient, and sustainable home.

## Company Overview

Al Hassan Ghazi Ibrahim Shaker Company established in the 1950s by the late Sheikh Ibrahim Shaker, has evolved into a dynamic force within Saudi Arabia, emerging as a leader in the HVAC, home appliances and home entertainment sectors. With a commitment to innovation and a leading presence in both the B2B and B2C sectors, Shaker Group is at the forefront of providing cutting-edge products and solutions, enriching lives and enhancing experiences for businesses and consumers alike. It is also at the forefront of sustainability and innovation, offering energy efficient products with advanced technology, while embracing market trends to maintain its competitive edge.

Originally registered as a joint stock company in 2008, Shaker Group has undergone strategic transformations. Established in 2006, and operational since 2008, Shaker entered the manufacturing sector with the formation of the Shaker-LG factory in Riyadh to cater to the regional HVAC market. In April 2010, the company went public, offering 10.5 million shares to the public, representing 30% of its capital. By 2015, the company's capital increased to SAR 630 million, and relocated its headquarters to Riyadh signaling a strategic shift towards expansion and a reinforced commitment to the Saudi market.

In a strategic move, the company reduced its capital by 23.44% on May 16, 2022, from 630 million to 482.33 million Saudi riyals. This decision, aimed to offset accumulated losses, adjusted the share count from 63 million to 48.23 million, positioning the company for renewed growth. In a recent development, the board of directors approved a 15% capital increase through bonus shares reinforcing the company's commitment to long-term growth and financial stability.

capital increase

# 15%

Online presence with over

# 800,000

site / app visits



## VISION

To be the preferred and trusted provider of innovative, energy-efficient air conditioning and home appliances solutions, enhancing the comfort and lifestyle of our customers in Kingdom of Saudi Arabia.



## MISSION

Delivering excellence in air conditioning and home appliances trading by offering cutting-edge products, personalized customer experiences, and sustainable solutions.

We aim to build lasting partnerships, foster innovation, and contribute to the well-being of communities we serve.

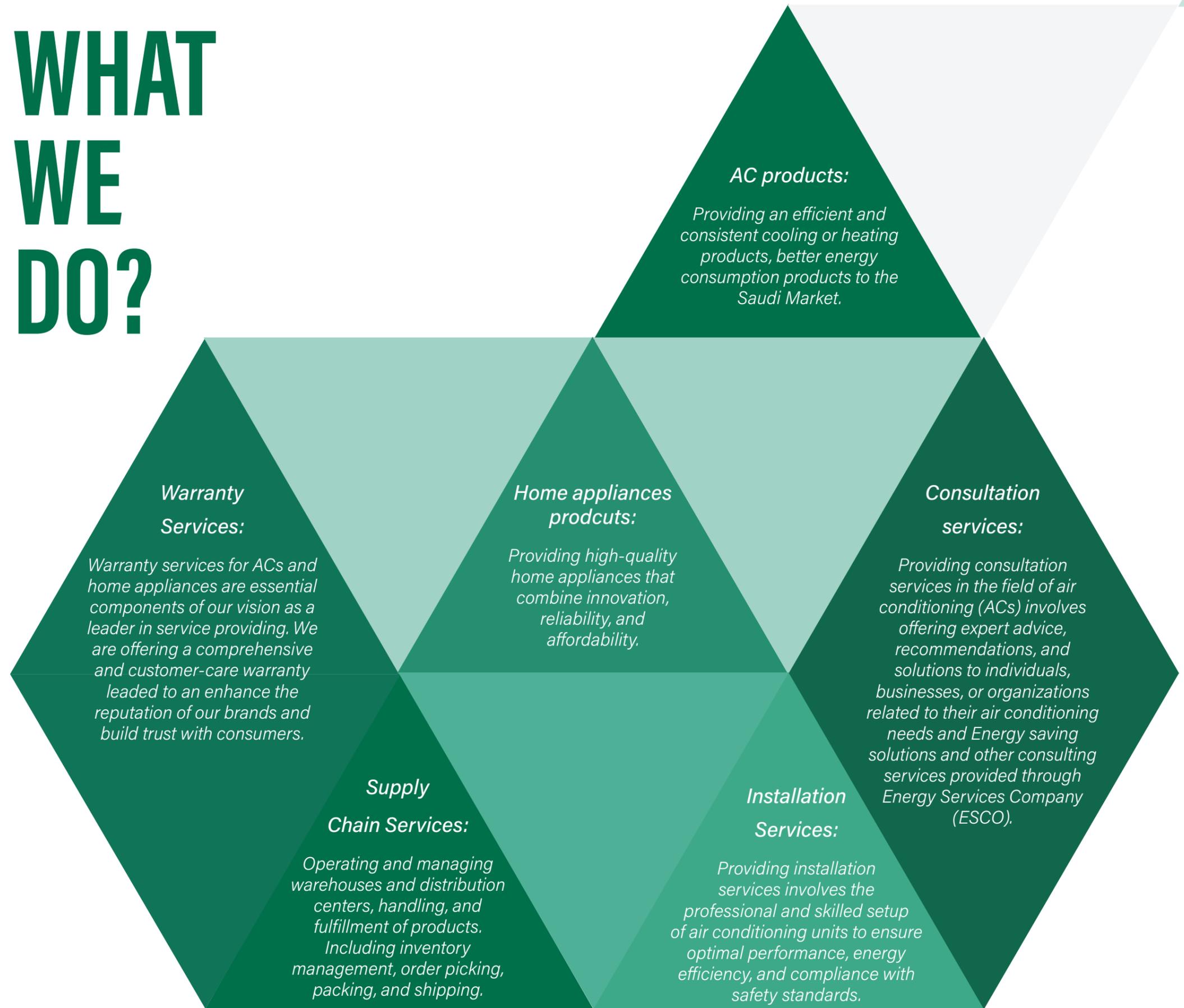


## VALUES

- Respect
- Inspire
- Care
- Engage
- Integrity

# WHAT WE DO?

The company employs more than 600 individuals, and its influence spans both urban and rural areas through 8 Shaker retail stores and 55+ trade partners. The online presence, with over 800,000 site/app visits in 2023, reflects Shaker Group's adaptability to changing consumer trends.



# SHAKER MILESTONES

From Local Success to Global Impact- Over 70 Years of Market Leadership

BUSINESS ESTABLISHED BY LATE SHEIKH IBRAHIM MOHAMED SHAKER

1950

LAUNCHED  
**TRANE**  
AIR CONDITIONERS

LAUNCHED  
**Indesit**  
HOME APPLIANCES

LAUNCHED  
**LG**  
APPLIED CHILLER

LAUNCHED  
**Midea**  
HOME APPLIANCES

PART ACQUISITION OF ENERGY MANAGEMENT SERVICES (EMS) IN UAE  
**EMS**

LAUNCHED  
**ESCO**

SHAKER X LG FACTORY CONTRACT RENEWAL (10 YEARS)  
**LG** شركة إتش شاكер المحدودة LG-SHAKER CO.LTD

INCORPORATION OF ENERGY SERVICES COMPANY (ESCO) IN SAUDI ARABIA  
**ESCO**

LAUNCHED  
BREAKTHROUGH TRANSFORMATION PROGRAM (2019)

LAUNCHED  
**Bompani**  
HOME APPLIANCE

SHAKER RECORDED NET PROFIT IN 2020  
LAUNCH OF E-COMMERCE SHOP

CASHEW MOU  
**cashew**

BOMPANI MOU  
**Bompani**  
HOME APPLIANCE  
LG AGREEMENT EXPANSION

**LG**

EMS INVESTMENT DIVESTED  
**EMS**

NEW VISION FOR ELECTRONICS AND ELECTRICAL APPLIANCES (NV) HELD FOR SALE  
**new vision**

SEER STAMP

1980

LAUNCHED  
**MAYTAG**  
HOME APPLIANCES

1990

LAUNCHED  
**LG**  
AIR CONDITIONERS (SOLE DISTRIBUTION RIGHTS)

LAUNCHED  
**ARISTON**  
HOME APPLIANCES

2005

2006

KSA MANUFACTURING ARM-JOINT VENTURE SIGNED WITH ANNUAL PRODUCTION CAPABILITY OF 1.4 MILLION PCS (HIGHEST IN THE REGION)  
**LG** شركة إتش شاكер المحدودة LG-SHAKER CO.LTD

2009

2010

PUBLIC LISTING-IPO OFFERING 10.5 MILLION SHARES (30% CAPITAL) ON TADAWUL  
**تداول Tadawul**

2013  
2014

2015

CAPITAL INCREASE FROM SAR 350 MILLION TO  
**SAR 630 MILLION**  
ANNUAL SALES TURNOVER PEAKED AT  
**SAR 1.9 BILLION.**  
NET INCOME AT  
**SAR 136M**

2016  
2017

2018

EXPANSION OF LG AIR CONDITIONING ACADEMY  
LAUNCH OF AHU MANUFACTURING FACILITY

2019  
2020

2021

TURNAROUND & TRANSFORMATION STRATEGY EXECUTION  
**LG** شركة إتش شاكер المحدودة LG-SHAKER CO.LTD  
ROLL-OUT OF INDUSTRIAL ROBOTICS & AI AT MANUFACTURING FACILITY

2022

2023

ACQUIRED 10% OF CASHEW KSA  
**cashew**  
COMPLETED SALE OF NV  
**new vision**  
7TH RETAIL STORE OPENING

# YEAR IN REVIEW

## MAR

### *Cashew KSA Investment*

*Acquiring 10% stake in Cashew KSA to Support Growth in digital leading solution in KSA.*

## MAY

### *Sale of New Vision Subsidiary*

*Shaker sold its share in New Vision Subsidiary in Jordan, as an achievement of the company's vision to focus in the Saudi Market.*

## AUG

### *Started the implementation process of SAP S4HANA*

*Shaker Group started the implementation process of SAP S4HANA to streamline business process and enable organizations to operate more efficiently that will enhance performance, agility, and competitiveness of the Company.*

## DEC

### *Bonus Shares Recommendation*

*Announcement of BOD recommendation to increase the capital by granting bonus shares.*

## MAIN ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES IN 2023

In 2023, Shaker reinforced its position as a market leader in the electronics, consumer, and home appliances sector in the Kingdom of Saudi Arabia. The year was marked by a robust growth strategy, focusing on expanding our brand and product portfolio. Emphasizing innovation, customer satisfaction, and sustainability, we successfully diversified our offerings to meet a wider spectrum of consumer needs.

A major strategic move in 2023 was the divestment from New Vision for Electronics and Electrical Appliances in Jordan. This decision was a critical part of our ongoing portfolio optimization strategy, reflecting our commitment to focusing more intently on our core operations within KSA. By streamlining our business operations and strategies, we were able to allocate resources and

attention more effectively, enhancing our overall market competitiveness and financial stability.

Shaker's HVAC business witnessed a notable growth, particularly in the B2B segment. Our expanding role in major projects across the Kingdom contributed to this growth, adding stability and diversity to our portfolio. Combined with annual maintenance contracts, the HVAC business saw improved margins, underscoring our ability to meet specific client needs while enhancing profitability.

The expanded supply agreement with LG, signed in the previous year, yielded significant benefits in 2023, strengthening the company's market presence and meeting the growing demand for high-quality home appliances. This partnership

was instrumental in driving growth in the home appliance segment, even amidst inflationary challenges and shifting consumer spending patterns. This segment achieved resilient performance, attributed to product excellence and operational efficiencies which also helped counter the impact of seasonality.

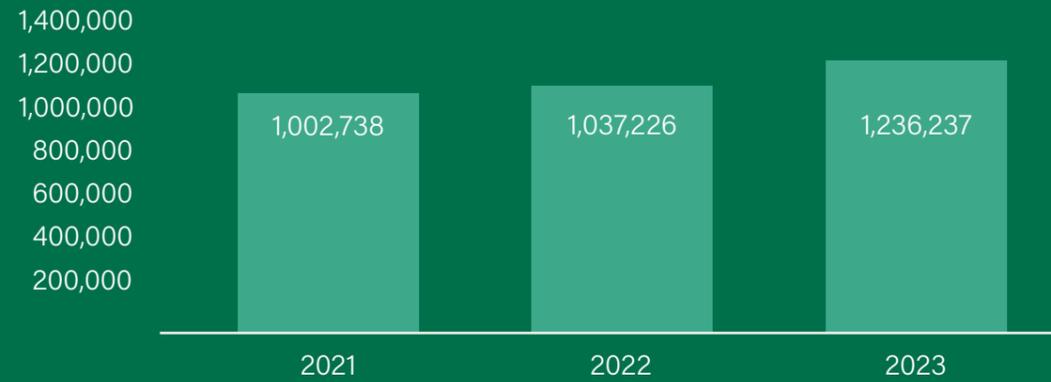
A key highlight of the year was the strategic diversification into complementary verticals, notably the buy-now-pay-later market, through our investment in Cashew KSA. The move is aligned with the company's goal of unlocking new growth opportunities in emerging sectors. This integration not only diversifies Shaker's business model but also extends its reach in the digital lending space.

Shaker's commitment to financial excellence remained steadfast in 2023. It continued its disciplined approach to financial management, focusing on reducing short-term debt and optimizing capital costs. The decision to reinvest profits into growth initiatives rather than dividend payouts reflects the company's commitment to long-term financial resilience and stability.

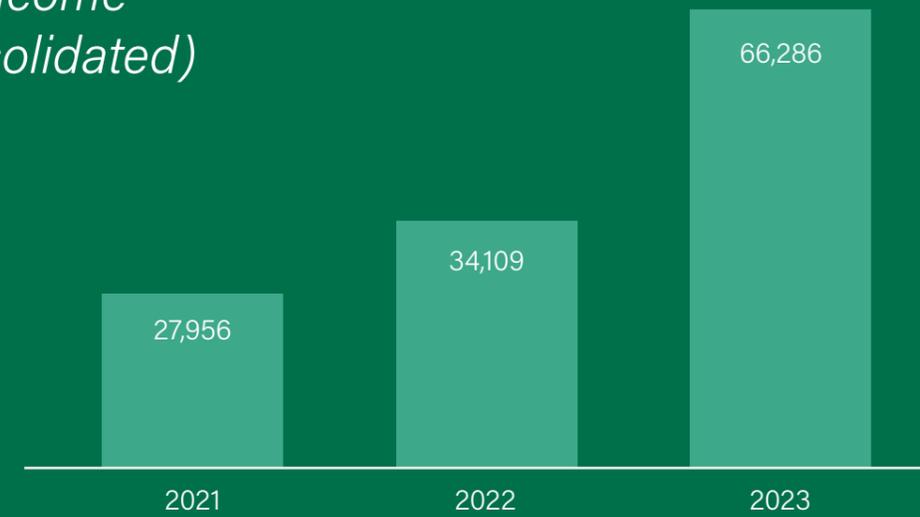
As Shaker progressed through 2023, its activities are not only centered on financial prudence and strategic partnerships but also underscore a broader commitment to sustainability, innovation, and customer satisfaction. The company's multifaceted approach positions it as a dynamic and forward-thinking player in the consumer electronics and home appliances sector.

# KEY FINANCIAL HIGHLIGHTS 2023

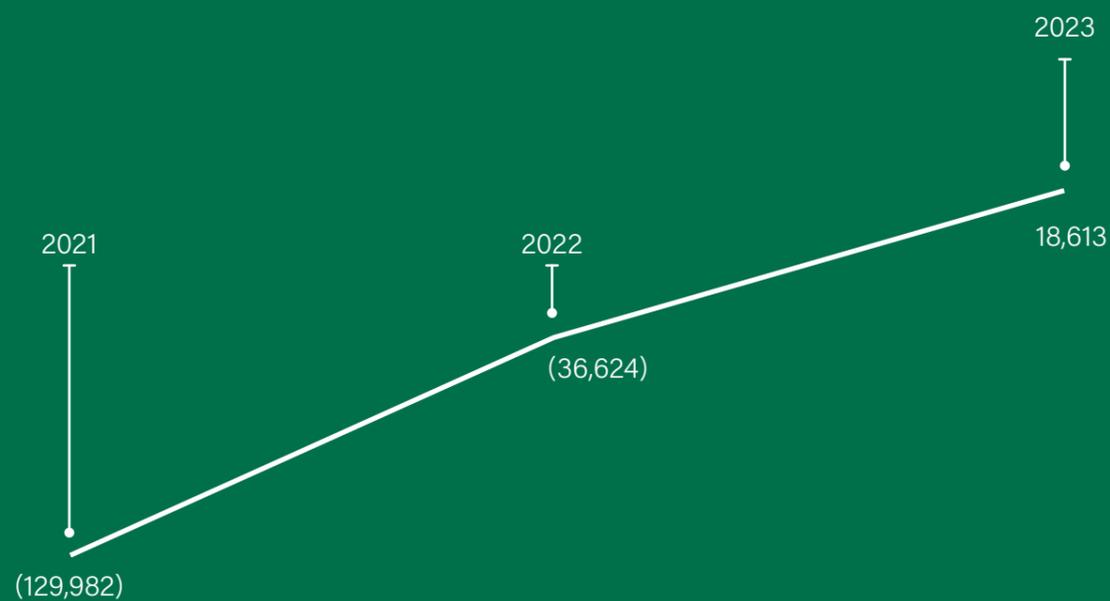
## Net Revenue



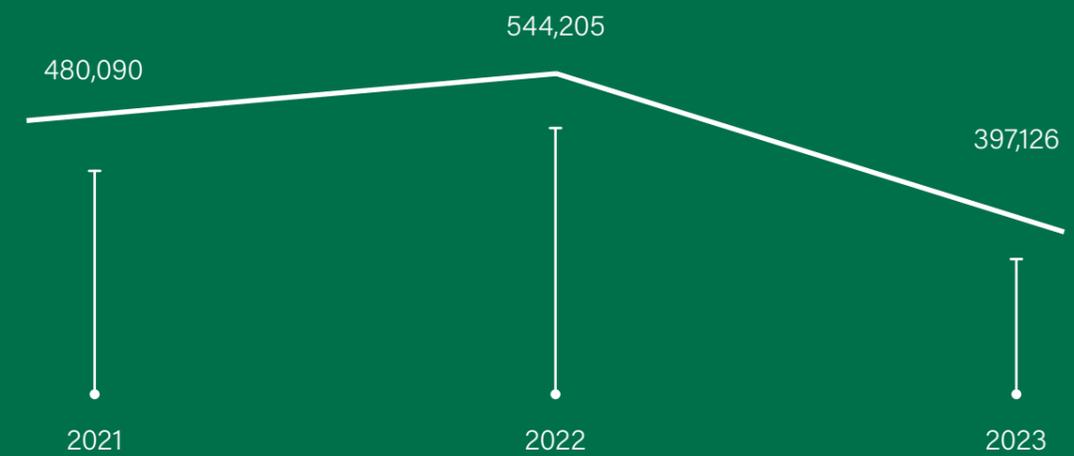
## Net Income (Consolidated)



## Free Cash Flow



## Total Banks Borrowings



# OUR BUSINESS

*In 2023, Al Hassan Ghazi Ibrahim Shaker Company proudly stands as a conglomerate comprising seven dynamic subsidiaries, each contributing significantly to the worlds of air-conditioning manufacturing, wholesale, home appliances, and energy efficiency solutions. These affiliates are the backbone of our diversified operations and strategic initiatives.*



## Al-Hassan Ghazi Ibrahim Shaker

Shaker was founded in 1950 and was amongst the first in Saudi Arabia to introduce Air Conditioning & Home Appliances for Saudi consumers and the sole distributor of LG Air Conditioners in Saudi Arabia. ESCO, as a business unit of Shaker, provides Energy Solutions. Shaker has been a publicly listed company on the Saudi Exchange (Saudi Exchange) since 2010.



## IBRAHIM SHAKER COMPANY LTD

A Saudi company with a limited liability structure, Ibrahim Shaker Company Ltd. reflects our commitment to trade in air-conditioning, household appliances, electrical appliances, and commercial agencies. With headquarters in Riyadh, its operations span the Kingdom of Saudi Arabia. Al Hassan Ghazi Ibrahim Shaker Company holds a 90% ownership stake, with the remaining 10% owned by Ibrahim Hussein Shaker Company for Projects and Maintenance.



## LG SHAKER COMPANY LTD

Formed through a partnership between LG Electronics Korea and Al Hassan Ghazi Ibrahim Shaker Company, LG Shaker Company is a limited liability entity focused on manufacturing air-conditioners. In a dynamic shift in ownership, LG's share increased to 51%, while Shaker's share stands at 49%. This subsidiary, with its headquarters and factory in Saudi Arabia, is a testament to our commitment to cutting-edge technology.



## IBRAHIM HUSSEIN SHAKER PROJECT AND MAINTENANCE COMPANY

A Saudi limited liability company, Ibrahim Hussein Shaker Project and Maintenance Company, plays a crucial role in providing marketing services for Al Hassan Ghazi Shaker Company and Ibrahim Shaker Company. With headquarters in Riyadh, this subsidiary reflects our dedication to marketing services and participation in direct contracts, reinforcing our commitment to government partnerships.



## ASDAA ALKHALEEJ COMPANY

Asdaa Al Khaleej Company, a Saudi limited liability entity, specializes in the wholesale and retail trade of electrical appliances, particularly as a distributor of Bompani brand products. With operations spanning the Kingdom of Saudi Arabia and a capital of 500,000 Saudi riyals, this subsidiary highlights our diverse engagement in the consumer goods sector.



## SHAKER INNOVATIVE INVESTMENT COMPANY

Shaker Innovative Investment Company is a key participant in financial and investment activities, driving financial initiatives and strategic investments. Maintaining a close watch on industry developments and prospects for expansion, this subsidiary is essential to the Shaker Group's portfolio expansion and long-term financial viability.



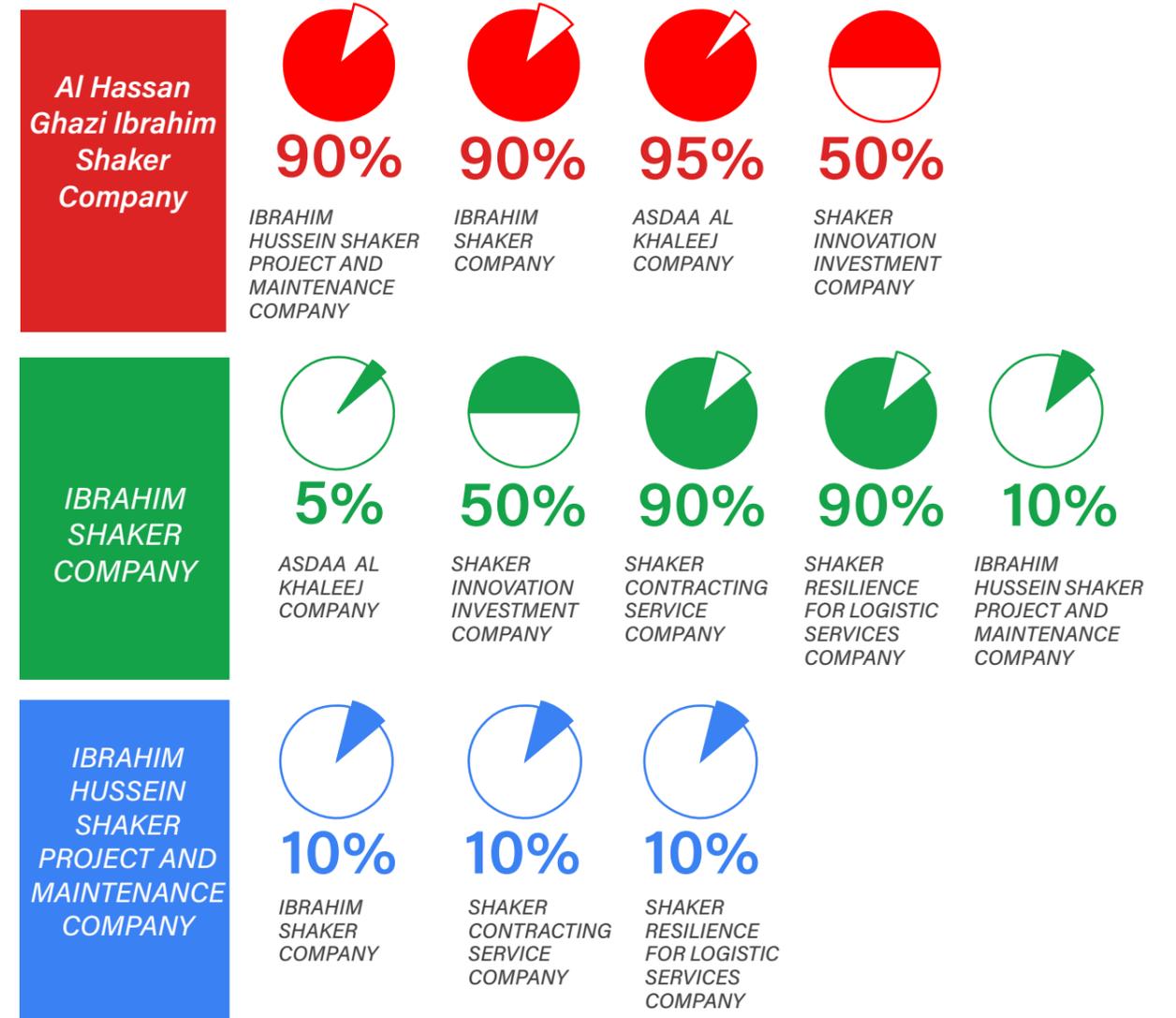
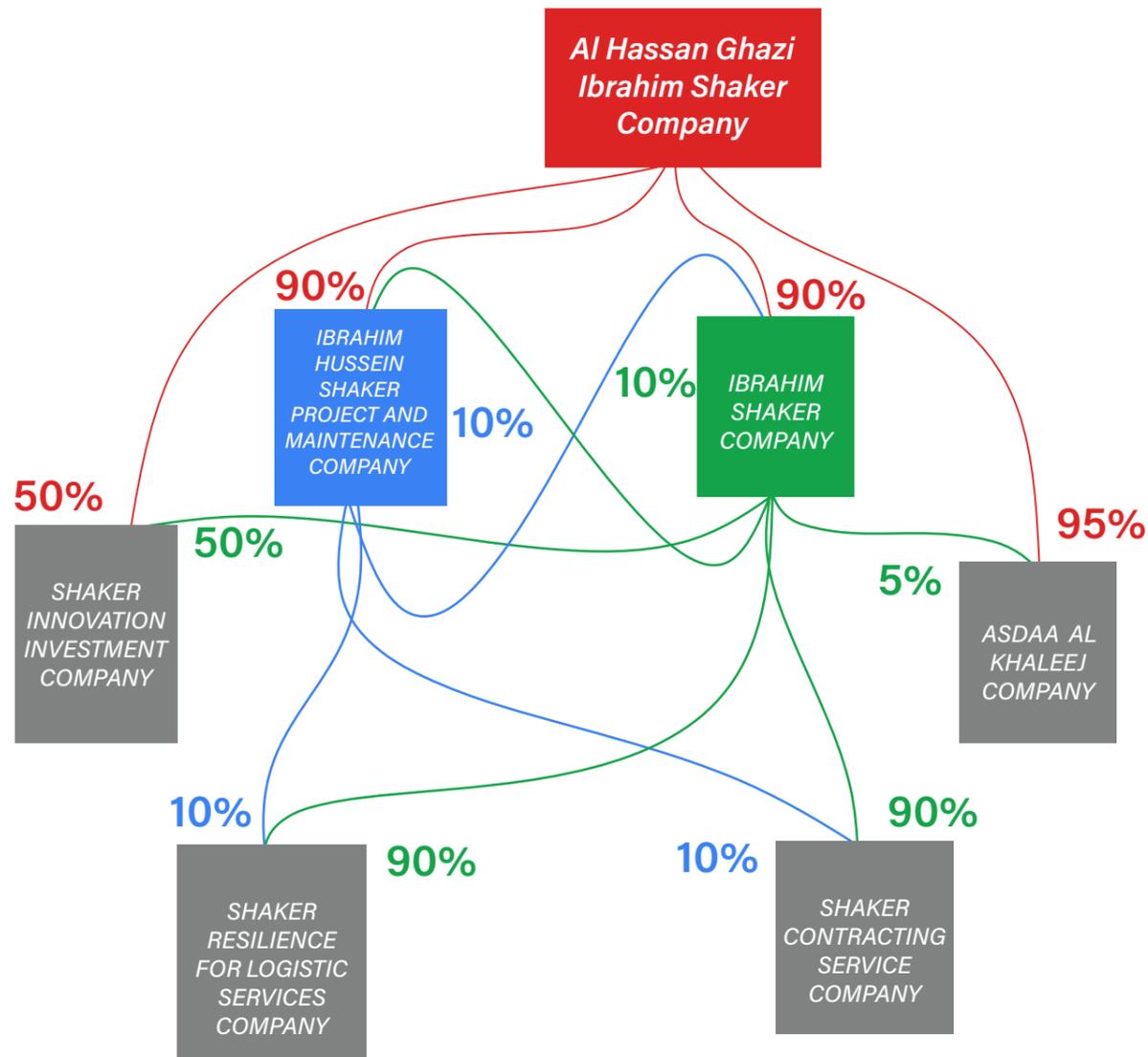
## SHAKER CONTRACTING SERVICE COMPANY

Specializing in building construction, plumbing, heating, and air conditioning services, Shaker Contracting Service Company is a cornerstone of our infrastructure development endeavors. With a focus on quality, efficiency, and innovation, this subsidiary contributes significantly to the construction sector, aligning with Shaker Group's commitment to excellence in every project.



## RESILIENCE FOR LOGISTIC SERVICES

Resilience for Logistic Services is a key player in transportation, warehousing, cargo handling, and other transportation support activities. With a strategic approach to logistics, this subsidiary ensures the smooth flow of goods and services, supporting Shaker Group's operations and enhancing its capabilities in delivering products efficiently to customers.



### Ownership of Subsidiaries

M	SUBSIDIARY NAME	FOUNDATION	COMMERCIAL ACTIVITIES	ULTIMATE OWNERSHIP 2023	CAPITAL	SHARES
1	Ibrahim shaker company	SAUDI ARABIA	Trading In Air Conditioners, Home Appliances, Electrical Appliances, And Commercial Agencies	100%	10,000,000	1,000
2	Ibrahim Hussein Shaker For Projects And Maintenance Company	SAUDI ARABIA	Marketing Services And Participating In Implementing Direct Contracts Between The Government And Shaker Companies	100%	500,000	500
3	Asdaa Gulf Company	SAUDI ARABIA	Wholesale And Retail Trade Of Electrical Appliances.	100%	500,000	500
4	Shaker Innovative Investment Company	SAUDI ARABIA	Financial And Investment Activities	100%	100,000	100
5	Shaker Contracting Service Company	SAUDI ARABIA	Building Construction, Plumbing, Heating And Air Conditioning	100%	25,000	100
6	Shaker Resilience For Logistic Services	SAUDI ARABIA	Transportation, Warehousing, Cargo Handling, And Other Transportation Support Activities	100%	100,000	1,000
7	New Vision For Electronics And Electrical Appliances (In Jordanian Dinar)	JORDAN	The Company Sold Its Share In The Subsidiary	0%	7,400,000	7,400,000

# OUR STRATEGY

*Planning for the Future*



Building upon its leadership, partnerships, and local manufacturing capabilities, Shaker is poised for substantial progress in 2024 and beyond. The company is driven by a vision to be the foremost choice for consumers and the preferred partner for brands in the electronics, consumer, and home appliances sector within the Kingdom of Saudi Arabia.

Shaker's commitment to this vision is reflected across its operations, underscoring a robust dedication to excellence. We continually seek innovative ways to grow market share, enhance

*In line with this vision, we remain focused on enhancing our offerings and driving innovation to further solidify our position as industry leaders.*

customer experiences, and meet the evolving demands of the market. Shaker is strategically positioned not only as a leader in its sector but also as a dynamic force for positive change and advancement, driven by a robust vision, strategic goals, and a commitment to delivering exceptional value to our customers and partners.

**Our strategy is focused on four key pillars:**

1. Market leadership and expansion
2. Operational and organizational excellence
3. Sustainable innovation and customer focus
4. Strategic alliances and growth opportunities

We have advanced on all fronts in 2023, with key highlights below:

- **Expanded brand and product portfolio:** Shaker successfully integrated LG's full range of home appliances and consumer electronics, expanding its addressable market and competitiveness. This move enhances Shaker's market leadership position in HVAC and home appliances through a diversified portfolio for both B2B and B2C segments.

The focus included manufacturing a full portfolio of ACs in the LG Shaker factory and its investment in Cashew KSA for diversifying verticals.

- **Diversification into complementary verticals:** Shaker's strategic foray into the buy-now-pay-later market through its investment in Cashew KSA, acquiring a 10% stake, is an example of its ability to adapt to evolving consumer preferences and capitalize on digital lending trends. This move will enhance Shaker's retail and digital platform operations, offering flexible purchasing options and potentially boosting sales and customer loyalty. Furthermore, it will extend Shaker's reach beyond traditional channels, increasing market penetration and accessibility. Resilience for Logistic Services plays a vital role in supporting this strategy by ensuring efficient and reliable transportation, warehousing, and cargo handling, contributing to the seamless delivery of products and services to customers. This forward-thinking approach positions Shaker advantageously for long-term growth and diversification in the Kingdom's evolving market landscape.
- **Optimized presence across key channels:**

Shaker strategically expanded its distribution network, adding one new retail store and experiencing steady growth in its e-commerce platform. The company achieved double-digit growth in B2B project sales and maintained a balanced exposure across channels, showcasing resilience. The focus will continue to be on prioritizing organic growth through efficient distribution and strategic partnerships, delivering exceptional customer experiences with tailored solutions.

- **End to end business operations strategy:** Shaker's robust end-to-end business operations plan emphasized comprehensive project execution and customer-focused services. The company is unifying its retail and e-commerce presence, expanding its retail stores, and optimizing site and app visits. Leveraging modern and traditional trade partners, Shaker showcased a widespread market reach and dynamic merchandising, ensuring products aligned with consumer needs. The company's extensive distribution and logistics network, coupled with best-in-class aftersales support, positions Shaker as a reliable and efficient player in the industry.
- **Alignment with Vision 2030:** Aligning with Saudi Vision 2030, Shaker is committed to supporting key pillars of the vision, focusing on energy efficiency and savings, contributing to a greener future, and enhancing local manufacturing capabilities. Shaker will continue to actively participate in supporting megaprojects and the 'Made in Saudi' initiative, ensuring its commitment to the Kingdom's economic diversification.

*Shaker Group operates with a well-defined strategy that is adopted by all members of the company.*

### **CUSTOMER CENTRIC APPROACH**

In Shaker's pursuit of operational and organizational excellence, its customer-centric approach has been a guiding principle. Its efforts in this regard have materialized in significant milestones, setting new benchmarks in the industry. Shaker's unified retail and e-commerce presence delivered exceptional customer experiences, providing a seamless shopping journey across its retail and online platforms. With the opening of the 7th retail stores, Shaker has expanded its physical footprint, ensuring accessibility to all customer segments. These additions underline its commitment to providing its customers with convenient touchpoints to experience and acquire our high-quality products.

Furthermore, Shaker's marketing and promotional strategies have been instrumental in enhancing its market presence. By maximizing retail visibility and product relevance through analytics-driven strategies, it has captured attention and sustained interest in its offerings. Shaker commands an expansive distribution network, ensuring product availability and rapid delivery. The aftersales and customer service initiatives have set industry standards, earning recognition as a top service provider. This commitment to excellence in every customer interaction has not only fostered loyalty but has also contributed to Shaker Group's brand's reputation for reliability and trustworthiness.



