



Annual Report **2022**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al-Saud
May God support him



His Royal Highness Prince
Mohammad bin Salman bin Abdulaziz
May God protect him
The Crown Prince, Prime Minister

BUILDING ON SOLID FOUNDATIONS



Bawan has made significant investments in the industrial sector since its inception and has achieved impressive results in a short amount of time, by the grace of Allah. The company has also been committed to expanding its investment portfolio by implementing successful growth strategies.

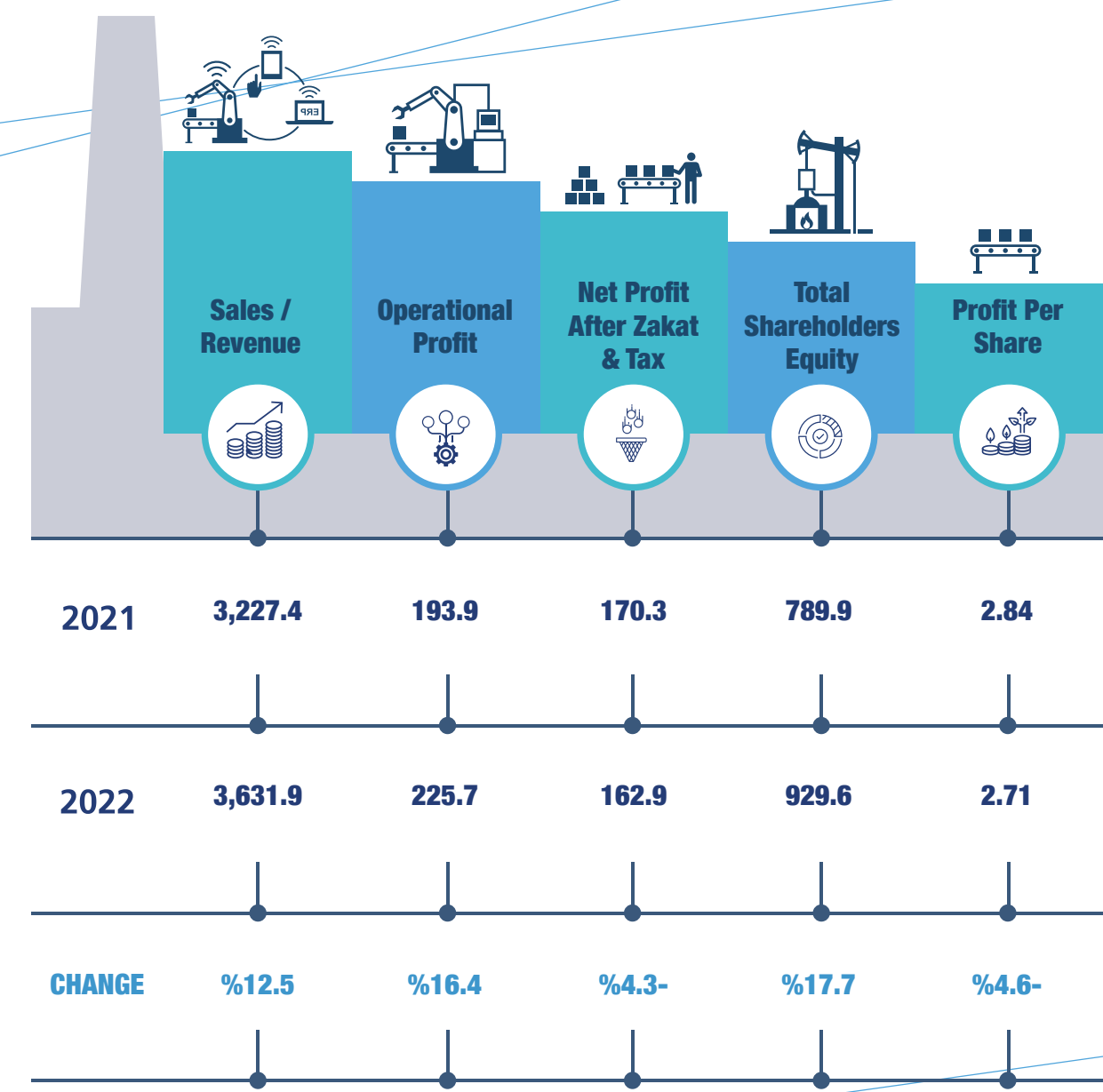
Bawan is led by a distinguished team of senior specialists who are highly skilled in various areas. They have invested their expertise and extensive experience in the industrial sector to offer a wide range of exceptional services and innovative products that comply with the highest global quality standards. These efforts aim to support infrastructure development projects and meet the needs of development projects across industrial, commercial, and residential sectors, both domestically and internationally.

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2022 KEY HIGHLIGHTS



- The figures are in thousands of Saudi riyals.

HISTORY, VISION & MISSION



COMPANY History

2022



1980



Referred to as the "Company" in this document, Bawan was originally established as a limited liability entity on 9 Shawwal 1400, corresponding to 20 August 1980, through the amalgamation of Abdullatif & Mohammad Alfozan Co and Abdulkader Al Muhaidib & Sons General Trading Co, operating in a diverse range of capital goods sectors. Headquartered in Riyadh, Kingdom of Saudi Arabia, Bawan was converted to a Saudi joint-stock company that was formed in accordance with Ministerial resolution 420/Q on 20th November 2011. Bawan operates under the Commercial Registration No. 1010033032 and is listed on the Saudi Stock Exchange (Tadawul) since 24th December 2013 with Ticker No 1302. As of 31st December 2021, Bawan's paid-up capital amounted to SAR 600 million, consisting of 60million fully paid and issued shares of SAR 10 each.

Vision

Bawan strives to become the leading group in the Kingdom of Saudi Arabia and the Middle East in the capital goods sector.

Mission

To enhance Bawan's customers loyalty by providing market-leading and innovative products and services, through its existing sectors and new sectors in the future.

CHAIRMAN'S STATEMENT



Mr. Abdullah bin Abdul Latif Al-Fawzan

Bawan Company's slogan of "building on solid foundations" is more than a mere slogan; it is a guiding principle that has helped the company overcome various obstacles and challenges. These challenges include the economic crises at local, regional, and global levels, particularly the supply chain disruptions caused by the COVID-19 pandemic.

The global crisis also affected Bawan. It faced challenges such as the increase in commodity prices due to the Russian-Ukrainian crisis, the closure of Black Sea ports, high shipping costs and insurance, delays in shipping containers, and rising energy costs. Despite these difficulties, Bawan successfully navigated through the crisis thanks to the efforts and decisions of the wise leadership of King Salman bin Abdulaziz and his Crown Prince.

Bawan's success has resulted in many achievements, including the Kingdom's long- and short-term sovereign credit rating of (A-/A-2) in local and foreign currency this year with a positive future outlook, according to Standard & Poor's.

Bawan maintains its commitment to the highest quality standards in all its services, taking into account the requirements of the green economy and the rules of governance. This has helped the company maintain the trust of its existing customers and attract new success partners. Moreover, Bawan continues to expand its horizon and maintain its leadership position in the Saudi market by adding new products, monitoring new investment opportunities, and selectively pursuing acquisitions, all while keeping pace with the needs of the local and regional market.

As a responsible corporate citizen, Bawan recognizes its national duty to contribute to the realization of the Kingdom's Vision 2030, which seeks to empower national capabilities and energies and raise economic growth rates. To this end, the company is focused on increasing the percentage of Emiratisation in its workforce and providing its long experience to train and prepare young and talented individuals for the workforce.

Finally, Bawan acknowledges that its success is the result of the contributions of many, including its valuable human capital, its customers, shareholders, and other stakeholders. The company extends its thanks to everyone who has helped build its solid edifice, including the national leadership that has created a fertile soil for creativity and innovation in the Kingdom.

| Chief Executive Officer



Mohammad Ahmed Al-Balawi

We take great pride in announcing the start of a new year, filled with enthusiasm and hope for a brighter future. Bawan Company has successfully completed many major projects and established solid foundations in various sectors, thanks to its administrative and field competencies and strict adherence to the highest quality standards. To continue its success, Bawan is committed to working with its strong strategy, built on forty years of accumulated experience. The strategy includes accurate plans for business governance and direction, with a focus on enhancing group performance and achieving objectives. Bawan has updated its policies, established performance standards and measurement tools, and activated feedback mechanisms to ensure quality work, identify strengths, and areas for improvement.

This report highlights Bawan's achievements during the year, including an increase in revenues of 12.5% and an increase in operating profit of 16.4%. These accomplishments were possible thanks to the company's continuous efforts to open new production lines, attract successful partners, and strengthen existing partnerships.

At Bawan, we believe that obstacles are meant to be overcome. Despite the challenges posed by sharp fluctuations in raw material prices, political tensions and conflicts affecting the shipping sector and supply chains, and the 4.5% increase in interest rates during the year 2022 due to the Corona pandemic, Bawan was able to maintain its leading position in the field of industrial investments in the Middle East. The company achieved production and operational targets, enhancing its competitiveness and investment base on a large scale.

Bawan owes its success to its qualified cadres. The company continues to invest in its human cadres by providing a dynamic and flexible work environment that offers all necessary means of comfort and promotes a lively job climate. This environment reflects the company's vision and direction towards opening horizons of creativity and innovation and unleashing all energies to motivate employees to provide high-quality work.

Bawan's ambition extends beyond its solid foundations on the ground to the sky. The company is committed to moving towards more success and pushing the wheel of development in harmony with the Kingdom's vision 2030. This is Bawan's national responsibility, and the company strives to maintain the confidence of its customers and shareholders, to whom it extends sincere thanks and gratitude.

BOARD OF DIRECTORS



Abdullah bin Abdul Latif Al Fozan

Committees Membership

- Nomination and Remuneration Committee

Current Positions

- Chairman of the Board of Bawan Co
- Chairman of the Board of Al Fozan Holding Co

Qualifications

- Bachelor's Degree in Accounting – King Saud University – 1989

Experience

- Over 25 years of experience in management, economics, investment and planning. Mr Al Fozan also carries out other duties, including serving as a Chairman and Board Member for several listed and unlisted joint stock companies.



Raed bin Ibrahim Al Mudaiheem

Committees Membership

- Nomination and Remuneration Committee member

Current Positions

- Vice Chairman of the Board of Bawan Co
- Vice Chairman of Masdar Building Materials

Qualifications

- Bachelor's Degree in Electrical Engineering – King Saud University – 1986
- Master's Degree in Electrical Engineering – King Saud University – 1992

Experience

- Extensive management experience, he also serves as a Board Member for several listed and unlisted joint stock companies. Mr Al Mudaiheem has a range of engineering and administrative experience in the private and public sector in the areas of water and energy. Additionally, he worked in the building materials trade industry, and also has extensive experience leading and managing numerous mergers, acquisitions and developing strategies, with an added emphasis on the implementation of policies and procedures.