### **NAVIGATING THE DIGITAL ERA - OUR TECHNOLOGICAL LEAP**

FY-2023 marked a significant transformation for Shaker Group, with technology playing a pivotal role in our growth and operational strategies. Emphasizing more than just the adoption of new tools, we integrated cutting-edge technological solutions deeply into our business processes and customer engagement models. The company recognizes that a robust digital strategy is not just a necessity for survival but a key driver for sustainable growth and customer satisfaction.

Shaker's ongoing investment in innovation and digitization manifests across multiple fronts. Internally, the company has initiated the digitization of internal processes and reporting, laying the groundwork for increased operational efficiency. This internal transformation not only streamlines workflows but also provides a foundation for real-time decision-making.

In particular, the integration of AI and robotics at the LG Shaker factory represents a strategic move towards automation and enhanced manufacturing capabilities. This initiative is poised to improve production efficiency, reduce costs, and ensure the delivery of high-quality products to meet the evolving demands of the market.

Shaker's journey into the digital realm was significantly strengthened by our strategic investment in Cashew, signifying a major step in our digital transformation journey. This move aligns with the evolving consumer financial needs, bringing us into the rapidly expanding digital lending and e-commerce spaces. The initiative aims to diversify our service offerings, enhancing customer interaction and engagement, while adapting to the changing retail landscape.

Shaker's commitment to e-commerce is more pronounced than ever, with significant growth in its digital footprint. It is actively expanding its online presence and optimizing user experiences, aligning with changing consumer preferences in the Kingdom. The emphasis on enhancing the online shopping experience is evident through increased online transactions, showcasing Shaker's adaptability to the digital transformation trends within the retail sector. This expansion is not merely a response to the present market conditions but a strategic move to anticipate and shape future consumer trends.

Our operational backbone also got a transformative upgrade with the decision to implement SAP's S/4HANA ERP system. This critical integration goes beyond a conventional IT enhancement; it is a move towards more efficient business function integration and management. With this upgrade, we aim to elevate our operational efficiency, streamline key processes, and enable more informed, data-driven decision-making. In parallel, our portfolio optimization efforts, evident in the strategic move-out from our investment in Jordan, further streamlined our focus on core operations, enhancing our financial and operational agility.



## MARKET OUTLOOK

Saudi Arabia entered 2023 on the back of its fastest economic expansion in over a decade, with a growth rate of 8.7%, exceeding expectations in the face of a variety of macroeconomic headwinds. This robust expansion cemented the Kingdom's position as a leader among G20 countries, further underscoring its macroeconomic resilience. This momentum culminated in a landmark achievement: crossing the coveted \$1 trillion GDP threshold, well ahead of the ambitious 2025 target and firmly placing Saudi Arabia within the elite "trillion-dollar club." Inflation, a dampener on consumer spending in 2023, is expected to remain subdued, easing pressure on household budgets and potentially boosting discretionary spending.

This thriving economic environment sets a promising backdrop for the Shaker Group further supported by demographic shifts and technological advancements. The World Bank forecasts a rise in Saudi Arabia's population from 35 million in 2020 to 39.2 million by 2025, translating into a growing base of potential customers for home appliances and HVAC solutions. Combined with the Vision 2030 initiatives, which is catalyzing a construction boom in Saudi Arabia, particularly in the residential sector, the market is ripe with opportunities for leading companies in the HVAC and home appliances segments. The planned construction of 1.2 million new homes by 2030 to reach a housing stock of

4.96 million by 2030, including major projects like NEOM, Roshn and the Red Sea Development opens expansive prospects for growth in the home solutions sector.

Sustainability, a cornerstone of both global and national agendas, is also shaping market trends. As consumer awareness about environmental impacts grows, the demand for energy-efficient and sustainable products is on the rise. Supported by the Saudi government's commitment to green initiatives, this trend presents a promising avenue for growth in energy-efficient products and services.

Furthermore, the shift in consumer behavior towards e-commerce, accelerated by the pandemic, continues to redefine the retail landscape. This shift offers new pathways to reach and engage customers, reshaping sales patterns and presenting innovative opportunities for market engagement.

In a landscape marked by global uncertainties, Saudi Arabia's HVAC and home appliance sectors are showing remarkable resilience and potential for growth. Driven by the country's robust economic policies and increasing consumer demand, these markets offer promising opportunities for companies to innovate and thrive in an evolving market.

The planned construction aims to reach a housing stock of

# 4.96MN

by 2030

*Sustainability, a cornerstone of both global and national agendas, is also shaping market trends.*

*In 2023, Shaker Group's success was built on a foundation of partnerships. The strategic alliances we have put in place are driving innovation and value creation across every aspect of our operations.*

Modern Trade Retail

100

Retail Outlets

150+

Partnership

40+

Clients

# SUCCESS THROUGH UNITY

*Strategic  
Partnerships*

### *Market Leadership:*

Building upon the solid foundation of our international brand partnerships, Shaker Group remains dedicated to expanding and fortifying relationships. Our success extends to over 100 modern trade retail outlets and 15+ valued clients. In traditional trade and key accounts, we continue to thrive, with a presence in 150+ retail outlets and partnerships with more than 40 clients.

Our commitment to diversification extends to our business-to-business relationships. Strengthening ties with a growing network of business clients, we serve the various needs through value offering of wide range of HVAC and home appliances, energy consultancy and retrofitting solutions. Notably, Shaker Group has achieved remarkable success, securing the #1 market share in VRF and Concealed units, a testament to our leadership in the industry.

### *Megaproject Opportunities:*

As we benefit from the opportunities presented by megaprojects, our involvement in ongoing projects such as Roshn Sedra 1 and NEOM – Labor Camp 3 Ph 2 underscores our role in the Kingdom's rapid expansion.

Recently completed projects in 2023, including Boulevard World Egypt Pyramids, NEOM – Labor Camp, NEOM – Digital Hub, Boulevard World Forest, and Crown Jewel WWE Match, showcase the breadth of our contributions to transformative endeavors.

### *E-Commerce Engagement and After-Sales:*

Our commitment to engaging directly with consumers through e-commerce remains a central pillar of our approach. In 2023, our strategic investment in Cashew Payments.

This forward-looking approach aligns with our dedication to the adoption of innovative channels for interaction, reflecting our commitment to staying at the forefront of customer-centric solutions. Additionally, we are proud to support key clients such as Saudi Electricity Company and King Abdullah University of Science and Technology in our enhanced after-sales services.

### *Empowering Our People:*

At the heart of our success are our dedicated staff. Shaker Group remains committed to fostering a culture that empowers employees, providing them with the tools and resources to excel.

Our investment in HR procedures, digitization, optimized KPIs, and effective management techniques ensures a strong and resilient organization capable of achieving long-term goals.

As we move closer to our vision of becoming the first choice for consumers and the ideal partner for brands in the electronics, consumer, and home appliances sector in the Kingdom, our commitment to increasing market share, achieving excellence, and adding value for shareholders remains unwavering. We will continue to explore acquisitions, drive organic growth, and expand into adjacent segments to achieve these objectives.

### *Aligned with the Government:*

As we celebrate our collaborations and partnerships that have fueled consistent operational successes and positive financial outcomes in 2023, Shaker Group stands as a dynamic force, a reliable partner, and a contributor to the ongoing transformation of the Kingdom of Saudi Arabia. We are proud to support initiatives such as TARSHID and Estbdal, reinforcing our commitment to sustainability and energy efficiency in collaboration with government entities.

Shaker Group is committed to aligning all activities with Vision 2030. This commitment is a source of great pride for us, and it underscores our resolve to contribute significantly to the nation's progress across diverse industries. Our steadfast adherence to Vision 2030 is integral to our business ethos, symbolizing a resolute commitment to advancing the Kingdom's development. Driven by a pursuit of excellence, Shaker Group has embraced Vision 2030 as a guiding principle, directing our endeavors towards a future characterized by strategic empowerment, sustainability, and innovation.

*Shaker Group is committed to aligning all activities with Vision 2030. This commitment is a source of great pride for us, and it underscores our resolve to contribute significantly to the nation's progress across diverse industries.*

## Pioneering Initiatives

In alignment with Vision 2030, Shaker Group spearheads a transformative agenda, intertwining national development with corporate endeavors. Pioneering initiatives championing the cause include:

- **'Made in KSA' Initiative:** Shaker Group's dedication to Vision 2030's "Made in KSA" initiative extends far beyond mere words. Through its focus on local production, Shaker Group plays an essential part in supporting the National Industrialization Program, which in turn promotes economic self-reliance. This strategic decision not only strengthens the Kingdom's industries, but also demonstrates Shaker Group's commitment to sustainable and self-sufficient economic development.
- **Joint Venture with LG:** Through our strategic joint venture with LG, Shaker Group continues to exemplify our dedication to realizing the objectives of Vision 2030. This collaboration not only reinforces our commitment to local content but also extends our market reach on a global scale. In a significant development in 2023, Shaker Group and LG jointly launched a groundbreaking package unit, an innovative central air conditioner unit that includes direct drive motors and a heat pump with an air compressor, aimed at enhancing power consumption and efficiency. This new product not only represents a milestone in our partnership but also reflects our ongoing efforts to push the boundaries of technology for the benefit of our customers and the economic interests of the Kingdom on a global level.
- **ESTBDAL Initiative:** Shaker Group, in partnership with the Saudi Energy Efficiency Center (SEEC), participated the Estbdal program, further solidifying its role as a leading local manufacturer and supplier. This program focuses on localizing the production of energy-efficient appliances, in line with Vision 2030's goals of promoting energy efficiency and sustainable practices.
- **Complying with Highest Standards of Efficiency (SEER):** Shaker Group places a strong emphasis on energy efficiency in its products, striving to achieve sector-leading Seasonal Energy Efficiency Ratio



(SEER) ratings. This commitment guarantees that Shaker Group's offerings consistently surpass international efficiency standards, demonstrating dedication to environmental sustainability in line with Vision 2030's objectives.

- **Prioritizing Local Talent:** Shaker Group is fully dedicated to supporting Vision 2030 by investing in its workforce. The company is committed to recruiting local talents and promoting equal opportunities for women and men, which helps foster a skilled and diverse workforce. With a focus on strategic hiring and a commitment to fostering an inclusive environment, Shaker Group actively contributes to the social development objectives of Vision 2030.
- **Empowering SMEs:** Shaker Group supports and promotes entrepreneurship and economic growth by empowering Small and Medium Enterprises (SMEs). Shaker Group offers a platform for SMEs to thrive by designating them as authorized service centers, contractors, or installation companies. This initiative is in line with the goals of Vision 2030 to promote a thriving entrepreneurial ecosystem and create diverse economic opportunities.
- **Governmental Giga-Projects:** Shaker Group is actively contributing to major government initiatives, with a specific focus on entertainment and residential developments in large cities. Our commitment extends beyond project involvement, as we also provide Energy Management Services through ESCO initiatives. This strategic engagement not only aligns with the objectives of Vision 2030 but also positions us as a key player in advancing the Kingdom's infrastructure and promoting sustainable energy practices. Noteworthy achievements include our successful execution of significant projects, exemplifying our dedication to delivering exceptional value to end-users through energy-saving and healthy environments.

# LEADING POSTIVE RESULTS



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# STRATEGIC LEADERSHIP

for Sustainable Growth

In adherence to Article 17 of the Company's articles of association, Shaker Group is governed by a distinguished board of directors, a collective of (7) members elected by the ordinary general assembly of shareholders. The term of directorship does not exceed 4 years, with the possibility of reappointment for subsequent sessions.

## Board of Directors Members



**Abdulelah Abdullah Abunayyan**

Chairman – Non -Executive

Chairman since 2010

Bachelor's degree in economics from King Saud University

Held several leadership and executive positions in commercial and industrial public and private companies



**Musaab Suleiman Al-Muhaidib**

Vice Chairman – Independent

Member since 2013

MBA from University of Liverpool

CEO of Al Muhaidib Group Entertainment Ventures and Chairman of Masdar Building Material



**AbdulRaouf Walid Albitar**

Non-Executive

Member since 2009

Civil Engineer from Syracuse University

30 years of experience in the field of industrial companies



**Azzam Saud Almudaiheem**

Non-Executive

Member since 2020

Mechanical Engineering from King Saud University

CEO of Abunayyan Holding and former CEO of Al-Hassam Ghazi Ibrahim Shake, previously.



**Rasheed Abdulrahman Alrasheed**

Independent

Member since 2022

Managing Director at Tarabot Investments and Development.

Former CEO of Arabian Water and Energy Development (ACWA)



**Hussam Ali Shobokshi**

Independent

Member since 2022.

Chairman of Remuneration and Nomination committee

Bachelor of Economics from University of Pennsylvania



**Eid bin Faleh Alshamry**

Independent

Chairman of Audit Committee.

Bachelor of Science in Industrial Management from King Fahad University

32 years of experience in the banking, investment, and management sectors

# STRATEGIC LEADERSHIP

for Sustainable Growth

Senior Management Members



**Mohammed Abunayyan**

Chief executive officer (CEO)

Appointed CEO in 2020

Strategic Planning from London Business School and INSEAD Business School

Board member at Abunayyan Group



**Mazen ElGhafeer**

VP of Finance

Joined in 2022

EMBA from Oxford University

20+ years of extensive experience in various areas of finance, including financial operations, Supply chain finance, Sales Finance, Corporate finance, financial planning and analysis, reporting, and M&A



**Firas AlSayegh**

VP of Strategy & Shared Services

Joined in 2018

MBA from University of California Riverside (UCR)

10+ years of experience in strategy & turnarounds within automotive, manufacturing, FMCG and consumer retail/wholesale industries



**Hazem Samannoudy**

VP of Supply Chain

Joined in 2020

Master's degree in international Transportation & Logistics Management from Arab Academy of Science Technology & Marine Transportation

15+ years of end-to-end experience in supply chain



**Byeongwoo Park**

Vice President – Marketing

Joined in 2018

MBA Degree from Helsinki School of Economics

25+ years' experience in electronics, tele-communication & HVAC B2B business in LG Electronics Inc



**Mohammed Eldada**

Vice President – B2C Sales

Joined in 2018

Executive MBA from Lebanese American University

30+ experience in sales & marketing in consumer electronics & home appliances.



**Eunjun Jung**

Vice President – B2B Sales

Joined in 2021

Bachelor of Electronics from Korea University

35+ years of experience in sales & business management of LG products globally



**Abdullatheef Meethal**

Vice President – Aftersales

Joined in 2023

Diploma in Electronics Engineering from India

30+ years of experience in customer and product service across Saudi Arabia, Kuwait, and India



**Dr. Sultan ALaydan**

Vice President – Legal & Compliance

Joined in 2023

PhD in Law | Masters in Corporate Finance Law from West Minster London

12+ years of experience in Law practice and governance

# Board of Directors Meetings in 2023

In 2023, Shaker Group's Board of Directors engaged in a series of meetings, embodying the company's dedication to transparency, strategic foresight, and robust corporate governance. These gatherings served as vital platforms for navigating the complexities of the business landscape, aligning with Vision 2030, and formulating decisive strategies to address challenges and seize opportunities.

BOARD OF DIRECTORS MEETINGS DURING 2023						
M	NAME	DESIGNATION	HISTORY OF BOARD MEETINGS			
			20/03/2023	25/05/2023	25/09/2023	12/12/2023
1	ABDULELAH BIN ABDULLAH ABU NAYAN	CHAIRMAN	✓	✓	✓	✓
2	MUSAB BIN SULEIMAN AL-MUHAIIDIB	VICE CHAIRMAN	✓	✓	✓	✓
3	AZZAM BIN SAUD AL-MUDAIHEEM	MEMBER	✓	✓	✓	✓
4	ABDUL RAOUF BIN WALID ALBITAR	MEMBER	✓	✓	✓	✓
5	EID BIN FALEH AL-SHAMRI	MEMBER	✓	✓	✓	✓
6	HUSSAM BIN ALI SHOBOKSHI	MEMBER	✓	✓	✓	✓
7	RASHID BIN ABDULRAHMAN AL-RASHEED	MEMBER	✓	✓	✓	X

## Insights from the Annual General Assembly Meeting for the FY 2023:

In the fiscal year 2023, Shaker Group hosted its Annual General Assembly Meeting, a key moment that brought together key stakeholders, fostering transparency, and shaping the company's trajectory. As the company navigated through the milestones and achievements of the year,

the General Assembly Meeting provided an opportunity for collaborative reflection and decision-making, reinforcing Shaker Group's dedication to shared success and responsible corporate governance.

GENERAL ASSEMBLY MEETINGS		
M	NAME	DATE
1	EGM	29/05/2023
		✓

## During the Meeting,

The following members of Shaker Group's Board of Directors were in attendance, actively participating in discussions and decision-making:

M	NAME	DESIGNATION
1	Mr. Abdulelah Abdullah Abunayan	Chairman of the Board of Directors
2	Mr. Musaab Sulaiman Al Muhaidib	Vice Chairman of the Board of Directors
3	Eng. Azzam Saud Al Mudaihim	Member of the Board of Directors
4	Mr. Abdulraouf Walid Al-Bitar	Member of the Board of Directors
5	Mr. Eid Faleh Al Shamry	Member of the Board of Directors
6	Mr. Rasheed Abdulrahman Alrasheed	Member of the Board of Directors
7	Mr. Hossam Ali Shobokshi	Member of the Board of Directors

## Furthermore,

The Meeting saw the active participation of the chairmen of the committees, ensuring a comprehensive and thorough discussion of pertinent matters:

GENERAL ASSEMBLY MEETINGS		
M	NAME	DESIGNATION
1	MR. EID FALEH AL SHAMRY	CHAIRMAN OF THE AUDIT COMMITTEE.
2	MR. HOSSAM ALI SHOBOKSHI	CHAIRMAN OF THE NOMINATIONS AND REMUNERATIONS COMMITTEE.

Notably, the active involvement of the attendees contributed to the successful deliberations and outcomes of the meeting. Their insights and guidance played an important role in shaping the decisions made during the meeting.

*During the Annual General Assembly Meeting, key decisions were made through a voting process. The approved decisions include:*

**1. Audited Financial Statements Approval (31/12/2022):**

The General Assembly endorsed the audited financial statements for the fiscal year ending on December 31, 2022, affirming financial transparency and accountability.

**2. Approval of Board of Directors' Report (31/12/2022):**

The Board of Directors' report for the financial year ending on December 31, 2022, received approval, providing stakeholders with comprehensive insights into the company's performance and strategies.

**3. Appointment of Company's Auditor for FY 2023 and Q1 2024:**

The appointment of the Company's auditor for the Q2, Q3, and Q4 of 2023, and Q1 of 2024 was approved based on the recommendation of the Audit Committee. The auditor is tasked with examining and auditing financial statements for specified quarters, with their fees determined accordingly.

**4. Auditor's Report Approval (31/12/2022):**

The auditor's report for the financial year ending on December 31, 2022, received the General Assembly's approval, signifying adherence to auditing standards and practices.

**5. Disbursement of Remuneration to Board Members:**

The disbursement of SAR1,206,564 as remuneration to the members of the Board of Directors for the financial year ending on December 31, 2022, was ratified, acknowledging their contributions and

responsibilities.

**6. Discharge of Board Members from Liability:**

The General Assembly approved the discharge of the members of the Board of Directors from liability for the financial year ending on December 31, 2022, reflecting confidence in their management and decision-making.

**7. Amendment of Company Bylaw:**

The company's bylaw was amended in alignment with the new Companies Law, ensuring compliance with updated legal and regulatory frameworks.

**8. Amendment of Audit Committee Charter:**

The Audit Committee Charter was amended, enhancing its effectiveness and alignment with regulatory requirements.

**9. Amendment of Nomination and Remuneration Committee Charter:**

The Nomination and Remuneration Committee Charter underwent amendments, strengthening governance practices related to board nominations and compensation.

**10. Remuneration Policy Amendment:**

The General Assembly approved the amendment of the remuneration policy for the members of the Board of Directors and the committees, aligning it with evolving corporate governance principles.

**11. Amendment of Board Membership Policy and Criteria:**

The membership policy and criteria of the Board of Directors were amended, reflecting the evolving

needs of the company, and aligning with regulatory changes.

**12. Approval of Business Contracts with Abdullah Abunayyan Trading Company:**

The General Assembly approved business contracts between the company and Abdullah Abunayyan Trading Company, where certain board members have indirect interests, ensuring transparency and adherence to ethical standards.

**13. Approval of Works and Contracts with Masdar Building Materials Company:**

Works and contracts with Masdar Building Materials Company, involving a board member's indirect interest, were approved by the General Assembly, subject to stringent ethical considerations.

**14. Delegation of Authority to the Board of Directors:**

The General Assembly approved the delegation of authority to the Board of Directors, in accordance with the provisions of the Companies Law, for a specified period or until the end of the authorized Board of Directors' session, whichever occurs earlier. This delegation empowers the Board to act on behalf of the Ordinary General Assembly under specified conditions outlined in Clause (1) of Article (27) of the Company's Law.

### Ownership Structure of Board Members:

As part of Shaker Group's commitment to transparency, the ownership structure of board members reflects the distribution of shares among key leadership. The following table provides insights into the percentage of shares owned by each member of the Board of Directors:

BoD Ownership			
M	Name	Designation	Percentage of shares owned
1	Abdulelah Bin Abdullah Abunayan	Chairman	0.0028569%
2	Musab Bin Suleiman Al-muhaidib	Vice Chairman	0.0028569%
3	Eid Bin Faleh Al-Shamri	Member	0.0015860%
4	Abdul raouf Bin Walid Albitar	Member	0.0028569%

This breakdown of ownership underscores the stakes held by each board member.

### Committee Oversight and Responsibilities:

#### Ensuring Governance and Efficiency in Specialized Committees

In pursuit of excellence in corporate governance, Shaker Group maintains two crucial committees, each playing a distinctive role in overseeing key aspects of the company's operations. These committees are integral to fostering transparency, adherence to regulations, and strategic decision-making.

#### Audit Committee

The Audit Committee at Shaker Group serves as a vigilant guardian, committed to monitoring the company's business operations and ensuring the integrity of financial reports. Its responsibilities span various critical areas, demonstrating a comprehensive approach to internal controls and ethical business practices, as detailed below:

#### A. Internal Audit:

- The committee diligently controls and supervises the performance of the internal auditor and the internal audit department, ensuring their effectiveness in carrying out tasks specified by the Board of Directors.
- Rigorous study of internal and financial control systems, including risk management, with the preparation of detailed reports and recommendations. These reports, along with opinions on system adequacy, are submitted to the General Assembly when required by law.
- Thorough examination of internal audit reports, with a focus on implementing correct procedures based on comments outlined in the reports.

#### B. Compliance Guarantee:

- The committee reviews reports from regulatory authorities, verifying that the company has taken necessary measures in response.
- Rigorous verification of the company's compliance with relevant laws, regulations, policies, and instructions. Additionally, the committee assesses the effectiveness of systems related to ethical behavior.
- Scrutiny of contracts and proposed transactions with related parties, presenting recommendations to the Board of Directors.
- Submission of necessary actions and recommendations to the Board of Directors, demonstrating the committee's commitment to ethical conduct.
- Continuous monitoring of processes related to managing risks.
- In-depth review of the adequacy of the company's internal control system, covering computer information and security system control devices.

#### C. Auditor Oversight:

- The committee provides valuable recommendations to the Board of Directors regarding the selection or termination of auditors and associated fees. Ensuring the independence of auditors is a primary consideration, aligning with relevant rules and standards.
- Active supervision of the legal accountant's activities, including approval of any tasks beyond their assigned scope during audit implementation.

- Collaboration on the audit plan with the auditor, ensuring alignment with the defined scope of audit work and providing observations when necessary.
- Study of auditor reports and observations on financial statements, with diligent follow-up on actions taken in response.
- Responsiveness to inquiries from the chartered accountant, contributing to a transparent and accountable auditing process.

#### D. Financial Reports Examination:

- Thorough review of quarterly and annual financial reports, assessing their integrity and fairness before submission to the Board of Directors. The committee provides opinions and recommendations on these reports.
- Study of applicable accounting policies, advising the Board of Directors on relevant recommendations.
- Provision of technical opinions, upon the Board's request, on the fairness, balance, and comprehensibility of the Board of Directors' report and financial statements. This ensures transparency for shareholders and investors.
- In-depth examination of important or unusual issues in financial reports and accounts, including comprehensive research on issues raised by the CFO, compliance officer, or auditor.
- Rigorous verification of accounting estimates on material matters contained in financial reports.

# Remuneration and Nominations Committee:

## A. Nominations Oversight:

The committee's role in nominations involves a comprehensive approach to shaping the leadership landscape. Key functions include:

- **Policy Formulation:**

Proposing transparent policies and criteria for membership in the Board of Directors, executive management, and company representatives in subsidiaries.

- **Nomination Recommendations:**

Recommending and renominating Board members in alignment with approved policies and standards, ensuring a nominee's trustworthiness.

- **Capability and Qualification Definition:**

Creating detailed descriptions of the capabilities and qualifications required for Board membership and executive management positions.

- **Time Allocation Determination:**

Specifying the time commitment expected from Board members in fulfilling their roles and responsibilities.

- **Annual Skills Review:**

Conducting an annual review to identify the skills and experience needed for Board membership and executive management functions.

- **Organizational Structure Review:**

Evaluating the organizational structure, including the company's operating model, relationships with subsidiaries, and governance mechanisms.

- **Independence Verification:**

Annual verification of the independence of independent Board members and ensuring the absence of conflicts of interest.

- **Job Descriptions and Procedures:**

Developing job descriptions for executive members, independent non-executive members, and senior executives. Establishing procedures for vacancies in Board or senior executive positions.

The Remuneration and Nominations Committee is entrusted with critical responsibilities aimed at ensuring the highest standards of governance, leadership effectiveness, and equitable remuneration practices. The following outlines the key tasks and competencies undertaken by the committee:

- **Strengths and Weaknesses Analysis:**

Identifying strengths and weaknesses of the Board and proposing solutions in alignment with the company's interests.

- **Committee Remuneration Review:**

Reviewing the remuneration of Board committees, suggesting amendments, and presenting recommendations to the Council for approval. The committee may also propose new appointments in case of vacancies.

- **CEO's Requested Actions:**

At the CEO's request, appointing and determining the powers and remuneration of the Company's senior executives (excluding the CEO).

- **Board Member Orientation:**

Ensuring an effective orientation approach for new Board members and ongoing educational programs. Regularly reviewing their effectiveness.

- **Setting Standards and Performance Indicators:**

Establishing standards and performance indicators for executive management in alignment with the company's objectives and strategy. Ensuring their correct implementation.

- **Administrative Succession Planning:**

Setting the administrative succession mechanism for the company's management.

- **Values and Standards Establishment:**

Setting the values and standards that govern work in the company.

- **CEO-Requested Performance Evaluation:**

At the CEO's request, reviewing and evaluating the performance indicators of executive management. Recommending the formation of the organizational structure of the company and the executive management.

## B. Remuneration Oversight:

The committee's responsibilities related to remuneration are equally crucial, focusing on transparency and alignment with organizational goals.

- **Clear Remuneration Policy:**

Preparing a clear policy for the remuneration of Board members, committees, and executive management. Submitting it to the Board of Directors for consideration and subsequent approval by the General Assembly.

- **Relationship Clarification:**

Clarifying the relationship between granted bonuses and applicable remuneration policies. Identifying any material deviation from this policy.

- **Periodic Policy Review:**

Conducting periodic reviews of the remuneration policy and assessing its effectiveness in achieving desired objectives.

- **Recommendations to the Board:**

Recommending to the Board of Directors the remuneration of Board members, committees, and senior executives in accordance with the approved policy.

- **Key Considerations in Remuneration:**

Considering alignment with the company's strategy and objectives, linking the variable part of remuneration to long-term performance, and determining remuneration based on job level, tasks, responsibilities, academic qualifications, work experience, skills, and performance.

- **Harmony and Risk Consideration:**

Ensuring harmony with the size, nature, and degree of risk of the company. Taking into account practices of other companies while avoiding unjustified increases in remuneration.

- **Attracting and Retaining Talent:**

Aiming to attract, retain, and motivate professional competencies without exaggeration.

- **Suspension or Refund Policies:**

Establishing policies for the suspension or refund of remuneration if decisions were based on inaccurate information, preventing exploitation of the employment situation.

- **Variable Remuneration Linked to Long-term Performance:**

Ensuring that the variable part of remuneration is linked to the long-term success and growth of the company.

- **Share Granting Organization:**

Organizing the granting of shares in the company to Board members and executive management, whether through a new issue or shares purchased by the company for this purpose.

# CORPORATE GOVERNANCE

*Building Trust and Prosperity*

## *Ensuring Governance Excellence*

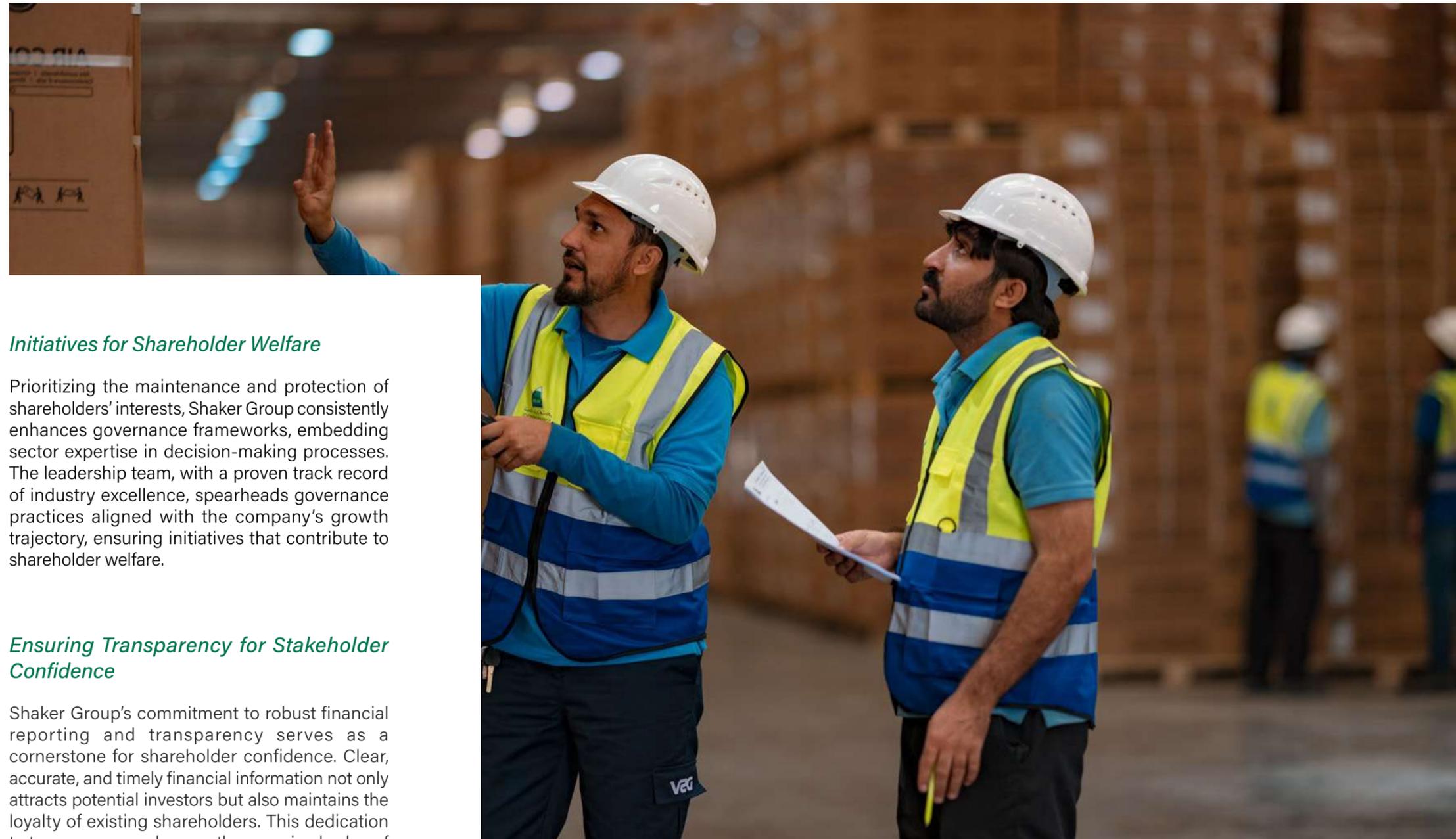
In line with the company's steadfast commitment to corporate governance, Shaker Group has diligently developed and regularly updated internal governance regulations. These regulations highlight Shaker Group's dedication to adhering to regulatory standards, as mandated by the Capital Market Authority, with a strong understanding of the provisions and requirements outlined in the Kingdom's corporate governance regulation.

The revised corporate governance regulation, approved by the Board of Directors on 12/21/2017 AD, emphasizes Shaker Group's commitment to robust governance practices, forming a foundational pillar for sustainable business operations.

Shaker Group's commitment to governance initiatives helps the business build confidence among stakeholders, fostering trust in the company's strategic direction and ethical standards.

## *Enhancing Shareholder Value Through Strategic Actions*

As a key driver in creating shareholder value through strategic actions, Shaker Group actively optimizes its capital structure. This approach not only minimizes the cost of capital but also maximizes shareholder returns, as reflected in the company's performance and net profit. These initiatives directly contribute to shareholder prosperity.



## *Initiatives for Shareholder Welfare*

Prioritizing the maintenance and protection of shareholders' interests, Shaker Group consistently enhances governance frameworks, embedding sector expertise in decision-making processes. The leadership team, with a proven track record of industry excellence, spearheads governance practices aligned with the company's growth trajectory, ensuring initiatives that contribute to shareholder welfare.

## *Ensuring Transparency for Stakeholder Confidence*

Shaker Group's commitment to robust financial reporting and transparency serves as a cornerstone for shareholder confidence. Clear, accurate, and timely financial information not only attracts potential investors but also maintains the loyalty of existing shareholders. This dedication to transparency enhances the perceived value of Shaker Group in the eyes of its stakeholders.



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## INNOVATIVE PARTNERSHIPS, LASTING IMPACT

# ELEVATING LIVING, ENRICHING SPACES

*Shaker Group's Role in HVAC,  
Home Appliances, and More*

With a history dating back to 1950, Al Hassan Ghazi Ibrahim Shaker Company has become a prominent player in the industry, known for its technological expertise and dedication to innovation. At the heart of Shaker Group's influence is a dedicated focus on the creation and upkeep of HVAC and air conditioning systems, fundamentally transforming Saudi Arabia's environmental comfort landscape. This transformative approach extends beyond products; it's about enabling every home with solutions that create the conditions for living life.

With its expertise in climate control, Shaker Group is a leading supplier that provides a wide range of electrical, electronic, and household appliances from renowned manufacturers worldwide. Our company offers a wide range of household appliances, covering various categories such as TVs & Entertainment, Refrigerators, Laundry, Large Cooking Appliances, Dishwashers, Kitchen Appliances, Food Preparation Appliances, and Vacuum Cleaners.

Environmental responsibility and resource efficiency are top priorities for Shaker Group, as seen in the company's strong commitment to energy-saving solutions and sustainability. The company has a significant presence in the home appliance and HVAC industries, thanks to its strong distribution network. Shaker Group solidifies its reputation as a reliable provider, offering a wide array of home-related services for both commercial and individual clients.

The partnership with LG is a clear demonstration of Shaker Group's strategic focus on improving value chain capabilities through technological collaboration, catering to both local and international markets. This partnership combines expert knowledge and market insights, enhancing the range of products accessible to customers.

With a focus on HVAC and home appliances, Shaker Group covers a wide range of products and services. This includes applied ACs such as Air Handling Units, Fan Coil Units, and Installation, Testing & Commissioning. We also offer commercial ACs like Ceiling Cassette, Concealed, Unitary Package, and VRF systems. Additionally, our consumer ACs include Split ACs, Window ACs, and Floor Standing units. Our expertise extends across various sectors. The company offers a wide range of home appliances and HVAC solutions to airports, educational institutions, healthcare facilities, residential complexes, and workplaces. Shaker Group's wide-ranging influence highlights its crucial position in improving living environments and guaranteeing optimal comfort in various settings.



# NAVIGATING MARKET DYNAMICS

*A Chronicle of Market Impact and Strategic Growth*

## Shaker Group's Evolution Amidst Demographic Shifts

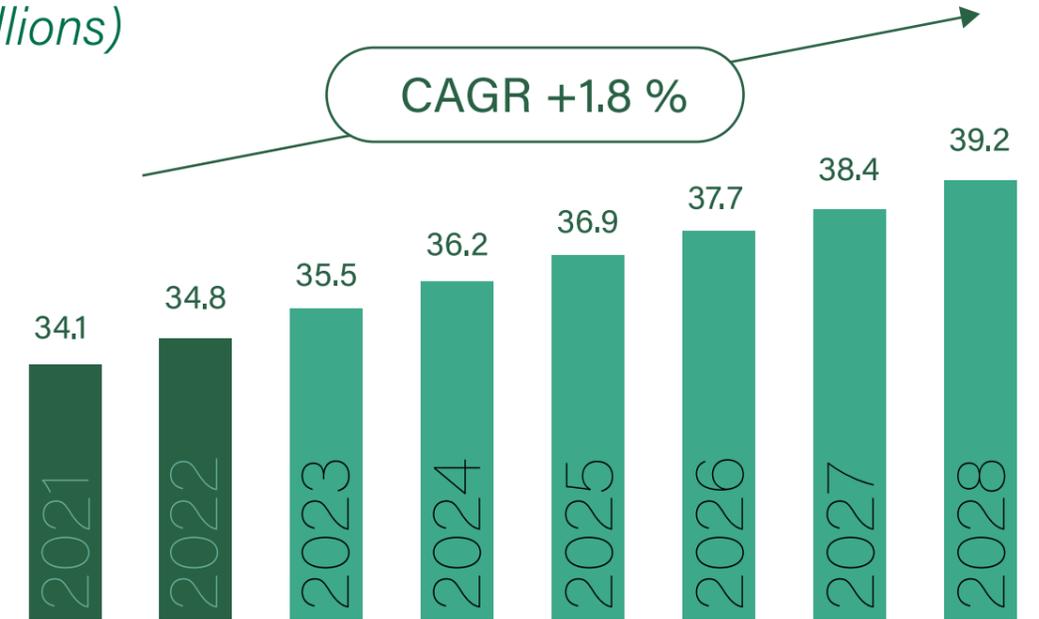
Shaker Group has expanded and adapted to Saudi Arabia's shifting landscape since its establishment in 1950. The changing demographics of the nation provided the backdrop for Shaker Group's journey. In 2021, the population stood at 34.1 million and continued to grow steadily, reaching 35.5 million in 2023, showing a consistent upward trend. By 2028, the projected population is expected to reach 39.2 million, indicating a Compound Annual Growth Rate (CAGR) of +1.8% from 2021 to 2028. This ongoing growth presents challenges and opportunities for different industries.

## Market Leadership

Shaker Group strategically positions itself as the premier choice for customers in the market. The company's unwavering commitment to quality and innovation propels it to the forefront of consumer preferences. Shaker Group's adaptability to market dynamics has been a key driver of its success, solidifying its position among the top 3 companies at the forefront of implementing new business laws.

In the HVAC sector, Shaker Group commands a substantial 17% combined market share, with a robust projected growth of 20% by 2027. Within the home appliances segment, the company holds a noteworthy 11% combined market share, poised for a promising 16% growth by 2027. Shaker Group's leadership in the HVAC domain is exemplified by its #1 market share in VRF and Concealed units, further emphasizing its dominant presence in the industry.

Population growth, KSA (millions)



\*IMF WORLD ECONOMIC OUTLOOK

## Achieving Milestones in Market Expansion

This year, Shaker Group successfully launched LG HA/HE products and exceeded expectations by achieving 130% of the yearly target. This strategic move not only signifies our commitment to diversification but also highlights our ability to set and exceed ambitious goals in line with our growth trajectory. As we continue to explore new horizons, this achievement reinforces our position as a market leader and exemplifies our commitment to delivering excellence in every facet of our business.

## Operational Scale

Shaker Group is dedicated to empowering every home by connecting customers to world leading products. We currently work in partnership with

six world-class brands, enhancing our market presence through robust partnerships and providing consumers with leading solutions. With a global footprint in over 20 countries and a strong local presence, Shaker Group seamlessly operates in both international and domestic markets.

The Shaker-LG factory, a symbol of operational excellence, produces over 750,000 units annually. This efficient scale allows Shaker Group to meet diverse customer needs, serving over 300,000 clients each year.

In 2023, as part of our ongoing efforts to improve efficiency, Shaker Group has successfully reduced warehouse space by 6,000 SQM, resulting in significant gains in space utilization. This impressive achievement is especially notable considering the significant growth in business and volume compared to the previous year. This optimization demonstrates our dedication to enhancing efficiency and productivity while ensuring we continue to meet the increasing needs of our valued customers.

Shaker Group commands a substantial

# 17%

combined market share



### Logistics Network

Shaker Group's logistics excellence is evident in its expansive 80+ km<sup>2</sup> storage capacity spread across 10 centers, strategically covering 5 regions. The network seamlessly handles over 350k+ CBM per year through 5k+ containers, facilitating an impressive 70,000+ deliveries annually. Notably, the company achieves record lead times of approximately 12 hours to main cities and around 72 hours to remote areas, ensuring timely and efficient delivery services.

*In addition to our robust logistics infrastructure, Shaker Group continually enhances customer delivery models through agile and efficient strategies, including:*

**1. Same Day Delivery for E-Commerce Business in Main Cities:**

Leveraging an agile approach, Shaker Group implements same-day delivery services for E-Commerce businesses in main cities. This swift and responsive model caters to the dynamic demands of online retail, providing customers with an exceptional level of service.

**2. 12-Hour Delivery for VIP Customers and Special Campaigns:**

As part of our commitment to exceptional service, VIP customers and participants in select campaigns (both in retail and E-Commerce) benefit from a remarkable 12-hour delivery timeline. This expedited service exemplifies our dedication to meeting the unique needs of our valued customers and ensuring a seamless shopping experience.

**10** expansive 80+ km<sup>2</sup> storage capacity spread across  
**CENTERS**

**350K+** The network seamlessly handles over  
**CBM**

### Growth Strategies

Shaker Group, leveraging its extensive market presence and commitment to serve its people, caters to over 300,000 customers annually through a network of retail stores and trade partners. Embracing the digital age, the company witnessed over 800K site/app visits in 2023, showcasing its adaptability to evolving market dynamics.

Strategically positioned for market expansion, Shaker Group actively shapes industry trends through client-centric innovation and strategic positioning. The company's unwavering commitment to innovation, adaptability, and customer-centricity solidifies its leadership in the HVAC and home appliances sectors in Saudi Arabia. As Shaker Group progresses on its journey, it remains dedicated to delivering excellence and staying at the forefront of industry advancements.

**OVER**  
**300,000**

customers annually through a network of retail stores and trade partners. across

Global footprint in over

**20**  
**COUNTRIES**



# FINANCIAL PERFORMANCE

## Highlights of 2023 Performance

The following is a summary of the financial outcomes achieved in fiscal year 2023 as compared to the data of the previous fiscal year 2022:

SALES REVENUES IN THE YEAR 2023 AMOUNTED TO **SAR 1,236 MILLION** APPROXIMATELY COMPARED TO **SAR 1,037 MILLION** IN THE PREVIOUS YEAR, MARKING AN INCREASE OF **19.19%**



REACHED **SAR 89.2 MILLION** COMPARED TO **SAR 42.4 MILLION** IN THE PREVIOUS YEAR.



NET PROFIT AMOUNTED TO **SAR 65.43 MILLION** COMPARED TO **SAR 32.83 MILLION** IN THE PREVIOUS YEAR.



EARNINGS PER SHARE AMOUNTED TO **SAR 1.36** COMPARED TO **SAR 0.68** IN THE PREVIOUS YEAR.



THE GROSS PROFIT WAS **SAR 317.76 MILLION** COMPARED TO **SAR 237.6 MILLION** IN THE PREVIOUS YEAR. THE OPERATIONAL PROFITS



EBITDA showed 69.75% growth reaching

**SAR136.65 MILLION**

EPS rose by an impressive

**99.28%**

It has been a successful year for Shaker Group, delivering robust financial performance. The company's Net revenue marked 1,236.2 million SAR, reflecting an outstanding 19% increase in revenues. This growth, coupled with an increase in gross profit of 33.71%, has set the stage for a successful future. This delivered a Gross Margin of 25.7%, the highest level since 2020, reflecting the increasing financial robustness of our operating model. This represents an improvement compared to the same period in 2022, where the Gross Margin stood at 22.9%.

Despite facing challenges in previous years, including a high long-term debt of 71.0 million SAR in 2021. Shaker Group has focused on internal transformation to change the trajectory of the business.

In 2022, the company reduced debt, fully paying off its long-term borrowings by the third quarter.

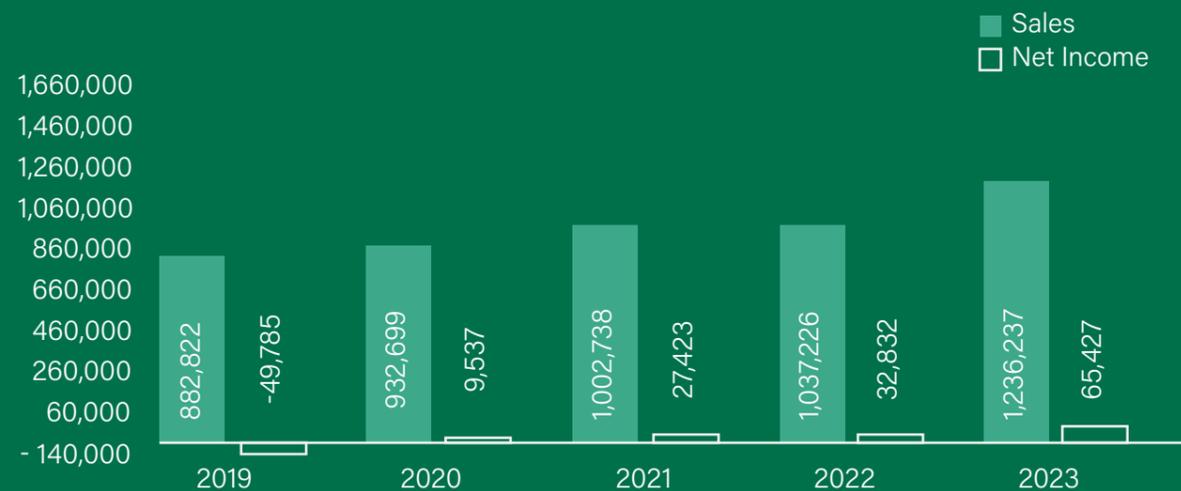
The growth was particularly focused on the HVAC and Home Appliances segments, with HVAC achieving 52.4 million SAR Net Income for the year and Home Appliances accounting for the 13.9 million SAR. This distribution underscores market demand preferences, revealing a significant inclination towards HVAC products.

This positive trajectory resulted in several milestones. Shaker Group attained a Gross Profit of 317.7 million SAR, reflecting a 33.71% increase from the previous year. EBITDA showed 69.75% growth reaching 136.65 million SAR. Net income also surged, achieving a 99.28% increase and reaching 65.4 million SAR.

Shareholders also reaped the benefits, as earnings per share (EPS) rose by an impressive 99.28%, increasing from 0.68 to 1.36 compared to the previous year. While the company successfully paid off its long-term borrowings, there was a significant decrease in the total banks borrowings by 147 million during the year. Also, Liabilities/Asset ratio decreased by 6%. Net Debt/EBITIDA decreased by 325%.

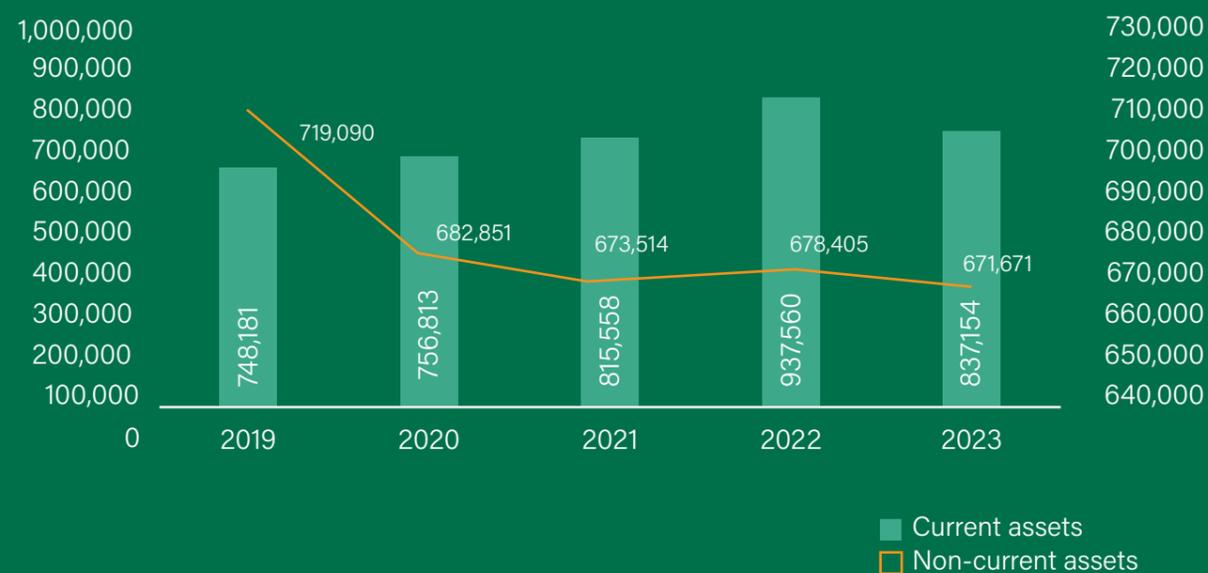
The balance sheet dynamics revealed a decrease of total assets by 107 million, driven by the decrease of 17.7M in current assets caused by efficient Inventory and cash management. In addition to the decrease in Assets held for sale by 82.7M. On the other hand, total liabilities decreased by 153M mainly driven by the decrease in bank loans and leases by 150M.

## 1. Sales and Net income comparison

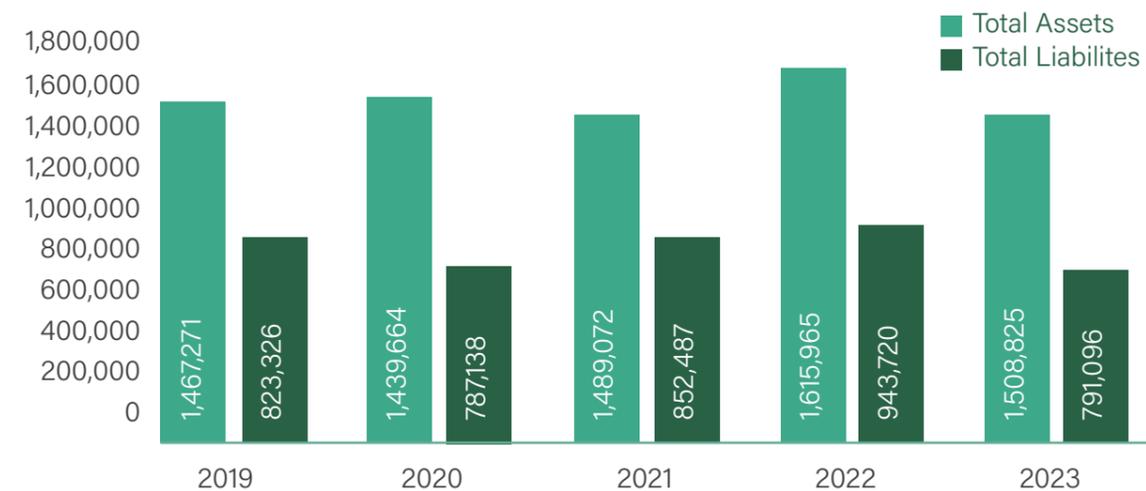


## 2. Financial Position

Change in current and Non-current Assets



## Change in Assets and Liabilities



## Change in Liabilities and Shareholders equity



### 3. Geographical analysis of the Group's revenue:

The table below shows the geographical analysis of the revenues of the company and its affiliates in the Kingdom of Saudi Arabia, Jordan, and the United Arab Emirates:

Statement	2022		2023	
	Sales	Net Profit	Sales	Net Profit
KSA	1,037,226	31,000	1,236,237	64,834
Jordan (*)	89,335	5,346	39,782	1,452
U.A.E (*)	1,087	-2,237	-	-
Total	1,127,648	34,109	1,276,019	66,286

(\*) Entities located in Jordan and UAE are classified as discontinued operations in the consolidated statement of profit or loss and other comprehensive income in the consolidated financial statements.

### 4. Loans Information:

#### a) Source of Financing

	Beginning Balance	Additions during the year	Repayments During The Year	Non-cash items	Ending Balance	Period of the loan
Financial Leases	22,423	-	(6,673)	719	16,469	1-5 years
Short term loans and notes payable (Less than 1 year)	544,205	2,079,566	(2,226,645)	-	397,126	Less than 1 year
Total	566,628	2,079,566	(2,233,318)	719	413,595	

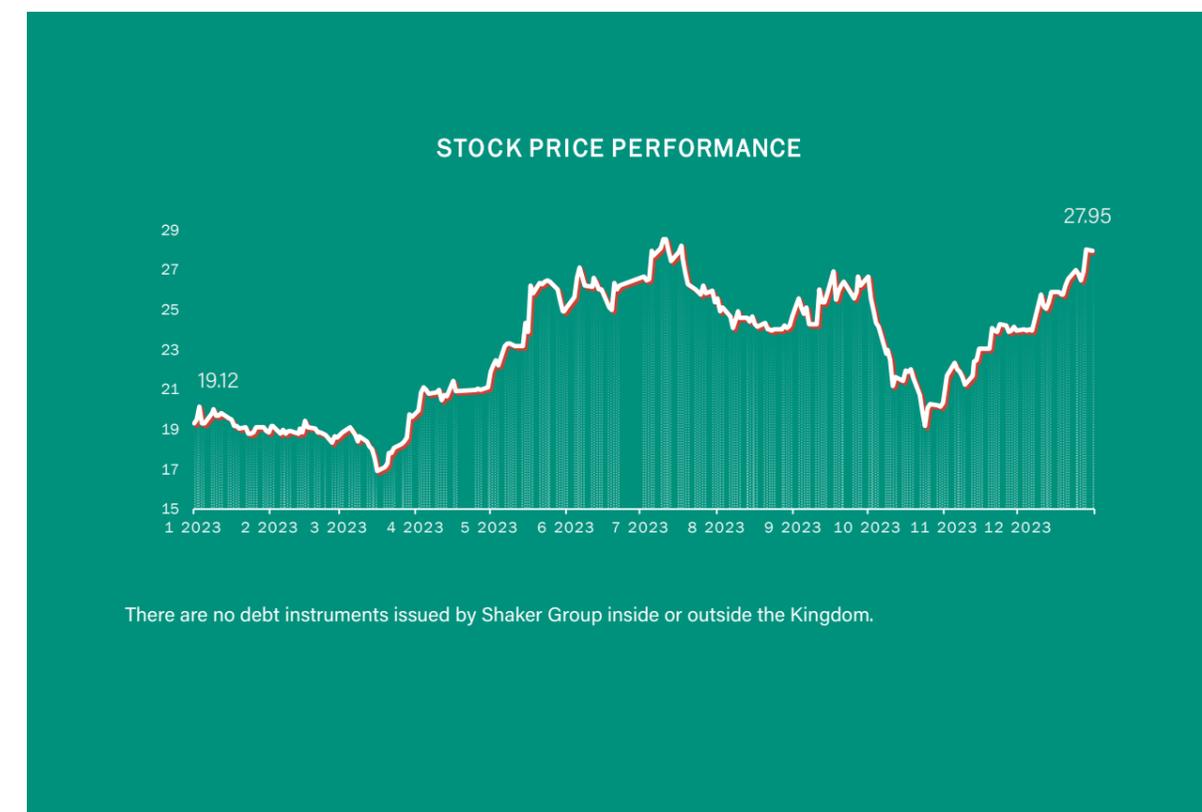
#### b) Facilities and Utilization (SAR million)

	2023	2022
Facility	1,825	1,065
Utilization	542	544

### 5) Share information:

Listing or Subscription date	2010
Exchange	Tadawul Saudi Arabia
Symbol	1214
Number of shares issued	48,233,400
Market cap as of 31 December 2023 (Million of Saudi Riyals)	1,348

Share Price 31 December 2023	Share Price 31 December 2022	Variance	Percentage of change
27.95	19.12	8.83	46%



## 6) Regulatory Payments to Governmental Parties:

a) The table below shows the amounts paid by the company and its subsidiaries in the Kingdom within 2023:

Statement (Thousands Saudi Riyals)	2023		Briefed Description	Reasons
	Paid	Due and unpaid		
Customs fees	19,117	-	The fees and tariffs established by the competent governmental parties that will be paid	Regulatory requirement
Zakat and due tax	12,482	-	The allocations calculated as per the provisions and rules of Zakat, Tax and Customs Authority (ZATCA)	Regulatory requirement
General Social Insurance Corporation	4,534	-	The amounts calculated and paid as per the provisions and rules of General Social Insurance Corporation	Regulatory requirement
Visas and passports	2,765	-	The amounts paid as per the provisions and rules of Labor Office and Department of Passports for the residents and commercial visits	Regulatory requirement

### Status of Zakat assessments:

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 2015 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 liabilities were paid 274 thousands 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 year. The Group's management and its zakat advisor believe that the current level of zakat provision is sufficient and adequate.

### Provisions for the year 2023

- a- An impairment on trade and other receivables provision was formed with the amount of 1.4 million Saudi Riyals.
- b- Zakat provision reached an amount of 8.45 million Saudi Riyals.
- c- Inventory provision reached an amount of 4.5 million Saudi Riyals.
- d- A Provision for employee benefits obligation formed with the amount of 3.2 million Saudi Riyals.



**COMMITTED  
TO DELIVER**

**4**

Driving Connection

80

### Consumer Business

Committed to delivering exceptional customer experiences, Shaker Group integrates physical and digital touchpoints. With seven physical stores and an e-commerce site receiving 800K visits in 2023, accessibility is paramount. Our network includes 100+ modern trade channels, 150 traditional trade outlets, and key accounts for widespread product availability.

Our marketing strategy goes beyond conventions. Over 250 retail outlets feature interactive displays, creating unique shopping environments. Through 50+ annual promotional events and a dedicated team of 100+ promoters, we engage consumers with live demonstrations, emphasizing product value.

Optimizing operational efficiency is central to everything that the business does. Customizing our approach ensures inventory alignment with market demands. Real-time pricing and placement analytics adapt to market trends. Prioritizing end-users' needs in product development, we collaborate to create products aligned with market demand. This means that we have the information and agility to respond to a rapidly changing consumer market maintaining our position at the forefront of the industry.

Our state-of-the-art distribution and logistics capabilities provide the infrastructure we need for success. With an 80+ km2 fulfillment center across 10 centers in five regions, we handle 350,000+ cubic meters of goods annually.



In 2023, we made over 70,000 deliveries, with lead times of ~12 hours to major cities and ~72 hours to remote areas. A global sourcing network supports operations across Europe, China, South Korea, Thailand, the USA, and Mexico. That increasing global focus will be a driver for future growth.

Recognized for outstanding after-sales, our in-house call center handles 200,000+ calls annually from our 2-million-strong client database.

Our 850 strong service team operates 20+ certified service centers and five training facilities. We hold ISO 9001 certification and are recognized as the Best Performing LG Partner in the MENA region, underscoring our dedication to excellent service.

In 2023 the team delivered a RTAT (Repair turnaround time) of 3.4 days with a low cancellation rate of just 3.9%.

As part of our dedication to providing thorough coverage, we have increased our efforts to enhance the AFS (After Sales Service) in remote areas. This strategic initiative is focused on improving customer satisfaction and expanding our exceptional service to all areas within the regions where we operate.

We actively collect data on a weekly and monthly basis, recognizing that store-level activities are key to our success. This data-driven approach allows us to continually refine our strategies, respond to evolving market dynamics, and better serve the unique needs of our diverse customer base.

# DRIVING CONNECTION

*Responding to Customers' Needs*

With seven physical stores and an e-commerce site receiving

# 250,000+

visits in 2022



# #1

*Securing market leadership in KSA for VRF and Concealed units, holding the #1 market share in both categories, emphasizes our dedication to continuous HVAC innovation.*

At Shaker Group, we stand as pioneers in shaping HVAC solutions for businesses and megaprojects in the Kingdom, underscoring our commitment to innovation and excellence, with a growing emphasis on Home Appliances.

Shaker Group's HVAC solutions, tailored to various sectors, find application in hospitals, schools, universities, offices, accommodations, residential apartments, and airports, providing effective and customized solutions.

Our HVAC journey is marked by best-in-class products, proudly introducing LG's Inverter Technology and Multi-V VRF systems. With over 1.5 million units installed in the last decade, our track record speaks to both product excellence and the dominant market position we have achieved.

Securing market leadership in KSA for VRF and Concealed units, holding the #1 market share in both categories, emphasizes our dedication to continuous HVAC innovation.

Engineered with sustainability in mind, our HVAC solutions offer approximately 35% energy savings compared to traditional units. Beyond efficiency gains, our products significantly contribute to a greener future by reducing carbon footprint and enhancing overall energy management.

Our commitment extends beyond product offerings as Shaker Group stands out in the industry through its full-service solutions - a complete suite of services covering design, selection, redesign, supply, installation, and field event support. Additionally, our offerings include supervision, startup testing, commissioning, and handover, ensuring a seamless and comprehensive experience for our clients. Initiatives such as Tarshid and ESCO underscore our dedication to energy efficiency, further enhancing the value we bring to our B2B partners through Retrofitting & Replacement services.

In 2023, Shaker Group has solidified its role as a valued partner to the SEEC initiative, making significant contributions to the nation's energy efficiency objectives. Our collaboration with Bin Hamood and eXtra has led to notable

advancements, expanding our capacity to deliver leading HVAC solutions to a wider range of customers.

Our efforts have been focused on establishing a strong relationship with Noon, which demonstrates our commitment to expanding our market reach and providing innovative solutions to a wide range of clients.

In the B2B arena, Shaker Group exemplifies strategic leadership, delivering comprehensive solutions that redefine industry benchmarks. Our journey in pioneering energy efficiency in the Kingdom is a testament to our commitment to sustainability and excellence.

Shaker Group's commitment to excellence extends to after sales services in the B2B sector, ensuring clients receive comprehensive support throughout the product lifecycle. Our offering of annual maintenance contracts ensures the longevity and optimal performance of our HVAC solutions, reinforcing our dedication to excellence and providing additional streams of revenue.

### *Direct to Consumer (DTC)*

Shaker Group's direct-to-consumer strategy encompasses seven Shaker retail stores and a robust online presence, garnering over 800K site and app visits in 2023. Each retail outlet is strategically managed with tailored strategies to align product availability with consumer demand signals. Our advanced analytics play a pivotal role, dynamically adjusting pricing and product placements in response to real-time market trends, thereby maximizing sales potential.

This underlines Shaker Group's unwavering commitment to a customer-centric philosophy. We seamlessly harmonize strategic engagement, innovative solutions, and a dedication to excellence across both B2C and B2B spheres. By cultivating meaningful connections and crafting tailored experiences, Shaker Group positions itself not merely as a product provider but as a trusted partner dedicated to enhancing the lives of its customers.



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# SHAPING HOMES, BUILDING TRUST

# TOWARDS A SUSTAINABLE TOMORROW

## Prioritizing Environmental Responsibility through Sustainable Solutions

Shaker Group places a strong emphasis on solutions designed for sustainability, boasting approximately 35% energy savings compared to traditional units. This commitment not only meets international standards but also showcases Shaker Group's dedication to delivering cutting-edge technology that delivers energy and carbon savings. Beyond providing state-of-the-art HVAC and home appliance solutions, Shaker Group positions itself not only as a comfort provider but also as an environmental steward.

By championing energy-efficient air conditioning units and home appliances, Shaker Group actively contributes to reducing overall energy consumption. This initiative serves a dual purpose: lowering energy costs for customers while supporting national and global initiatives to combat climate change.

Shaker Group's comprehensive approach to prioritizing environmental stewardship in cooling solutions underscores its commitment to forging a sustainable future and aligning technological advancements with worldwide environmental objectives.

As part of our strategic initiatives, Shaker Group has developed a comprehensive plan for the upcoming year for integrating AI into our inverter technology. It already showcases notable benefits in terms of power savings and efficiency performance. This innovative approach is especially beneficial



By endorsing products with superior energy efficiency ratings to consumers, Shaker Group plays an important role in building a culture of sustainability within the community. This approach seamlessly aligns with Vision 2030 and Shaker Group's mission to offer vital solutions that not only fulfill customer needs but also actively contribute to a greener, more sustainable future.

As an enthusiastic participant in the Green Riyadh Initiative, Shaker Group showcases its commitment to being a responsible corporate citizen. Our team actively engages in manual cultivation activities, playing a part in reducing heat in the Kingdom of Saudi Arabia. By aligning with this environmental initiative, Shaker Group not only supports local sustainability goals but also instills a sense of environmental consciousness within the team. This collective effort underscores Shaker Group's dedication to a sustainable tomorrow and its role in contributing to both local and global environmental initiatives.

In June 2023, Shaker Group proudly launched the "Yalla Green campaign" in participation with LG. This initiative encourages customers to embrace energy-efficient air conditioning solutions, contributing to our shared goal of sustainability. As part of this campaign, Shaker Group partnered with LG in their global efforts towards reforesting the planet.

### Transitioning to Electronic Signatures

In the commitment to sustainable practices, Shaker Group has adopted measures to minimize paper usage. The integration of electronic signatures across various processes not only boosts operational efficiency but also emphasizes Shaker Group's dedication to responsible business practices.

### Retrofitting & Replacement Services

Supporting Tarshid's Vision 2030 Goals: Shaker Group plays a crucial role in supporting Tarshid's Vision 2030 goals by enhancing energy efficiency across government and private sectors. The company contributes to energy savings and reduced emissions with its advanced HVAC solutions and retrofit services.

ESCO Expertise: Shaker Group specializes in retrofitting existing buildings to modern, energy-efficient standards through its Energy Service, Company (ESCO) unit. This strategic initiative not only aligns with Shaker Group's commitment to sustainability but also supports broader national objectives for energy efficiency.

### Advancing Clean Energy in Material Handling:

In a continued effort to increase sustainability, Shaker Group has introduced clean energy practices in material handling, employing electrical forklifts instead of petrol forklifts. This initiative contributes to a more eco-friendly approach, aligning with our commitment to environmentally conscious operations across various facets of our business.



*In June 2023, Shaker Group, in participation with LG, launched the "Yalla Green campaign".*

# PIONEERING ENVIRONMENTAL & SOCIAL RESPONSIBILITY



## *Leveraging Technology for Sustainability*

Shaker Group is fully dedicated to upholding ESG (environmental, social, and governance) values, demonstrated by the seamless incorporation of advanced technology into its product development procedures.

The company has a vision for a future where technological innovation and environmental responsibility work hand in hand. With a strong commitment to continuous innovation, Shaker Group strives to establish industry benchmarks for environmentally friendly practices, promoting a sustainable and ethical business environment.

## *Elevated Customer Experiences with a Sustainable Focus*

At Shaker Group, our commitment to customer satisfaction extends beyond product functionality. Our mission is to deliver exceptional service through tailored solutions that prioritize environmental responsibility. We strive to offer consumers cutting-edge, eco-friendly choices that seamlessly blend style and comfort without compromising our planet. This dedication stems from the belief that sustainable practices and superior customer experiences can mutually thrive.

## *Impact through Strategic Collaborations*

Central to our strategy is the cultivation of meaningful partnerships. Shaker Group strengthens its market presence and drives innovation by aligning with businesses that share our core values. Actively pursuing partners who are dedicated to ESG principles, these collaborations go beyond conventional business goals. Together, we aim to create a collective impact that reaches far beyond individual corporate boundaries.

In a notable initiative concluded in 2023, Shaker Group actively participated in a collaboration with Albir Charity Organization located in Alahsa, which was sponsored by Saudi Energy Efficiency Center, to replace old air conditioners with energy efficient LG window air conditioners.

Through a strategic partnership with Sela, Shaker Group has established a strong presence in the industry, further enhancing our joint efforts. Participating in the Riyadh Season at prominent venues such as pyramids in Egypt section and Boulevard World, this partnership highlights our dedication to enriching the dynamic cultural scene. As we closely monitor upcoming projects, our committed team continues to work diligently to enhance and broaden these valuable partnerships.

## *A Cohesive Vision*

At Shaker Group, our commitment to innovation, sustainability, and customer satisfaction converges into a unified vision guiding strategic decisions. These pillars are not disparate goals but interconnected elements that shape our corporate strategy. The infusion of ESG principles into every facet of Shaker Group's operations underscores an unwavering belief in the importance of responsible business practices for both the environment and stakeholder trust.

This commitment is about transforming into a responsible corporate entity that positively influences society and the environment through ESG initiatives and sustainable practices. Pledging to leave an enduring legacy of positive impact and unwavering trust, Shaker Group upholds these ideals as we navigate the dynamic business landscape.

# FOSTERING INNOVATION



# 6

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# INNOVATIONS DRIVING CUSTOMER VALUE

*A Continuous Evolution*

## Strategic Investments and Acquisitions:

Our acquisitions of diverse brand portfolios exemplify our versatility in meeting a wide array of customer demands. A key strategic initiative in 2023 was Shaker Group's investment in payment provided Cashew, recognizing the increasing demand for digital lending products.

## Data Analytics and Business Intelligence:

Utilizing advanced data analytics tools, Shaker Group employs a proactive approach in our B2B departments by conducting weekly follow-ups on the pipeline. Tailored to the specific needs of our clientele, including real estate developers, main contractors, MEP contractors, and HVAC contractors, we prioritize customer feedback through daily visits and calls to assess additional requirements. This strategic engagement not only allows us to better understand and assist our clients but also significantly enhances our chances of securing project awards. This data-driven initiative exemplifies our commitment to customer-centric services and strategic decision-making.