Fozan bin Mohammed Al Fozan

Current Positions

- Managing Director of Bawan Co.
- Vice Chairman of Al Fozan Holding Co.
- Board Member of Bawan Co

Previous Positions General

- Manager of Al Fozan Building Materials Co – Central Region.

Qualifications

- Bachelor's Degree in Accounting – King Saud University - 1993

Experiences

- Broad management experience with numerous companies, who also serves as a Board Member for several listed and unlisted joint stock companies. He is highly experienced in the field of business administration and planning.



Raed bin Ahmad Al Mazrou

Current Positions

- Board Member of Bawan Co

Qualifications

- Bachelor's Degree in Chemistry – King Saud University – 1992

Experience

- Considerable experience in strategic planning, investment, finance, marketing, trade, industry, and business administration.



Khalid bin Abdul Rahman Al Gowaiz

Committees Membership

- Chairman of Nomination and Remuneration Committee

Current Positions

- Board Member of Bawan Co

Previous Positions

- Managing Director at ACWA Holding
- Chief Executive Officer at Astra Industrial Group
- General Manager of Corporate Banking Group in Central Region at Samba Group
- General Manager of Credit Group at Arab National Bank
- Director of the Financial and Administrative Affairs Sector at the National Co. for Cooperative Insurance
- Head of loan team at the Saudi Industrial Development Fund
- Chief Executive Officer of Bin Ladin Group Global Holding Co.

Qualifications

- Bachelor's Degree in Urban Planning - University of Washington – 1980

Experience

Extensive experience in banking, finance and industry, having held numerous senior and positions in a number of local banks and industrial companies.



Abdul Karim bin Ibrahim Al Nafea

Current Positions

- Board Member of Bawan Co

Previous Positions

- Managing Director of Saudi Ceramic Company
- General Manager of the Industrial Fund
- Chief Executive Officer at Saudi Ceramic Co
- Saudi Industrial Development Fund

Qualifications

- Bachelor's Degree in Accounting and Business Administration – Whitworth University – 1980

Experience

- Highly experienced in public and private industrial facilities, in which he held various supervisory and leadership positions. He also serves as a Board Member for a number of joint stock companies.



Abdullah bin Abdulrahman Al Rowais

Committees Membership

- Chairman of Audit Committee

Current Positions

- Board Member of Bawan Co
- Chairman of the Audit Committee at Bawan Co
- Chief Audit Executive of Internal Audit at Mobily Company

Previous Positions

- Audit Director and Assistant Auditor General at Saudi Aramco
- Director of Internal Audit at the Saudi Arabian Monetary Authority

Qualifications

- **Bachelor's Degree in Accounting – King Saud University – 1992**
- **Master's Degree in Computer Science and Information Systems – University of Detroit Mercy – 1997**

Experience

- Mr Al Rowais has a wealth of experience at senior management level, held with several companies. He also serves as a Board Member and Audit Committee member for a number of listed and unlisted joint stock companies.



Mohammad bin Abdulaziz Al-Ageel

Committees Membership

- Nomination and Remuneration Committee member

Current Positions

- Board Member of Bawan Co

Previous Positions

- COO of Al-Fozan Holding
- VP Investments of Alfozan Holding
- Saudi Industrial Dev. Fund- senior credit consultant

Qualifications

- Bachelor's Degree in science in System Engineering – King Fahd University of Petroleum and Minerals – 1992

Experience

- With Considerable senior management experience, significantly in the investment management and strategic planning fields. He has also served as a Chairman and Board Member for a number of companies.



Faisal Majid Al Muhaidib

Current Positions

- Board Member of Bawan Co
- CEO Masdar Building Materials

Previous Positions

- Al Muhaidib Group Portfolio Manager – Levant
- General Manager Masdar Technical Supplies & Masdar Hardware
- General Manager Masdar Technical Supplies

Qualifications

- Bachelor's Degree in Economic & Finance – Tennessee State University – 2001
- Master's Degree in Business Administration – INSEAD Business School – 2017

Experience

- Considerable experience in executive management positions for a number of companies. He also serves as Board Member for several companies. Mr Al Muhaidib also has extensive experience in the field of business administration and building and construction.

EXECUTIVE MANAGEMENT



Fozan bin Mohammed Al Fozan

Current Positions

- Managing Director of Bawan Co.
- Vice Chairman of Al Fozan Holding Co.
- Board Member of Bawan Co

Previous Positions General

- Manager of Al Fozan Building Materials Co – Central Region.

Qualifications

- Bachelor's Degree in Accounting – King Saud University - 1993

Experiences

- Broad management experience with numerous companies, who also serves as a Board Member for several listed and unlisted joint stock companies. He is highly experienced in the field of business administration and planning.



Mohammad Ahmed Al-Balawi

Current Positions

- Chief Executive Officer of Bawan Co.

Previous Positions

- Chief Financial Officer of Bawan Co.
- Group financial Controller at Exeed Industries.
- Senior Manager at Deloitte & Touche

Qualifications

- Bachelor's Degree in Accounting – Zarqa University – 2000.
- Postgraduate Diploma in Business Administration – Amman Arab University for Graduate Studies – 2005.
- Master's Degree in Business Administration – University of London – 2017.

Experiences

- Highly experienced management professional, with expertise in financial management, accounting, and auditing. He holds several professional certificates in accounting, whilst also serving as a member of the Audit Committee for numerous companies



Abdullah Abduaziz Al-Rabiah

Current Positions

- MD and CEO of Metal and Wood Sector

Previous Positions

- Accounts analyst, Saudi Dev. Fund, Riyadh.
- AMAREC budget Sr. Coordinator, Eastern Region.

Qualifications

- Bachelor Degree (Accounting), King Saud University, Riyadh.
- Post study Pro certificate, Citibank, NY.
- Pro seminars & Training courses.

Experiences

- Extensive executive and board management experience with numerous companies. He is highly experienced in the field of business administration, strategic and financial planning.



Ahmed Abdullatif Al-Barrak

Current Positions

- Chief Executive Officer of Concrete Sector.
- Chairman of filling & packing Materials MFG Co. "FIPCO"
- Board Member of Budget Saudia
- Board Member of Tourism Enterprises Co.
- Board Member of Directors of FPC Industrial company (Limited Co

Previous Positions

- Managing director & CEO- FIPCO.

Qualifications

- Bachelor's Degree in industrial engineering – KFUPM University 2002.
- Executive Master of Business Administration -KFUPM University 2021

Experiences

- Has a lot of experience in the field of engineering consultation and management, as well has occupied many positions in different companies.
- He is highly experienced in the field of business administration and planning.



Wael Ahmad Gad

Current Positions

- Chief Executive Officer of Electric Sector

Previous Positions

- Group Chief Executive Officer Philips Lighting Saudi.
- General Manager Microsoft MMDs Saudi & Yemen.
- EMEA Business Development Director Electrolux

Qualifications

- Bachelor's Degree in Electrical Engineering – Alexandria University – 1992.
- Postgraduate Diploma in Marketing – AUC
- MBA in Management – Central Michigan University – 2007.

Experiences

- Experienced Turnaround CEO with track record in Business Development, Change Management & Family Business Governance.
- Also, a Broad member in several companies,



Majed Mohammad Al-Solaim

Current Positions

- MD and CEO of Plastic Sector

Previous Positions

- Managing Director, Building Construction Co.
- Managing Director of RETAL Co.
- Vice President (Business Dev.) of Al Fozan Holding Co.
- CEO of Corrosion Prevention Industry Co.
- Deputy GM of Rashed Al Rashed Co.
- Sales Manager of Aluminium Products Co.

Qualifications

- Masters of Business Administration (MBA) – 2003.
- Bachelor's Degree in Business Administration – 1997.

Experiences

- CEO & Managing Director with over 15 years of experience in providing strategic, financial and operational leadership primarily in the Manufacturing arena.
- Develops and implement business plans that incorporate overall strategies to achieve organizational goals and sustainability.

BAWAN'S STRATEGY OVERVIEW



Bawan's strategy is based on rigorously defined and approved standards that incorporate fundamental values within the group and account for the swift expansion and development that characterizes the Saudi market. Recognizing the pivotal role of a robust strategy as the foundation and guidepost for future endeavors, Bawan leverages its four decades of experience to augment its market eminence, strengthen its local and regional market standing, and contribute to the effective and distinctive implementation of the pillars of Saudi Arabia's Vision 2030.

Bawan's strategy is predicated on precise plans for business governance and direction, encompassing policy updates, performance standard implementation, result measurement tools, and quality feedback mechanisms, which serve to identify areas for improvement in the group's operations. The overarching objective of Bawan's strategy is to achieve the following outcomes:

- 1** ■ Perpetual operations refinement through a cost optimization budget and increased efficiency.
- 2** ■ Robust client relationships that cultivate new partnerships and satisfy clients' needs while adhering to exacting quality standards.
- 3** ■ Product enhancement, with a focus on raising quality standards for existing offerings.
- 4** ■ Expansion of the product portfolio through the addition of contemporary items that cater to the demands of new target markets.
- 5** ■ Strategic investment in novel products that leverage Bawan's potential and add diversity to the product range.
- 6** ■ Ongoing exploration of investment opportunities in the market, including sectors that are dissimilar to those in which the company currently operates.
- 7** ■ Selective acquisition pursuit to augment the company's growth trajectory.

ECONOMIC REPORT



An overview of the market and the Kingdom's vision 2030 ▼

The Saudi Arabian economy has surpassed the World Bank's growth expectations through a combination of increased oil revenues and judicious financial policies. With one of the highest growth rates in the world, the Kingdom's economic progress has catalyzed remarkable advancements in the performance of Bawan Company, including revenue and operating profit increases. Aligned with the directives of His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince, Prime Minister, and Minister of Defense, to execute the National Transformation Program and achieve the objectives of the Kingdom's Vision 2030, Bawan is well-positioned to contribute significantly to the nation's efforts for economic and social advancement.