## HVAC Pioneering with LG's Inverter Technology:

Pioneering HVAC Solutions with LG's Inverter Technology has been a cornerstone of Shaker Group's commitment to innovation and sustainability. The SAR 2.3 billion HVAC market



has been strategically navigated by Shaker Group. Through its strategic partnership and groundbreaking use of LG's Inverter Technology, the company has achieved a 17% combined market share. This accomplishment not only highlights Shaker Group's robust position in the HVAC sector but also emphasizes the successful integration of cutting-edge technology to establish new standards in efficiency.

# SAR2.3BN

HVAC market has been strategically navigated by Shaker Group

# 17%

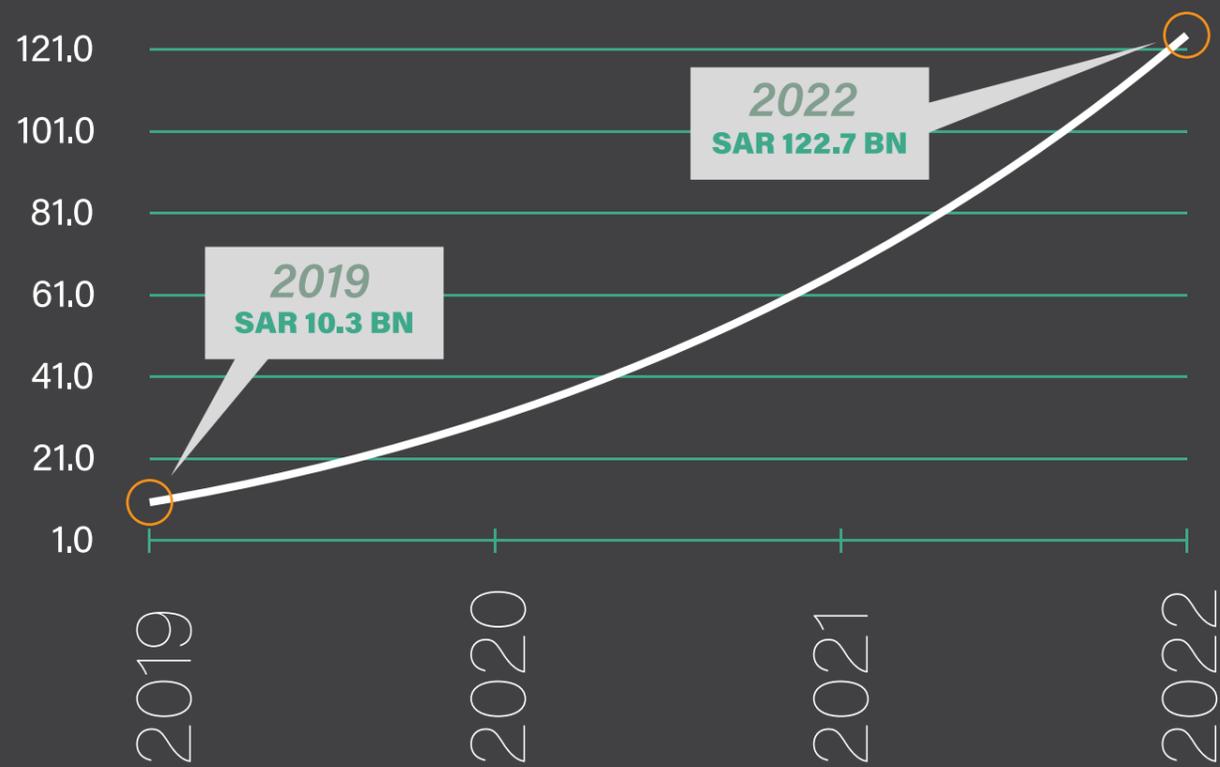
The company has achieved combined market share of

## Spotlight on E-Commerce Dynamics:

With the HVAC market expected to surge by 20% by 2027, signaling significant growth opportunities, Shaker Group is poised to further expand its footprint and contribute to the sustainable development of the industry.

With the e-commerce landscape in Saudi Arabia experiencing a significant transformation, Shaker Group is strategically positioning itself to take advantage of this digital shift. Our e-commerce store and digital contracts perfectly complement the thriving e-commerce landscape. In 2023, Shaker Group, driven by our commitment to empower every home, expanded its digital presence to reflect shifting customer purchasing behaviors.

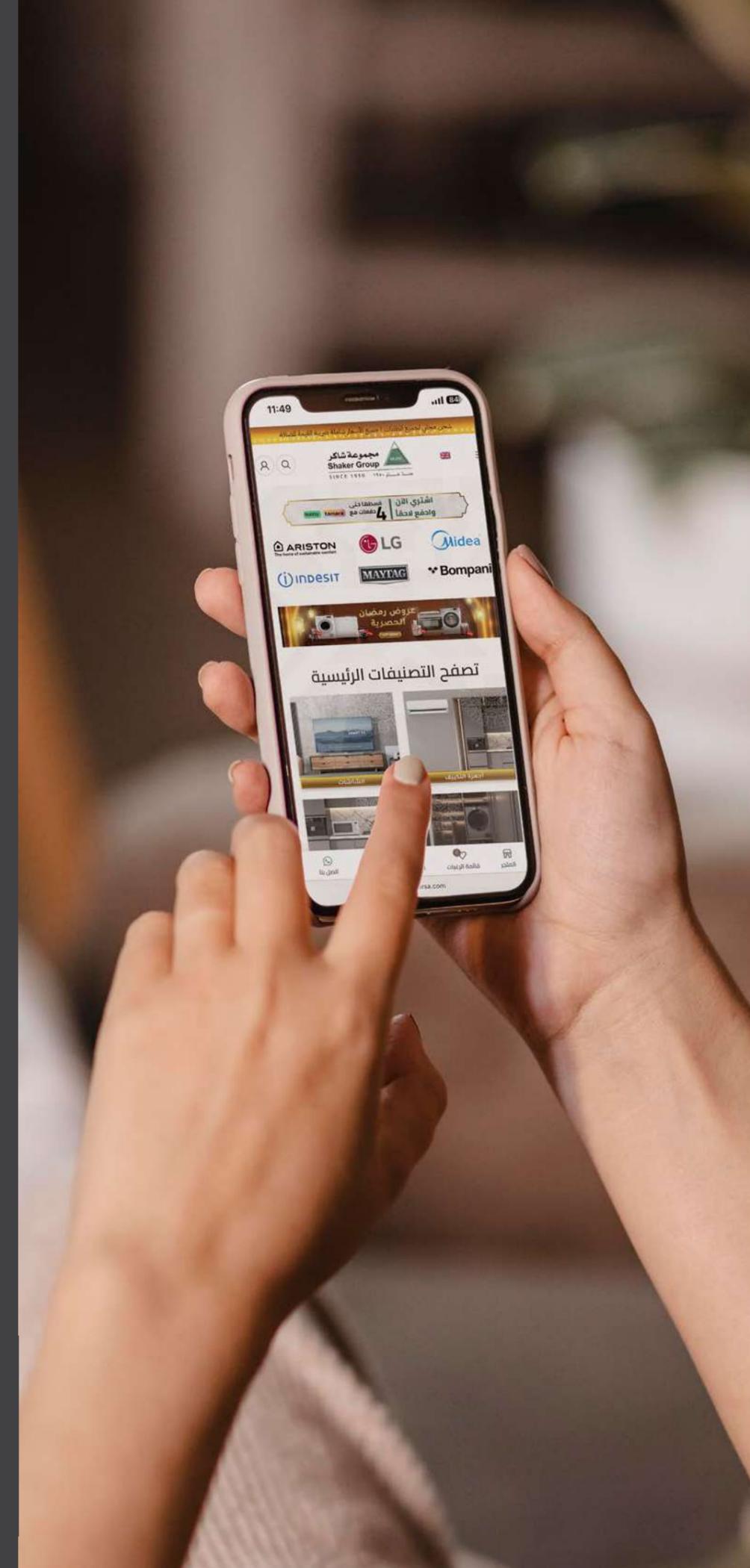
# E-COMMERCE TRANSACTIONS, KSA (SAUDI RIYALS, BN)



\* USING MADA CARDS, EXCLUDING VISA, MASTERCARD, AND OTHER CREDIT CARDS

E-commerce in Saudi Arabia has undergone a remarkable transformation in recent years, reflected by a substantial increase in transaction volumes.

Shaker Group has recognized the changing market dynamics and has taken strategic steps to capitalize on the digital shift. This is evident through the establishment of an e-commerce store and digital contracts. The company's dedication to incorporating technology seamlessly matches the growing e-commerce industry, placing Shaker Group at the forefront of this digital revolution.



# DIGITAL TRANSFORMATION & TECHNOLOGICAL SYNERGIES

*Enhancing Efficiency and Elevating Experiences*

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The company has achieved combined market share of

# 17%

Shaker Group integrates technology across departments to boost operational efficiency and enhance customer experiences, embodying a collective effort toward technological advancement.

#### *Automation of Routine Tasks:*

By implementing recurring entries and automating manual processes, Shaker Group streamlines routine tasks, fostering efficiency and accuracy.

#### *Digital Contracts and Signatures:*

The adoption of electronic contracts and signatures facilitates commercial operations, contributing not only to operational efficiency but also to economic growth in the Kingdom of Saudi Arabia.

#### *Digital Transactions and E-Invoicing:*

Embracing e-invoicing systems and promoting digital transactions streamlines payment processes, providing customers with a convenient and secure financial experience.

#### *Service Mobile App:*

The introduction of a service mobile app exemplifies Shaker Group's commitment to meeting customers where they are, providing a convenient and accessible touchpoint for services.

#### *Cashew Digital Lending Platform:*

Collaborating with Cashew, a digital lending platform, underscores our commitment to staying at the forefront of financial technology trends.

#### *Supply Chain Optimization:*

Shaker Group has revolutionized the logistics landscape through embracing digitalization and automation.

This year, we have successfully executed and implemented a digital transformation for both outbound and inbound activities, showcasing our dedication to staying ahead in the industry. This involved utilizing Handheld Terminals (HHD) equipped with barcode and serial number readers. This cutting-edge approach streamlines operations, enhancing accuracy, reducing processing times, and optimizing overall efficiency in our supply chain processes.

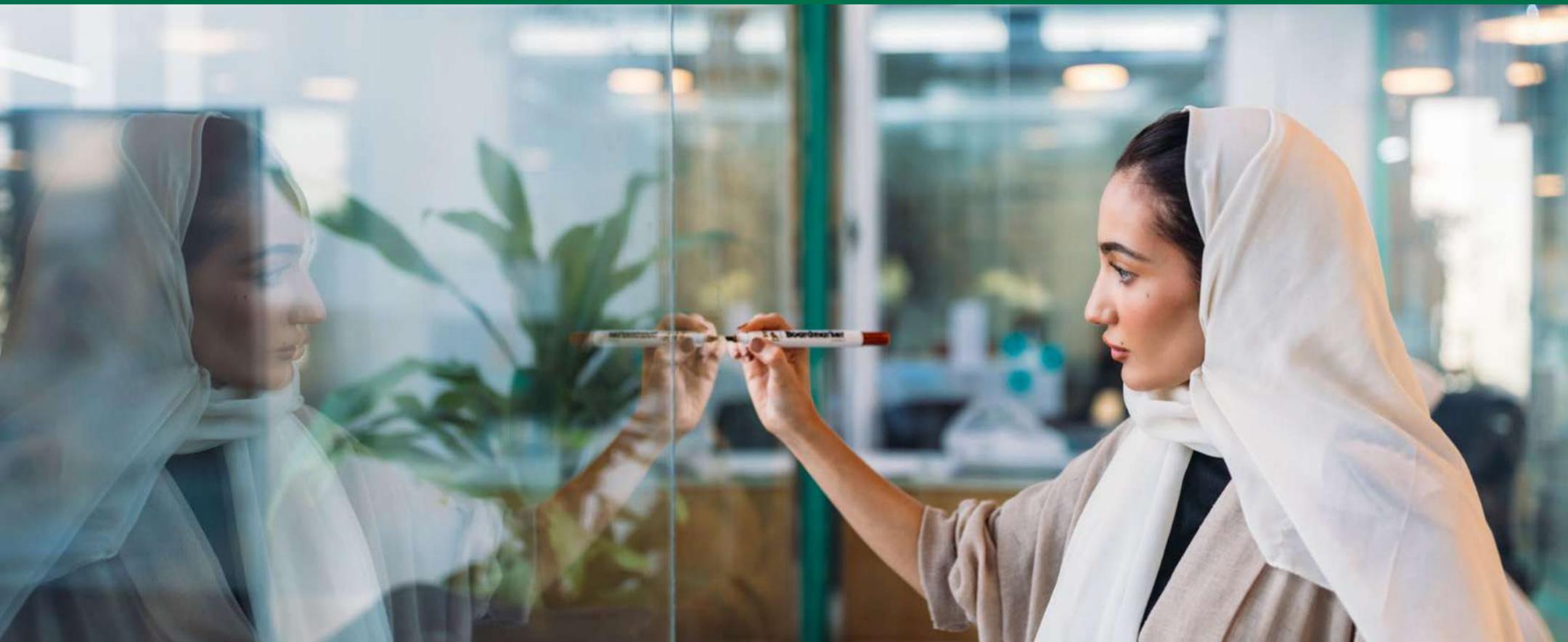


# PROGRESSING HAND IN HAND

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# OUR PEOPLE IN NUMBERS



**564**  
**MEN**

**77**  
**WOMEN**

Shaker Group is proud to report a commendable Saudization rate of

**37%**

In 2023, Shaker Group achieved significant growth in its workforce, expanding the number of staff across various departments to a total of 641 employees. This substantial increase solidifies Shaker Group as a substantial player in the industry, reflecting its commitment to scaling operations and contributing to economic development.

As a testament to Shaker Group's commitment to diversity and inclusivity, the company places a strong emphasis on cultivating an environment that ensures equal opportunities and representation for all members of its workforce. Within our dedicated team of 641 employees, Shaker Group actively works towards fostering gender equality, contributing to the broader societal shift towards a more inclusive workforce.

Comprising 12% of our workforce, approximately 77 employees, women play an integral role in various departments, bringing diverse perspectives and invaluable contributions to our collective success.

Similarly, our male employees, constituting 88% of our workforce with around 564 individuals, also play an important role in driving Shaker Group's accomplishments. Together, our diverse team collaborates harmoniously to achieve our goals, reflecting a workplace where everyone is recognized and valued for their unique skills and capabilities.

Aligned with Vision 2030 and the Kingdom's objectives to enhance local employment opportunities, Shaker Group places a strategic focus on Saudization within its workforce. The company has made significant advancements in this initiative, implementing a robust Saudization program that actively contributes to the overall expansion of the local workforce.

As of 2023, Shaker Group is proud to report a commendable Saudization rate of 37%, equating to approximately 237 employees. This accomplishment underscores our steadfast commitment to the development and empowerment of local talent.

A total of

**641**

employees

# FOSTERING A CULTURE *of Continuous Learning and Development*

Shaker Group prioritizes continuous learning and development to maintain a skilled and motivated workforce. The following programs and initiatives have been implemented:

## *Shaker E-Learning Academy:*

In line with our commitment to continuous learning, Shaker Group has established the Shaker E-Learning Academy. With an extensive library of over 80,000 courses, this digital platform provides employees with a wealth of knowledge across various domains. The academy also offers professional training certificates, ensuring that our workforce stays abreast of the latest industry trends and developments.

## *Learning Management System:*

Introducing a comprehensive learning management system ensures that all finance department employees have access to continuous learning platforms on a monthly/quarterly basis. This initiative keeps team members updated on industry trends, updates, and best practices.

## *Technical Service Training Academy:*

Establishing a specialized academy focused on technical service training serves as a hub for honing technical skills, fostering expertise, and ensuring that employees are equipped with the latest knowledge and tools required for their roles.



## *Employee Development Programs:*

Complementing community engagement, the Finance department is dedicated to employee development through various programs, training courses, and workshops within and outside the company. These initiatives aim to broaden skill sets, encourage innovation, and empower employees to take on new challenges.

## *Supply-Chain Training Initiatives:*

At Shaker Group, we understand the importance of catering to the global nature of our business. That's why we provide employees with specialized training programs and international certificates in supply chain management. This not only improves their expertise but also aligns with our dedication to staying up to date with global industry standards.

While we strive for constant improvement, we understand that not every endeavor produces the outcomes we hope for. Shaker Group took part in

a government training program that specifically targeted supply chain management. Our goal was to further develop the skills and abilities of our employees. It has provided us with a valuable learning opportunity. It highlights our dedication to adjusting and finding new solutions when faced with obstacles. We are committed to continuously improving our training and development methods to effectively support our employees and the organization as a whole.

# ENSURING EMPLOYEE ENGAGEMENT AND SATISFACTION

*Shaker Group  
has implemented  
measures to  
cultivate a positive  
work environment*

Shaker Group has implemented measures to cultivate a positive work environment, aiming to attract, retain, and engage employees for the long term. Recognizing that employee satisfaction and engagement are vital components of a high-performing finance team, the company has embraced the following strategies:

## *Team Building through Outdoor Activities*

To enhance teamwork and foster a sense of unity within the finance family, the department regularly organizes outdoor activities. These events extend beyond the traditional workplace setting, providing employees with opportunities to connect on a personal level, strengthen relationships, and collaborate more effectively.

## *Problem Resolution and Employee Involvement*

The Finance department proactively addresses concerns or issues that may arise among employees. By listening to their input and involving them in the resolution process, the department ensures that the workplace remains conducive to productivity, job satisfaction, and overall well-being.

## *Celebrations and Recognition Programs:*

In addition to team-building activities, Shaker Group actively promotes a culture of celebration and recognition. Special events like the CEO Award, and the Stars of the Month program highlight outstanding achievements and contributions. These initiatives not only boost morale but also create a positive work environment where employees feel valued and appreciated.



### *Winter Gathering:*

Shaker Group goes beyond routine activities by organizing special events like the Winter Gathering Camp. These gatherings provide a unique opportunity for employees to relax, bond, and create lasting memories, fostering a sense of camaraderie.

### *Speak Up Channel:*

Shaker Group has introduced a 'Speak Up' channel. This platform encourages employees to share their feedback, suggestions, or concerns, ensuring that their voices are heard and actively contributing to a transparent and responsive work environment.

### *Corporate Rate and Financing Solutions:*

To enhance the overall employee experience, Shaker Group provides corporate rates and financing solutions. This not only adds value to the financial aspect of employment but also demonstrates our commitment to supporting the well-being and financial security of our team members.

### *Social Community Participation:*

Being an active participant in social community initiatives, Shaker Group engages employees in meaningful ways beyond the workplace. This involvement not only contributes to the greater good but also enhances the sense of community and purpose among our workforce.

In an increasingly competitive labor market, our activities in 2023 have focused on developing our employee proposition to ensure that staff are retained and rewarded. This strategy encompasses both financial and non-financial rewards.

# BUILDING A STRONGER FUTURE: *EMPOWERING EVERY HOME*

Shaker Group concludes 2023 with a sense of accomplishment, having made significant strides in innovation, operational efficiency, and customer service. The year was marked by a relentless pursuit of excellence, solidifying our position as a leader in the HVAC and home appliance industry within the Kingdom of Saudi Arabia. Throughout this journey, our guiding principle has remained unchanged – Empowering Every Home.

Fueled by this mission, Shaker Group strategically invested in technology and product development. This focus on innovation has resulted in a more diverse product portfolio, empowering families with greater control and comfort within their homes. Furthermore, a commitment to operational excellence ensures prompt and effective delivery, ensuring these innovative solutions reach our customers when they need them most.

Shaker Group recognizes the importance of exceptional customer service. We have prioritized a multi-channel approach, empowering informed decisions and the creation of comfortable living environments. This commitment extends beyond initial sales, as our industry-recognized after-sales support ensures customers receive reliable and timely assistance.

Sustainability remains a core value at Shaker Group. We actively promote energy-saving solutions, offering HVAC and home appliances that can significantly reduce energy consumption.

As we move forward, Shaker Group remains committed to building on its strong foundation. We will continue to leverage cutting-edge technology, prioritize operational excellence, and deliver exceptional customer service. Together with our skilled and committed employees, and underpinned by our steadfast commitment to sustainability, Shaker Group is shaping a brighter future for both our company and Saudi Arabia as a whole.

# *ANNEX 1* **CORPORATE GOVERNANCE**

# FORMATION OF THE BOARD OF DIRECTORS

Article 17 of the Company's Articles of Association stipulates that the management of the company shall be vested in a Board of Directors composed of seven (7) members who shall be natural persons elected by the Ordinary General Assembly of Shareholders for a term not exceeding four years. Members of the Board of Directors may be re-elected for subsequent terms according to the election and nomination procedures established by the competent authority.

Given the composition of the Board of Directors, it ensures a balanced representation in line with independence standards as per the requirements of the Capital Market Authority, whereby not less than one-third of the board members are independent. This, in turn, enhances the quality of decision-making and compliance with regulatory requirements.

The following table illustrates the names of the members of the Board of Directors in their current term and their classification of membership:

M	Name of the board member	Capacity	Membership classification
1	Abdulelah Abdullah Abunayyan	Chairman of Board of Directors	Non-executive
2	Musaab Sulaiman Al-Muhaidib	Deputy Chairman of the Board	Independent
3	Abdul Raouf Walid Al-Bitar	Member of the Board of Directors	Non-executive
4	Azzam Saud Al-Mudaiheem	Member of the Board of Directors	Non-executive
5	Eid bin Falih Al-Shamri	Member of the Board of Directors	Independent
6	Rasheed Abdul Rahman Al Rasheed	Member of the Board of Directors	Independent
7	Hossam Ali Shobokshi	Member of the Board of Directors	Independent

Qualifications and experiences for the members of the Board of Directors, committees, executive management, and their current and previous positions:

## A) Board of Directors Members:



### ABDULELAH ABDULLAH ABUNAYYAN Chairman Of Board Of Directors

#### QUALIFICATIONS :

- Bachelor's Degree In Economics From King Saud University

#### EXPERIENCES:

- Managing Director at Lafana Holding Company, a closed joint stock company, from 2016 until now.
- CEO of Lafana Holding Company, a closed joint stock company, from 2011 to 2016.
- Extensive experience in board memberships of major companies, with a focus on strategic business development, sales, and marketing.
- Strong leadership, communication, and interpersonal skills, complemented by expertise in management and strategic planning.
- Established track record of success in leadership and executive positions across various public and private commercial and industrial companies.

M	Names of the companies where the board member serves as a member of their current board of directors or their management	Inside KSA Outside KSA	Legal Entity	M	Names of the companies where the board member serves as a member of their previous board of directors or their management		
					Inside KSA Outside KSA	Legal Entity	Legal Entity
1	Chairman of the Board of Directors of Al-Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock	1	CEO of Lafana Holding Company	Inside KSA	Closed Joint Stock
2	Chairman of the Board of Directors of Ultra Medical Company	Inside KSA	Limited Liability Company	2	Communications Solutions Company	Inside KSA	Closed Joint Stock
3	Member of the Board of Directors and Member of the Investment Committee of Lafana Holding Company	Inside KSA	Closed Joint Stock				
4	Member of the Board of Directors and member of the Executive Committee of Rafal Company	Inside KSA	Closed Joint Stock	3	Middle East Paper Company (MEPCO)	Inside KSA	Listed Joint Stock
5	Abunayyan Investment Holding Company	Inside KSA	Closed Joint Stock				
6	LG Shaker Management Company	Inside KSA	Limited Liability Company				
7	Himmah Capital Company	Outside KSA	Limited Liability Company				



## MUSAAB BIN SULAIMAN AL-MUHAIIDIB

Vice Chairman of the Board and Chairman of the Nominations and Remuneration Committee

### Qualifications :

- Master of Business Administration - University of Liverpool - United Kingdom - 2008 AD.
- Bachelor of Science, Business Administration (Major of Finance) - University of Miami, Florida - USA - 1999AD.

### Experiences:

- Chairman of the Board of Directors of Sidra Investment Company from 2020 until now.
- Chairman of the Board of Directors of EBDA Company from 2020 until now.
- Chairman of the Board of Directors of Masdar Group from 2019 until now.
- CEO of Al Muhaidib Investment Entertainment from 2019 until now.
- CEO of Masdar Group from 2004 to 2019.
- Projects and Assets Manager for the Grand Warehousing Company from 2001 to 2004.
- Financial and economic analyst at Gefinor Bank in the United States of America from 2000 to 2001.

M	Names Of The Companies Where The Board Member Serves As A Member Of Their current Board Of Directors Or Their Management	Inside KSA	Outside KSA	Legal Entity	M	Names of the companies where the board member serves as a member of their previous board of directors or their management	Inside KSA	Outside KSA	Legal Entity
1	Vice Chairman Of The Board Of Directors And Chairman Of The Nominations And Remuneration Committee Of Al-Hassan Ghazi Ibrahim Shaker Company	Inside KSA		Listed Joint Stock	1	Chairman of the International Youth Foundation, Saudi Section	Inside KSA		Educational institution
2	Chairman Of The Board Of Directors And Member Of The Strategic Committee, Masdar Building Materials Group	Inside KSA		Closed Joint Stock	2	Chairman of the Board of Directors of INSEAD, the Saudi Business Administration Institute	Inside KSA		Educational institution
3	Chairman Of The Board Of Directors Of Goldman Sachs Saudi Arabia	Inside KSA		Closed Joint Stock	3	Member of the Board of Directors of Dur Hospitality Company	Inside KSA		Listed Joint Stock
4	Chairman Of The Board Of Directors Of Endeavor Saudi Arabia	Inside KSA		Limited Liability Company	4	Member of the Board of Directors of the Saudi Shooting Federation	Inside KSA		Limited Liability Company
5	Chairman Of The Board Of Directors Of Sidra Investment Company	Inside KSA		Closed Joint Stock	5	Member of the Board of Directors of Thabat Construction Company	Inside KSA		Limited Liability Company

6	Chairman Of The Board Of Directors Of Ebda For Creativity Entertainment Company	Inside KSA		Closed Joint Stock	6	Member of the Board of Directors of Asala Real Estate Development Company	Inside KSA		Limited Liability Company
7	Chairman Of The Board Of Directors Of Daily Meals Company	Inside KSA		Closed Joint Stock	7	Member of the Board of Directors of Ebdaa Real Estate Investment Company	Inside KSA		Limited Liability Company
8	Chairman Of The Board Of Directors Of Middle East Paper Company (Mepco)	Inside KSA		Listed Joint Stock	8	Member of the Board of Directors of Al Badia Cement Company	Outside KSA		Closed Joint Stock
9	Vice Chairman Of The Board Of Directors Of Al Hoshan Company	Inside KSA		Closed Joint Stock	9	Member of the Board of Directors of Al Rayyan Company	Outside KSA		Closed Joint Stock
10	Vice Chairman Of The Board Of Directors Of The Saudi Artisanal Company	Inside KSA		Closed Joint Stock	10	Member of the Board of Directors of Al Latifia Contracting Group	Inside KSA		Closed Joint Stock
11	Member Of The Board Of Directors, Audit Committee, And Governance And Risk Committee Of The National Tasnee Company	Inside KSA		Listed Joint Stock	11	Member of the Board of Directors of Al-Muhaidib for Community Service	Inside KSA		Non-profit charitable organization
12	Al Muhaidib Group	Inside KSA		Closed Joint Stock	12	Member of the Board of Directors of the Grand Warehousing Company	Inside KSA		Closed Joint Stock
13	Jll Saudi Arabia	Inside KSA		Limited Liability Company					
14	Member Of The Board Of Directors And Committee Of Culture And Entertainment, Riyadh Chamber	Inside KSA		Governmental Entity					
15	Gulf Family Business Council	Inside KSA		Limited Liability Company					
16	Sabbar Company	Inside KSA		Limited Liability Company					
17	Trustees Of The Riyadh Economic Forum	Inside KSA		Governmental Entity					



## ABDUL RAOUF WALID AL-BITAR

Member of the Board of Directors

### Qualifications :

Bachelor's degree in Civil Engineering from Syracuse University, USA - 1982AD.

### Experiences:

- Member of the Board of Directors of Al-Hassan Ghazi Ibrahim Shaker Company from 2009 until now.
- 30 years of experience in industrial companies, distinguished skills in leadership and effective communication, and high skills in management and strategic planning.

M	Names of the companies where the board member serves as a member of their current board of directors or their management			M	Names of the companies where the board member serves as a member of their previous board of directors or their management		
	Inside KSA	Outside KSA	Legal Entity		Inside KSA	Outside KSA	Legal Entity
1	Al-Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock	1	Middle East Specialized Cables Company (MESC)	Inside KSA	Listed Joint Stock
2	Saudi Pipe Insulation Factory	Inside KSA	Limited Liability Company	2	District Cooling Company - Saudi Tabreed	Inside KSA	Closed Joint Stock
3	Gulf Insulation Group Company	Inside KSA	Closed Joint Stock	3	CEO of Al Manhal Water Factory Company and Nestlé Water	Inside KSA	Limited Liability Company
4	Middle East Mold & Plastic Factory Co. Ltd	Inside KSA	Limited Liability Company	4	Elite Foods Company	Inside KSA	Closed Joint Stock
5	AL-YANABEE' Beverage Factory Company	Inside KSA	Limited Liability Company				
6	Mawaduna Company Limited	Inside KSA	Limited Liability Company				

7	Integrated Generation Telecommunications Company	Inside KSA	Limited Liability Company
8	Delicious meat company for fresh meat	Inside KSA	Limited Liability Company
9	Lamaa Holding Company	Inside KSA	Limited Liability Company
10	EFSIM Facilities Management Company	Inside KSA	Limited Liability Company
11	Amha Catering Company	Inside KSA	Limited Liability Company
12	Rowad Al-Ittihad Training Company	Inside KSA	Limited Liability Company
13	Wurth Saudi Arabia Company	Inside KSA	Limited Liability Company
14	Eastern Network Solutions for Communications and Information Technology Company	Inside KSA	Limited Liability Company



## AZZAM SAUD AL-MUDAIHEEM

Member of the Board of Directors

### Qualifications :

Bachelor of Mechanical Engineering with Honors - from King Saud University.

### Experiences:

- 2023- to date CEO of Saudi Ceramics
- December 2020-2023 President of Abunayyan Trading Company
- 2017-November 2020 CEO of Al-Hassan Ghazi Ibrahim Shaker.
- 2011 - 2017 General Manager at Masdar Trading Materials Company.
- 2007 - 2010 Acting General Manager at Masdar Trading Materials.
- 2001- 2007 Purchasing Manager and Designated Warehouse Manager at Masdar Carpentry Materials.
- 1998-2001 Regional Sales Manager - Central Region at Al-Muhaidib Foods.
- 1996-1998 Manufacturing Engineer at Advanced Electronics Company.

M	Names of the companies where the board member serves as a member of their current board of directors or their management	Inside KSA Outside KSA	Legal Entity	M	Names of the companies where the board member serves as a member of their previous board of directors or their management	Inside KSA Outside KSA	Legal Entity
1	Al-Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock	1	Masdar Technical Supplies Company	Inside KSA	Limited Liability Company
2	Member of the Board of Directors and member of the Audit Committee of Solutions Communications Company	Inside KSA	Limited Liability Company	2	Chairman of the Board of Directors of the Energy Services Company	Outside KSA	Closed Joint Stock
				3	Regional sales manager at Al-Muhaidib Foods Company	Inside KSA	Limited Liability Company
3	Member of the Board of Directors, Nominations Committee, and Governance Committee of Arabian Pipes Company	Inside KSA	Listed Joint Stock	4	General Manager at Al-Muhaidib Carpentry Materials Company (a source of carpentry materials)	Inside KSA	Limited Liability Company
				5	CEO of Al Hassan Ghazi Ibrahim Shaker	Inside KSA	Listed Joint Stock
4	CEO of Saudi Ceramic Company	Inside KSA	Listed Joint Stock	6	Chairman of the Board of Directors of Modern Vision Company	Outside KSA	Closed Joint Stock
				7	President of Abunayyan Trading Company	Inside KSA	Limited Liability Company



## EID BIN FALIH AL-SHAMRI

Member of the Board of Directors and Chairman of the Audit Committee

### Qualifications :

Bachelor of Science in Industrial Management with honors - from King Fahd University of Petroleum and Minerals - 1989 AD

### Experiences:

- 2022 AD – until now, full-time consultant.
- 2021 – 2022G: Consultant in the industry and mineral resources sector.
- 2008-2020G: CEO of Ithraa Capital Company.
- 2007-2008G: Deputy General Manager at Al Saif Investment Company.
- 2005-2007G: CEO of Eid Al-Shammari Financial and Administrative Consulting Office.
- 2001-2005G: CEO of Inmaia Company.
- 1996-2001G: Director of the Mergers, Acquisitions and Direct Investment Department at the National Commercial Bank.
- 1993-1996G: Senior Director of Corporate Finance and Financial Consulting at the Saudi American Bank.
- 1990-1992G: Auditor at PwC, Ohio, USA.
- 1989-1990G: Chief Auditor at the Saudi Industrial Development Fund.
- 1987-1988G: Trainee at Saudi International Bank, London, United Kingdom.
- 15 years as a board member of Aldrees Petroleum and Transport Services Company.
- 15 years as a chairman of the Audit Committee at Aldrees Petroleum and Transport Services Company.
- 15 years as a member of the Governance and Nominations Committee at Aldrees Petroleum and Transport Services Company.

M	Names of the companies where the board member serves as a member of their current board of directors or their management	Inside KSA Outside KSA	Legal Entity	M	Names of the companies where the board member serves as a member of their previous board of directors or their management	Inside KSA Outside KSA	Legal Entity
1	Member of the Board of Directors and Chairman of the Audit Committee of Al Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock	1	Member of the Board of Directors and Chairman of the Investment Committee of Amana Cooperative Insurance Company	Inside KSA	Listed Joint Stock

2	Member of the Board of Directors, member of the Audit Committee, and member of the Governance, Nominations and Remuneration Committee at Aldrees Petroleum Services Company	Inside KSA	Limited Joint Stock	2	Member of the Audit Committee at Banque Saudi Fransi	Inside KSA	Listed Joint Stock
3	Member of the Board of Directors of the Gulf Contracting for Shipping and Unloading Company	Inside KSA	Limited Liability Company	3	Member of the Board of Directors and Chairman of the Audit Committee of Alitco Company	Inside KSA	Closed Joint Stock
4	Member of the Board of Directors and Chairman of the Audit Committee of Fawaz Al Hokair Company	Inside KSA	Listed Joint Stock	4	Member of the Board of Directors of Al Saif RDB Pre-cast Company	Inside KSA	Limited Liability Company
5	Member of the Audit Committee of Almarai Company	Inside KSA	Listed Joint Stock	5	Member of the Board of Directors of Inmaia for Investment and Real Estate Development Company	Inside KSA	Closed Joint Stock
6	Member of the Board of Directors and member of the Audit Committee and Social Responsibility Committee of Taiba Investment Company	Inside KSA	Listed Joint Stock	6	Member of the Board of Directors of the Saudi Kidney Center Company	Inside KSA	Limited Liability Company
7	Member of the Audit Committee of the Sports Boulevard Foundation	Inside KSA	Governmental institution				
8	Member of the Audit Committee of the King Salman Park Foundation	Inside KSA	Governmental institution				



## RASHEED BIN ABDUL RAHMAN AL RASHEED

Member of the Board of Directors

### Qualifications :

High Diploma in Management Information Systems from King Saud University in Riyadh.

### Experiences:

- 2019 - 2022 Member of the Board of Directors of the Integrated Towers Company (TAWAL) in Riyadh.
- 2008 - 2022 Member of the Board of Directors of the International Water and Energy Works Company in Riyadh.
- 2019 - 2021 Chairman of the Board of Directors of Dhahran Valley Cooling Company in Al-Khobar.
- 2020 - 2021 Chairman of the Board of Directors of the Communications Network Coverage Company in Riyadh.
- 2017 - 2019 Owner of Al Ramz Real Estate Company in Riyadh.
- 2014 - 2019 Member of the Board of Directors of the International Ports and Trains Company in Riyadh.
- 2015 - 2021 Chairman of the Board of Directors of the Saudi Riyadh Tabreed Company in Riyadh.
- 2008 - 2021 Member of the Board of Directors of the Saudi District Cooling Company in Al-Khobar.
- 2009 - 2021 Chairman of the Board of Directors of Saudi Tabreed Operations and Maintenance Company in Al-Khobar.
- 2009 - 2021 Chairman of the Board of Directors of the Saudi Dhahran Cooling Company in Al-Khobar.
- 2011 - 2021 Managing Director of the Saudi District Cooling Company in Al-Khobar.
- 2011 - 2021 Member of the Board of Directors of the Central District Cooling Company in Makkah Al-Mukarramah.
- 2015 - 2020 Chairman of the Board of Directors of the Riyadh Water Production Company in Riyadh.
- 2007 - 2014 CEO of the Arabian Company for Water and Power Development (formerly ACWA Holding) in Riyadh.
- 2008 - 2014 Member of the Board of Directors of the Arabian Japanese Membrane Company in Riyadh.
- 2008 - 2014 Member of the Board of Directors of Welspun Middle East Pipes Company in Dammam.
- 2004 - 2011 Member of the Board of Directors of the Arabian Company for Water and Power Projects (ACWA Power) in Riyadh.
- 2006 - 2009 Member of the Board of Directors of the Rabigh Arabian Water and Electricity Company in Jeddah.
- 2006 - 2009 Member of the Board of Directors of Al-Shuqaiq Water and Electricity Company in Jazan.
- 2000 - 2007 Vice President and Chief Financial Officer of the Abdullah Abunayyan Group in Riyadh.
- 2006 - 2009 Member of the Board of Directors of the Abdullah Abunayyan Group in Riyadh.
- 2006 - 2009 Member of the Board of Directors of the Shuaiba Water and Electricity Company in Jeddah.
- 1998 - 2000 Senior management information consultant for Al-rashed Consultants & Accountants in Riyadh.
- 1996 - 1997 Senior management consultant for Al-rashed Consultants & Accountants in Riyadh.
- 1993 - 1995 Administrative consultant to Al-rashed Consultants & Accountants in Riyadh.
- 1992 - 1993 Computer programmer and systems analyst at the Royal Saudi Air Force (BDM International) in Riyadh.
- 1988 - 1992 Computer programmer for Saudi Telecom Company (STC) in Riyadh.

M	Names of the companies where the board member serves as a member of their current board of directors or their management	Inside KSA Outside KSA	Legal Entity	M	Names of the companies where the board member serves as a member of their previous board of directors or their management	Inside KSA Outside KSA	Legal Entity
1	Al-Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock	1	Arabian Water and Power Projects Company	Inside KSA	Limited Liability Company
2	Member of the Board of Directors and Audit Committee of ACWA Power	Inside KSA	Listed Joint Stock	2	Rabigh Arabian Water and Electricity Company	Inside KSA	Limited Liability Company
3	Member of the Board of Directors and Audit Committee Dr. Sulaiman Al Habib Medical Services Group Company	Inside KSA	Listed Joint Stock	3	Al-Shuqaiq Water and Electricity Company	Inside KSA	Limited Liability Company
4	Himmah Capital Company	Outside KSA	Closed Joint Stock	4	Member of the Board of Directors, Vice President and Chief Financial Officer of Abdullah Abunayyan Group	Inside KSA	Closed Joint Stock
5	Chairman of the Board of Directors of Al Ramz Real Estate Company	Inside KSA	Closed Joint Stock	5	Member of the Board of Directors of Shuaiba Water and Electricity Company	Inside KSA	Limited Liability Company

6	Member of the Board of Directors, Executive Committee, Audit Committee, and Nominations and Remuneration Committee of Saudi SAL Logistics Company	Inside KSA	Closed Joint Stock	6	Arab Japanese Membrane Company	Inside KSA	Limited Liability
				7	Welspun Middle East Pipes Company	Inside KSA	Limited Liability
				8	Member of the Board of Directors of the Saudi District Cooling Company	Inside KSA	Closed Joint Stock
7	Datavolt Information Technology Company	Inside KSA	Limited Liability Company	9	International Water and Energy Works Company	Inside KSA	Closed Joint Stock
8	Tarabot Investment and Development Company	Inside KSA	Closed Joint Stock	10	Saudi Tabreed Operation and Maintenance Company	Inside KSA	Limited Liability
9	Member of the Board of Directors, Executive Committee, Audit Committee, and Nominations and Remuneration Committee of Saudi Airline Cargo Company	Inside KSA	Closed Joint Stock	11	Saudi Dhahran Cooling Company	Inside KSA	Limited Liability
10	Himmah Financial Company Limited	Outside KSA	Listed Joint Stock	12	Saudi District Cooling Company	Inside KSA	Closed Joint Stock
11	Member of the Board of Directors and Chairman of the Risk and Audit Committee for Jazan Integrated Gasification and Power Company.	Inside KSA	Limited Liability	13	Member of the Board of Directors of the Central District Cooling Company	Inside KSA	Limited Liability

12	Tarabot Air Cargo Services Company	Inside KSA	Limited Liability	14	International Ports and Rails Company	Inside KSA	Limited Liability
13	Al-Adha Company	Inside KSA	Limited Liability	15	Riyadh Water Production Company	Inside KSA	Limited Liability
14	Saudi Investment Recycling Company	Inside KSA	Limited Liability	16	Riyadh Cooling Company	Inside KSA	Limited Liability
				17	Al Ramz Real Estate Company	Inside KSA	Limited Liability
15	Member of the Board of Directors and Executive Committee of Vision International Investment Company	Inside KSA	Closed Joint Stock	18	Dhahran Valley Cooling Company	Inside KSA	Limited Liability
				19	Member of the Board of Directors of the Integrated Towers Company (TAWAL).	Inside KSA	Limited Liability
				20	Communications Network Coverage Company.	Inside KSA	Limited Liability
21	Chairman of the Board of Directors of Zilan Arabia Company	Inside KSA	Limited Liability				



## **HOSSAM BIN ALI SHOBOKSHI**

Member of the Board of Directors

### **Qualifications :**

- Executive Education - Harvard University, Harvard Business School - from 2016 - 2023 AD.
- Bachelor of Science in Economics with Honors - from the University of Pennsylvania, Wharton School of Business - 1992 AD.

### **Experiences:**

- 2021 - to date: Chairman of Saray Capital.
- 2016 - 2021 Vice Chairman and CEO of Saray Capital.
- 2007 - 2009 General Manager of the Middle East and North Africa region at Standard Chartered Bank. - Dubai
- 1996 - 2002 Investment Manager for Shobokshi Development and Trade Company.

M	Names of the companies where the board member serves as a member of their current board of directors or their management	Inside KSA Outside KSA	Legal Entity
1	Al-Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock
2	Middle East Venture Partners	Outside KSA	Limited Liability Company
3	JPMorgan Saudi Arabia	Inside KSA	Closed Joint Stock
4	Orascom Industrial Estates	Outside KSA	Listed Joint Stock
5	Chairman of the Board of Directors and founder of the Thuraya Educational Foundation	Outside KSA	Educational institution

M	Names of the companies where the board member serves as a member of their previous board of directors or their management	Inside KSA Outside KSA	Legal Entity
1	Investment manager at Shobokshi Development and Trade Company	Inside KSA	Limited Liability Company
2	Director of Investment Banking at Standard Chartered Bank	Outside KSA	Limited Liability Company
3	General Manager of the Middle East and North Africa Region at Standard Chartered Bank	Outside KSA	Limited Liability Company
4	Chairman of the Board of Directors - Vice Chairman of the Board of Directors - Founder of Saray Capital	Outside KSA	Limited Liability Company
5	Member of the Board of Directors of United Housing and Development Company	Outside KSA	Listed Joint Stock
6	Member of the Board of Directors at Nile City Investment Company	Outside KSA	Listed Joint Stock

**B) COMMITTEE MEMBERS FROM OUTSIDE THE BOARD:**

**AUDIT COMMITTEE**



**AHMED BIN ZAKI AL-FRAIH**  
MEMBER OF THE AUDIT COMMITTEE

**QUALIFICATIONS :**

- BACHELOR OF ACCOUNTING FROM THE UNIVERSITY OF SHARJAH.
- EXECUTIVE PROGRAM FOR CFOS FROM THE UNIVERSITY OF CHICAGO.
- INTERNATIONAL INSTITUTE FOR MANAGEMENT DEVELOPMENT - LAUSANNE - SWITZERLAND
- **EXPERIENCES:**
- 2023- TO DATE AT THE NATIONAL UNIFIED PROCUREMENT COMPANY (NUPCO)
- 2018-2023 FINANCIAL DIRECTOR OF SAUDI TELECOM CHANNELS COMPANY (STC).
- 2016-2018 FINANCIAL DIRECTOR OF THE INDUSTRIAL ESTATES "MODON".
- 2014-2016 FINANCIAL CONTROLLER AT ELM COMPANY.
- 2013-2014, FINANCIAL CONTROLLER AT AL-ARGAN COMPANY.
- 2005-2013 SENIOR AUDITOR AT ERNST & YOUNG.

S	Names of the companies where the board member serves as a member of their current board of directors or their management			S	Names of the companies where the committee member serves as a member of their previous board of directors or their management		
	Inside ksa	Outside ksa	Legal entity		Inside ksa	Outside ksa	Legal entity
1	Member Of The Audit Committee At Al Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed joint stock	1	Member of the audit committee at the saud-korean company for maintainace and property management (mumtalakat)	Inside KSA	Limited liability company
2	Homeland Solutions Company	Inside KSA	Closed joint stock				

3	Saudi Omani Investment Company	Inside ksa	Closed joint stock	2	Gulf laboratory for electrical equipment testing	Inside KSA	Closed joint stock
4	Sela Sports Company	Inside ksa	Closed joint stock	3	Valley development company	Inside KSA	Closed joint stock
5	Al Uqair Development Company	Inside ksa	Closed joint stock				
6	Diriyah Company	Inside ksa	Closed joint stock				
7	Suani	Inside ksa	Closed joint stock				
8	Smart Imdaad Real Estate Company	Inside ksa	Limited liability company				



**MOHAMMAD BIN ABDUL MOHSEN  
AL-GRENEES**

MEMBER OF THE AUDIT COMMITTEE

**QUALIFICATIONS :**

- BACHELOR'S DEGREE IN CHEMICAL ENGINEERING - KUWAIT UNIVERSITY - 1999.

**EXPERIENCES:**

- 2017-2021 : DIRECTOR OF THE LOCAL EQUITIES AND FIXED INCOME DEPARTMENT AT AL-RAEDA INVESTMENT COMPANY.
- 2017-2015 : INVESTMENT PORTFOLIO MANAGER AT JADWA INVESTMENT COMPANY.
- 2008-2015: DIRECTOR OF THE LOCAL EQUITIES DEPARTMENT AT AL AHLY CAPITAL COMPANY.
- 2004-2008: INVESTMENT PORTFOLIO MANAGER AT HSBC.

S	Names of the companies where the board member serves as a member of their current board of directors or their management	Inside ksa Outside ksa	Legal entity	S	Names of the companies where the committee member serves as a member of their previous board of directors or their management	Inside ksa Outside ksa	Legal entity
1	Member of the Audit Committee of Al Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock				
2	Member of the Nominations and Remuneration Committee and the Audit Committee of Taiba Investment Company	Inside KSA	Listed Joint Stock	1	Director of the Local Equities and Fixed Income Department - Al-Raeda Investment Company	Inside KSA	Unlisted
3	City of knowledge	Inside KSA	Listed Joint Stock	2	Investment portfolio manager - Jadwa Investment Company	Inside KSA	Unlisted
4	Member of the Executive Committee and Nominations and Remuneration Committee of the Saudi Investment Bank	Inside KSA	Listed Joint Stock	3	Director of the Local Equities Department - Al Ahly Capital Company	Inside KSA	Unlisted
5	Member of the Audit Committee and Investment Committee of the Binladin Group	Inside KSA	Closed Joint Stock	4	Investment Portfolio Manager - HSBC	Inside KSA	Unlisted

## NOMINATIONS AND REMUNERATION COMMITTEE



### **MOTEB BIN ALI AL-GUN AISI** MEMBER OF THE NOMINATIONS AND REMUNERATION COMMITTEE

#### QUALIFICATIONS :

- MASTER'S IN STRATEGIC HUMAN RESOURCES MANAGEMENT - FROM THE UNIVERSITY OF WOLLONGONG - 2012 AD.
- MASTER OF MANAGEMENT - FROM THE UNIVERSITY OF WOLLONGONG - 2011 AD.

#### EXPERIENCES:

- 2023 AD - TO DATE: EXECUTIVE DIRECTOR OF HUMAN RESOURCES - HUMAN RESOURCES DEVELOPMENT FUND.
- 2020G -2023G: GENERAL MANAGER OF HUMAN RESOURCES - ABU NAYYAN HOLDING GROUP.
- 2018G - 2020G: DIRECTOR OF ORGANIZATIONAL DEVELOPMENT AND PERFORMANCE MANAGEMENT - NATIONAL GAS AND INDUSTRIALIZATION COMPANY.
- 2017G -2018G: HUMAN RESOURCES MANAGER FOR BUSINESS PARTNERS - RIYADH AIRPORTS.
- 2014G -2017G: HUMAN RESOURCES MANAGER - SIMA COMPANY.

S	Names of the companies where the board member serves as a member of their current board of directors or their management	S		Names of the companies where the committee member serves as a member of their previous board of directors or their management	S	
		Inside ksa	Outside ksa		Legal entity	Inside ksa
1	Member of the Nominations and Remuneration Committee at Al Hassan Ghazi Ibrahim Shaker Company	Inside KSA		Listed Joint Stock		
2	Executive Director of Human Resources - Human Resources Development Fund	Inside KSA		Governmental entity	1	General Manager of Human Resources and Member of the Nominations and Remuneration Committee - Abu Nayyan Holding Group
					2	Director of Organizational Development and Performance Management - National Gas and Industrialization Company.
					3	Human Resources Manager for Business Partners - Riyadh Airports
					4	Human Resources Manager - Sima Company



**BAKR BIN GHAZI DARWISH**

MEMBER OF THE NOMINATIONS AND REMUNERATION COMMITTEE

**QUALIFICATIONS :**

- BACHELOR'S DEGREE IN ELECTRICAL ENGINEERING - FROM KING FAHD UNIVERSITY OF PETROLEUM AND MINERALS - 1998 AD

**EXPERIENCES:**

- 2023 AD - TO DATE: CEO OF SHARED SERVICES - SAUDI OLYMPIC AND PARALYMPIC COMMITTEE.
- 2020G - 2023G: CHIEF EXECUTIVE OFFICER OF INDIVIDUALS AND SHARED SERVICES - SAUDI TOURISM AUTHORITY.
- 2019G -2020G: CHIEF HUMAN RESOURCES OFFICER - SAUDI ENTERTAINMENT PROJECTS.
- 2011G - 2019G: SENIOR HUMAN RESOURCES EXECUTIVE - PROCTER & GAMBLE.
- 1999G - 2011G: EXECUTIVE DIRECTOR OF HUMAN RESOURCES - PROCTER & GAMBLE.

S	Names of the companies where the board member serves as a member of their current board of directors or their management	Legal entity		S	Names of the companies where the committee member serves as a member of their previous board of directors or their management	Legal entity	
		Inside ksa	Outside ksa			Inside ksa	Outside ksa
1	Member of the Nominations and Remuneration Committee at Al Hassan Ghazi Ibrahim Shaker Company	Inside KSA	Listed Joint Stock	1	Executive Director of Human Resources - Procter & Gamble	Inside KSA	Limited Liability Company
2	Member of the Nominations and Remuneration Committee - Prince Mohammed bin Salman Royal Reserve	Inside KSA	Governmental entity	2	Senior Human Resources Executive - Procter & Gamble.	Outside KSA	Limited Liability Company
3	CEO of Shared Services - Saudi Olympic and Paralympic Committee	Inside KSA	Governmental entity	3	Chief Human Resources Officer - Saudi Entertainment Projects.	Inside KSA	Governmental entity
4	Member of the Nominations and Remuneration Committee in NEOM	Inside KSA	Governmental entity	4	Chief Executive Officer of Individuals and Shared Services - Saudi Tourism Authority.	Inside KSA	Governmental entity

# BOARD MEETINGS

**DURING THE FISCAL YEAR 2023, THE BOARD OF DIRECTORS, ELECTED BY THE EXTRAORDINARY GENERAL ASSEMBLY AT ITS MEETING ON MAY 15, 2022, HELD (4) FOUR MEETINGS. THE ATTENDANCE OF THE MEMBERS WAS AS FOLLOWS:**

#	MEMBER NAME	20-03-2023	25-05-2023	25-09-2023	12-12-2023	TOTAL
1	Mr. Abdullellah Abdullah Abunayyan (Chairman of Board of Directors)	√	√	√	√	4/4
2	Mr. Musaab Suleiman Al-Muhaidib (Deputy Chairman of the Board)	√	√	√	√	4/4
3	Mr. Abdul Raouf Al-Bitar (Member of the Board of Directors)	√	√	√	√	4/4
4	Mr. Azzam Saud Al-Mudaiheem (Member of the Board of Directors)	√	√	√	√	4/4
5	Mr. Eid bin Falih Al-Shamri (Member of the Board of Directors)	√	√	√	√	4/4
6	Mr. Rasheed Abdul Rahman Al Rasheed (Member of the Board of Directors)	√	√	√	X	3/4
7	Mr. Hossam Ali Shobokshi (Member of the Board of Directors)	√	√	√	√	4/4

## THE GENERAL SHAREHOLDERS' MEETINGS DURING THE FISCAL YEAR 2023 AND NAMES OF THE BOARD OF DIRECTORS MEMBERS PRESENT AT EACH MEETING :

During the fiscal year 2023 AD, the company held an extraordinary general assembly meeting on Monday, 11/09/1444 AH, corresponding to 29/05/2023 AD, where the agenda included the following items:

1. Reviewing and discussing the audited financial statements for the financial year ending on 31/12/2022.
2. Reviewing and discussing the Board of Directors' report for the financial year ending 31/12/2022 AD.
3. Appointing the company's auditors from among the candidates based on the recommendation of the Audit Committee, for the examination, review, and auditing of the financial statements for the second and third quarters and the annual financial year of 2023, and the first quarter of the financial year 2024, and determining their fees.
4. Voting on the company's auditor's report for the financial year ending on 31/12/2022.
5. Voting on disbursing an amount of 1,206,564 Saudi riyals as a reward to members of the Board of Directors for the fiscal year ending on 31/12/2022.
6. Voting on discharging the members of the Board of Directors from their liabilities for the fiscal year ending on 31/12/2022.
7. Voting on amending the bylaws in line with the new Companies Law.
8. Voting on amending the Audit Committee's regulation after approving the amendment to the bylaws.
9. Voting on amending the regulations of the Nominations and Remuneration Committee after approving the amendment to the bylaws.
10. Voting on amending the remuneration policy for members of the Board of Directors and its committees after approving the amendment to the bylaws.
11. Voting on amending the membership policy and criteria for the Board of Directors after approving the amendment to the bylaws.
12. Voting on the transactions and contracts conducted between the company and Abdullah Abunayyan Trading Company, which involves an (indirect) conflict of interest for the Chairman of the Board of Directors, Mr. Abdullellah Abunayyan, and the Board Member, Mr. Azzam Al-Mudaiheem. This includes a purchase order contract for supplying electric forklifts to the company for an amount of (360,000) Saudi Riyals.
13. Voting on the transactions and contracts conducted between the company and Masdar Building Materials, which involves an (indirect) conflict of interest for Board Member Mr. Musaab Suleiman Al-Muhaidib. These include (2) maintenance contracts provided by the company to Masdar Building Materials, amounting to (89,700) Saudi Riyals.
14. Voting on delegating the Board of Directors with the powers specified in clause (1) of Article 27 of the Companies Law, for a period of one year from the date of approval of the Ordinary General Assembly, or until the end of the term of the delegated Board of Directors, whichever comes first, in accordance with the conditions specified in the Executive Regulations of the Companies Law applicable to listed joint-stock companies.

## THE MEETING WAS CHAIRED BY MR. ABDULELLAH ABDULLAH ABUNAYYAN, CHAIRMAN OF THE BOARD OF DIRECTORS.

The following Board and committee members were present:

- MR. MUSAAB AL-MUHAIIDIB, VICE CHAIRMAN OF THE BOARD
- MR. ABDULRAOUF WALID AL-BITAR
- MR. RASHEED AL RASHEED
- MR. EID AL-SHAMRI (CHAIR, AUDIT COMMITTEE)
- MR. AZZAM AL-MUDAIHEEM
- MR. HUSSAM SHOBOKSHI (CHAIR, NOMINATIONS AND REMUNERATION COMMITTEE)

## DIVIDEND POLICY

The company's dividend distribution policy is based on the provisions of the company's Articles of Association and the approved dividend distribution policy, provided it does not conflict with relevant regulations and laws.

According to Article 40 of the company's Articles of Association and the dividend distribution policy, the dividends shall be as follows:

1. The Ordinary General Assembly, when determining the quota of equity in the net profits, may decide to form reserves, to the extent that achieves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders.
2. The general assembly, upon the recommendation of the Board of Directors, may decide to allocate these reserves in accordance with any regulatory requirements predating the adoption date of these Articles of Association, if it is in the interest of the company or shareholders.
3. The general assembly determines the percentage to be distributed to shareholders from the net profits after deducting reserves, if any, based on a recommendation from the Board of Directors in accordance with regulatory requirements.
4. The company may distribute interim dividends to its shareholders semi-annually or quarterly, upon a decision by the Board of Directors, in accordance with applicable regulations and guidelines set by the relevant authority.

According to the approved dividend distribution policy of the company, the company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis after fulfilling the following requirements:

A. The General Assembly authorizes the company's Board of Directors to distribute interim dividends according to a resolution that is renewed annually

B. The company shall have good and regular profitability

C. The company shall have reasonable liquidity and can reasonably expect its profits

D. The company shall have distributable profits, as per the latest audited financial statements, sufficient to cover the proposed dividends after deducting any previously distributed dividends and withholding tax from those profits after the date of these financial statements.

## DESCRIPTION OF ANY INTERESTS, CONTRACTUAL SECURITIES, AND SUBSCRIPTION RIGHTS BELONGING TO THE MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS, SENIOR EXECUTIVES, OR THEIR RELATIVES IN THE SHARES OR DEBT INSTRUMENTS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES, AS WELL AS ANY CHANGES IN THOSE INTERESTS OR RIGHTS DURING THE LAST FISCAL YEAR.

The following table shows a list of the names and ownership of members of the Board of Directors and senior executives or their relatives in the company's shares and any change in their ownership during 2023:

NAME OF THE INTERESTED PERSON	BEGINNING OF 2023		CHANGE DURING 2023		END OF 2023	
	OWNERSHIP PERCENTAGE	NUMBER OF SHARES	PERCENT-AGE OF CHANGE	NUMBER OF SHARES	OWNER-SHIP PER-CENTAGE	NUMBER OF SHARES
Abdullah Abdullah Abunayyan*	1.72%	830.533	0%	0	1.72%	830.533
Abdul Raouf Walid Al-Bitar**	%6.6	3,212,339	0%	0	%6.6	3,212,339
Musaab Suleiman Al-Muhaidib	0.0028569%	1378	0%	0	0.0028569%	1378
Eid bin Falih Al-Shamri	0.0015860%	765	0%	0	0.0015860%	765
Azzam Saud Al-Mudaiheem	-	-	-	-	-	-
Rasheed Abdul Rahman Al Rasheed	-	-	-	-	-	-
Hossam Ali Shobokshi	-	-	-	-	-	-

Except for the individuals mentioned in the preceding statement, none of the senior executives or their relatives have any interest in the company's shares or any of its subsidiaries.

\* Indirect ownership of shares in Shaker Company through Abdullellah Abdullah Abunayyan Company Limited, which owns 14.074% in Lafana Holding Company (formerly known as Ibrahim Abdullah Abunayyan and Sons Company). The shareholder directly holds 5,891,362 shares in Shaker Company as of December 31, 2023, in addition to direct ownership of 1378 shares.

\*\* Direct ownership of 1378 shares and indirect ownership of shares in Shaker Company through 100% ownership in Lamaa Holding Company, which holds 2,756,189 shares in Shaker Company as of December 31, 2023. Also, indirect ownership through his wife, Mrs. Lama Abu Khadra, a partner in Adwa Al-Ismailiya Company with a 33% stake, holding 1,378,097 shares in Shakir Company as of December 31, 2023.

## **THE MEASURES TAKEN BY THE BOARD OF DIRECTORS TO INFORM ITS MEMBERS - ESPECIALLY NON-EXECUTIVE MEMBERS - OF THE SHAREHOLDERS' PROPOSALS AND FEEDBACK REGARDING THE COMPANY AND ITS PERFORMANCE.**

**The company informs the board members of the shareholders' proposals and feedback regarding the company and its performance through the following procedures:**

- 1- Presenting shareholders' proposals and feedback, if any, to the board members at the nearest board meeting or any other effective means of communication on an ongoing basis.
- 2- Organizing meetings with investors and briefing the board on the significant proposals they present.
- 3- Board members attend shareholders' assembly meetings, where shareholders raise their questions, provide suggestions, and express their opinions to the board during the assembly, and the board, in turn, responds thereto during the meeting.

## **MEMBERS OF THE BOARD OF DIRECTORS, COMMITTEES, AND SENIOR EXECUTIVES' REMUNERATION**

### **1. REMUNERATION FOR BOARD MEMBERS:**

#### **1.1 Summary of the Remuneration Policy for Board Members and its Committees**

- 1- Remuneration for board members for the services they provide consists of a lump sum amounting to 200,000 Saudi Riyals per member, in accordance with the regulations, decisions, instructions, and regulations issued by the competent supervisory and regulatory authorities in this regard.
- 2- Each member of the board of directors receives a committee membership reward of 50,000 Saudi Riyals. The annual reward is calculated from the date of the board's approval of the member's joining the committee. The remuneration of a committee member from outside the board is (100,000) riyals.
- 3- Each member of the board of directors receives an attendance allowance of 3,000 Saudi Riyals for each board meeting attended, and an amount of 1,500 Saudi Riyals for each meeting attended of the committees formed by the board.
- 4- The secretary of the board receives a remuneration of 50,000 Saudi Riyals.

#### **2.1 Summary of the Policy Implementation Mechanism:**

- 1- Remuneration and bonuses are based on the recommendation of the Remuneration and Nomination Committee in the company, which reviews the attendance record of board and committee meetings, the tasks, and topics they have undertaken, and submits the appropriate recommendation to the board to determine the bonuses for board members. The Remuneration and Nominations Committee shall take into account the following criteria when making the recommendation:
  - a. Bonuses shall be fair and commensurate with the member's responsibilities, tasks, and duties, in addition to the specific goals set by the board to be achieved during the fiscal year.
  - b. Bonuses shall be proportionate to the company's activity and the skills required to manage it.
  - c. Consideration shall be given to the sector in which the company operates, its size, and the experience of the member.
  - d. Bonuses shall be reasonably sufficient to attract, retain and motivate efficient and experienced members.
- 2- A board member may receive a bonus for any executive, technical, or advisory work or positions under an additional professional license assigned thereto in the company, in addition to the remuneration/bonus he may receive as a board member and in committees formed by the board according to the Companies Law and the company's Articles of Association.
- 3- Member bonuses may vary to reflect the member's experience, expertise, assigned tasks, independence, number of attended sessions, and other considerations.
- 4- Board independent members' remuneration shall not be a percentage of the company's profits or directly or indirectly based on the company's profitability.

5- If bonuses paid to any board members are based on inaccurate or misleading information and are presented to the general assembly or included in the annual board report, the member shall return the same to the company, and the company has the right to reclaim them. If the general assembly decides to terminate the membership of any board member, the member is not entitled to a bonus and shall return all bonuses and allowances received during the period of invalidated membership.

6- Lump sum remuneration and allowances for board members and committee members are disbursed annually by a decision of the board after the end of the fiscal year without the need to present the same to the general assembly. The board may also disburse attendance allowances and other allowances to its members and committees after each session or periodically as it deems appropriate.

7- The annual bonus is divided between the board members in case of resignation and the appointment of a new board member according to the date of appointment. The bonus is also divided among the board members in case of the end of the board's term and the start of a new term according to the start date of the term. This division also applies to committee members.

### 3.1 Summary of Senior Executives' Remuneration Policy:

The executive management remuneration policy has established several key criteria upon which these compensations are determined, including:

- Attracting and retaining top talent.
- Motivating and raising the level of employee performance to achieve the company's annual goals and to reflect and commensurate with tasks and responsibilities.
- Linking employee performance with the company's annual goals.
- Remuneration and Bonuses are granted based on the recommendation of the Remuneration and Nominations Committee.
- Remuneration/bonuses and the performance indicators associated therewith shall be clear, measurable, and linked to the overall institutional performance and the personal performance of each employee. Bonuses are only paid based on the results of performance evaluations.

### REMUNERATION OF BOARD MEMBERS AND ITS COMMITTEES:

On May 4, 2023, the Board of Directors recommended granting the annual bonus for the year 2022 to members of the Board of Directors and its committees. This recommendation was approved by the extraordinary general assembly on May 29, 2023, according to the following statement:

	LUMP SUM REMUNERATION							VARIABLE REMUNERATION						EOS Indemnity	Grand Total	Expense allowance
	SPECIFIED AMOUNT	ALLOWANCE FOR ATTENDING BOARD MEETINGS	TOTAL ALLOWANCE FOR ATTENDING COMMITTEE SESSIONS	IN-KIND BENEFITS	STATEMENT OF THE REMUNERATION RECEIVED BY BOARD MEMBERS AS	REMUNERATION OF THE CHAIRMAN MANAGING DIRECTOR, OR SECRETAR, HE, IS A MEMBER	TOTAL	PERCENTAGE OF PROFITS	PERIODIC BONUSES	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLANS	GRANTED SHARES (VALUE IS ENTERED)	TOTAL			
FIRST: INDEPENDENT MEMBERS:																
1-* Musaab bin Sulaiman Al-Muhaidib	244,658	9,000	1,500	-	-	-	255,185	-	-	-	-	-	-	-	255,185	-
2-** Eid bin Falih Al-Shamri	250,000	9,000	7,500	-	-	-	266,500	-	-	-	-	-	-	-	266,500	-
3-***Hossam bin Ali Shobokshi	147,940	12,000	1,500	-	-	-	161,440	-	-	-	-	-	-	-	161,440	-
4-****Rasheed bin Abdul Rahman Al Rasheed	103,282	12,000	--	-	-	-	115,282	-	-	-	-	-	-	-	115,282	-
TOTAL	745,880	42,000	10,500	-	-	-	798,407	-	-	-	-	-	-	-	798,407	-

	LUMP SUM REMUNERATION							VARIABLE REMUNERATION					EOS Indemnity	Grand Total	Expense allowance	
	SPECIFIED AMOUNT	ALLOWANCE FOR ATTENDING BOARD MEETINGS	TOTAL ALLOWANCE FOR ATTENDING COMMITTEE SESSIONS	IN-KIND BENEFITS	STATEMENT OF THE REMUNERATION RECEIVED BY BOARD MEMBERS AS REMUNERATION OF THE CHAIRMAN MANAGING DIRECTOR, OR SECRETARY, HE IS A MEMBER	TOTAL	PERCENTAGE OF PROFITS	PERIODIC BONUSES	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLANS	GRANTED SHARES (VALUE IS ENTERED)	TOTAL				
<b>SECOND: NON-EXECUTIVE MEMBERS</b>																
1- Abdullellah bin Abdullah Abunayyan	200,000	12,000	-	-	-	-	212,000	-	-	-	-	-	-	-	212,000	-
2- Azzam Saud Al-Mudaiheem	200,000	12,000	-	-	-	-	212,000	-	-	-	-	-	-	-	212,000	-
3- Abdul Raouf bin Walid Al-Bitar	200,000	12,000	-	-	-	-	212,000	-	-	-	-	-	-	-	212,000	-
<b>TOTAL</b>	<b>600,000</b>	<b>36,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>636,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>636,000</b>	<b>-</b>

#### Explanation:

\* Fixed amount: Board of Directors membership: 200,000 Saudi riyals + Nominations and Remuneration Committee membership: 44,658 Saudi riyals.

\*\* Fixed amount: Membership of the Board of Directors: 200,000 Saudi Riyals + Membership of the Audit Committee: 50,000 Saudi Riyals.

\*\*\* Fixed amount: He joined the Board of Directors at the beginning of the session held on May 25, 2022, and therefore was entitled to a board membership remuneration of 103,282 Saudi Riyals. Additionally, he joined the Nominations and Rewards Committee on July 27, 2022, and thus was entitled to a bonus of 44,658 Saudi Riyals.

\*\*\*\* Fixed amount: He joined the Board of Directors at the beginning of the session held on May 25, 2022.

Apart from what is stated in the tables above, the company did not pay any of the board members, whether as employees, administrators, for technical or administrative work, or for consulting services.

## REMUNERATION OF COMMITTEE MEMBERS:

### A. AUDIT COMMITTEE:

NAME	LUMP SUM REMUNERATION (EXCEPT SESSION ATTENDANCE ALLOWANCE)	ALLOWANCE FOR SESSIONS ATTENDANCE	TOTAL
Members of the Audit Committee from outside the Board of Directors:			
1- Ahmed bin Zaki Al-Fraih	100,000	7,500	107,500
2- *Mohammad bin Abdul Mohsen Al-Greenees	56,644	7,500	64,144
<b>Total:</b>	<b>156,644</b>	<b>15,000</b>	<b>171,644</b>

\*Lump sum remuneration: He joined the Audit Committee at the beginning of the session held on May 25, 2022.

### B. NOMINATIONS AND REMUNERATION COMMITTEE:

NAME	LUMP SUM REMUNERATION (EXCEPT SESSION ATTENDANCE ALLOWANCE)	ALLOWANCE FOR SESSIONS ATTENDANCE	TOTAL
Members of the Nominations and Remuneration Committee from outside the Board of Directors:			
1- *Bakr bin Ghazi Darwish	56,644	1,500	58,144
2- **Hind bint Khaled Al Zahid	56,644	1,500	58,144
3- Woulters Cornelis Matthijs	100,000	1,500	101,500
<b>Total:</b>	<b>213,288</b>	<b>4,500</b>	<b>217,788</b>

\*Lump sum remuneration: He joined the Nominations and Remuneration Committee at the beginning of the session held on May 25, 2022.

\*\*Lump sum remuneration: She joined the Nominations and Remuneration Committee at the beginning of the session held on May 25, 2022.