Macroeconomic Report ▼

According to data released by the General Authority for Statistics in the Kingdom of Saudi Arabia, the real GDP growth rate of the Saudi economy has demonstrated significant progress, reaching 5.4% in Q4 2022, compared to the same quarter in the previous year, To achieve growth during the year 2022 by about 8.7%. This growth has been attributed to a 6.1% increase in oil activities, a 6.2% rise in non-oil activities, and a 1.8% increase in government activities on an annual basis. This rate of growth exceeded the International Monetary Fund's expectations for the Kingdom's GDP, which amounted to 7.6%, and has positioned the Saudi economy as the fastest growing in the world, according to the World Bank. These achievements can be attributed to the wise leadership's vision and the structural reforms carried out as part of Vision 2030, despite the global challenges posed by the Ukrainian-Russian war, the ongoing pandemic, and China's government closures. Looking ahead, the World Bank forecasts a decline in the Kingdom's domestic product in 2023, with a projected growth rate of 2.6%, reflecting the global economic conditions, potential oil production cuts by major trade partners, and the impact of the Fed's monetary policy tightening.

Considering the recent increase in commodity prices due to the war in Ukraine, the Kingdom remains committed to its goal of diversifying its economy in accordance with Vision 2030 and the National Investment Strategy. Despite the increase in oil prices, which exceeded expectations in the medium term, the Kingdom's policies aimed at opening and diversifying the economy will help to avoid cyclical trends associated with previous oil-related recovery and recession cycles. The inflation rate in the Kingdom of Saudi Arabia for the year 2022 was 3.3%, exceeding the World Bank's expectation of 2.8%, mainly due to a 4.4% increase in food and beverage prices and a 3.3% increase in housing, water, electricity, gas, and other fuel prices. However, the inflation rate in the Kingdom is still relatively low compared to other countries in the G20, with China being the only country with a lower inflation rate. The World Bank expects the inflation rate in the Kingdom to decrease to 2.2% in 2023.

The building and construction industry has expanded its contribution to the Kingdom's economy to 4.18%, with a value of approximately 30.29 billion riyals, boosted by major projects aligned with the Kingdom's Vision 2030. This marks the sector's highest level since Q4 2016, following an annual growth rate of 4.4%.

In 2022, the interest rate was raised by Saudi Central Bank to a level of 5%, compared to 1% in 2021, aligning with the US Federal Reserve's decision.

maintain monetary and financial stability in the Kingdom. These policies aim to limit borrowing and reducing liquidity in the market, ultimately lowering the inflation rate, in accordance with global developments. Saudi banks are expected to benefit

from the anticipated interest rate hikes, with a 100 basis points increase projecting a 13% net profit and a 1.5-point increase in ROE, according to S&P Global. The banking sector's robust capitalization will be further strengthened by the expected slowdown in lending growth, preserving creditworthiness over the next 12-24 months, as per Standard & Poor's estimates.

Regarding the issue of unemployment, the World Bank projected that the total unemployment rate in the Kingdom would be 6% for 2022, owing to the remarkable growth rates of the Saudi economy. This indicates a decrease of 0.2% from the 2021 rate of 6%, affirming the effectiveness of policies aimed at investing in human resources in the country. Moreover, the unemployment rate among Saudi nationals has dropped by 1.4% in Q3 of 2022 to reach 9.9%, compared to 11.3% in the same quarter of the previous year, according to the labor force survey conducted by the General Authority for Statistics in Saudi Arabia.

Given the successive closures of China caused by the pandemic, as well as the global uncertainty, inflation, supply chain disruptions, high fertilizer and food prices, and elevated levels of food insecurity, the World Bank expects a significant slowdown in global economic growth and warns of the possibility of a global recession. Despite this, the Kingdom's economy is expected to continue performing strongly, with both the World Bank (3.7%) and the Kingdom's Ministry of Finance (3.1%) issuing growth projections. The recent change in the Kingdom's outlook by "Standard & Poor's" from stable to positive also reinforces this positive sentiment. The Kingdom's economy has been strengthened by structural reforms, diversification efforts, and non-oil sector contributions, as well as an increase in oil revenues due to rising prices. According to Fitch Ratings, the Kingdom is expected to achieve a budget surplus of 159 billion SAR and maintain significant financial reserves, including deposits in the central bank exceeding 10% of GDP.

The Bawan Group is committed to realizing its vision of becoming a prominent player in the capital industries sector in Saudi Arabia, as part of the Kingdom's 2030 vision. To this end, the Group maintains its support and collaboration with government and private entities in the Kingdom, thereby facilitating the development of the Kingdom's infrastructure and promoting sustainable development across its diverse business sectors. The Group places a strong emphasis on its strategy to deliver superior quality products that cater to both the domestic and major export markets.

RISK MANAGEMENT



Bawan acknowledges the existence of obstacles and endeavors to overcome them. The company has implemented strategic plans to anticipate potential risks, establish clear mechanisms for addressing them, and ensure the continuity of its diverse range of businesses and products in various markets, thus mitigating the impact of market fluctuations and challenges. Bawan remains committed to pursuing investment opportunities in the industrial and construction sectors to enhance its existing products, increase economic diversification, and reduce exposure to risk. As a company operating in a highly competitive environment and challenging economic climate, Bawan has prioritized efficient risk management throughout the year.

Business Risk ▼

Business risk refers to any factor that can hinder a company's ability to achieve its goals and reduce its profits or cause failure. To mitigate these risks, companies need to have a clear strategy in place that focuses on improving efficiency, reducing costs, and minimizing the impact of external factors such as fluctuating energy prices and volatile raw material costs.

To manage raw material costs, the company has implemented policies to ensure that all applications for raw materials are properly documented and only submitted with the necessary forms. This guarantees that the company can purchase the required materials efficiently and maintain a more conservative inventory. This, in turn, ensures the company's efficient operation while minimizing risks.

Currency Risk ▼

In the business world, currency risk refers to the possibility of a fluctuation in exchange rates, which could affect a company's profitability when dealing with foreign currencies. To manage this risk, it is recommended that a fixed exchange rate be agreed upon with suppliers before any importing takes place. Additionally, when exporting goods, the company should require customers to purchase products in US dollars to minimize the impact of exchange rate fluctuations. It is worth noting that the Saudi riyal is pegged to the US dollar, which further reinforces the importance of this approach.

Strategic Risks ▼

Strategic risks refer to risks arising from faulty decisions in managing a company's business. To mitigate these risks, the company has been diversifying its customer base by continuously adding new customers at local and international levels. The main aim of this diversification is to reduce the company's reliance on a few major customers and spread the revenue stream across a wider range of customers. The company also seeks to expand into new markets to further diversify its customer base and generate additional sources of income, thereby reducing the impact of market decline resulting from political, economic, and security turmoil to a minimum.

Inventory Risk ▼

Inventory risk refers to the potential for a company to face difficulties in selling its products or experiencing a decrease in the value of its inventory.

To mitigate the inventory risk, Bawan has implemented various measures to ensure the efficient management of its raw materials and products. The company has increased the number of major suppliers of raw materials through effective materials management and procurement, thereby reducing the possibility of production stoppages or slowdowns, over-reliance on a single source, or inefficient spending. To ensure the quality of the materials, new suppliers are pre-qualified using technical controls, and the company maintains high standards for timely delivery, competitive prices, and business continuity.

Bawan also aims to increase its revenue by identifying exactly what is required from raw material suppliers and reducing operating costs and production inputs. This approach has helped the company increase its production capabilities and expand into new markets while minimizing inventory risk.

Compliance Risks ▼

In the realm of compliance risks, companies are exposed to potential legal penalties, financial confiscation, and material losses when they fail to comply with relevant laws and regulations. To mitigate these risks, the company places a continued focus on increasing the percentage of Saudization across all subsidiaries, as recommended by Saudi authorities. Additionally, the company aims to provide a work environment and career paths that serve as strong incentives for retaining highly qualified Saudi employees.

Credit Risk ▼

Credit risk refers to the possibility of debt defaults occurring when the borrower fails to make the necessary payments. To ensure the best possible rates and minimize the mandatory repayment installments for the debt, the company engages multiple banking institutions in selecting various Islamic financing options and utilizes all available sources. This approach helps to reduce credit risk for the company.

Insurance Risks ▼

Insurance risk refers to the potential for an insurance company to suffer financial losses, material damage, or physical harm as a result of events covered by its insurance policies. The company acknowledges this risk and continually assesses and revises its insurance contracts to ensure they meet its specific needs and mitigate any potential risks to the company and its stakeholders. This proactive approach helps to safeguard the company's property and interests against unforeseen events.

Operational Risks ▼

Operational risk refers to the potential loss resulting from inadequate or failed internal processes, systems or personnel. To minimize these risks, the company places great emphasis on continuous training and development of its technical department through participation in international seminars and exhibitions to ensure the use of the latest and most efficient technologies, and to transfer knowledge.

The company has also established fully qualified maintenance departments staffed with highly skilled and specialized technicians, who store important spare parts for production lines to ensure minimum disruption in the event of a malfunction.

Additionally, the company has developed adjoining small businesses to meet additional capacity requirements as needed, all done according to company specifications.

To ensure continuity in production, the company produces, stores, sells, and develops its most popular main products as required, to fulfill its obligations in the event of any unexpected breakdown in its production lines. Scheduled and preventive maintenance is performed on a regular basis on the main production lines in compliance with the directives of the machinery manufacturers to minimize the risk of future failures and take early preventive action.

To avoid risks arising from delays in delivery to customers, the company uses its own fleet of delivery trucks and has entered into agreements with external logistics companies to ensure prompt delivery of goods if the company's vehicles are not available.

The impact of the Russian-Ukrainian war on supply chains ▼

Despite successfully navigating the challenges posed by the COVID-19 pandemic in the past years, Bawan faced new difficulties this year due to the Russian-Ukrainian war. These challenges included the disruption of global supply chains, trade and transport routes, shortages of certain commodities, increased prices, delays in delivery times, and concerns over lower demand for goods and services in construction and building projects.

However, through its flexibility, adaptability, and prior preparation, Bawan was able to efficiently manage and mitigate these risks by seeking alternative suppliers and transportation methods, as well as activating its crisis and risk management plans.

Moving forward, Bawan remains fully prepared to face any future risks that may arise from market challenges and is committed to achieving steady and continuous growth.

Risk Management Practices - Future Outlook ▼

To mitigate risks, the company will maintain its focus on key areas. The acquisition of the plastics segment in 2019 has expanded the customer base and product range, resulting in increased revenue and cash flow. The company plans to continue this positive trend by generating profitable income and expanding the production of various products. In addition, the company aims to enhance the efficiency of its production lines, decrease costs, and boost production capacity. The industrial and engineering services offered in the electrical industries sector have provided consultations, support, and diversification, which have resulted in the opening of new markets and increased revenues.