## REMUNERATION OF FIVE SENIOR EXECUTIVES WHO RECEIVED THE HIGHEST BONUSES, INCLUDING THE CEO AND CFO:

The table below shows what the top five senior executives, including the CEO and CFO, earned:

SENIOR EXECUTIVES	LUMP SUM REMUNERATION				VARIABLE REMUNERATION						EOS Indemnity	Total executive remuneration for the Board, if any	
	ROLL	LOWANCES	KIND BENEFITS	TOTAL	PERIODIC BONUSES	PROFITS	SHORT-TERM INCENTIVE PLANS	LONG-TERM INCENTIVE PLANS	GRANTED SHARES (VALUE IS ENTERED)	TOTAL			
The total remuneration of the top five senior executives, including the CEO and CFO	5,324,472.00	1,929,528.00		7,254,000.00							0	4,770,000.00	12,024,000.00
Total	5,324,472.00	1,929,528.00		7,254,000.00							0	4,770,000.00	12,024,000.00

(\*) The Company complied with the disclosure of components of the Senior Executive's remuneration on aggregate, in line with the requirements of subparagraph (b) of paragraph (4) of article (93) of the Corporate Governance Regulations issued by the Capital Market Authority. But to protect the interests of the Company, its shareholders and employees, and to avoid any damage that may occur as a result of disclosing the detailed Senior Executives Remuneration by position, the Company did not disclose the details as per Appendix (1) of the Corporate Governance Regulations.

## DESCRIPTION OF ANY DEAL BETWEEN THE COMPANY AND A RELATED PARTY - OR INFORMATION ABOUT CONTRACTS AND TRANSACTIONS IN WHICH THE COMPANY WAS INVOLVED OR IN WHICH A MEMBER OF THE COMPANY'S BOARD OF DIRECTORS OR ITS SENIOR EXECUTIVES OR ANY PERSON RELATED TO ANY OF THEM HAS AN INTEREST.

After the company ceased consolidating the financial statements of LG Shaker Limited on May 26, 2014, LG Shaker was considered a subsidiary (related party). As per common accounting principles, any transaction with a subsidiary is categorized under related party transactions. Consequently, purchases from the subsidiary LG Shaker amounted to 671 million Saudi Riyals, consisting of air conditioner purchases, within the context of the company's commercial activities. As of the end of the year 2023, the outstanding balance owed to the subsidiary amounted to 163 million Saudi Riyals.

There were no transactions or contracts in which the company was involved, or in which there was an interest for any member of the Board of Directors, executives, or any related person, during the financial year 2023, except as mentioned in this report.

## COMMITTEES

In an effort by the Board of Directors to facilitate the company's affairs, follow up on its daily operations and activities, and increase the effectiveness of communication between the executive management and the Board of Directors, the board of directors has formed two committees: the Audit Committee and the Nominations and Remuneration Committee. The Ordinary General Assembly approved the rules for selecting members of these committees, their duties, and determining their remuneration.

Below is a brief description of each committee:

### First: Audit Committee:

The Extraordinary General Assembly approved on 20/12/2017 the amended work regulations of the committee dated 29/05/2023, which included risk management tasks in addition to its other duties, responsibilities, rules, and regulations of operation, and the remuneration of its members.

The tasks and responsibilities of the Audit Committee are summarized as follows:

#### A. The committee assumes the following tasks and responsibilities:

1-Reviewing and reassessing the adequacy of the tasks, rules, and regulations contained in these regulations from time to time, and recommending any proposed changes thereto as well as including them in the annual report to be submitted to the board of directors, which deposits sufficient copies of this report at the company's main office at least twenty-one days before the date of the General Assembly meeting, to provide copies of the same to any interested shareholders, unless the report is published through modern technology channels.

2-Reviewing the company's comprehensive strategy, main business plans, and the company's risk management policies and procedures.

3-Proposing all company regulations, policies and procedures that ensure the implementation of the committee's tasks.

4-Reviewing the performance of the Audit Committee and submitting a full report on the committee's activity to the Board of Directors.

5-Dealing with any type of allegations from whistleblowers as well as any fraud cases.

6-Monitoring the company's operations and ensuring the integrity and honesty of the reports and financial statements, and internal control systems therein, and including this in its annual reports for presentation to the competent department in the company. The committee's tasks specifically include the following:

#### B. Financial Reports:

1-Reviewing the preliminary quarterly and annual financial statements before presenting the same to the board of directors and expressing opinions and recommendations regarding them to ensure their integrity, fairness, and transparency.

2-Expressing a technical opinion upon the request of the board of directors regarding whether the annual report of the board of directors and the financial statements of the company are fair, balanced,

understandable, and include information that enables shareholders and investors to assess the company's financial position, performance, business model, and strategy.

3-Studying any important or unusual issues included in financial reports and accounts.

4-Reviewing reports submitted by the financial department on budget performance and analyzing deviations between the actual expenditure and the approved estimated budget.

5-Researching any issues raised by the company's financial director or whoever assumes his duties, the company's compliance officer, or the auditor.

6-Verifying accounting estimates on material issues contained in financial reports.

7-Studying the accounting policies followed in the company and expressing an opinion and recommendation to the Board of Directors regarding the same.

8-Reviewing the annual financial statements, Board of Directors reports, and interim lists if the Board of Directors decides to prepare them.

#### **C.Internal audit:**

1-Giving recommendation to the board of directors the appointment of the internal audit manager, determining his remuneration and bonuses, evaluating his performance, and recommending his dismissal.

2-Studying and reviewing the company's internal control and financial management systems and risk management, ensuring their effectiveness through periodic reports from the internal audit management or others, and assessing the efficiency and effectiveness of the internal control and financial systems. Preparing a report including proposals and recommendations in this regard and presenting them to the board.

3-Supervising the plans and activities of internal audit management, ensuring their effectiveness in line with the relevant regulations, laws, and professional standards.

4-Reviewing internal audit reports and monitoring the implementation of corrective actions for the observations mentioned therein.

5-Monitoring and supervising the performance and activities of the internal auditor and the internal audit department in the company, to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned thereto.

6-Ensuring the independence of internal audit and enabling it to perform its work effectively.

7-Studying the internal audit plan and the estimated budget for its implementation and recommending its approval to the Board of Directors.

8-Establishing systems and controls for internal control, including a written policy to control actual and potential conflicts of interest that may affect the performance of board members, executive management, or other employees of the company, and addressing any potential conflict of interest. Additionally, establishing a written policy to regulate the relationship with stakeholders to protect and preserve their rights, covering the requirements of relevant regulations and laws.

#### **D.Auditor:**

1-Giving recommendation to the Board of Directors to nominate and dismiss auditors, determine their

fees, and evaluate their performance, after ensuring their independence and reviewing the scope of their work and the terms of their contract.

2-Verifying the independence and objectivity of the auditor, and the effectiveness of the audit work, taking into account the relevant approved rules and standards.

3-Reviewing the company's audit plan and activities, ensuring there are no breaches or deficiencies in performing its tasks, verifying that it does not engage in activities beyond the scope of audit work, and providing feedback on these matters.

4-Responding to the company's auditor's inquiries.

5-Studying the auditors' reports and their observations on the financial statements, providing feedback if any, and following up on actions taken in response to these observations.

6-Study and address any restrictions on the auditor's work that would affect his ability to perform his work and tasks.

7-Engaging in discussions with the auditors and seeking clarification therefrom as needed.

#### **E.Compliance Assurance:**

1-Reviewing the results of the regulatory authorities' reports and verifying that the company has taken the necessary measures regarding them.

2-Supervising the company's compliance with the rules, regulations, policies, and instructions related to its scope of work.

3-Reviewing proposed contracts and transactions the company intends to engage in with related parties and identifying potential conflicts of interest, if any, and providing recommendations to the Board of Directors.

4-Reporting to the Board of Directors within the scope of its work any issues it deems necessary to take action on, and making its recommendations on the steps that need to be taken.

5-Establishing policies and procedures that ensure the company's compliance with laws and regulations and disclosure of essential information to shareholders, creditors, and other stakeholders. And verifying the executive management's compliance therewith.

6-Ensuring the company's compliance with the laws and regulations in force in the Kingdom of Saudi Arabia.

#### **F.Information Technology Oversight:**

**The Audit Committee shall collaborate with senior management, auditors, and internal audit management to ensure the following:**

1-The effectiveness of controls and supervisory systems for the company's information system.

2-Any relevant findings and recommendations by the chartered accountant and the internal audit department with management's responses thereto, including the agreed-upon timetable for implementing recommendations on controls and monitoring tools, including reducing risks associated with those key controls.

3-The effectiveness and efficiency of the company's management information systems and other

information technology systems.

4-The Audit Committee, internal audit management, and external auditor should coordinate audit efforts to ensure comprehensive coverage of control systems and key risk areas related to information technology.

#### **G.Risk management:**

1-Developing a comprehensive strategy and policies for risk management tailored to the nature and scale of the company's activities, ensuring their implementation, review, and updating based on internal and external changes in the company.

2-Identifying an acceptable level of risks that the company may be exposed to, maintaining it, and ensuring that the company does not exceed such level.

3-Verifying the feasibility of the company's continuity and successful continuation of its activities, while identifying risks that threaten its continuity over the next twelve months.

4-Supervising the company's risk management system and evaluating the effectiveness of systems and mechanisms for identifying, measuring, and following up on the risks to which the company may be exposed, in order to identify any deficiencies.

5-Periodically reassess the company's risk tolerance and exposure to risks (e.g., through stress tests).

6-Preparing detailed reports on exposure to risks and the proposed steps to manage these risks and submitting them to the Board of Directors.

7-Providing recommendations to the Board on issues related to risk management.

8-Ensuring the availability of sufficient rules and laws for risk management.

9-Reviewing the organizational structure of the risk management department and making recommendations before its adoption by the board of directors.

10-Verifying the independence of risk management employees from activities that may expose the company to risks.

11-Ensuring that risk management employees understand the risks surrounding the company and work to increase awareness of risk culture.

12-Reviewing any issues that the external auditor may raise that may affect the company's risk management.

## **STATEMENT OF AUDIT COMMITTEE MEETINGS AND ATTENDANCE:**

During the fiscal year 2023, the Audit Committee held five meetings, and the attendance of members was as follows:

#	MEMBER NAME	01-02-2023	15-05-2023	25-07-2023	30-07-2023	01-11-2023	TOTAL
1	Mr. Eid bin Falih Al-Shamri (Chairman of the Audit Committee)	√	√	√	√	√	5/5
2	Mr. Ahmed bin Zaki Al-Fraih (Member of the audit committee)	√	√	√	√	√	5/5
3	Mr. Mohammad bin Abdul Mohsen Al-Greenees (Member of the audit committee)	√	√	√	√	√	5/5

## **THE SCOPE OF THE AUDIT COMMITTEE'S WORK DURING 2023 REVOLVED AROUND:**

#### **A. Financial reports and auditor reports through the following:**

- 1) Reviewing the initial and annual financial statements before presenting the same to the Board of Directors to ensure their integrity and fairness. Expressing opinions and recommendations accordingly.
- 2) Reviewing the audit plan with the external auditor and verifying that he does not submit technical or administrative work that is outside the scope of the audit work and make any comments thereon.
- 3) Studying the auditor's reports and observations on the financial statements and following up on the actions taken regarding them.
- 4) Giving Recommendation to the Board of Directors regarding selecting the external auditor, supervising the auditor's activities, and evaluating performance.

## B. Internal Audit:

1) Controlling and supervising the performance and activities of the company's internal audit department, in accordance with the annual internal audit plan in order to ensure its effectiveness in implementing the activities and tasks assigned thereto.

2) Studying the internal audit reports and monitoring the implementation of corrective actions for the observations recorded on the business units and departments within the company.

3) To ensure independence, the internal audit department and external auditors provide reports directly to the audit committee without any interference from any party.

## C. Risk Management:

The audit committee approved the internal audit plan for the year 2023, with a particular focus on identifying risks within the company. The committee regularly discusses and monitors the audit plan during its meetings, in addition to reviewing the reports and observations provided by the internal audit department.

# THE SCOPE OF WORK OF THE REMUNERATION AND NOMINATIONS COMMITTEE DURING 2023 REVOLVED AROUND:

The updated Remuneration and Nominations Committee regulations were approved by the General Assembly on 29/05/2023. Among the committee's key tasks are as follows:

## A. Regarding Nominations:

**The committee's tasks include, but are not limited to, the following:**

1- Proposing clear policies and standards for membership in the Board of Directors, executive management, and company representatives in its subsidiaries.

2- Giving recommendation to the Board of Directors to nominate and re-nominate members in accordance with the approved policies and standards, taking into account not to nominate anyone who has previously been convicted of a crime involving breach of trust or integrity-compromise.

3- Preparing a description of the capabilities and qualifications required for membership in the Board of Directors and filling executive management positions.

4- Determining the time, a member must devote to the work of the Board of Directors.

5- Annual review of the necessary skills or experience needed for membership in the

Board of Directors and executive management functions.

6- Reviewing the organizational structure of the company including assessing the implementation of the company's operating model, which defines the relationship between the company and its subsidiaries, as well as the governance mechanisms managed through it.

7- Annually verifying the independence of independent members ensuring there are no conflicts of interest if a member holds a position on the board of directors of another company.

8- Developing job descriptions for the executive members, independent non-executive members, and senior executives.

9- Establishing procedures for filling vacancies in the board of directors or senior executive positions.

10- Identifying the weaknesses and strengths of the Board of Directors and proposing solutions to address them in a manner consistent with the company's interest.

11- Reviewing the remuneration of the Board committees and recommending any necessary modifications to the board for approval. Additionally, the committee may provide recommendations to the board for appointing new members to fill any vacant seats on board committees as needed.

12- Upon the request of the Chief Executive Officer, the committee is responsible for appointing and defining the powers and compensation of the senior executives of the company (excluding the CEO).

13- Ensuring the existence of an effective orientation and guidance program for new members of the board of directors, in addition to continuous educational programs, and regularly reviewing their effectiveness.

14- Setting standards and performance indicators for executive management that are consistent with the company's goals and strategy and monitoring their implementation properly.

15- Establishing an administrative succession mechanism for managing the company.

16- Establishing the values and standards that govern work in the company

17- Upon request from the CEO, the committee reviews and evaluates performance indicators for the executive management and recommends the formation of the organizational structure of the company and the executive management.

## B. Regarding Remuneration/Bonuses:

The committee's tasks include, but are not limited to, the following:

1- Developing clear policies for the remuneration of board members, board committees, and executive management, and presenting them to the board for review and approval by the general assembly, ensuring adherence to performance-based criteria, disclosure, and monitoring of their implementation.

2- Clarifying the relationship between granted remuneration and the applicable remuneration

policies and identifying any significant deviations therefrom.

3- Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its intended objectives.

4- Giving recommendation to the board regarding the remuneration of board members, board committees, and senior executives in accordance with the approved policy.

5- While complying with the provisions of the Companies Law and the Capital Market Authority regulations, the remuneration policy shall consider the following:

6- Alignment with the company's strategy and objectives.

7- Remuneration/bonuses shall be provided for the purpose of urging members of the Board of Directors and Executive Management to make the company successful and develop it in the long term, such as linking the variable part of the rewards to long-term performance.

8- Determining remuneration based on job level, responsibilities, qualifications, experience, skills, and performance level.

9- Alignment with the company's size, nature, and level of risk.

10- Considering the practices of other companies in determining remuneration while avoiding unjustified increases in bonuses and compensations.

11- Aimed at attracting, retaining, and motivating professional competencies without overemphasis.

12- Cases of withholding or recovering bonuses should occur if it is discovered that they were decided based on inaccurate information provided by a member of the board or executive management, in order to prevent the exploitation of their positions for undeserved bonuses.

13- Organizing the granting of shares in the company to board members and executive management, whether through new issuances or shares purchased by the company for this purpose.

## MEMBERS OF THE NOMINATIONS AND REMUNERATION COMMITTEE STATEMENT OF MEETINGS AND ATTENDANCE:

The committee held two meetings during the fiscal year 2023. The table below shows the attendance record:

#	MEMBER NAME	28-02-2023	26-03-2023	TOTAL
1	Mr. Hossam Shobokshi (Chairman of the Remuneration and Nominations Committee)	√	√	2/2
2	Mr. Musaab Al-Muhaidib (Member of the Remuneration and Nominations Committee)	√	√	2/2
3	Mr. Wouters Cornelius Mathijis (Member of the Remuneration and Nominations Committee)	√	√	2/2
4	Mr. Bakr Darwish (Member of the Remuneration and Nominations Committee)	√	√	2/2
5	Mrs. Hind Al Zahid (Member of the Remuneration and Nominations Committee)	√	√	2/2

The committee was reconstituted upon the recommendation of the Board of Directors on 15/10/2023 to become as follows:

#	MEMBER NAME
1	Mr. Musaab Al-Muhaidib (Chairman of the Remuneration and Nominations Committee)
2	Mr. Bakr Darwish (Member of the Remuneration and Nominations Committee)
3	Mr. Moteb Al-Gunaisi (Member of the Remuneration and Nominations Committee)

## METHODS USED BY THE BOARD OF DIRECTORS TO EVALUATE ITS PERFORMANCE, AS WELL AS THE PERFORMANCE OF ITS COMMITTEES AND MEMBERS.

At present, there is no external entity responsible for evaluating the performance of the Board of Directors and its committees. However, it is worth noting that in 2018, the company engaged an external party to assess the performance of the Board of Directors and to enhance its governance practices according to best standards and requirements.

**NO PENALTIES, SANCTIONS, PRECAUTIONARY MEASURES, OR REGULATORY RESTRICTIONS WERE IMPOSED ON THE COMPANY BY REGULATORY AUTHORITIES, SUPERVISORY BODIES, OR JUDICIAL ENTITIES DURING THE FISCAL YEAR 2023. THEREFORE, THERE ARE NO VIOLATIONS TO REPORT, AND CONSEQUENTLY, THERE ARE NO PARTIES TO IDENTIFY, REASONS FOR THE VIOLATIONS, REMEDIAL ACTIONS, OR MEASURES TO PREVENT RECURRENCE IN THE FUTURE.**

No significant sanctions or penalties were imposed on the company during the fiscal year 2023.

## COMPANY REQUESTS FOR SHAREHOLDER REGISTER

S	REASON FOR REQUEST	PROPERTY FILE HISTORY
1	OTHER	05/04/2023
2	GENERAL ASSEMBLY	02/05/2023
3	GENERAL ASSEMBLY	28/05/2023
4	OTHER	05/07/2023
5	OTHER	12/10/2023
6	OTHER	31/10/2023
7	OTHER	09/11/2023
8	OTHER	26/12/2023
9	OTHER	31/12/2023

## TRANSACTIONS AND CONTRACTS TO WHICH THE COMPANY IS A PARTY AND IN WHICH A MEMBER OF THE BOARD OF DIRECTORS, SENIOR EXECUTIVES, OR ANY PERSON RELATED TO ANY OF THEM HAS AN INTEREST:

Contracts in which a member of the Board of Directors had an interest are shown in the table below

RELATED PARTY	CAPACITY OF THE STAKEHOLDER	CONTRACT	ITS TERM	VALUE OF INTEREST
Abdullelah bin Abdullah Abunayyan Chairman of Board of Directors	Direct ownership in Lafana Holding Company	Annual air conditioning maintenance contract with Al Hassan Ghazi Ibrahim Shaker Company		24,840 Saudi riyals

## STATEMENT OF THE VALUE OF ANY INVESTMENTS OR RESERVES ESTABLISHED FOR THE BENEFIT OF THE COMPANY'S EMPLOYEES:

Not applicable

## THE COMPANY'S DISCLOSURES ON THE TADAWUL WEBSITE DURING THE FISCAL YEAR 2023

NUMBER	ANNOUNCEMENT DATE	ANNOUNCEMENT TOPIC
1	07/03/2023G	Announcement from Al Hassan Ghazi Ibrahim Shaker Company regarding the annual financial results for the period ending on December 31, 2022.
2	03/04/2023G	An Addendum Announcement from Al Hassan Ghazi Ibrahim Shaker Company regarding the Memorandum of Understanding signed with "cashew Payments Holdings Limited".
3	08/05/2023G	Announcement from Al Hassan Ghazi Ibrahim Shaker Company inviting its shareholders to attend the Extraordinary General Assembly Meeting (First Meeting) via modern technological means.
4	10/05/2023G	An Addendum Announcement from Al Hassan Ghazi Ibrahim Shaker Company regarding the Extraordinary General Assembly Meeting (First Meeting) via modern technological means.
5	16/05/2023G	Announcement from Al Hassan Ghazi Ibrahim Shaker Company regarding the preliminary financial results for the period ending on March 31, 2023 (three months).
6	24/05/2023G	Al Hassan Ghazi Ibrahim Shaker Company informs its esteemed shareholders of the start date for electronic voting on the agenda items of the Extraordinary General Assembly Meeting (First Meeting).
7	30/05/2023G	Announcement from Al Hassan Ghazi Ibrahim Shaker Company about the results of the Extraordinary General Assembly Meeting (Second Meeting).
8	30/05/2023G	An Addendum Announcement from Al Hassan Ghazi Ibrahim Shaker Company regarding the results of the Extraordinary General Assembly Meeting (Second Meeting).
9	31/07/2023G	Announcement from Al Hassan Ghazi Ibrahim Shaker Company regarding the preliminary financial results for the period ending on June 30, 2023 (Six months).
10	02/11/2023G	Announcement from Al Hassan Ghazi Ibrahim Shaker Company regarding the preliminary financial results for the period ending on September 30, 2023 (nine months).
11	13/12/2023G	Announcement from Al Hassan Ghazi Ibrahim Shaker Company about the Board of Directors' recommendation to increase the company's capital through share grants.

## COMPANY GOVERNANCE

The company applies all provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority, except for the provisions stated below:

ARTICLE/ CLAUSE NUMBER	ARTICLE/CLAUSE TEXT	REASONS FOR NON-APPLICATION
9 CLAUSE C	"The shareholder shall be entitled to his share of profits according to the resolution issued by the General Assembly regarding the distribution of profits to shareholders, or a decision by the Board of Directors to distribute interim dividends..."	No dividends were distributed during the fiscal year 2023, and therefore do not apply
13 CLAUSE C	"... The Board of Directors shall call the Ordinary General Assembly to a meeting if requested by the auditor, the audit committee, or a number of shareholders representing at least (10%) of the company's capital. The auditor may also call for the assembly to convene if the Board of Directors fails to do so within thirty days of the auditors' request.	During the fiscal year 2023, the auditor or any of the shareholders representing 10% did not request the holding of an ordinary general assembly. Therefore, it does not apply
14 CLAUSE A	When preparing the agenda for the General Assembly meeting, the Board of Directors shall take into account the topics that shareholders wish to include. Shareholders owning at least (10%) of the company's shares may add one or more items to the agenda of the General Assembly meeting upon preparation.	The company was not informed of any topics that shareholders wish to include on the agenda of the assembly held during the year 2023, and therefore this does not apply.
39	Evaluation	(Guiding Article)
44 CLAUSE 3	The Chairman of the Board of Directors shall inform the Ordinary General Assembly, upon its convening, of any competitive activities conducted by a board member..."	Not applicable
67	The company shall establish a committee called the Risk Management Committee by a decision of the Board of Directors, with its chairman and a majority of its members being non-executive board members. Its members shall have a suitable level of knowledge in risk management and financial affairs.	(Guiding Article) The company has not formed a specialized risk management committee, which includes the work of the audit committee, in addition to its duties, supervising risk management work
69	The Risk Management Committee shall meet regularly at least every six months, or as needed.	(Guiding Article) The company has not formed a specialized risk management committee.
82	The company shall implement programs to develop and incentivize employee participation and performance, including, but not limited to: 1) Establishing committees or holding specialized workshops to listen to and discuss employee opinions on important matters. 2) Programs to grant employees shares in the company, a share of profits, or retirement programs, and establishing an independent fund to finance these programs. 3) Establishing social institutions for company employees.	(Guiding Article)
84	The Ordinary General Assembly, upon a proposal from the Board of Directors, shall establish a policy ensuring a balance between its goals and the goals the community aspires to achieve, in order to develop the social and economic conditions of the community.	(Guiding Article)

ARTICLE/ CLAUSE NUMBER	ARTICLE/CLAUSE TEXT	REASONS FOR NON-APPLICATION
85	The Board of Directors shall develop programs and determine the necessary means to introduce the company's initiatives in the field of social work.	(Guiding Article)
90 (4) CLAUSE (B)	4) Statement of necessary details regarding bonuses and compensation paid to each of the following: b) Five of the senior executives who received the highest bonuses from the company, including the CEO and CFO.	To protect the interests of the company, its shareholders, and employees, and to avoid any harm that may result from detailed disclosure according to the position, the details have not been presented as outlined in Appendix (A) regarding the executives of the corporate governance regulations.
92	If the Board of Directors forms a committee specialized in corporate governance, it should delegate thereto the authorities stipulated in Article 94 of this regulation. This committee is responsible for monitoring any matters related to governance practices and providing the Board of Directors, at least annually, with the reports and recommendations it reaches.	(Guiding Article)

## RESULTS OF THE ANNUAL AUDIT OF THE EFFECTIVENESS OF THE COMPANY'S INTERNAL CONTROL PROCEDURES:

The role of the Audit Committee (the Committee) in Al Hassan Ghazi Ibrahim Shaker Company (the Company) is to supervise and review the financial reporting procedures in accordance with the Committee's Terms of Reference approved by the General Assembly on 29/05/2023.

In addition to supervising the risk management activities. The Committee relies in its work on the financial statements prepared by the company's management and periodic meetings with the auditors and the periodic and annual reports that are presented to and approved by the Committee.

In light of the foregoing and based on periodic reports, the Audit Committee supervises the internal audit work of the company by: Reviewing the adequacy and effectiveness of the internal control system in general, Reviewing the financial statements in light of the adopted accounting standards, Providing continuous evaluation of the internal control system, Paying attention to any observations that it reveals and dealing with them.

This comes within the objectives of the Board of Directors to obtain reasonable assurance about the soundness and effectiveness of the performance of the company's internal control system.

Through the results of the annual review of the effectiveness of internal control procedures in the company, the Audit Committee has not noticed anything that makes it believe that there is a material deficiency that requires disclosure, except for some delays in implementing internal audit work due to the resignation of the Internal Auditor due to his migration to Australia, Also the shortage of qualified personnel in the field of internal audit work. This was remedied by the Audit Committee by appointing a licensed company to carry out internal audit work.

The company continues, under the supervision of the committee, to periodically evaluate and review the control system to ensure that the objectives of internal control are achieved and its efficiency and effectiveness are improved, and to comply with the laws and regulations in force.

*THE AUDIT COMMITTEE RECOMMENDED TO THE BOARD OF DIRECTORS REGARDING THE SELECTION OF THE INTERNAL AUDITOR AND SUPERVISING THE COMPANY'S ACTIVITIES AND PERFORMANCE EVALUATION. THE RECOMMENDATION WAS MADE ON JULY 25, 2023.*

## **SOCIAL CONTRIBUTION:**

The company attaches importance to several issues including social contribution, environment, and governance. It will continue its role in environmental improvement efforts and developing its governance practices. Additionally, it will continue supporting and enhancing its governance structure to promote transparency and deliver higher value to its shareholders. The company will also persist in its social initiatives and innovations. Furthermore, it aims to achieve sustainable development by supporting various areas and encourages its employees to engage in volunteer work to achieve these goals. As part of its environmental responsibility, the company initiated a project in March 2023 in partnership with LG to plant over 500 trees under the "Yalla Akhdar" initiative, in coordination with governmental authorities.

Out of its commitment to supporting health, raising awareness, and promoting the importance of blood donation for both donors and recipients, the company organized a blood donation day at its headquarters, which was attended by many of its employees.

As part of its ongoing efforts to promote principles of social responsibility, the company organized an initiative to donate in coordination with a local charity association in Riyadh. Dedicated boxes were provided at its headquarters for collecting donations of in-kind supplies, and employees actively contributed by donating the items they wished to contribute.

In light of the company's contributions to supporting the community and in coordination with various associations across the kingdom, the company participated in an initiative to replace old air conditioners in the homes of deserving beneficiaries identified by these associations. Over fifteen hundred high-efficiency energy-saving air conditioners were provided as part of this initiative.

Furthermore, the company is committed to continuously contributing to community service, utilizing its expertise and resources through its training academies spread across the kingdom. These academies host engineers and technicians from various private and governmental sectors through free training sessions. Additionally, the company engages in hiring recent graduates from universities, institutes, and technical colleges in the kingdom to encourage them to work in the company's fields after graduation and to equip Saudi youth with technical and managerial skills.

## *1. IN ACCORDANCE WITH ARTICLE (87) OF THE CORPORATE GOVERNANCE LAW IN CLAUSE (39), THE COMPANY'S BOARD OF DIRECTORS AFFIRMS THE FOLLOWING:*

1. That the accounting records have been prepared correctly;
2. That the internal control system has been established on sound principles and effectively implemented; and
3. That there are no significant doubts about the entity's ability to continue its operations.

### **Additionally, the company affirms the following:**

- There are no competitive activities undertaken by the company or any of its subsidiaries engaged in by any member of the board of directors.
  - There have been no agreements in which any shareholders of the company have waived any profit rights.
  - No redemption, purchase, or cancellation of any redeemable debt instruments has been conducted by the company.
  - The company confirms that it does not hold any treasury shares during the fiscal year ended on 31/12/2023.
  - The board of directors did not recommend changing the auditor before the end of its appointed term.
  - There are no arrangements or agreements in which any members of the company's board of directors or senior executives have waived any remuneration/bonuses.
  - There are no conversion or subscription rights under convertible debt instruments, contractual financial instruments, subscription warrants, or similar rights issued or granted by the company during the year 2023.
  - There are no conflicting recommendations from the Audit Committee with the board of directors' decisions, or the board's rejection of these recommendations, regarding the appointment of the company's auditors, their dismissal, determination of their fees, evaluating their performance, or appointing the internal auditor.
4. There are no convertible debt instruments, contractual financial instruments, subscription warrants, or similar rights issued or granted by the company during the fiscal year.
  5. There are no voting rights held by individuals (other than members of the company's board of directors, senior executives, and their relatives) who have notified the company of such rights under Article 85 of the Securities Offering and Continuous Obligations Rules, and any changes in those rights during the last fiscal year.
  6. There are no Investments or reserves established for the benefit of a company's employees.

*INFORMATION ABOUT ANY RISKS FACING THE COMPANY (WHETHER OPERATIONAL, FINANCIAL, OR MARKET RISK) AND THE FUTURE EXPECTATIONS OF THE COMPANY'S BUSINESS:*

▪ **OPERATIONAL RISKS:**

Operational risks are those that arise from the company's normal business activities

▪ **CREDIT RISKS:**

Credit risks refer to the possibility of a party defaulting on its obligations, which leads to the other party suffering a financial loss. From this concept, the company does not have any inherent credit risks, as the company mainly deals with local market customers who are known for their credibility in dealing with the company having sufficient guarantees, which minimizes the risks associated with credit to the minimum. It also proves the receivables due from customers at the verifiable value. As well as setting a credit limit for each customer and monitoring unpaid accounts receivable and ensuring that they are followed up on a first-come, first-served basis.

▪ **MARKET RISKS:**

Market risks refer to the possibility of loss due to factors that negatively affect the general performance of markets, and also affect the exposure of the fair value or future cash flows of financial instruments to volatility due to changes in market prices.

▪ **LIQUIDITY RISKS:**

Liquidity risks are a type of risk that is associated with the availability of funds when needed. Specifically, it refers to the scarcity of liquidity at times when the company needs to meet its obligations. Liquidity risks can arise from the inability to sell a financial asset quickly or at a price close to its fair value.

As a result, liquidity risk management is important for the company and involves management processes through continuous monitoring to ensure that there is sufficient liquidity through cash flows and quick solutions such as credit facilities to meet any future obligations.

▪ **RISKS RELATED TO THE GENERAL DECLINE IN THE NUMBER OF CONSUMERS OR THE LEVEL OF CONSUMER SPENDING ON THE COMPANY'S BUSINESS:**

The company's revenues depend on the level of sales of goods and products to customers. As a result, the company's success is exposed to general risks associated with the wholesale and retail sectors. These sectors are subject to rapid and sometimes unexpected changes in consumer behavior, which affects customer requirements. This is affected by general economic conditions, including disposable income levels, tax levels and consumer spending, and changes in consumer behavior and demographics. Changes in consumer behavior, and failure to anticipate, identify or respond to these changes, can lead to a decline in demand for the company's products. In contrast, the success of new products introduced to the market depends on the company's ability to predict consumer desires and habits, and to offer products that appeal to them and suit their tastes.

▪ **RISKS RELATED TO CHANGES IN GOVERNMENT REGULATIONS AND POLICIES IN SAUDI ARABIA:**

The company is subject to a set of laws and regulations according to its business activity. A number of government agencies work to implement these regulations and laws in accordance with government policies and directives. The demand for the company's products may be affected, and the company's business in general may be negatively affected as a result of amendments that may be made to the regulations, laws, government policy and administrative directives, including specifically those applied to the retail and wholesale sector in the Kingdom of Saudi Arabia.

*ANNEX 2*  
**CONSOLIDATED  
FINANCIAL  
STATEMENT**

**Report on the audit of the consolidated financial statements**

**OUR OPINION**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Hassan Ghazi Ibrahim Shaker Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

**WHAT WE HAVE AUDITED**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

**OUR AUDIT APPROACH**

**Overview**

**Key Audit Matters**

- Impairment of trade and other receivables
- Valuation of investment in associates

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Impairment of trade and other receivables</b></p> <p>As at December 31, 2023, the Group's gross trade and other receivables balance was SR 356 million (2022: SR 305 million) with an associated provision for impairment loss of SR 41 million (2022: SR 66 million).</p> <p>The Group assesses at each reporting date whether the trade and other receivables (carried at amortised cost) are credit-impaired. The Group's management has applied a simplified expected credit loss ("ECL") model in accordance with International Financial Reporting Standard 9 ("IFRS 9"), to determine the allowance for impairment of trade and other receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade and other receivables collections experience.</p> <p>We considered this as a key audit matter as the management applies significant judgment in determining an appropriate impairment loss allowance for receivables including macro-economic factors and the calculation of the time value for money.</p> <p><a href="#">Refer to Note 2.2 (q) for the accounting policy and Note 6 for the related disclosures in the accompanying consolidated financial statements.</a></p>	<p>Our audit procedures related to impairment losses on trade and other receivables included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the design and implementation of key controls over the process of ECL calculation.</li> <li>• Obtained management's model for the impairment assessment and tested key assumptions, including those used to calculate the likelihood of default, by comparing to historical data and challenging these assumptions. We also considered the incorporation of forward looking macro-economic factors to reflect the impact of future events on expected credit losses. We also tested the arithmetical accuracy of the model.</li> <li>• On a sample basis, we tested the accuracy of the historical data and aging analysis of trade and other receivables used as inputs to the ECL model.</li> <li>• We involved our internal valuation expert to assist us in reviewing the modeling framework in computing provisions under IFRS 9 for trade and other receivables including reviewing the model methodology and the ECL computation on a sample basis.</li> <li>• Performed sensitivity analysis over the reasonably possible changes in the GDP with all other variables and challenged the management assumption with respect to the consideration of GDP being the key macro-economic factor, in order to assess the potential impact of a range of possible outcomes.</li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.</li> </ul>

**KEY AUDIT MATTERS (CONTINUED)**

Key audit matter	How our audit addressed the Key audit matter
<p><b>Valuation of investment in associates</b></p> <p>As at December 31, 2023, the carrying value of the Group's investment in its associates amounted to SR 467 million (2022: SR 466 million).</p> <p>The Group is exposed to the risk of impairment of its equity-accounted investee, dependent on the performance of the investee and the environment in which it operates. The Group's management considers whether there are indicators of impairment with respect to the investment in its associates and conducts its impairment test on an at least annual basis to assess the recoverability of the investment using the value-in-use model.</p> <p>Impairment assessment of this investment requires significant judgment with respect to future sales growth and profitability of the investee, cashflow projections and selection of appropriate discount rate. Further, there is a risk that the carrying value of the investment and any related impairment charge may be incorrect.</p> <p>We considered the valuation of the investment in the Group's associates as a key audit matter due to the significant judgment and assumptions involved in the impairment assessment process, and the significant amount it represents as a proportion of the Group's total assets.</p> <p>Refer to 2.2 (d) for the accounting policy and Note 7 for the related disclosures in the accompanying consolidated financial statements.</p>	<p>Our audit procedures related to the valuation of investment in associates included:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the design and implementation of key controls over the valuation of the Group's investment in associates.</li> <li>Utilized our internal valuations expert to assess the valuation approach and methodology and key assumptions used by management in their value-in-use calculation. Further, we have evaluated the appropriateness of the model used by management and assessed the reasonableness of significant management assumptions in respect of estimated future cash flows, sales growth, profitability of associate and discount rates, and we performed a sensitivity analysis on these key assumptions.</li> <li>Compared management's assumptions and applied our understanding of the future prospects of the business from internal and external sources and compared the forecasts to the historical past performance of the associate.</li> <li>Assessed the completeness and accuracy of the information used by the Group management as the basis of their assessment.</li> <li>Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.</li> </ul>

**OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report to the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company (continued)

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Khalid A. Mahdhar  
License Number 368

March 05, 2024

**AL HASSAN GHAZI IBRAHIM SHAKER COMPANY**

(A Saudi Joint Stock Company) Consolidated Statement of Financial Position

(All amounts in thousands of Saudi Riyals unless otherwise stated)

Non-current assets	Notes	December 31, 2023	December 31, 2022
Property and equipment	4.1	176,556	178,306
Right-of-use assets	4.2	17,552	24,071
Intangible assets	5	9,854	9,854
Investment in associates	7	466,959	466,174
Equity investment at fair value through other comprehensive income		750	-
<b>Total non-current assets</b>		<b>671,671</b>	<b>678,405</b>

Current assets	Notes	December 31, 2023	December 31, 2022
Inventories	8	373,978	414,349
Trade and other receivables	6	356,030	304,685
Prepayments and other debt balances	9	88,303	63,079
Cash and cash equivalents	10	18,843	72,711
<b>Total current assets</b>		<b>837,154</b>	<b>854,824</b>
Assets relating to disposal group classified as held for sale	32.2	-	82,736
<b>Total assets</b>		<b>1,508,825</b>	<b>1,615,965</b>

Equity and liabilities Equity	Notes	December 31, 2023	December 31, 2022
Share capital	11	482,334	482,334
Reserves	12	144,348	144,348
Retained earnings		91,047	27,521
Equity attributable to owners of the Company		717,729	654,203
Non-controlling interests	13	-	18,042
<b>Total equity</b>		<b>717,729</b>	<b>672,245</b>

Liabilities Non-current liabilities	Notes	December 31, 2023	December 31, 2022
Lease liabilities and borrowings	14	11,229	16,353
Employees' benefits obligation	15	24,430	20,808
<b>Total non-current Liabilities</b>		<b>35,659</b>	<b>37,161</b>

Current liabilities	Notes	December 31, 2023	December 31, 2022
Lease liabilities and borrowings	14	402,366	550,275
Trade and other payables	16	333,572	312,431
Zakat liabilities	17	6,542	10,574
Warranty provision	18	12,957	14,189
<b>Total current liabilities</b>		<b>755,437</b>	<b>887,469</b>
Liabilities relating to disposal group classified as held for sale	32.2	-	19,090
<b>Total liabilities</b>		<b>791,096</b>	<b>943,720</b>
<b>Total equity and liabilities</b>		<b>1,508,825</b>	<b>1,615,965</b>

The accompanying notes on the pages from 172 to 229 form an integral part of these consolidated financial statements.

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

Consolidated statement of Profit or Loss and Other Comprehensive Income (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	December 31, 2023	December 31, 2022
Revenues	20	1,236,237	1,037,226
Cost of sales	21	(918,474)	(799,583)
<b>Gross profit</b>		<b>317,763</b>	<b>237,643</b>
<b>General and administrative expenses</b>	<b>24</b>	<b>(95,571)</b>	<b>(80,610)</b>
Selling and distribution expenses	23	(133,792)	(108,063)
Impairment loss on trade and other receivables	6	(1,440)	(10,660)
Other income	22	2,191	4,047
<b>Income from operations</b>		<b>89,151</b>	<b>42,357</b>
<b>Finance costs</b>	<b>25</b>	<b>(51,483)</b>	<b>(22,194)</b>
Other expense – foreign exchange loss		(494)	(1,988)
Share of net profit from investment in associates	7	36,110	23,779
<b>Income before zakat</b>		<b>73,284</b>	<b>41,954</b>
<b>Zakat expense</b>	<b>17</b>	<b>(8,450)</b>	<b>(10,954)</b>
<b>Net income for the year from continuing operations</b>		<b>64,834</b>	<b>31,000</b>
<b>Discontinued operations</b>	<b>Notes</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Gain from discontinued operations	32	1,452	3,109
<b>Net income for the year</b>		<b>66,286</b>	<b>34,109</b>
<b>Other comprehensive income</b>	<b>Notes</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Items that will not be reclassified to profit or loss			
Re-measurement of the employees' benefits obligation	15	(1,901)	(1,576)
Other comprehensive loss for the year		(1,901)	(1,576)
Continuing operations		(1,901)	(1,564)
Discontinued operations		-	(12)
<b>Total comprehensive income for the year</b>		<b>64,385</b>	<b>32,533</b>
<b>Profit attributable to:</b>			
Owners of the Company		65,427	32,832
Non-controlling interests	13	859	1,277
		<b>66,286</b>	<b>34,109</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		63,526	31,268
Non-controlling interests		859	1,265
		<b>64,385</b>	<b>32,533</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share	26	1.36	0.68

The accompanying notes on the pages from 172 to 229 form an integral part of these consolidated financial statements.

### Statement of change in equity

	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2023	482,334	144,348	27,521	654,203	18,042	672,245
Net income for the year	-	-	65,427	65,427	859	66,286
Other comprehensive loss	-	-	(1,901)	(1,901)	-	(1,901)
Total comprehensive income for the year	-	-	63,526	63,526	859	64,385
Disposal of a subsidiary (note 32)	-	-	-	-	(18,901)	(18,901)
Balance at December 31, 2023	482,334	144,348	91,047	717,729	-	717,729
Balance at January 1, 2022	630,000	140,937	(148,002)	622,935	13,650	636,585
Net income for the year	-	-	32,832	32,832	1,277	34,109
Other comprehensive loss	-	-	(1,564)	(1,564)	(12)	(1,576)
Total comprehensive income for the year	-	-	31,268	31,268	1,265	32,533
Capital reduction (note 1)	(147,666)	-	147,666	-	-	-
Disposal of a subsidiary (note 32)	-	-	-	-	3,127	3,127
Transfer to Reserves	-	3,411	(3,411)	-	-	-
Balance at December 31, 2022	482,334	144,348	27,521	654,203	18,042	672,245

The accompanying notes on the pages from 172 to 229 form an integral part of these consolidated financial statements.

**AL HASSAN GHAZI IBRAHIM SHAKER COMPANY**  
(A Saudi Joint Stock Company)  
Consolidated Statement of Cash Flows  
(All amounts in thousands of Saudi Riyals unless otherwise stated)

Cash flows from operating activities	Notes	December 31, 2023	December 31, 2022
Income before zakat:			
Continuing operations		73,284	41,954
Discontinued operations		1,452	3,109

Adjustments for non-cash items	Notes	December 31, 2023	December 31, 2022
Depreciation of property and equipment	4.1	3,913	7,310
Depreciation of right-of-use assets	4.2	6,519	5,761
Amortisation of intangible assets	5	-	174
Impairment losses on inventories	8	4,473	7,594
Impairment losses on trade and other receivables	6	1,440	11,083
Share of profit from investment in associates	7	(36,110)	(23,779)
Gain from sale of property and equipment		(221)	(855)
Finance costs	25, 32	51,483	22,935
Gain on disposal of a subsidiary	32	(1,452)	-
Provision for employees' benefits obligation	15	3,246	2,745
		108,027	78,031

Changes in working capital:	Notes	December 31, 2023	December 31, 2022
Inventories		35,898	(86,565)
Trade and other receivables		(52,785)	28,056
Prepayments and other debt balances		(25,462)	(24,936)
Trade and other payables		21,141	(129)
Warranty provision		(1,232)	2,030
Cash generated from / (used in) operating activities		85,587	(3,513)
Finance cost paid	14	(50,764)	(22,379)
Zakat paid	17	(12,482)	(6,723)
Employees' benefits obligation paid	15	(1,525)	(2,320)
Net cash generated from / (used in) operating activities		20,816	(34,935)

Cash flows from investing activities	Notes	December 31, 2023	December 31, 2022
Additions of property and equipment	4.1	(2,203)	(1,689)
Proceeds from sale of property and equipment		261	1,007
Additions to investment in associates		(1,425)	-
Additions to equity investment at fair value through other comprehensive income		(750)	-
Proceed from sale of a subsidiary	32	27,534	-
Dividends received	7	36,750	-
Net cash generated from / (used in) investing activities		60,167	(682)

Cash flows from financing activities	Notes	December 31, 2023	December 31, 2022
Proceeds from bank borrowings	14	2,079,566	1,961,481
Repayment of bank borrowings	14	(2,226,645)	(1,891,492)
Payment of lease liabilities		(6,673)	(6,701)
Change in non-controlling interests		18,901	-
Net cash (used in) / generated from financing activities		(134,851)	63,288

Net (decrease) / increase in cash and cash equivalents		(53,868)	27,671
Cash and cash equivalents at the beginning of the year		72,711	53,020
Cash and cash equivalents of disposal group classified as held for sale	32.2	-	(7,980)
Cash and cash equivalents at the end of the year	10	18,843	72,711

Non cash transactions:	Notes	December 31, 2023	December 31, 2022
Trade receivables write off	6	26,196	(23,679)
Inventories impairment losses utilized during the year	8	(22,443)	(4,140)
Re-measurement of the employees' benefits obligation	15	1,901	(1,576)
Addition to right-of-use assets and lease liabilities	4.2	-	22,976
Capital decrease	1	-	(147,666)
Assets relating to disposal group classified as held for sale	32	-	82,736
Liabilities relating to disposal group classified as held for sale	32	-	(19,090)
Sale of a subsidiary (Energy Management Services Emirates LLC)	32	-	14,500

The accompanying notes on the pages from 172 to 229 form an integral part of these consolidated financial statements.

## AL HASSAN GHAZI IBRAHIM SHAKER COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

### 1 Status and nature of activities

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 Dhu al-Qadah 1418H (corresponding to March 25, 1998). The Company converted from a limited liability company to a closed joint stock company pursuant to the Ministerial Resolution No. 275 on 17 Shaban 1429H (corresponding to August 18, 2008).

The Parent Company offered 10.5 million shares to public, during the subscription period from April 26, 2010 (corresponding to 11 Jumada al-Awwal 1431H) to May 2, 2010 (corresponding to 17 Jumada al-Awwal 1431H). The Parent Company's shares started trading in the Saudi Stock Exchange on May 17, 2010 (corresponding to 3 Jumada al-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 March 29, 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.

The Company's shareholders approved during the Extraordinary General Assembly Meeting held on 14 Shawwal, 1443H (corresponding to May 15, 2022) the decrease in share capital of SR 147.666 million through absorbing accumulated losses with the same amount. The legal formalities for capital decrease were finalized on June 19, 2022.

On December 13, 2023, the Parent Company announced the board's recommendation to extraordinary General Assembly to increase the capital by 15% by granting bonus shares to the Company's shareholders by capitalizing SR 72.7 million from Reserves. The legal formalities for issuance of the bonus shares are still in process till the date of issuance of these consolidated financial statements.

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

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

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

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

Name	Principal field of activity	Country of incorporation	December 31, 2023	December 31, 2022
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited (IHSC)	Import, export and marketing services	Saudi Arabia	100%	100%
ASDAA Gulf Trading Company ("ASDAA")	Wholesale of electronic devices	Saudi Arabia	100%	100%
Shaker Innovative Investment Company	Financial and insurance activities	Saudi Arabia	100%	100%
Shaker Contracting Service	Constructions	Saudi Arabia	100%	0%
Shaker Resilience for logistic services	Transportation and Storage	Saudi Arabia	100%	0%
New Vision for Electronics and Electrical Appliances Company ("NVEEAC")	Import, export and maintenance of electrical and home appliances	Jordan	0%	60%

### 1 Status and nature of activities (continued)

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

Branch location Branches of HGISC – Parent Company	Commercial Registration	Commercial Registration Date
Buraidah	1131014566	July 20,1999 (7 Rabi' al-Thani 1420H)
Khamis Mushait	5855025991	April 13,2005 (4 Rabi' al-Awwal 1426H)
Khobar	2051029431	May 2,2004 (13 Rabi' al-Awwal 1425H)
Jeddah	4030102685	April 3,1994 (21 Shawwal 1414 H)
Riyadh	1010685573	February 5, 2022 (22 Jumada al-Thani 1442H)
Riyadh	1010411362	April 20,2014 (20 Jumada al-Thani 1435H)
Madina	4650035092	May 5,2004 (15 Rabi' al- Awwal 1425 H)
Mecca	4031213336	March 20,2018 (3 Rajab 1439H)

Branches of Ibrahim Shaker Company Limited – subsidiary	Commercial Registration	Commercial Registration Date
Jeddah	4030034475	May 10, 1982 (16 Rajab 1402H)
Khobar	2051010124	July 14, 1984 (15 Shawwal 1404H)
Buraidah	1131020925	June 14, 2005 (7 Jumada al-Awwal 1426H)
Khamis Mushait	5855027659	January 30, 2007 (11 Muharram 1428H)
Najran	5950028155	November 3, 2013 (29 Dhu al-Hijjah 1434H)
Riyadh	1010045129	June 7, 1982 (15 Sha'ban 1402 H)
Tabuk	3550039676	January 15, 2018 (27 Rabi al-Thani 1439H)
Jeddah	4030043910	June 3, 1984 (4 Ramadan 1404H)
Jeddah	4030298838	January 15, 2018 (27 Rabi al-Thani 1439H)
Jizan	5900112066	January 22, 2018 (5 Jumada al-Awwal 1439H)
Dammam	2050115449	January 30, 2018 (13 Jumada al-Awwal 1439H)
Jeddah	4030034931	June 9, 1982 (16 Shaban 1402H)
Hafer Albatain	2511026698	January 30, 2018 (13 Jumada al-Awwal 1439H)

Branches of Ibrahim Hussain Shaker Projects and Maintenance Company Limited – subsidiary	Commercial Registration	Commercial Registration Date
Jeddah	4030159728	February 6, 2006 (7 Muharram 1427H)
Riyadh	1010434932	June 15, 2015 (28 Sha'ban 1436H)

Branch of ASDAA Gulf Trading Company – subsidiary	Commercial Registration	Commercial Registration Date
Riyadh	1010243196	January 26,2008 (17 Muharram 1429H)

These consolidated financial statements were approved by the Board of Directors on February 27, 2024.

## 2 Basis of preparation and material accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all periods presented, unless otherwise stated.

### 2.1 Basis of preparation

#### a) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), hereafter referred to as "IFRS".

The amounts in the consolidated financial statements have been presented in Saudi Riyals (SR) with all values rounded to the nearest thousand except where stated otherwise.

#### b) Historic cost convention

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

#### c) Basis of consolidation

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non-Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the consolidated statement of profit or loss. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

#### d) Going concern

The Group had negative cash flows from operations for the year ended December 31, 2022. However, the financial performance of the Group has improved during the current year due to the increase in the sales volumes and other measures which has resulted in a profit and a retained earnings position. During the year ended December 31, 2023, the Group reported a total comprehensive income of SR 64.4 million (2022: total comprehensive income of SR 32.5 million) and, as of that date, reported retained earnings of SR 91 million. The Group continues to manage its trading activities, supply chain and collections of its receivables. Further, the Group's ability to meet its obligations as they become due, depends on its ability to manage the current downturn in economic activities and in subsequent periods enhancement of its results and cash flows, continued improvements in its working capital and the renewal or refinancing of loan facilities. As of December 31, 2023, the Company's unused credit facilities amounted to SR 1,259 million (2022: SR 421 million).

### 2.2 Material accounting policies

#### a) New Standards, Amendment to Standards and Interpretations

The Group has considered applying the following standards and amendments for the first time for their annual reporting period commencing on or after 1 January 2023:

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2.2 Material accounting policies (continued)

### b) New standards and interpretations not yet adopted

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2024, and earlier application is permitted; however, the Group has not early adopted them in preparing these financial statements.

- Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date specified by the IASB).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7: Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Financing Arrangements (issued on 25 May 2023).
- IFRS 14: Regulatory Deferred Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).

Unless otherwise stated above, it is not expected that the new standards and interpretations will have a significant impact on the Group's consolidated financial statements.

### c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method when the control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest (NCI), and any previous interest held, over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

### d) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or over those policies.

The Group's investments in its associates and is accounted for using the equity method.

Under the equity method, the investment in associates is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised, nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the statement of changes in equity (Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate).

The aggregate of the Group's share of profit or loss of an associate and is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognized the loss as 'Share of profit of an associate in the profit or loss.

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

## 2.2 Material accounting policies (continued)

### e) Current versus non-current classification

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

- Expected to be recognized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be recognized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current

### f) Fair value measurement

The Group measures certain financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, recognized the use of relevant observable inputs and recognized the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are recognized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

To measure the fair value of properties, the Group engages an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the asset being valued. Management reviews valuer's report and assesses appropriateness of assumptions and valuation techniques and the overall reasonableness of valuation. For the purpose of fair value disclosures, the Group has determined classes of assets based on the nature, characteristics and risks of the asset and the level of the fair value hierarchy, as explained above.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value for unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 2.2 Material accounting policies (continued)

### g) Revenue from contracts with customers

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognized.

#### Sale of goods

Revenue from the sale of goods is recognized when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

For volume rebates a refund liability is recognized for expected volume discount payable to customers in relation to sales made until the end of the reporting period.

The Group provides normal warranty provisions for general repairs for two, five and ten years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognized at the time the product is sold.

#### Rendering of services

Revenue from service is recognized when obligation is performed or services are rendered, by reference to the stage of completion. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Generally the Group recognizes revenue from services related to installation of products, repairs or maintenance service when control is transferred being over the time the service is provided. For service contracts covering a longer period revenue is recognized on a linear basis over the contract period.

#### Professional consultancy fees

The Group provides consultancy services for energy value analysis during the design phase of projects and developments. Revenue from consultancy services is recognized when the obligation is performed, or services have been rendered as per the terms and condition of the respective customer contracts.

Revenue is recognized overtime when the services have been rendered as per the terms and conditions of the respective customer contracts. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as contract assets.

## 2.2 Material accounting policies (continued)

### h) Contract balances

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

### i) Zakat and Taxation

#### Zakat and income tax

The Parent Company and domestic subsidiaries are subject to zakat in accordance with the regulations of Zakat and Tax and Customs Authority ("ZATCA"). Foreign subsidiaries are subject to the relevant income tax regulations in their countries of domicile. Group's zakat and its share in the foreign subsidiaries income tax are accrued and charged to the consolidated statement of profit or loss and other comprehensive income currently. Additional zakat and foreign income tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

#### Withholding tax

The Group withholds taxes on transactions with non-resident parties in accordance with applicable ZATCA regulations.

#### Taxation on foreign subsidiaries

Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ("current tax") is recognized as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the subsidiary operates.

### j) Foreign currency translation

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional currency and the Group's presentation currency. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the entity operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency. Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss and other comprehensive income. The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows: • assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; • income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are insignificant.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### k) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Parent Company's shareholders. Dividends for the year that are approved after the consolidated statement of financial position date are disclosed as an event after the consolidated statement of financial position date.

## 2.2 Material accounting policies (continued)

### 2.2 Material accounting policies (continued)

#### l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, i.e., when risks and rewards of ownership are transferred to the buyer, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in the consolidated statement of profit or loss. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

*Land is not depreciated. Depreciation is computed on a straight-line basis to their residual values over the estimated useful lives of property and equipment as follows and is recognized in the consolidated statement of profit or loss:*

	YEARS
Buildings	40
Motor vehicles	5
Furniture and office equipment	6.67
Tools and equipment	5
Leasehold improvements	The lease term or useful life whichever is shorter

The useful life, residual values and depreciation method are reviewed at each reporting date and adjusted if appropriate to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

#### m) Leases

The Group leases real estate represented in warehouses and buildings. The duration of such lease contracts is between one to 5 years and some of these contracts have the option to extend the lease period.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

#### n) Loans and borrowing costs

Loans are initially calculated at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fees are amortized over the period of the facilities to which they relate.

#### o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period, residual value and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

p) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its FA instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group de-recognizes financial liabilities when its contractual obligations are discharged, cancelled or expired.

The Group also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

q) Impairment of financial instruments

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equivalent to a credit loss over the lifetime of the debt, except for the following:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- default of the financial asset for 90 days or more from its maturity date.

Management considers 'low credit risk' for financial assets to be customers with good credit history and no historical default.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

## 2.2 Material accounting policies (continued)

### q) Impairment of financial instruments (continued)

12-month ECLs are the portion of ECLs that result from other events that are possible over 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is of impaired credit includes the following observable data:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract such as default or delinquency for a period of more than 90 days;
- It is becoming probable that the borrower will enter bankruptcy or other financial restructuring; or
- The disappearance of an active market for the security because of financial difficulties.

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

#### Write-off

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### r) Inventories

Inventories are presented at the lower of cost or net realizable value. The cost of inventories is based on the weighted average principle. In the case of manufactured inventory materials and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. A provision is made for obsolete and slow-moving items when needed.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 2.2 Material accounting policies (continued)

### s) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An assets recoverable amount is the higher of an assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

## 2.2 Material accounting policies (continued)

### t) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents includes cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

### u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a current pre-tax rate that reflects, when appropriate, current market assessments of time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold, or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually. The Group provides normal warranty provisions for general repairs for two, five and ten years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold. The Group does not provide any extended warranties or maintenance contracts to its customers.

### v) Employees end of service benefits

#### 1- Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

#### 2- Defined benefit plans

The Group operates a single employment benefit scheme of defined benefit plan driven by the Labour Law of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the estimated unit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labour Law of Saudi Arabia.

Employee benefits obligations are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### w) Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

### x) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

### y) Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of investment in associate and income taxes.

## 2.2 Material accounting policies (continued)

### z) Non-current assets (or disposal group) held for sale and discontinued operations

Non-current assets (or disposal group) are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, if any.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not more than any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the condensed consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operations is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

## 3 Significant accounting judgments, estimates and assumptions

### Use of estimates and judgements:

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### a) Provision for slow moving inventories

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.

#### b) Impairment of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. Refer to note 27 for the sensitivity analysis.

#### c) Impairment of non-financial assets

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.

### 3 Significant accounting judgments, estimates and assumptions

#### d) 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.

#### e) 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.

#### f) Employees' benefits

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. Refer to note 15 for the sensitivity analysis.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based on the basis that they do not represent high quality bonds.

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

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4.1 Property and equipment

The reconciliation of carrying amount is as follows:

Cost:	Lands	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
Balance at January 1, 2022	103,125	120,778	14,752	55,048	17,462	29,434	340,599
Additions	-	146	682	202	151	508	1,689
Disposals	-	-	(3,103)	(676)	(97)	(196)	(4,072)
Assets of disposal group – sale of EMS (note 32.1)	-	-	-	(402)	(374)	-	(776)
Assets relating to disposal group classified as held for sale (note 32.2)	(5,917)	(9,000)	(2,899)	(4,320)	(8,421)	(1,464)	(32,021)
Balance at December 31, 2022	97,208	111,924	9,432	49,852	8,721	28,282	305,419
Accumulated depreciation:	Lands	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
Balance at January 1 2022	-	37,865	14,000	47,802	15,180	28,407	143,254
Depreciation (note 24 & 32)	-	3,091	535	2,587	348	749	7,310
Disposals	-	-	(3,037)	(653)	(93)	(192)	(3,975)
Assets of disposal group – sale of EMS (note 32.1)	-	-	-	(378)	(343)	-	(721)
Assets relating to disposal group classified as held for sale (note 32.2)	-	(4,369)	(2,247)	(3,896)	(7,288)	(955)	(18,755)
Balance at December 31, 2022	-	36,587	9,251	45,462	7,804	28,009	127,113
Net carrying amount:	Lands	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
At December 31, 2022	97,208	75,337	181	4,390	917	273	178,306
Cost:	Lands	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
Balance at January 1, 2023	97,208	111,924	9,432	49,852	8,721	28,282	305,419
Additions	-	98	626	488	197	795	2,204
Disposals	-	-	(889)	-	-	-	(889)
Balance at December 31, 2023	97,208	112,022	9,169	50,340	8,918	29,077	306,734
Accumulated depreciation:	Lands	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
Balance at January 1, 2023	-	36,587	9,251	45,462	7,804	28,009	127,113
Depreciation (note 24)	-	2,719	174	436	99	485	3,913
Disposals	-	-	(848)	-	-	-	(848)
Balance at December 31, 2023	-	39,306	8,577	45,898	7,903	28,494	130,178
Net carrying amount:	Lands	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
At December 31, 2023	97,208	72,716	592	4,442	1,015	583	176,556

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**4.1 Property and equipment (continued)**

**(a) Guarantee**

*As of December 31, 2023 and December 31, 2022, the Group had no pledged assets related to bank loans guarantee.*

**(b) Key estimates: estimate of useful lives of properties and equipment**

Note 2.2 shows the estimated useful lives of property and equipment, which vary according to their nature and usage methods. The actual useful life may be shorter or longer. Management revises its estimates of these useful lives and adjusts them as appropriate.

**4.2 Leases**

The Group leases real estate represented by warehouses and buildings. The duration of such lease contracts is between 1 to 5 years and some of these contracts have the option to extend the lease period.

The following table shows the balance of the right-of-use leased assets and the related lease liabilities in the consolidated statement of financial position:

Cost - Right-of-use assets	December 31, 2023	December 31, 2022
Building	24,333	24,333
Warehouses	20,306	20,306
	44,639	44,639
Accumulated depreciation - Right-of-use assets	December 31, 2023	December 31, 2022
Building	8,961	4,113
Warehouses	18,126	16,455
	27,087	20,568
Net carrying amount	17,552	24,071
Lease liabilities – current	December 31, 2023	December 31, 2022
Building	4,321	4,536
Warehouses	919	1,534
	5,240	6,070
Lease liabilities – non-current	December 31, 2023	December 31, 2022
Building	11,087	15,420
Warehouses	142	933
	11,229	16,353

	Year ended December 31, 2023	Year ended December 31, 2022
Balance at the beginning of the year	22,423	7,007
Additions during the year	-	22,976
Interest during the year (note 25 and note 32.2)	719	556
Payments during the year	(6,673)	(6,701)
Liabilities relating to disposal group – Sale of New Vision Company (note 32.2)	-	(1,415)
Balance at end of the year	16,469	22,423

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**4.2 Leases (continued)**

The following table shows the movement during the year in the right-of-use assets:

Cost	Year ended December 31, 2023	Year ended December 31, 2022
Balance at beginning of year	44,993	28,952
Additions for the year	-	22,976
Disposals in the year	(5,454)	-
Assets relating to disposal group – Sale of New Vision Company (note 32.2)	-	(6,935)
	39,539	44,993
Accumulated depreciation	Year ended December 31, 2023	Year ended December 31, 2022
Balance, at beginning of year	20,922	20,473
Depreciation charge for the year	6,519	5,761
Disposals in the year	(5,454)	-
Assets relating to disposal group – Sale of New Vision Company (note 32.2)	-	(5,312)
	21,987	20,922
Net book value	17,552	24,071

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2023	2022
Depreciation charge of right-of-use assets	6,519	5,761
Interest expense (included in finance charges)	719	556
Expense relating to short-term leases	3,257	3,232
Total	10,495	9,549

Total cash outflow for the year ended December 31, 2023, amounted to SR 6,673 (SR 6,701 for the year ended December 31, 2022).

The following table shows the depreciation charge of the right-of-use leased assets in the consolidated statement of profit or loss and other comprehensive income:

Depreciation charge for the year	2023	2022
Building	4,847	4,054
Warehouses	1,671	1,707
	6,518	5,761

**Key estimates: estimate of incremental borrowing rate, lease term**

The application of IFRS 16 requires management to exercise certain judgments, such as determining the incremental borrowing rate, which is one of the main inputs to the calculation of the right to use assets, therefore, management contacted some of its banks to provide them with commission rates on loans with similar values for lease contracts subject to the requirements of this accounting standard and for periods of time approximate to these contracts as well. In the opinion of management, the interest rate quotations submitted by the banks take into account the credit rating of the Group and the risks of the sector in which the Group operates, and therefore no adjustment has been made to the rates of these bank commissions.

If the incremental borrowing rate changes by 1%, this will cause an increase (decrease) in the right -of- use assets by SR 420 and SR (420) respectively (2022: SR 400 and SR (400) respectively). With regard to the judgments related to determining the lease term, most of the lease contracts are fixed term. In the event that an extension option is available, management relies on historical experience and other factors, including facts and circumstances that create an economic incentive to exercise the extension option or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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**5 Intangible assets**

Goodwill (Notes 5.1 & 5.2)	31 December 2023	31 December 2022
	9,854	9,854
ASDAA Gulf Trading Company (ASDAA)	9,854	9,854

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

**5.1 reconciliation of the carrying amounts of intangible assets is as follows:**

Cost	Intangible assets	Goodwill	Total
As at January 1, 2022	5,574	9,854	15,428
Additions	-	-	-
Disposal of intangible assets	(3,829)	-	(3,829)
Assets relating to disposal group – Sale of New Vision Company (note 32.2)	(1,745)	-	(1,745)
	-	9,854	9,854
Additions	-	-	-
Disposal of intangible assets	-	-	-
As at December 31, 2023	-	9,854	9,854

Accumulated amortization:	Intangible assets	Goodwill	Total
As at January 1, 2022	3,418	-	3,418
Charge for the year	174	-	174
Disposal of intangible asset	(2,589)	-	(2,589)
Assets relating to disposal group – Sale of New Vision Company (note 32.2)	(1,003)	-	(1,003)
As at December 31, 2022	-	-	-
Charge for the year	-	-	-
Disposal of intangible asset	-	-	-
As at December 31, 2022	-	-	-

Net carrying amount:	Intangible assets	Goodwill	Total
As at December 31, 2023	-	9,854	9,854
As at December 31, 2022	-	9,854	9,854

**5.2 Goodwill - ASDAA Gulf Trading Company:**

The recoverable amount of this CGU is estimated using discounted cash flows.

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

	2023	2022
Discount rate	17.4%	12.0%
Terminal value growth rate	2.9%	3.0%
Budgeted EBITDA growth rate (average of next five years)	2.0%	5%

Particulars	December 31, 2023		December 31, 2022	
	CGU Recoverable amount "In Millions"	% Change	CGU Recoverable amount "In Millions"	% Change
+1% Discount rate	122	(4%)	52	(10%)
-1% Discount rate	133	5%	62	7%
+1% Terminal value growth rate	131	3%	61	5%
-1% Terminal value growth rate	124	(2%)	53	(9%)
+1% Budgeted EBITDA growth rate	128	1%	62	7%
-1% Budgeted EBITDA growth rate	126	(1%)	51	(12%)

The discount rate was a pre-tax measure estimated based on the historical industry average weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter.

None of the above changes would result in an impairment on the CGU level including the recorded goodwill.

The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.

*The estimated recoverable amount of the CGU exceeded its carrying value by SR 114 million (2022: SR 52 million).*

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**6 Trade and other receivables**

	31 December 2023	31 December 2022
Trade receivables	372,804	354,663
Less: Impairment losses on trade receivables	(35,361)	(60,117)
	337,443	294,546
<b>Other receivables:</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Advertisement claims from suppliers	18,587	10,139
Customs duties deposit	5,956	5,956
Impairment losses on other receivables	(5,956)	(5,956)
	356,030	304,685

Reconciliation of impairment losses on trade receivables is as follow:

Other receivables:	31 December 2023	31 December 2022
Balance at beginning of year	60,117	113,433
Charge for the year	1,440	10,660
Charge for the year- discontinued operations (note 32)	-	423
Write-offs during the year	(26,196)	(23,679)
Assets of disposal group – sale of EMS	-	(5,226)
Assets relating to disposal group – Sale of New Vision Company	-	(35,494)
Balance at end of year (Note 27)	35,361	60,117

**7 Investment in associates**

The details of the Group's investment in associate is as follows:

Name of Company	Principal activities	Country of incorporation	Effective interest at	
			December 31, 2023	December 31, 2022
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	49%	49%
Ajeek Maintenance Service Company Limited ("Ajeek")	Consumer electronics repair	Saudi Arabia	49%	-

*Investments in associates is as follows:*

	31 December 2023	31 December 2022
LG Shaker (Note 71)	465,534	466,174
Ajeek	1,425	-
	466,959	466,174

*Reconciliations for the investment in associates are as follows:*

	LG Shaker	Ajeek	Total
At January 1, 2023	466,174	-	466,174
Additions	-	1,425	1,425
Share of profit for the year	36,110	-	36,110
Dividends	(36,750)	-	(36,750)
At December 31, 2023	465,534	1,425	466,959

	LG Shaker	Ajeek	Total
At January 1, 2022	442,395	-	442,395
Share of profit for the year	23,779	-	23,779
At December 31, 2022	466,174	-	466,174

*During the year, dividends of SR 36.75 million was received by the Group on December 18, 2023 (2022: no dividends have been received from the associate during the year).*

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### 7.1 LG Shaker

LG Shaker is a mixed limited liability company registered in the Kingdom of Saudi Arabia under the commercial registration number 1010226606 Dated 4 Dhul Hijah 1427H (corresponding to December 25, 2006). The principal activity of the company is to manufacture various types of air conditioners.

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

Balance as at	31 December 2023	31 December 2022
Non-current assets	107,645	102,914
Current assets	369,636	346,820
Non-current liabilities	(11,582)	(9,879)
Current liabilities	(116,672)	(104,565)
Net assets (100%)	349,027	335,290
31 December 2023		
31 December 2022		
Group's share of net assets (49%)	153,550	154,190
Goodwill	311,984	311,984
Carrying amount of interest in associate	465,534	466,174
31 December 2023		
31 December 2022		
Revenue	612,029	541,757
Total comprehensive income (100%) (*)	88,738	57,292
Group share of the total comprehensive income (49%) (*)	36,110	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 unrealised profit on upstream transactions between the Group and its associate.

The recoverable amount of this equity-accounted investee is estimated using discounted cash flows. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation technique used.