BUSINESS OVERVIEW

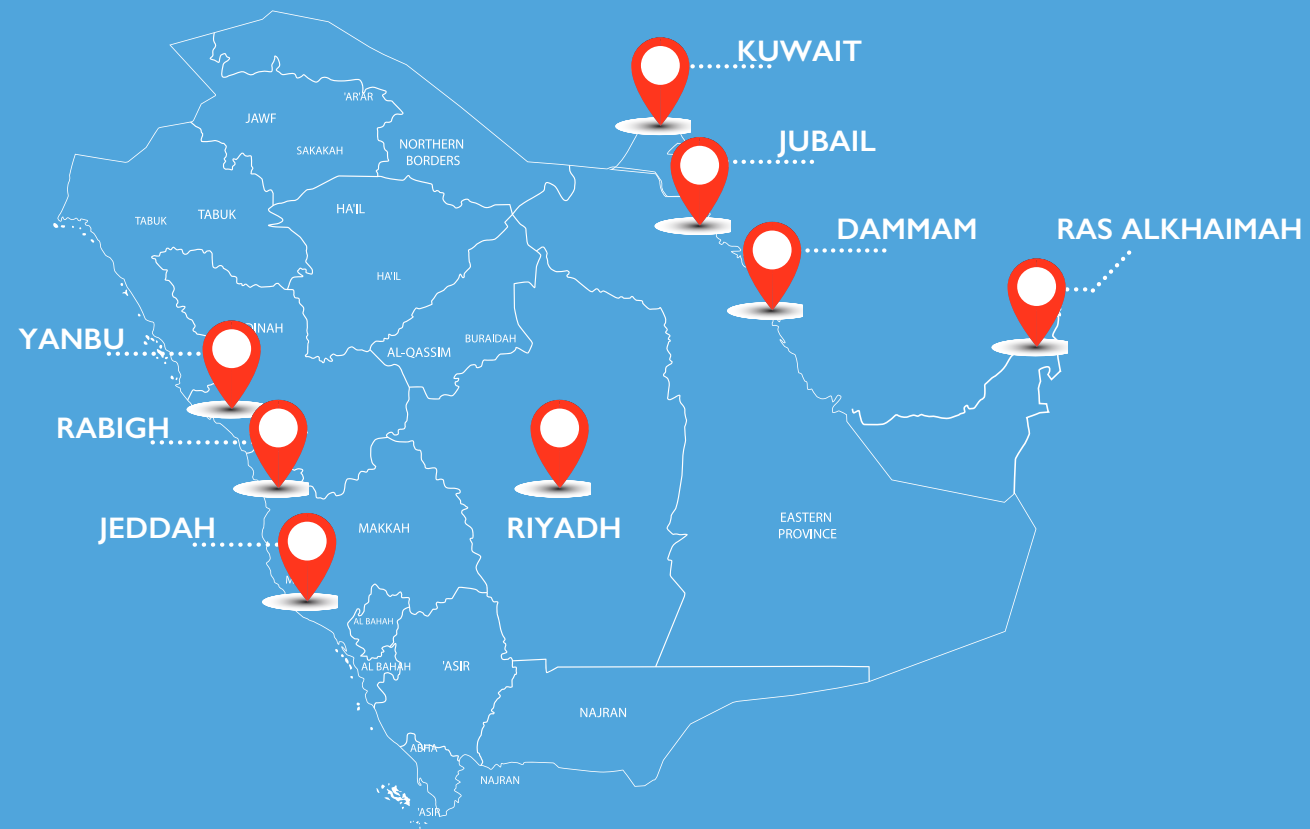


Despite the challenges posed by the global and local economic environment in 2022, including China's repeated closures and the Russian-Ukrainian conflict, Bawan and its subsidiaries achieved significant progress across various sectors by enhancing operational efficiency and striving towards the goals set in accordance with the company's strategy.

In 2022, Bawan increased its total revenues by 13% compared to 2021, expanded its customer base and penetrated new markets, while adding new products in the plastics sector, which is expected to positively impact the company's performance in 2023. Additionally, several training programs were implemented to enhance the efficiency of workers in various sectors.





Throughout 2022, Bawan continued to enhance the quality of work life for its employees by implementing policies and practices that promote professional development. Furthermore, the company participated in several projects aimed at supporting Saudi society, reflecting its commitment to playing a crucial role in supporting the community. As part of its environmental governance, Bawan continued to implement policies and practices to promote environmentally friendly manufacturing through various programs and quality management plans.

FACTORIES LOCATIONS ▾



Metal Industries

Bawan Metal Industries, wholly owned by the Bawan Group, is a key player and a significant contributor to the highly competitive metal industry in the Kingdom of Saudi Arabia and the Arabian Gulf region. The company operates from its headquarters in Riyadh and manages a total of five factories, with three located in Riyadh, one in Dammam, and another in Jeddah. These factories specialize in the production of various high-quality metal products through four different divisions:

-  Reinforcement section,
-  Department of Metal Works,
-  Section of Manufacturing Steel Doors,
-  Aluminum Production division.

Bawan Metal Industries Company places a high priority on quality management, implementing strict policies to ensure its products maintain a competitive advantage and achieve the largest market share both locally and internationally. The company has received several international quality management certifications, including ISO BSI, Exova Warrington Fire, and the UL certificate.

The company prides itself on having a team of qualified and distinguished human resources, fostering a performance-oriented management approach that encourages talent development. The company employs over 350 highly skilled and competent individuals, matching the advanced devices and technologies utilized in its factories.

Aligned with the Bawan Group's strategy for environmental governance and sustainable development, Bawan Metal Industries Company is committed to achieving the Kingdom's Vision 2030. The company motivates its employees to adopt sustainable practices and adheres to official company ethics policies, which includes reducing corruption, respecting data privacy, and complying with general laws.

Upon examining the revenue results of Bawan Company's metal industries sector, it is evident that the sales volume has experienced a notable increase. However, the value of sector profits has decreased for various reasons, including declining average selling prices and challenges arising from global events such as the Russian-Ukrainian war, China's repeated closures due to the COVID-19 pandemic, and disruptions in global supply chains. Nevertheless, the company remains committed




to increasing its market share in line with its strategies aimed at consolidating its leading position within the local and regional market.

Despite the aforementioned challenges, the year 2022 was generally favorable for Bawan Metal Industries Company. The company achieved significant progress by expanding its customer base and increasing its market share, particularly through the establishment of a new factory in Khamis Mushait in the south of the Kingdom. The new factory is expected to commence operations in 2023.










The Bawan Metal Industries Company is committed to achieving further successes across all its departments, in line with the goals outlined in Vision 2030 and its existing strategies for sustainable development and social responsibility. The company aims to become the largest producer of metal industries in the Middle East, while remaining vigilant of any possible business environment repercussions. This is especially pertinent considering the projected expectations for 2023, with international parties anticipating a slowdown in global economic growth and an increase in inflation rates. The company is well-prepared to face such challenges by studying and exploiting opportunities, as well as assessing potential risks posed by local and global variables.

Wood Industries

Bawan operates in the wood industries sector through several companies, including:

-  Bawan Wood Industries Company, which includes Al-Raya Trading Company and Inmaa Marketplace Company.
-  The United Company for Wood and Metal Products Ltd, which focuses on manufacturing wooden products for packaging, manufacturing, and construction industries.
-  United Lines Logistics Services.







These companies have factories located in Saudi Arabia, the United Arab Emirates, and Kuwait, and are considered one of the leading companies in the local and regional wood industries sector. Their products include:

-  Pressed doors with inner filling
-  Solid wood doors
-  Lockers
-  Accessories
-  Fire-rated doors
-  Complementary decorative wooden products
-  Wooden panels covered with a layer of melamine
-  Wooden packaging materials such as pallets, boxes, and cable reels.
-  Wooden panels covered with decorative layers.

Here is a possible rephrased text while keeping the points in the original text as bullet points:

Bawan's factories in the wood industries sector adhere to a strict quality management system. This is achieved through effective strategies, policies, and applications that result in a high competitive advantage, meeting the requirements of target markets, and gaining an increasing market share. The following companies are committed to attracting distinguished competencies and developing their human resources. The 850 qualified and highly skilled employees operate the factories equipped with advanced technologies and modern facilities, contributing to the growth of the wood industry sector of Bawan Company. As a result of their

commitment to quality, the aforementioned companies have obtained several distinguished certificates, including:

-  ISO Certificate (BSI)
-  Certificate of Excellence in Performance from SABIC
-  Award and shield of His Highness the Emir of the State of Kuwait for distinguished companies at the state level
-  BS Certificate (IFC)
-  American UL Certificates (UL)
-  Forest Stewardship Council (FSC)

In spite of the challenges that occurred during the year 2022, including the Russian-Ukrainian war and China's pandemic closures, the companies mentioned in the wood industries sector demonstrated progress. Bawan Wood Industries Company was able to increase its market share due to the sector's rise in revenue. The company aims to further strengthen its leadership position in the local and regional markets by expanding its customer base, focusing on innovation, enhancing marketing team efficiency, improving production processes, and optimizing supply chains.

However, the year 2023 is anticipated to pose challenges for the growth of economies and companies globally, prompting Bawan Wood Industries Company to proactively address these issues by studying and analyzing potential risks, and safeguarding the company's gains and competitive position.

Electrical Industries ▼

Bawan is a major player in the electrical industries sector, with two leading companies in the local market of the Kingdom of Saudi Arabia and the regional market in the Middle East. These companies are the United Company for Electrical Transformers and the United Company for Electrical Stations and Circuit Breakers Technology. Both companies have achieved high competitive positions in the electrical industries sector by implementing clear strategies, stimulating innovation, and demonstrating a clear vision and goals. They also prioritize manufacturing processes and comprehensive quality management.

Through the development of innovation-focused strategies to enhance human resources, Bawan's United Company for Electrical Transformers and United Company for Electrical Stations and Circuit Breakers Technology have been able to secure high competitive positions in the Kingdom of Saudi Arabia's local market, as well as the Middle Eastern regional market. The companies have achieved this by implementing policies aimed at encouraging innovation and attracting, developing, and retaining talent. They have provided the companies with a talented workforce that represents a competitive advantage that cannot be easily replicated in the electrical industries sector, thereby supporting Bawan Company's progress. Despite facing escalating risks and challenges in the external environment, Bawan's electrical manufacturing sector has achieved steady growth rates in its financial indicators.

The main products manufactured by Bawan's electrical manufacturing sector include the following:

- Medium voltage electrical products
- Low voltage electrical products
- Electrical stations
- Electrical automation systems
- Electrical security and safety systems
- Low current systems
- Electrical distribution transformers suspended on poles with a capacity of up to 500 kVA
- Electrical distribution transformers for distribution stations

- Flexible cooling means to withstand high temperatures
- Low voltage electrical distribution transformers
- Ground electrical distribution transformers with a capacity of up to 3150 kVA
- Products conforming to IEC and ANSI international standards, with high voltages up to 36 kV
- Multiple accessories to ensure a high level of fit and protection.

The Electrical Industries Department of Bawan Company has made significant strides in the year 2022. The affiliated companies have achieved a 36% increase in revenue over the previous year. Furthermore, the electrical business sector's contribution to the overall volume of Bawan Company's business has risen to 15% of total revenue.

Bawan Electrical Industries is committed to sustainable practices such as waste management, recycling, and energy conservation, in line with government and international standards. The company is continuously developing and implementing strategies to penetrate new markets.

Looking forward to 2023, the electrical industries sector is expected to continue its growth trajectory, driving an increase in revenue and net profits. The expansion of the customer base, the exploration of growth opportunities in targeted sectors, and the introduction of new products to the local and regional markets will contribute to this growth. The company will evaluate potential opportunities and risks to ensure optimal performance in the year 2023.

Plastic Industries ▼

Arnon Plastic Industries Co., Ltd. is a subsidiary of Bawan Company, headquartered in Dammam for management purposes. Its factories are situated across the eastern, central, and western regions of Saudi Arabia, with six modern and specialized facilities located in key cities equipped with state-of-the-art technologies and production means. The company's highly skilled workforce is dedicated to delivering customer-centric services.

The plastic industries sector of Arnon Plastic Industries Co., Ltd. offers the following products:

- Polyethylene foam (PE Foam): Rolls and sheets produced in Dammam, Riyadh, and Jeddah, catering to the needs of the industrial, construction, and building materials sectors.
- Polystyrene foam (PS Foam): Packaging materials produced in Dammam, Riyadh, and Jeddah, serving the restaurant, agriculture, bakery, supermarket, and poultry sectors.
- Polyethylene terephthalate (PET), Polypropylene (PP), High Impact Polystyrene (HIPS): Packaging solutions manufactured in Dammam and Riyadh, catering to the dairy industry, potable water packaging, and food packaging industries such as restaurants, agricultural establishments, bakeries, supermarkets, and poultry.
- High-Density Polyethylene (HDPE): Blow-molded containers produced in Riyadh, serving the dairy industry.
- Extruded Polystyrene (XPS) (Insulating Foam): Thermal insulation panels manufactured in Dammam, catering to the building sector.

As part of its commitment to improving its performance, Bawan places great emphasis on developing its employees and fostering innovation by formulating human resource strategies aligned with the overall company strategy. These strategies include providing continuous training programs to employees at all levels and implementing a performance evaluation policy that promotes the development and efficiency of the workforce.

In terms of quality policy, the company strives to exceed customer expectations by thoroughly understanding their needs, cultivating a culture of continuous improvement, and instilling values that support the concept of "quality is everyone's

responsibility." Bawan adheres to the ISO 9001:2008 requirements for quality management and has achieved significant progress, including obtaining several important certificates in quality management:

- ISO (LRQA) 2008:9001 Llyods
- SASO Achievement: SASO Quality Mark Certification for XPS Products as per Standard (ASTM57-2014 8)
- UL Achievement: Certificate for XPS thermal insulation products according to UL 723 standard for surface combustion of insulation boards.



The company's overall performance in 2022 was positive, with the plastic industries sector successfully managing the impact of volatile prices resulting from the Russian-Ukrainian conflict, and achieving increased revenues from the previous year. Additionally, the sector has shown resilience in recovering from the effects of a factory fire that occurred in 2021.

Looking ahead to 2023, the company anticipates a rise in sales volume and profit margin, owing to ongoing efforts to enhance products, introduce new items to expand the company's market share, implement initiatives to retain and grow the customer base, and refine operational processes.

Concrete Industries

The concrete industries sector within Bawan Company comprises two companies, namely "Bina Company for Ready-mixed Concrete Products (Bena Readymix)" and "Bina Company for Advanced Concrete Products (Bena Precast)," located in the Eastern Province of the Kingdom of Saudi Arabia. These two companies are among the largest and most significant concrete material manufacturers in the Kingdom.

The concrete industries sector produces the following products:

-  Prefabricated and prestressed concrete products used in the construction and building sectors, including prefabricated hollow core molds with a width of 1200mm and varying thicknesses ranging from 150mm to 500mm.
-  Ready-mixed concrete mixes that adhere to the highest international specifications based on the approved quality assurance policy, which meet the expectations of customers and offer the Saudi market with top-notch services and products that provide added value to the local construction industry.

The concrete industries sector in Bawan Company has achieved a strong competitive position in the Saudi market by implementing strategies that prioritize integrated development of the sector. These strategies include development programs for employees, encouraging innovation, and policies that enhance performance. In addition, the company is committed to continuous technological and equipment development to improve performance, expand the customer base, and meet increasing demand in the Saudi market, while ensuring the satisfaction of all stakeholders. The company places great emphasis on the quality of its products and seeks to constantly improve its laboratories to meet local and international standards in the concrete industries sector.

Bawan Concrete Industries Company has established a wide customer base and is a major player in the Kingdom's market. The company aims to further develop this base and increase its market share in line with its aspirations.

The concrete industries sector in Bawan Company achieved significant progress in 2022, with an annual increase of 53% in revenues compared to 2021. This growth led to a transformation of losses in 2021 into profits, with an increase of 191%, reflecting the company's increased sales and market share in Saudi Arabia.

In terms of sustainability, the company is committed to implementing environmentally friendly policies by adopting a "zero printing" system and providing

training programs to enhance employee efficiency and development. Additionally, the company is working towards increasing employment opportunities for citizens, particularly women, while implementing non-discrimination policies and community-building programs to promote transparency.

Looking ahead to 2023, Bawan Company aims to increase its market share in Saudi Arabia by reducing operational costs, improving operational efficiency, and developing quality systems to expand its customer base.

FUTURE PROSPECTS FOR THE COMPANY'S STRATEGY AND SECTORS



With the blessings and gratitude towards God, the (Bawan) group has achieved remarkable success across its diverse industrial sectors. Despite encountering challenges related to fluctuating prices of raw materials and supply chain bottlenecks in 2022, the group remained committed to its expansion strategy, growth, and acquisition of a larger market share in both local and foreign markets. As a result, the group has accomplished added value for its shareholders. The group's manufacturing sectors have witnessed substantial success, and the continuous development in the production operations highlights the group's commitment to enhancing all its assets, including production lines and human resources. The group remains steadfast in pursuing its ambition and vision while recognizing the importance of supporting the 2030 vision of our beloved Kingdom.



Metal and Wood Industries: Solid Successes ▼

Considering Bawan's adherence to its approved strategy and strict criteria, coupled with the efforts of its dedicated staff and divine blessings, the metal and wood industries sector has successfully achieved a leading market share in its specialized field. Looking towards the future, the sector aims to maintain this market position by monopolizing the largest possible market share for various products designed to meet customer needs, adhering to international quality standards, and expanding horizontally according to market needs and competitive landscape.

In terms of financial orientation, the sector aims to balance between rationalizing costs and raising efficiency, and maintaining a measured level of working capital, especially inventory and customer balances. Additionally, the sector aims to minimize borrowing from banks due to high financing costs and linkage of short-term loans to the Zakat base.

To maximize productivity and efficiency, save costs, and raise competitiveness, the metal and wood industries sector aims to maintain a surplus operating capacity range of 20-30% to meet emergency market needs and invest it when required. Moreover, the sector aims to increase its operational capacity by continuously monitoring productivity rates according to the nature of the products, whether automatic or semi-automatic, to maintain efficient and highly competitive operating costs.



Engineering: Ambitious as the Speed of Light ▼

In alignment with our strategic plans and a dedication to continuous improvement, the engineering industries sector has attained a notable market share of (20-30%) in the Saudi market. Looking ahead to the year 2023, the sector plans to focus on modernizing its manufacturing methods through automation and incorporating cutting-edge technologies, such as the Internet of Things, artificial intelligence, and big data analysis, into its processes. These measures aim to enhance manufacturing efficiency and reduce consumption.

In terms of investment, the sector plans to expand and modernize some of its production lines to keep pace with the growth of the engineering industries sector. The sector also plans to continue adding new products and automating the industry to drive both sales and profits.

The sector has allocated a significant percentage of its investment towards operational capacity, ranging between (89-94%).

To further elevate its competitiveness, the sector plans to modernize its production lines by implementing industrial automation to increase manufacturing capacity in the existing factories.



Plastics: Ambition stronger than challenges ▼

Despite the supply chain challenges caused by the ongoing Russian-Ukrainian conflict, the plastic industries sector has witnessed continuous growth, with a 2% increase in production capacity compared to 2021. This success can be attributed to the company's strategic approach of providing top-quality products that are integrated with effective marketing strategies.

In line with Bawan's ambitious goals, Arnon Plastic Industries plans to explore two new markets in 2023 and beyond, namely paper products and XLPE cables. These new markets are projected to increase revenues by SAR 21 million and SAR 5 million, respectively. Additionally, Arnon will introduce injection molding machines to boost sales volume. Overall, Arnon sales are expected to reach 36,000 tons in 2023, an increase of about 3,000 tons from 2022.



Concrete Industries: Building on Solid Foundations ▼

Bina Factory for Advanced Concrete Products achieved a 4% market share, while Bina Factory for Ready-made Concrete Products Company had a 6.5% market share. As Bawan is committed to contributing to the country's development, the concrete industries sector aims to increase its operational capacity to meet market demand through strategic plans and initiatives for 2023 and beyond, including studying the possibility of expanding into new areas in response to urban growth in the central, western, and eastern regions.

Regarding financial direction, the concrete industries sector aims to achieve growth in line with the sector's rapid development and work towards achieving financial stability.

To optimize profits and minimize costs, the sector has invested operational capacity in the advanced concrete plant up to 100% and 90% in the ready-mixed concrete plant. Both companies plan to increase production capacity by up to 40% in the advanced concrete plant and 35% in the ready-mixed concrete plant in the coming years. The sector also plans to enhance operational capacity by 8% by increasing operating shifts and expanding into new stations.

| SUSTAINABILITY



Our obligation to safeguard the diversity and vitality of the environment is crucial in upholding the entitlement of future generations to derive benefits from our natural resources over an extended duration. Furthermore, we draw inspiration from the ambitious 2030 vision of His Highness, Crown Prince Mohammed bin Salman, for the Kingdom of Saudi Arabia, which underpins our commitment to creating a sustainable future. In line with this vision, we prioritize the balanced pursuit of economic, social, and environmental objectives.