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

	2023	2022
Discount rate	13.50%	12.00%
Terminal value growth rate	2.90%	3.00%
Budgeted EBITDA growth rate (average of next five years)	3.20%	14%

Particulars	December 31, 2023		December 31, 2022	
	CGU Recoverable amount "In Millions"	% Change	CGU Recoverable amount "In Millions"	% Change
+1% Discount rate	528	(8%)	596	(10%)
-1% Discount rate	636	10%	752	13%
+1% Terminal value growth rate	617	7%	728	9%
-1% Terminal value growth rate	543	(6%)	616	(8%)
+1% Budgeted EBITDA growth rate	584	1%	676	1%
-1% Budgeted EBITDA growth rate	569	(1%)	656	(1%)

The management of the Group has assessed in detail the carrying value of LG Shaker as at December 31, 2023. These were based on certain detailed assumptions and management plans. Management expects these plans to continue to support the carrying value of the investee, although this will be dependent on the success of the plans and the continued improvement in the wider economic conditions in Saudi Arabia. Management will continue to monitor the detailed assumptions against these plans in their future impairment reviews.

### 8 Inventories

	31 December 2023	31 December 2022
Finished goods	337,911	413,226
Spare parts	31,989	43,085
Goods in transit	34,964	6,894
	404,864	463,205
Impairment losses on inventories	(30,886)	(48,856)
	373,978	414,349

Reconciliation of the impairment losses on inventories is as follows:

	31 December 2023	31 December 2022
Balance at beginning of year	48,856	46,572
Charge for the year (note 21)	4,473	7,594
Utilized during the year	(22,443)	(4,140)
Assets relating to disposal group – Sale of New Vision Company	-	(1,170)
Balance at end of year	30,886	48,856

a) At December 31, 2023, the Group has outstanding bank guarantees of SR 87.2 million (December 31, 2022: SR 31.9 million) issued by local and foreign banks in respect of import of finished goods and other supplies. See note 33

b) At December 31, 2023, the Group has outstanding bank letter of credits of SR 81.7 million (December 31, 2022: SR 68.0 million) issued against import of finished goods and other supplies. See note 33

### 9 Prepayments and other debt balances

Advances	31 December 2023	31 December 2022
Advances to suppliers	33,621	27,018
Other advances	29,257	16,744
Advances to employees	3,876	3,782
Total advances	66,754	47,544
Prepaid expenses	14,336	15,535
Cash margin	5,547	-
Others	1,666	-
	88,303	63,079

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### 10 Cash and cash equivalent

	31 December 2023	31 December 2022
Cash in hand	790	961
Bank balances - current accounts	18,053	51,524
Bank balances - deposits (*)	-	20,226
<b>Total</b>	<b>18,843</b>	<b>72,711</b>

\* These bank balances which represents term deposits have maturities of 1 to 3 months, and interest rates ranging between 3% and 4.8%.

### 11 Share capital

	31 December 2023	31 December 2022
Authorized share capital (shares of SR 10 each)	482,334	482,334
Issued and fully paid-up capital (shares of SR 10 each)	482,334	482,334

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

### 12 Reserves

The Ordinary General Assembly may decide to form reserves to the extent that it is in the interest of the Company or ensures the distribution of fixed dividends, to the extent possible, to the shareholders.

### 13 Non-controlling interest

May 16, 2023	NVEEAC**
NCI percentage	40%
Non- current assets	15,840
Current assets	66,795
Non- current liabilities	-
Current liabilities	35,586
Net assets	47,049
Net assets attributable to NCI	18,901
Revenue	39,782
Total comprehensive income	2,147
Profit allocated to NCI	859
Cash flows used in operating activities	(805)
Cash flows used in investing activities	(1,320)
Cash flows used in financing activities	(135)
Net decrease in cash and cash equivalents	(2,260)

December 31, 2022	NVEEAC	EMS*	Intra group Adjustments	Total
NCI percentage	40%	-	-	
Non- current assets	27,924	-	-	27,924
Current assets	54,811	-	-	54,811
Non- current liabilities	542	-	-	542
Current liabilities	37,291	-	-	37,291
Net assets	44,902	-	-	44,902
Net assets attributable to NCI	18,042	-	-	18,042

December 31, 2022	NVEEAC	EMS*	Intra group Adjustments	Total
Revenue	89,335	1,087	-	90,422
Profit / (loss)	5,346	(3,310)	-	2,036
OCI	-	46	-	46
Total comprehensive income / (loss)	5,346	(3,264)	-	2,082
Profit / (loss) allocated to NCI	2,138	(861)	-	1,277
OCI allocated to NCI	-	12	-	12
Cash flows generated from / (used in) operating activities	8,694	(1,532)	-	7,162
Cash flows used in investing activities	(1,157)	-	-	(1,157)
Cash flows used in financing activities	(8,717)	-	-	(8,717)
Net decrease in cash and cash equivalents	(1,180)	(1,532)	-	(2,712)

\* EMS information is for the period from January 1, 2022 till November 2, 2022 (date of sale).

\*\* NVEEAC information is for the period from January 1, 2023, till May 16, 2023 (date of sale).

### 14 Loans 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 agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained.

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**14 Loans and borrowings (continued)**

Current:	31 December 2023	31 December 2022
Lease Liability (note 4.2)	5,240	6,070
Bank loans	397,126	544,205
	<b>402,366</b>	<b>550,275</b>
Non- current:	31 December 2023	31 December 2022
Lease Liability (note 4.2)	11,229	16,353
Bank loans	-	-
	<b>11,229</b>	<b>16,353</b>

**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. Promissory notes amounted to SR 1,825 million as at December 31, 2023 (December 31, 2022: SR 1,065 million).

As at December 31, 2023 and December 31, 2022, the Group had no pledged assets related to bank loans guarantee.

**Compliance with loan covenants**

Under the terms of the loan 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.

The following bank loans are outstanding as at:

				December 31, 2023		December 31, 2022	
Currency	Nominal interest rate	Year of maturity	Total facility amount	Carrying Amount	Total facility amount	Carrying amount	
Kingdom of Saudi Arabia	SR	SIBOR+ 1.25% - 2.5% per annum	2023	1,825,000	397,126	1,102,900	544,205
Jordan	USD	LIBOR + 3.8% per annum	2023	-	-	35,625	5,874
Liabilities related to assets (note 32)					-	(35,625)	(5,874)
					<b>397,126</b>		<b>544,205</b>

Reconciliation of bank loans are as follows:

	2023	2022
Balance as at 1 January	544,205	480,090
<b>Proceeds</b>		
Kingdom of Saudi Arabia	2,079,566	1,898,580
Jordan	-	62,901
	<b>2,079,566</b>	<b>1,961,481</b>
<b>REPAYMENTS</b>		
Kingdom of Saudi Arabia	(2,226,645)	(1,829,587)
Jordan	-	(61,905)
	<b>(2,226,645)</b>	<b>(1,891,492)</b>
Liabilities related to assets held for sale (note 32)	-	(5,874)
Balance as at 31 December	397,126	544,205

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

	Cash and cash equivalents	Loans	Lease Liabilities	Total
Balance as January 1, 2023	72,711	544,205	22,423	639,339
<b>Non-cash transactions</b>				
Finance expenses	-	45,542	719	46,261
Additions of lease liabilities	-	-	-	-
Net non-cash flow transaction	72,711	589,747	23,142	685,600
<b>Cash flow transaction</b>				
Proceeds from loans and borrowings	-	2,079,566	-	2,079,566
Payments of loans and borrowings	-	(2,226,645)	-	(2,226,645)
Payments of finance cost	-	(45,542)	-	(45,542)
Lease payments	-	-	(6,673)	(6,673)
Change in cash and cash equivalents	(53,868)	-	-	(53,868)
Net cash flow	(53,868)	(192,621)	(6,673)	(253,162)
Balance as December 31, 2023	18,843	397,126	16,469	432,438

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	Cash and cash equivalents	Loans	Lease Liabilities	Total
Balance as January 1, 2022	53,020	480,090	7,007	540,117
Non-cash transactions				
Finance expenses	-	22,379	556	22,935
Additions of lease liabilities	-	-	22,976	22,976
Liabilities relating to disposal group – Sale of New Vision Company (note 32.2)	-	(5,874)	(1,415)	(7,289)
Assets relating to disposal group – Sale of New Vision Company (note 32.2)	(7,980)	-	-	(7,980)
Net non-cash flow transaction	45,040	496,595	29,124	570,759
Cash flow transaction				
Proceeds from loans and borrowings	-	1,961,481	-	1,961,481
Payments of loans and borrowings	-	(1,891,492)	-	(1,891,492)
Payments of finance cost	-	(22,379)	-	(22,379)
Lease payments	-	-	(6,701)	(6,701)
Change in cash and cash equivalents	27,671	-	-	27,671
Net cash flow	27,671	47,610	(6,701)	68,580
Balance as December 31, 2022	72,711	544,205	22,423	639,339

**15 Employees' benefits obligation**

	31 December 2023	31 December 2022
Net defined benefit liability	24,430	20,808

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 complete over two but less than five years of service, to receive a payment equal to one-third of their last month half salary for each completed year of service. Similarly, the employees who complete up to five years to receive a payment equal to 50% of their last monthly salary for each completed year of service and over five but less than ten years of service, to receive a payment equal to two-thirds of their last monthly salary for each completed year of service. Further, the employees who complete over ten years of service, to receive a payment equal to their last monthly salary for each completed year of service.

Reconciliation in employees' benefits obligation is as follows:

	31 December 2023	31 December 2022
Balance at beginning of year	20,808	22,527
<b>Included in profit and loss</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Continued operations		
Current service cost	2,362	2,166
Interest cost	884	457
	3,246	2,623
<b>Discontinued operations</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Current service cost	-	75
Interest cost	-	47
	-	122
<b>Included in other comprehensive income</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Actuarial loss / (gain)	1,901	1,576
Benefit paid	(1,525)	(2,320)
Liabilities of disposal group – sale of EMS (note 32.1)	-	(3,720)
Balance at end of year	24,430	20,808
<b>Represented by:</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Net defined benefit liability for plans in:		
Kingdom of Saudi Arabia	24,430	20,808
	24,430	20,808

**Actuarial assumptions**

The following are the principal actuarial assumptions applied at December 31, 2023, and December 31, 2022:

	31 December 2023	31 December 2022
	KSA	KSA
Discount rate	4.75% p.a.	4.25% p.a.
Salary increase	2.00 % p. a.	2.00 % p. a.
Average years of past service	6.90 years	7.80 years

Particulars	December 31, 2023		December 31, 2022	
	PVDBO	% Change	PVDBO	% Change
EOSB liability	24,430		20,808	
+ 1% Discount rate	(1,163)	(4.76%)	(769)	(3.69%)
- 1% Discount rate	1,286	5.53%	837	4.18%
+ 1% Salary increase rate	1,309	5.09%	848	3.92%
-1% Salary increase rate	(1,204)	(4.68%)	(793)	(3.66%)
1 Year mortality age set back	(3)	(0.01%)	(1)	(0.01%)
1 Year mortality age set forward	3	0.01%	1	0.01%

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**15 Employees' benefits obligation (continued)**

Sensitivity analysis (continued)

PVDBO: Present value of defined benefit obligations

Employee benefit expenses	31 December 2023	31 December 2022
Salaries and benefits	91,848	77,761
Social security contributions	2,341	2,331
Expenses related to post - employment defined benefit plans	3,253	2,625
	97,442	82,717

The weighted average duration of the defined benefit obligation is 6.8 years (December 31, 2022: 5.75 years). The expected maturity analysis is as follows:

Particulars	Less than one year	1-2 years	2-5 years	Over 5 years	Total
December 31, 2023	5,268	3,125	7,761	16,401	32,555
December 31, 2022	5,874	3,223	6,996	8,677	24,770

**16 Trade and other payables**

	31 December 2023	31 December 2022
Trade payables due to related parties (note 28)	164,308	199,280
Trade payables - third party	34,134	35,520
Total trade payables	198,442	234,800

	31 December 2023	31 December 2022
Accrued expenses	16,461	7,881
Employee benefits	15,340	9,493
Contract liabilities-advance from customers	32,982	17,094
Accrued cost for vendors	5,131	6,154
Refund Liabilities	2,201	-
Other payables	63,015	37,009
Total other payables	135,130	77,631
Total trade and other payables	333,572	312,431

**17 Zakat liabilities**

a) Zakat provision

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

	31 December 2023	31 December 2022
Balance, beginning of the year	10,574	6,343
Current year expense	8,450	10,954
Payments during the year	(12,482)	(6,723)
Balance, end of the year	6,542	10,574

b) Status of assessments

**Zakat**

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 2015 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 liabilities of SR 274 thousands were paid during the year. The assessments related to 2019 and 2020 financial years have been finalized and the related liabilities of SR 6.8 million were paid during the year. The Group's management and its zakat advisor believe that the current level of zakat provision is sufficient and adequate.

**18 Warranty provision**

A provision is recognized for expected warranty claims on products sold for which the Group is liable to cover warranty. It is expected all these costs will be incurred within two to ten years after the reporting date. Assumptions used to calculate the provision for warranties are based on product sales, date of sale, warranty period, and estimated level of repairs and warranty costs. The estimate has been made based on historical warranty trend.

The movement in provisions is as follows:

	31 December 2023	31 December 2022
Balance, beginning of the year	14,189	12,159
Charge for the year	2,772	6,083
Utilized during the year	(4,004)	(4,053)
Balance, end of the year	12,957	14,189

Provisions are recognized when the Group has a present obligation as result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products. warranty is normally granted for 2 to 10 years after the sale. Warranty provision is recognized to cover the cost of repair of defective products.

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

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### 19 Operating segments

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

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

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

All other segments represent consultancy services for energy solutions and sale mobile phones.

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.

#### 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 year ended December 31, 2023 and 2022 and also the basis on which revenue is recognised:

	HVAC Solutions	Home Appliances	Total reportable segments	Others	Total
Revenues from external customers	799,676	436,487	1,236,163	74	1,236,237
Cost of sales	(568,957)	(349,517)	(918,474)	-	(918,474)
Gross profit	230,719	86,970	317,689	74	317,763
General and administrative expenses	(67,349)	(28,222)	(95,571)	-	(95,571)
Selling and distribution expenses	(90,052)	(43,609)	(133,661)	(131)	(133,792)
Impairment loss on trade and other receivables	(1,440)	-	(1,440)	-	(1,440)
Other income	2,180	11	2,191	-	2,191
Income from operations	74,058	15,150	89,208	(57)	89,151
Finance costs	(52,111)	628	(51,483)	-	(51,483)
Other expenses – Foreign exchange loss	(648)	154	(494)	-	(494)
Share of Profit from an associate	36,110	-	36,110	-	36,110
Segments profit before zakat and foreign income tax	57,409	15,932	73,341	(57)	73,284
Zakat and foreign income tax	(6,436)	(2,014)	(8,450)	-	(8,450)
Net income for the year from continuing operations	50,973	13,918	64,891	(57)	64,834
<b>Discontinued operations</b>					
Gain from discontinued operations	1,452	-	1,452	-	1,452
Net income for the year	52,425	13,918	66,343	(57)	66,286

For the year ended December 31, 2022	HVAC Solutions	Home Appliances	Total reportable segments	Others	Total
Revenues from external customers	677,072	360,154	1,037,226	-	1,037,226
Cost of sales	(515,769)	(283,814)	(799,583)	-	(799,583)
Gross profit	161,303	76,340	237,643	-	237,643
General and administrative expenses	(57,498)	(23,112)	(80,610)	-	(80,610)
Selling and distribution expenses	(74,031)	(34,032)	(108,063)	-	(108,063)
Impairment loss on trade and other receivables	(8,910)	(1,750)	(10,660)	-	(10,660)
Other income	3,958	89	4,047	-	4,047
Income from operations	24,822	17,535	42,357	-	42,357
Finance costs	(21,644)	(550)	(22,194)	-	(22,194)
Other expenses – Foreign exchange loss	(2,810)	822	(1,988)	-	(1,988)
Share of Profit from an associate	23,779	-	23,779	-	23,779
Segments profit before zakat and foreign income tax	24,147	17,807	41,954	-	41,954
Zakat and foreign income tax	(6,105)	(4,849)	(10,954)	-	(10,954)
Net income for the year from continuing operations	18,042	12,958	31,000	-	31,000
<b>Discontinued operations</b>					
Gain from discontinued operations	3,109	-	3,109	-	3,109
Net income for the year	21,151	12,958	34,109	-	34,109

2023	HVAC Solutions	Home Appliances	Total reportable segments	Others	Adjustments and eliminations	Total
Reportable segment assets	1,658,150	820,174	2,478,324	4,153	(973,652)	1,508,825
Additions to properties and equipment	2,165	39	2,204	-	-	2,204
<b>2022</b>						
Reportable segment assets	1,586,482	632,430	2,218,912	-	(602,947)	1,615,965
Additions to properties and equipment	1,542	147	1,689	-	-	1,689
<b>2023</b>						
Total segment liabilities	909,994	505,267	1,415,261	4,110	(628,275)	791,096
Share of Profit from an associate	23,779	-	23,779	-	-	23,779
<b>2022</b>						
Total segment liabilities	893,930	293,212	1,187,142	-	(243,422)	943,720
Net income for the year from continuing operations	18,042	12,958	31,000	-	-	31,000

Adjustments and eliminations represent intercompany transactions and consolidation elimination entries transactions, and the intercompany transactions are mainly related to financing transactions. The non-current assets are geographically located in KSA by 100 % as of December 31, 2023 and December 31, 2022.

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**20 Revenue**

The Group's revenue is derived from contracts with customers for sale of goods and rendering of services.

Revenues from sale of goods are satisfied at a point in time when the products are sold to and accepted by customers. Service revenues are recognized overtime.

For the year ended December 31, 2023	HVAC Solutions	Home appliances	All other segments	Total
Revenue From sales of goods				
Saudi Arabia	780,050	436,487	74	1,216,611
Revenue From rendering services				
Saudi Arabia	19,626	-	-	19,626
<b>Total</b>	<b>799,676</b>	<b>436,487</b>	<b>74</b>	<b>1,236,237</b>
For the year ended December 31, 2022				
Revenue From sales of goods				
Saudi Arabia	663,584	360,154	-	1,023,738
Revenue From rendering services				
Saudi Arabia	13,488	-	-	13,488
<b>Total</b>	<b>677,072</b>	<b>360,154</b>	<b>-</b>	<b>1,037,226</b>

**21 Cost of sales**

	31 December 2023	31 December 2022
Material cost	899,352	761,231
Installation cost	10,596	5,326
Impairment losses on inventories (note 8)	4,473	7,594
Others	4,053	25,432
	<b>918,474</b>	<b>799,583</b>

**22 Other income**

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

	31 December 2023	31 December 2022
Rental income	1,960	2,868
Gain on disposal of property and equipment	221	855
Others	10	324
	<b>2,191</b>	<b>4,047</b>

**23 Selling and distribution expenses**

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

	31 December 2023	31 December 2022
Employee costs	57,109	50,661
Sales commission	21,537	10,284
Dealer promotional incentives	17,831	15,402
Publicity and advertising	15,114	10,307
Depreciation of right-of-use assets	6,495	4,692
Transportation	5,418	4,892
Warranty expenses	2,772	4,300
Rent	2,066	1,505
Printing and stationery	911	1,122
Repairs and maintenance	547	555
Materials and installations	369	185
Utilities	120	411
Insurance	39	111
Others	3,464	3,636
	<b>133,792</b>	<b>108,063</b>

**24 General and Administrative expenses**

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

	31 December 2023	31 December 2022
Employee costs	40,332	32,055
Travel	13,916	8,120
Professional fees	10,482	10,494
Repairs and maintenance	7,267	4,912
External Labor	6,075	6,542
Depreciation (note 4.1)	5,013	5,902
Utilities	1,982	1,448
Insurance	1,968	1,768
Communication	1,504	2,024
Printing and stationery	1,305	735
Rent	1,191	1,727
Entertainment	141	116
Others	4,395	4,767
	<b>95,571</b>	<b>80,610</b>

Included within the Professional fees an audit and review fees amounted to 2023: SAR 1,260 thousand (2022: 1,200 thousand), and other services amounted to 2023: 140 thousand (2022: 175 thousand).

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### 25 Finance cost

Finance costs, net for the year ended 31 December comprise the following:

	31 December 2023	31 December 2022
Finance charges	45,542	15,622
Bank charges	5,222	6,118
Interest on lease liabilities (note 4.2)	719	454
	51,483	22,194

### 26 Basic and diluted earnings per share

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

Earnings attributable to owners of the Parent Company	31 December 2023	31 December 2022
From continuing operations	64,834	31,001
From discontinued operations	593	1,831
	65,427	32,832

	31 December 2023	31 December 2022
Weighted average number of ordinary shares outstanding	48,233	48,233

Basic and diluted earnings per share	31 December 2023	31 December 2022
From continuing operations attributable to the owners of the Parent Company	1.35	0.64
From discontinued operations attributable to the owners of the Parent Company	0.01	0.04
Total basic and diluted earnings per share attributable to the owners of the Parent Company	1.36	0.68

### 27 Financial instruments – fair values

This note provides information about the Group's financial instruments, including:

- An overview of all financial instruments held by the Group;
- Specific information about each type of financial instruments.

#### Financial assets

Financial assets are measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The decision to classify these financial assets into appropriate categories depends on:

- The business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

All financial assets owned by the Group are measured at amortized cost, with the fair values being not materially different from their carrying amounts due to their short-term nature.

#### Financial liabilities

The fair values of financial liabilities are not materially different from their carrying amounts, since the interest payable on those liabilities is either close to current market rates or the liabilities are of a short-term nature.

#### Financial instruments – risk management

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

- Credit risk;
- Market risk; and
- Liquidity risk.

#### Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Company's Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are provided to the Audit Committee.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Audit Committee.

#### Credit risk

The Group is exposed to credit risk as a result of the counterparty's failure to meet its contractual obligations when due, in respect of:

- Trade receivables
- Cash at banks

In monitoring customer credit risk, customers are grouped according to their credit characteristic and geographic location and existence of previous financial difficulties.

The Group is closely monitoring the economic environment in taking actions to limit its exposure to customers in countries experiencing particular economic volatility. Purchase limits are monitored, particularly for customers operating in Kingdom of Saudi Arabia, because the Group's experience is that the recent economic volatility has had a greater impact for customers than for customers in other countries.

Credit risk is the risk that the Group will incur a financial loss as a result of the failure of the customer or counterparty to a financial instrument to fulfil its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. Impairment losses on financial assets recognized in consolidated statement of profit or loss and other comprehensive income amounted to SR 1.4 million (2022: SR 11.1 million).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. management also considers the factors that may influence the credit risk of its customers base, including the default risk of the industry and the country in which customers operate. Further, details of concentration of revenue are included in note 19.

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For receivables, the Group has set a credit policy according to which each new customer is individually analysed according to the financial solvency before presenting the Group's standard payment and delivery terms and conditions, and it includes reviewing the financial statements, information about the business and in some cases bank references. Credit limits are set for each customer and are reviewed periodically. The Group limits its exposure to credit risk by providing credit terms that usually do not exceed three months on average.

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

As at December 31, 2023 and December 31, 2022 the exposure to credit risks for receivables was as follows:

Gross carrying amount	31 December 2023	31 December 2022
Trade receivables (note 6)	372,804	354,663
Cash and cash equivalents (Bank balances and deposits) (note 10)	18,053	71,750
<b>Total</b>	<b>390,857</b>	<b>426,413</b>

\* For trade receivables, the Group grouped the customers who can buy on credit by geographic region, the maximum exposure to the credit risk for total current and non-current trade receivables by geographic region are as follows:

	For the year ended 31 December	
	2023	2022
KSA	372,804	304,685
	<b>372,804</b>	<b>304,685</b>

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (including but not limited to audited financial statements, management accounts and cash flow projections) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of loss such as general economic and/or market conditions, client financial performance and profitability, cash flow or liquidity issues, payment delays and past due information and management experience.

These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions such as oil prices over the expected lives of the receivables. The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers that represent a large number of low value balances. The expected loss rates are based on the payment profiles of sales over a period of 36 months.

The following table provides information about the exposure to credit risk and ECLs for trade receivables based on geographical area as at December 31, 2023 and December 31, 2022:

December 31, 2023	Gross carrying amount	Weighted average loss	Loss allowance (%)
KSA	372,804	35,361	9.5%
	<b>372,804</b>	<b>35,361</b>	<b>9.5%</b>

December 31, 2022	Gross carrying amount	Weighted average loss	Loss allowance (%)
KSA	354,663	60,117	17.0%
	<b>354,663</b>	<b>60,117</b>	<b>17.0%</b>

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

2023	Gross carrying amount	Weighted average loss	Loss allowance (%)
1-90 days	219,766	9,433	4.3%
91-180 days	97,685	2,425	2.5%
181-270 days	27,711	942	3.4%
271-360 days	3,507	319	9.1%
More than 360 days	24,136	22,242	92.2%
	<b>372,804</b>	<b>35,361</b>	<b>9.5%</b>

2022	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	58,053	49,666	85.6%
	<b>354,663</b>	<b>60,117</b>	<b>17.0%</b>

Factors impacting ECL model:

- 1- Trade receivables collections;
- 2- Forward-looking information included in ECL model is the GDP which is correlated to the Group's trade receivables.

Sensitivity

The following table demonstrates the sensitivity of the impairment of trade receivables to reasonably possible changes in GDP with all other variables held constant:

	31 December 2023	31 December 2022
Increase by 100 basis points	74	106
Decrease by 100 basis points	(74)	(106)

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The Group has assessed other receivables as underperforming receivables and as the expected lifetime of related financial assets for less than 12 months the Group has applied the expected loss measurement over the life of the assets. The expected losses of other receivables as at December 31, 2023 are SR 5,956 (2022: SR 5,956).

### Financial instruments and cash deposits

The Group has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at December 31, 2023 is insignificant (December 31, 2022: insignificant). The cash balance as at December 31, 2023 is SR 18.8 million (December 31, 2022: SR 72.7 million).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low.

### Market risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, commission rates and goods prices, will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### Currency risks

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals. However, the Group has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Jordanian Dinar. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly. However management believe that the effect of currency translation is insignificant for these subsidiaries as exchange currencies are regularly fixed to Saudi Riyal.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group - primarily Saudi Arabian Riyal, but also US Dollar and Jordanian Dinar. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. Currency risk regarding purchase in Euro is immaterial.

### Profit rate risk

Profit rate risk is the exposure to risks associated with the effect of fluctuations in the prevailing profit rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha) and other banking facilities amounting to SR 397 million as at December 31, 2023 (2022: SR 544 million) carry fee of variable profit financing according to prevailing market rates. The Group's management monitors the fluctuations in commission rates on an ongoing basis.

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

Financial liabilities:	2023	2022
Variable rate instruments	397,126	544,205
	397,126	544,205

### Sensitivity Analysis

A reasonably possible change of 1% interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

	Profit or loss		Equity net of tax	
	Increase	Decrease	Increase	Decrease
31-December-2023				
Variable rate instruments	3,971	(3,971)	3,971	(3,971)
31-December-2022				
Variable rate instruments	5,442	(5,442)	5,442	(5,442)

### Price risk

The Group is not exposed to price risk as it does not have financial instruments sensitive to market prices.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments.

Management monitors rolling forecasts of the Group's liquidity reserve comprising the undrawn borrowing facilities amounting to SR 1,427.9 million (December 31, 2022: SR 520.8) (See note 14) and cash and cash equivalents amounting to SR 18.8 million as at December 31, 2023 (December 31, 2022: SR 72.7) (See note 10) on the basis of expected cash flows. This is generally carried out at a Group level. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The associate has outstanding credit facility guaranteed by the Company in proportion to its share. As of December 31, 2023 and 2022, no loans were drawn by the associate under the facility agreement.

The following are the contractual maturities of the financial liabilities at the end of the reporting period. Amounts are shown in total and not discounted:

Contractual maturities of financial liabilities as at December 31, 2023	Saudi Riyals				Total	Carrying amount
	Less than one year	1-2 years	2-5 years			
Trade payables due to related parties	164,308	-	-		164,308	164,308
Trade payables - third party	34,134	-	-		34,134	34,134
Loans	412,018	-	-		412,018	397,126
Lease liabilities	5,828	4,948	6,797		17,573	16,469
Total	616,288	4,948	6,797		628,033	612,037

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Contractual maturities of financial liabilities as at December 31, 2022	Saudi Riyals				Carrying amount
	Less than one year	1-2 years	2-5 years	Total	
Trade payables due to related parties	199,280	-	-	199,280	199,280
Trade payables - third party	35,520	-	-	35,520	35,520
Loans	574,136	-	-	574,136	544,205
Lease liabilities	8,068	9,555	5,617	23,240	22,423
<b>Total</b>	<b>817,004</b>	<b>9,555</b>	<b>5,617</b>	<b>832,176</b>	<b>801,428</b>

The following table summarize the assets and liabilities expected recovery/settlement period:

Assets	expected time frame for recovery /settlement	December 31, 2023	December 31, 2022
Prepayments and other debt balances	Less than 1 year	88,303	63,079
Trade and other receivables	Less than 1 year	372,804	304,685
Inventories	Less than 1 year	373,978	414,349

Liabilities	expected time frame for recovery /settlement	December 31, 2023	December 31, 2022
Non-current liabilities			
Lease liabilities	More than 1 year	11,229	16,353

Current liabilities	expected time frame for recovery /settlement	December 31, 2023	December 31, 2022
Loans	Less than 1 year	397,126	544,205
Trade and other payables	Less than 1 year	333,572	312,431
Lease liabilities	Less than 1 year	5,240	6,070

**28 Related party transactions**

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

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

NAME	Relationship	Nature of Transaction	Transactions		Closing Balance	
			December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
LG Shaker	Associate	Purchase of finished goods	671,272	532,284	162,968	189,231
LG Electronics	A 51% owner of LG Shaker Company (Note 7)	Purchase of finished goods	49,824	57,269	1,340	10,049
<b>Total trade and other payable (note 16)</b>					<b>164,308</b>	<b>199,280</b>
Key management personnel	Key management	Remuneration and meeting attendance fee	2,352	2,040	1,533	1,386
					<b>165,841</b>	<b>200,666</b>

b) Key management personal compensation:

	2023	2022
Short-term employee benefits	10,295	8,428
Post-employment benefits	677	339
	<b>10,972</b>	<b>8,767</b>

During the current year, the company engaged in a purchase transaction of SR 360 thousands to supply electric forklifts to the company from Abdullah Abunayyan Trading Company in which the Chairman of the Board of Directors, Abdulelah Abunayyan, and the Board Member, Azzam Al-Mudaihim, have an indirect interest.

During the current year, the company engaged in two maintenance contracts of SR 89.7 thousands with Masdar Building Materials Company in which the Board Member, Musab Sulaiman Al-Muhaidib, has an indirect interest.

**29 Capital management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business Management 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 December 31, 2023 was as follows:

	2023	2022
Total liabilities	791,096	943,720
Less: cash and cash equivalents	(18,843)	(72,711)
Adjusted net debt	772,253	871,009
Total equity	<b>717,729</b>	<b>672,245</b>
Equity	717,729	672,245
Adjusted net debt to equity ratio	108%	130%

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### 30 Dividends

No cash dividends have been declared nor paid during the year ended December 31, 2023 (2022: nil).

On December 13, 2023, the Parent Company announced the Board of Directors' recommendation to the Extraordinary General Assembly to increase the capital by 15% by granting bonus shares to the Company's shareholders by capitalizing SR 72.7 million from Reserves. The legal formalities for issuance of the bonus shares are still in process till the date of issuance of these consolidated financial statements.

### 31 Subsequent events

No material events occurred subsequent to the reporting date which could materially affect the consolidated financial statements and the related disclosures for the year ended December 31, 2023, except for the Capital Market Authority approval on the Board of Directors' recommendation to increase the company's capital disclosed in note 1 and note 30.

### 32 Disposal groups

#### 32.1 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 a 74% owned by the Group.

An analysis of the results in relation to the operations of disposal group during the year ended December 31, 2023, and 2022 is as follows:

#### 32.1.a Financial performance and cash flow information

	For the year ended 31 December	
	2023	2022
Revenue	-	1,087
Expenses	-	(4,397)
Loss before zakat and income tax	-	(3,310)
Income tax expense	-	-
Net loss from discontinued operations	-	(3,310)
Other comprehensive income from discontinued operations	-	46
Total comprehensive loss from discontinued operations	-	(3,264)

	For the year ended 31 December	
	2023	2022
Net cash used in operating activities	-	(1,532)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalent from the discontinued operations	-	(1,532)

#### 32.1.b Assets and liabilities of disposal group – Sale of EMS

The following assets and liabilities for sale in relation to the discontinued operations as at November 2, 2022 (date of sale):

Assets relating to disposal group	2022
Property and equipment	55
Trade and other receivables	16,059
Cash and cash equivalents	2,984
Total assets of disposal group	19,098
Liabilities relating to disposal group	2022
Employee benefits obligation	3,720
Trade and other payables	5,076
Total liabilities of disposal group	8,796
Net assets of disposal group	10,302

The net gain on disposal was as follows:

	2022
Consideration received	-
Consideration receivable	14,500
Total consideration	14,500
Net assets of disposal group (74% of net assets)	7,624
Intangible asset recorded by the Company (note 5)	1,240
Balances due from EMS Company	(22,291)
Net gain on disposal	1,073

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### 32.2 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 during the year ended December 31, 2023, and 2022 is as follows:

#### 32.2.a Financial performance and cash flow information

	For the period ended May 16, 2023	For the year ended Dec 31, 2022
Revenue	39,782	89,335
Expenses	(37,635)	(83,989)
Profit before zakat and income tax	2,147	5,346
Income tax expense	-	-
Net profit from discontinued operations	2,147	5,346
Other comprehensive income from discontinued operations	-	-
Total comprehensive income from discontinued operations	2,147	5,346

	For the period ended May 16, 2023	For the year ended Dec 31, 2022
Net cash generated from operating activities	(805)	8,694
Net cash (used in) / generated from investing activities	(1,320)	(1,157)
Net cash used in financing activities	(135)	(8,717)
Net decrease in cash and cash equivalent from the discontinued operations	(2,260)	(1,180)

#### 32.2.b Assets and liabilities of disposal group – Sale of New Vision Company

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

Assets relating to disposal group	May 16, 2023	Dec 31, 2022
Property and equipment	13,152	13,266
Right of use 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	May 16, 2023	Dec 31, 2022
Lease liabilities	9,827	1,415
Short term loans	1,903	5,874
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 statement of profit or loss and other comprehensive income shows the following amounts relating to discontinued operations:

	2023	2022
Depreciation charge of property and equipment (note 4.1)	-	1,408
Depreciation charge of right-of-use assets (note 4.2)	-	1,069
Interest on lease liabilities (note 4.2)	-	102
impairment losses on trade receivables (note 6)	-	423
Finance costs	-	741

The net gain from discontinued operations was as follows:

	2023	2022
Net loss from EMS	-	(3,310)
Net gain from new vision	2,147	5,346
Net gain from disposal of EMS	-	1,073
Net loss from disposal of New Vision	(695)	-
Total gain from discontinued operations	1,452	3,109

### 33 Contingencies and commitments

The Group has the following as at December 31, 2023.

- Outstanding bank guarantees of SR 87.2 million (December 31, 2022: SR 31.9 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.
- Outstanding bank letters of credit of SR 81.7 million (December 31, 2022: SR 68.0 million) issued against import of finished goods and other supplies.
- The Group has a contractual obligation with regard to purchase of lot of land amounting to SR 10.9 million as of December 31, 2022.