How can we implement this approach in Bawan? ▼

- ▮ **Firstly**, Bawan has implemented a sustainability roadmap that incorporates environmental, social, and corporate governance issues, including risk and opportunity assessment, into its decision-making process.
- ▮ **Secondly**, Bawan recognizes the significance of stakeholder engagement in establishing effective sustainability practices, and as a result, actively communicates with key stakeholders, including employees, shareholders, business partners, communities, government entities, investors, and suppliers.
- ▮ **Thirdly**, Bawan has established a materiality and sustainability strategy framework based on input from stakeholders, prioritizing the topics with the greatest impact and significance, and ensuring strategic alignment among decision-makers.

The evaluation of materiality in Bawan ▼

The evaluation of materiality in Bawan involves a thorough assessment of sustainability concerns based on their impact on our business and their significance to our stakeholders. This process enables us to prioritize sustainability topics and identify those that require strategic focus by decision-makers.

The outcomes of the materiality assessment ▼

Following a comprehensive review process, the materiality assessment has identified 18 environmental, social, and corporate governance issues that are most pertinent to Bawan. These issues are deemed to have a significant impact on the company, its stakeholders, or both, if not managed effectively.

To guide our sustainability efforts, the 18 priorities identified in the Bawan System of Materiality are grouped into four key axes, which collectively form the framework for action towards sustainability in Bawan.

Framework Towards Sustainability ▼

Bawan's framework towards sustainability encompasses the fundamental principles of our approach and highlights crucial areas of emphasis, such as social impact, innovation, safe product development, governance practices, and environmental stewardship.

- ▮ As an organization, we recognize our responsibility in promoting a sustainable future for all and strive to support broader commitments, frameworks, and agendas towards sustainability, such as the Saudi Vision 2030 and the United Nations Sustainable Development Goals. By adopting these frameworks internally and externally, we endeavor to contribute towards building a more sustainable future for all.

Our Sustainability Report was developed in accordance with the guidelines of the Saudi Stock Exchange "Tadawul" on environmental, social, and corporate governance, published in 2021, in line with our commitment to supporting the Kingdom's efforts towards sustainable development.

The first framework: governance practices ▼

Note:

This section offers a concise summary of the Company's corporate governance practices.

For a more comprehensive understanding, please refer to the "Corporate Governance" chapter in this annual report.

1 ■ Governance, Ethics and Compliance:

Bawan has implemented policies and procedures to ensure responsible business practices and maintain transparency. These include an ethics policy, conflict of interest policy, transparency and disclosure policy, related party dealings policy, and rewards policy. For further details, please refer to the "Corporate Governance" chapter of our annual report.

2 ■ Organized Risk Management:

Bawan has established controls and thresholds to identify and manage major risks that could impact our business continuity. Despite facing challenges such as the Covid-19 pandemic and the Russian-Ukrainian war, we have successfully navigated these risks with minimal losses by preparing for all possibilities and finding alternative methods.

3 ■ Data Privacy and Cyber Security:

Bawan prioritizes the protection of employees, contractors, joint venture employees, and customers against critical security threats. We consider this essential to our success and business continuity.

4 ■ Financial Performance:

Building on our positive results in 2021, Bawan aims to continue our growth by focusing on revenue increase and further success. More details about our financial performance can be found in the annual report.

The Second Framework: The Societal Impact ▼

Bawan's commitment to cultivating a culture of inclusivity and embracing a diverse workforce has proven to enhance our overall performance, steer us towards long-term success, and fuel our ability to innovate continuously. This approach enables us to attract, develop, and retain exceptional talent, which, in turn, empowers us to provide competitive quality and returns to our customers and stakeholders.

Our dedication to this approach aligns with our values of community engagement and our collective goal of creating a better future for all. As we face global and local challenges, we remain guided by Vision 2030's focus on enabling community contribution to business and human capital development.

1 ■ Attracting, retaining and developing talent:

■ Bawan recognizes the importance of attracting, retaining, and developing talent in order to maintain its competitive advantage. The company achieves this by valuing its employees, continuously listening to their concerns

and observations, and providing them with the best possible employee experiences, reward programs, benefits, and opportunities for learning, development, and growth.

■ Bawan also places great emphasis on talent retention rates by providing a distinguished work environment and fair rewards for employees, which helps to build confidence and reinforces the notion that Bawan is the best employer for them.

■ As Bawan considers its employees to be its most valuable asset, the company invests heavily in them by offering a wide range of training and development opportunities to help them develop their skills, talents, and leadership capabilities. The Human Resources department works closely with executive management and functional department managers to conduct training needs analyses that serve as a basis for employee training in the coming years. Bawan's training and development opportunities include internships, externships, and accredited training.

■ Bawan seeks to encourage homogeneity in the work environment while ensuring the highest levels of professionalism and participation among the members of its diverse team. The company fosters communication and an open-door policy to ensure that everyone's voice is heard. Bawan's work culture is a key factor in attracting and retaining talent, in addition to the competitive advantages that it offers.

■ Finally, Bawan is fully committed to the development and protection of human rights. The company recognizes its responsibility as a responsible corporate citizen to preserve the human rights of its employees, customers, and the communities in which it operates. Bawan clearly outlines its employees' rights in the employee guide.

2 ■ Localisation:

Bawan recognizes the importance of Saudi Arabia's Vision 2030 and the role of young Saudi minds in creating a strong economy for a brighter future. In alignment with His Highness Prince Mohammed bin Salman's directives, Bawan is committed to providing operational opportunities for Saudi citizens to contribute to the development of the country.

3 ■ Diversity and Inclusion:

Bawan believes that diversity of thought, background, and goals enhances productivity and helps us achieve the best outcomes. To achieve this, we promote inclusivity throughout our business, encouraging clear and respectful communication between employees and the local communities in which we operate.

4 ■ Employee Health and Well-being:

Ensuring the health, safety, and physical well-being of our employees, contractors, and joint venture employees is a crucial aspect of our business, particularly given the use of heavy machinery. Bawan's commitment to creating a safe work environment is what makes us a reliable global company and enables us to secure profitable growth over the long term.

5 ■ Customer Relations and Satisfaction:

Bawan is committed to continuously improving the customer experience, as evidenced by our professionalism and high levels of customer satisfaction. Our easy-to-use knowledge system helps customers understand their needs and enables our employees to serve them in the most efficient way possible.

6 ■ Corporate Social Responsibility:

As a responsible company, Bawan is dedicated to supporting the communities in which we operate, and we contribute to various programs that aim to benefit Saudi society. We believe that investing in our employees and society strengthens all of our subsidiaries, and we are committed to supporting Saudi Vision 2030 and the United Nations' Sustainable Development Goals.

7 ■ Supply Chain Management and Responsible Procurement:

Bawan is committed to providing opportunities for local suppliers and less fortunate businesses while respecting and upholding human rights standards. Discrimination, harassment, and human rights violations are not tolerated at any stage of our supply chains. We expect the same ethical standards from our suppliers, and we work to minimize our environmental impact while building trusted relationships and partnerships throughout our supply chain.

The Third Framework: Environmental Management ▼

Bawan is dedicated to contributing to the development of a sustainable environment in line with Saudi Vision 2030. In order to achieve this, we are focused on reducing the environmental impact of our operations and minimizing our carbon footprint. To ensure that we maintain the highest environmental standards, several aspects of our work adhere to ISO 14001 standards. By prioritizing these efforts, we are working towards creating a better future for the planet.

Bawan's priorities in the context of environmental management:**1 ■ Energy Management and Greenhouse Gas Emissions:**

Bawan is dedicated to reducing the environmental impact of its operations and upholding its commitment to Saudi Vision 2030. To achieve this goal, Bawan plans to implement energy-efficient solutions, reduce emissions, and work collaboratively to increase its impact in this field. To illustrate, Bawan supports energy efficiency standards, establishes alternative energy substations, adopts LED lighting systems, and implements modern manufacturing mechanisms that reduce energy consumption and emissions.

2 ■ Air Quality:

Bawan is committed to investing in less polluting ways to minimize the impact of its operations on air quality. Bawan is exploring new ways of working, such as using less impactful vehicles to make the urbanization process more sustainable. This is important because it directly affects the communities in which Bawan operates and many around the world. By 2023, Bawan aims to measure air quality emissions and make them available to the public.

3 ■ Water and Waste Management:

Bawan recognizes the importance of water conservation and is looking for ways to reduce its water impact through energy-saving technologies, effective measures, and raising awareness about water-saving. Despite the growth of activity in previous years, Bawan has maintained the level of water consumption at the same level since 2019. Bawan is equally concerned about the impact of waste on the environment in terms of pollution and overuse of resources. Therefore, Bawan is committed to

implementing better waste management mechanisms and continually seeking ways to recycle and use waste. Bawan also hopes to transfer its waste reduction operations to its customers by using renewable materials in its products to reduce their environmental impact.

4 ■ Biodiversity:

Bawan recognizes the need for global action on biodiversity and climate change and is committed to improving the preservation of the environment and reducing the negative impact on it.

The fourth framework: Innovative and safe products ▼

Innovation has been a key driver of human progress, enabling us to find new solutions to old problems. At Bawan, we are constantly seeking to innovate by identifying and addressing existing challenges with creative and forward-thinking solutions. Since our inception, we have prioritized the development of innovative solutions to meet the changing needs of our customers and maintain our competitiveness in the marketplace.

To achieve this, we have implemented a strategic approach that emphasizes investments in the future, globalization, and diversity. Our focus on producing high-quality and safe products that meet the diverse and evolving needs of our customers has allowed us to create a portfolio of competitive products and services.

▮ Bawan priorities for innovative and safe products

1 ■ Quality and Safety Policies:

Bawan's affiliates have established policies for quality assurance, product safety, and regulatory compliance to prioritize high quality and customer satisfaction. We strive to comply with these policies comprehensively to ensure the quality and safety of our products.

2 ■ Research, Development, Technology, and Innovation:

At Bawan, we prioritize innovation-centered product development in all industries by establishing clear communication channels between high-level research and

development departments. This helps us respond rapidly to changing business conditions and market demands. Our approach also prioritizes economic performance and sustainability, allowing us to embody excellence in quality and quantity in our products while anticipating future societal transformations.

3 ■ Environmentally Conscious Product Design and Lifecycle Management:

Bawan recognizes that environmentally conscious product design is crucial in making efficient use of our resources. We take into account the full lifecycle of our products, from design and development to collection and recycling. Our products are designed to be easy to maintain, disassemble, and sort for constituent materials, and we prioritize information disclosure. These guidelines help us extend the life of our products while minimizing their environmental impact.

| GOVERNANCE



During the year 2022 ▼

The company effectively executed its strategy in 2022, which included adapting to the current market conditions, enhancing operational efficiency, expanding production, and increasing revenues. Despite facing challenges related to the Russian-Ukrainian war and global inflation, the company effectively managed the risks and achieved revenues of 3,631.88 million Saudi riyals in 2022, representing a 12.5% increase compared to 3,227.41 million Saudi riyals in 2021. However, the decline in profit attributable to the company's shareholders, from 170,342 million Saudi riyals in 2021 to 162,850 million Saudi riyals in 2022, affected the earnings per share, which decreased from 2.84 Saudi riyals per share in 2021 to 2.71 Saudi riyals per share in 2022.

The following table presents a condensed overview of the consolidated statement of financial position over the past five years, denominated in thousands of Saudi riyals.

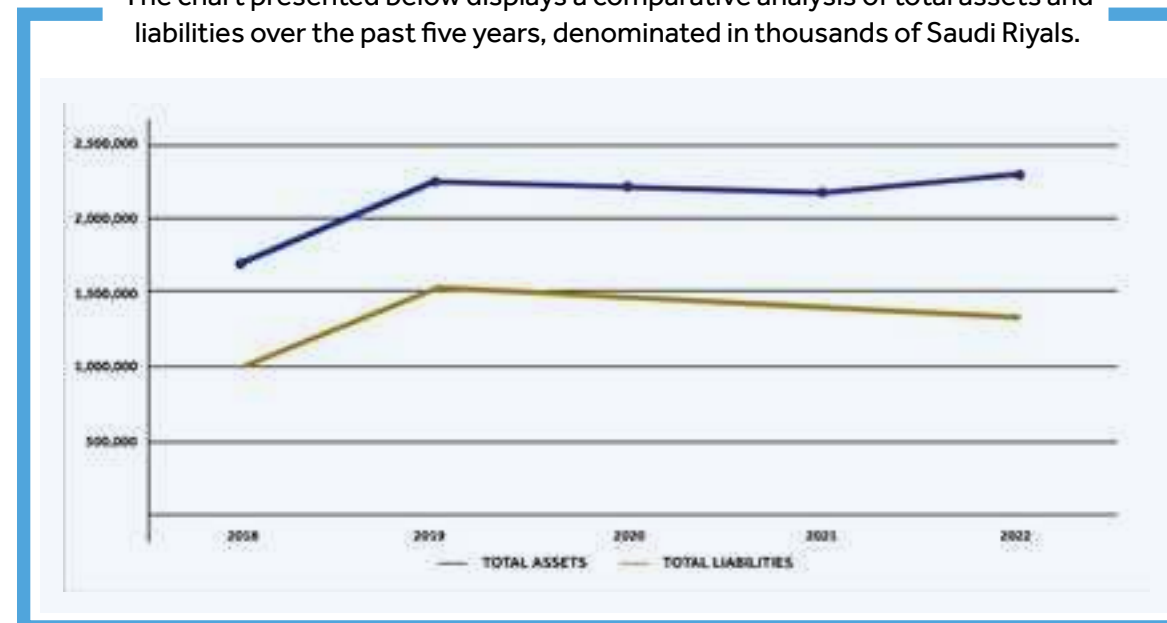
Statement	2022	2021	2020	2019	2018
Non-current assets	754,823	741,357	766,864	869,73	462,685
Current assets	1,528,223	1,461,395	1,461,468	1,383,174	1,247,950
Total assets	2,283,046	2,202,752	2,228,332	2,252,904	1,710,635
Ownership rights belong to the owners of the company	863,489	739,513	692,519	626,174	606,615
Non-controlling interest	66,143	50,389	62,900	70,630	89,483
Total equity	929,632	789,902	755,419	696,804	696,098
Non-current liabilities	185,901	183,425	243,174	391,923	104,890
Current liabilities	1,167,513	1,229,425	1,229,739	1,164,177	909,647
Total liabilities	1,353,414	1,412,850	1,472,913	1,556,100	1,014,537

Non-current assets experienced a slight increase of 2% in 2022 compared to 2021, attributed to a rise in property, plant, and equipment, as well as right-of-use assets. Meanwhile, current assets rose by 4.5% in 2022 due to an increase in inventory, other current assets, and total assets by 3.6% as a result of the company's increased activity and expansion of production volume.

The ownership rights of the company's owners rose by 16.9% in 2022 compared to 2021, and non-controlling interests increased by 31.2% in the same period, leading to a total ownership rights increase of approximately 17.7% compared to 2021 due to the rise in net profit.

Furthermore, non-current liabilities rose by 1.3% in 2022 because of leases and loan items, while employee benefit obligations decreased. Current liabilities fell by 5% primarily due to the reduction in short-term loan items and accrued dividends, leading to a decrease in total liabilities by 4.4% compared to 2021.

The chart presented below displays a comparative analysis of total assets and liabilities over the past five years, denominated in thousands of Saudi Riyals.



The following table illustrates the net book value per share over the past five years, presented in thousands of Saudi riyals.

Year	Total equity of the owners of the company	Net book value per share	Change from the previous year	Percentage change from the previous year	Change status from the previous year
2022	863,489	14.39	2.07	16.8%	Rise
2021	739,513	12.32	0.78	6.8%	Rise
2020	692,519	11.54	1.1	10.6%	Rise
2019	626,174	10.44	0.33	3.2%	Rise
2018	606,615	10.11	-3.92	(28%)	Drop

Presented below is the comprehensive income statement, including the statement of profit or loss and other items, over the past five years (denoted in thousands of Saudi Riyals):

Statement	2022	2021	2020	2019	2018
Revenues	3,631,880	3,227,410	2,418,072	2,235,233	1,953,455
Revenue cost	(3,184,562)	(2,801,938)	2,081,420	(1,986,037)	(1,797,879)
Gross profit	447,318	425,472	336,652	249,196	155,576
Selling and distribution expenses	(93,200)	(86,429)	(75,552)	(81,427)	(46,391)
General and administrative expenses	(113,609)	(128,585)	(106,735)	(105,971)	(109,649)
Impairment of goodwill, property, plant and equipment	-	-	-	-	(189,167)
Allowance for expected credit loss on trade receivables	(14,813)	(16,560)	(31,203)	(9,099)	-
Gain on disposal of an investment in a financial asset at fair value through profit or loss	5,724	4,063	2,041	8,621	-
fair value (loss) / gain on an investment in financial assets at fair value through profit or loss	(2,266)	-	(182)	4,497	-
Other income	1,470	12,166	13,418	11,408	8,037
Profit (loss) before financing costs, zakat and income tax	230,624	210,127	138,862	77,225	(181,594)
Financing costs	(31,521)	(18,840)	(29,859)	(45,164)	(26,510)
Profit (loss) before zakat and income tax	199,103	191,287	109,003	32,061	(208,104)
Zakat and Income tax	(20,991)	(19,111)	(16,003)	(6,806)	(16,218)

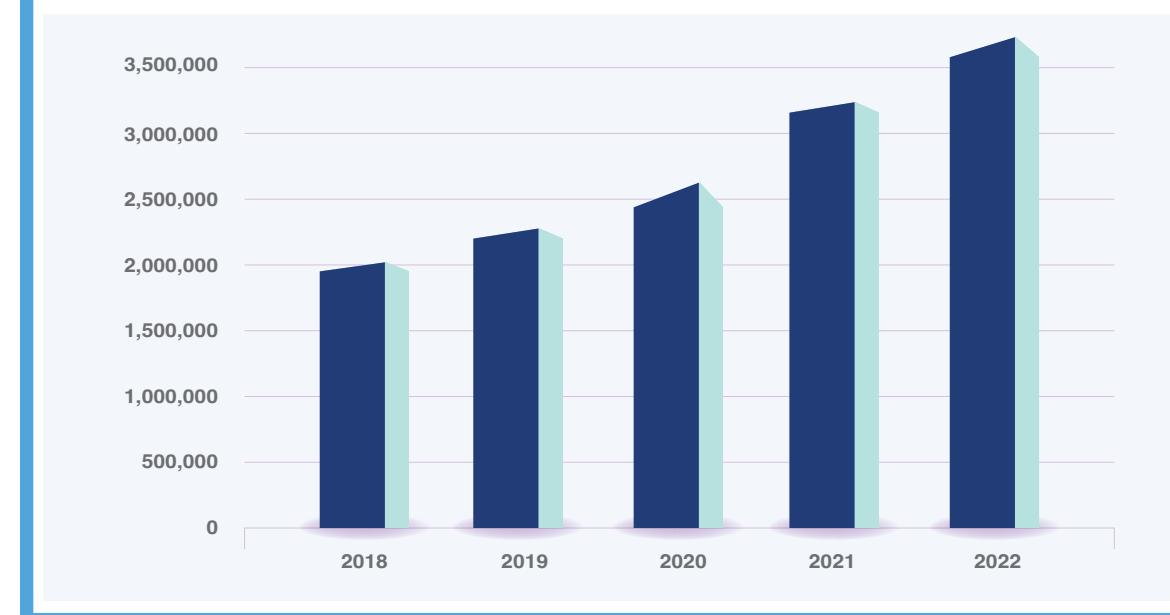
Statement	2022	2021	2020	2019	2018
Profit (loss) from continuing operations	178,112	172,176	93,000	25,255	(224,323)
Loss from discontinued operations	-	(2,112)	(8,256)	(3,512)	-
Profit for the year	178,112	170,064	84,744	21,743	-
Other comprehensive (loss) income items that will not be reclassified subsequently to profit or loss:					
Profit / (loss) re-measurement of employees' defined benefit obligations	16,418	(1,476)	838	(8,125)	11,457
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from converting the currencies of discontinued operations	-	-	(1,947)	(105)	(886)
Total comprehensive income for the year	194,530	170,755	83,635	13,513	(213,752)
Profit / (loss) for the year attributable to:-					
Company owners	162,850	170,342	90,168	26,632	(218,353)
Non-controlling interest	15,262	278	(5,424)	(4,889)	(5,970)
	178,112	170,064	84,744	21,743	(224,323)
Total comprehensive income / (comprehensive loss) for the year attributable to:					
Company owners	174,976	172,994	90,345	19,542	(208,909)
Non-controlling interest	19,554	(2,239)	(6,710)	(6,029)	(4,843)
	194,530	170,755	83,635	13,513	(213,752)

Statement	2022	2021	2020	2019	2018
Total comprehensive income / (comprehensive loss) for the year attributable to the owners of the company arising from:					
Continuous operations	174,976	175,106	94,620	21,644	(268,909)
Discontinued operations	-	(2,112)	(4,275)	(2,102)	-
	174,976	172,994	90,345	19,542	-
Earnings per share for the profit attributable to the common stockholders of the company:					
Basic	2.71	2.84	1.5	0.44	(3.64)

The table below displays the fluctuation in earnings over the past five years, measured in thousands of Saudi riyals:

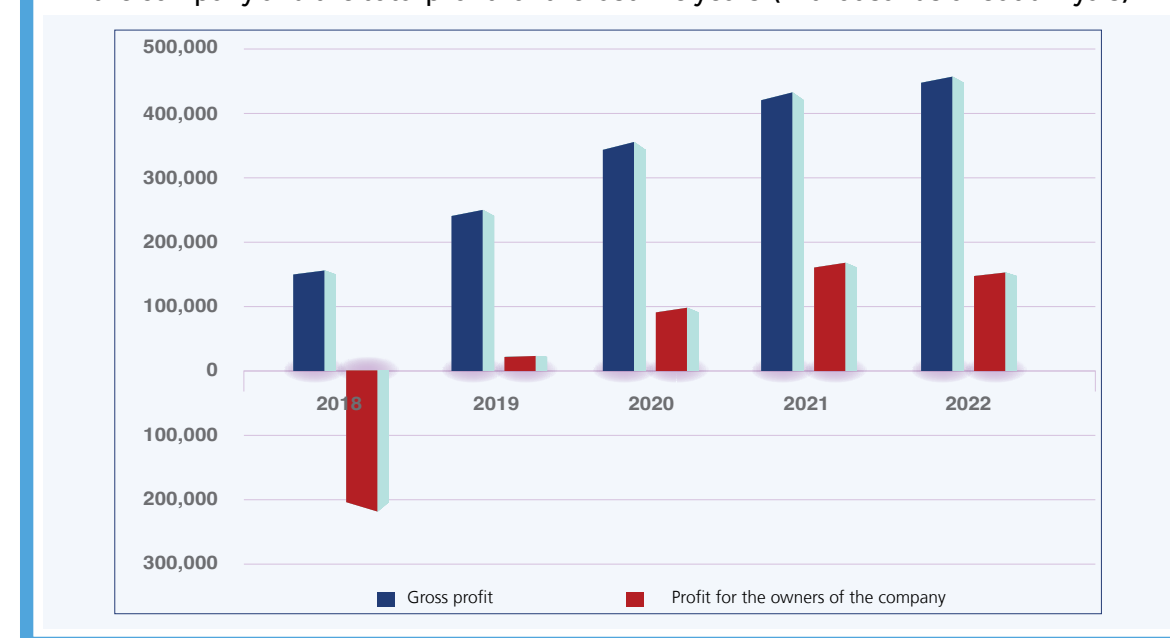
Year	Revenues	Change from the previous year	Percentage change from the previous year	Change status from the previous year
2022	3,631,880	404,470	%12.5	Rise
2021	3,227,410	804,125	%33.2	Rise
2020	2,418,072	182,839	8.2%	Rise
2019	2,235,233	281,778	14.40%	Rise
2018	1,953,455	(175,297)	(8.2%)	Drop

The following graph shows the change in revenues for the last five years (in thousands of Saudi riyals):

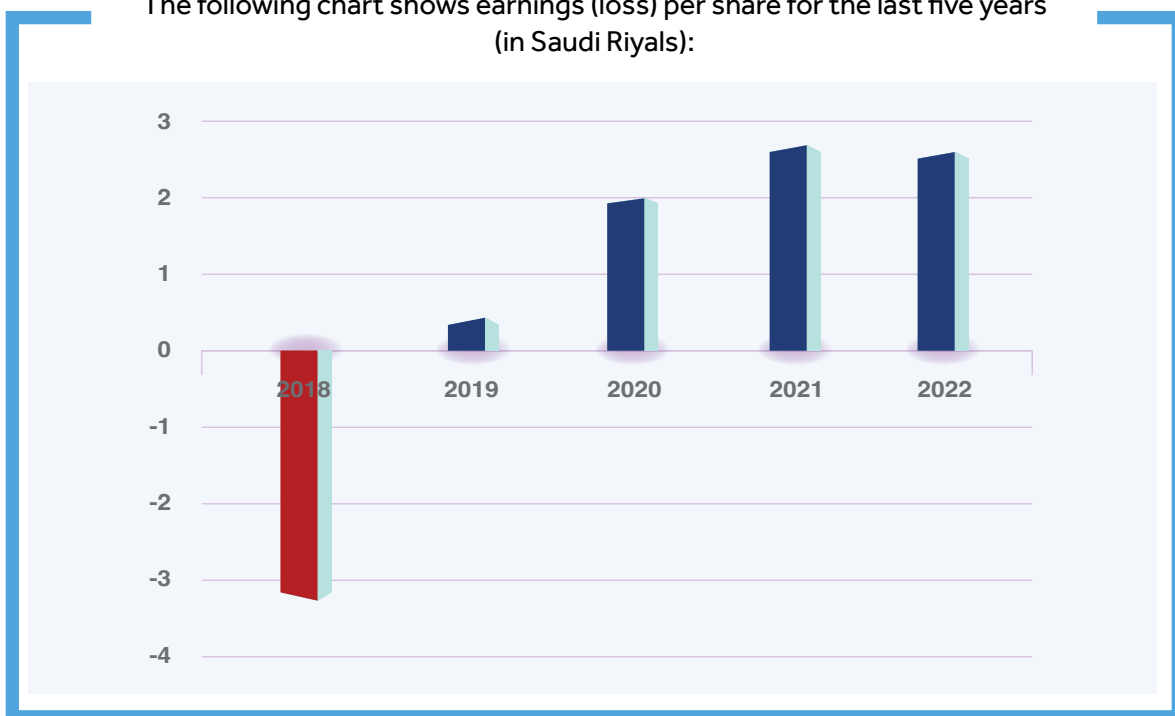


During the first three quarters of 2022 AD, the company experienced a 12.5% increase in revenues compared to the corresponding period in 2021 AD, primarily driven by greater revenues from the metal, wood, and electrical industries sectors, which were mainly impacted by increased sales volume.

The following graph shows the change in the profit (loss) attributable to the owners of the company and the total profit for the last five years (in thousands of Saudi riyals)



The following chart shows earnings (loss) per share for the last five years (in Saudi Riyals):



The reason for the decrease in the net profit attributable to the owners of the company during 2022 compared to 2021 is due to a decrease in total income, affected by an increase in financing costs and a decrease in the net profit of the metal and wood industries sector and the plastics industries sector. This is mainly due to the increase in revenue costs, which led to a decrease in profit margins.

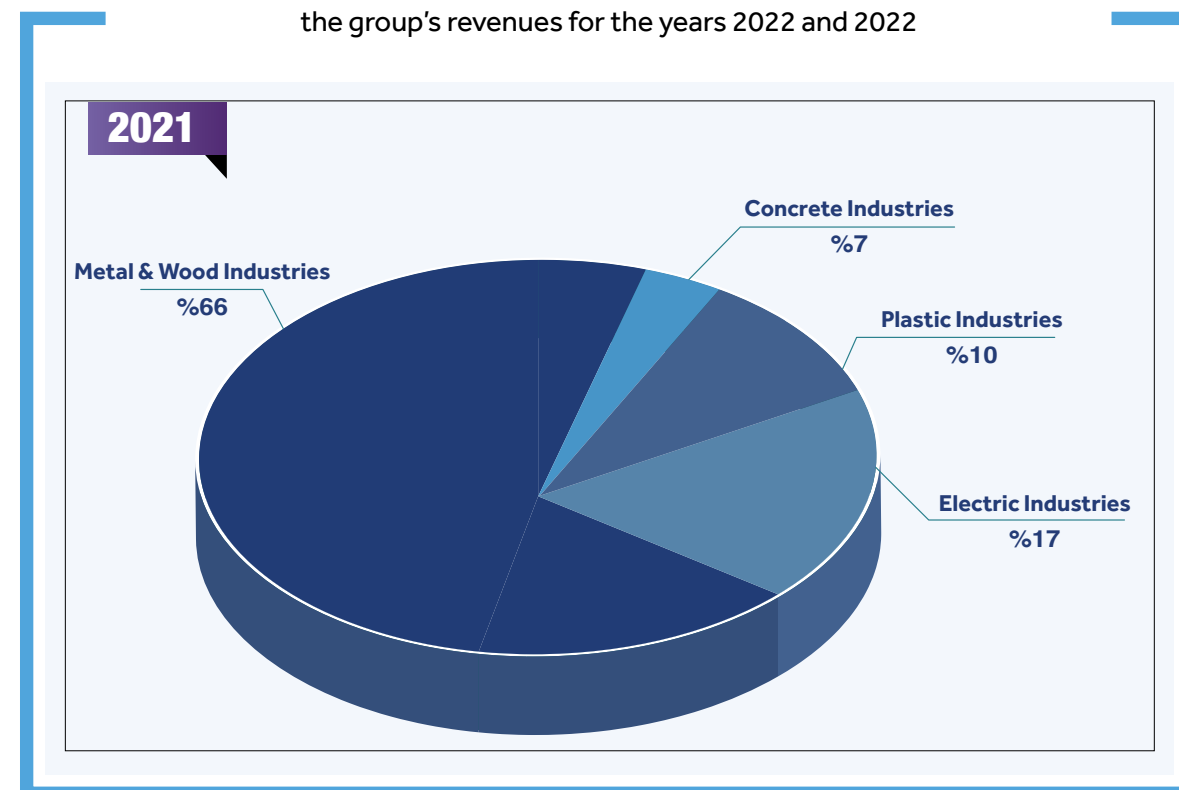
Overall, the revenues of all sectors in Bawan company increased significantly by 12.5% in 2022, compared to the same period in the previous year, especially in the concrete industries sector and the electrical industries sector. The revenues of both sectors increased by 52.88% and 35.55%, respectively, compared to the same period of the previous year.

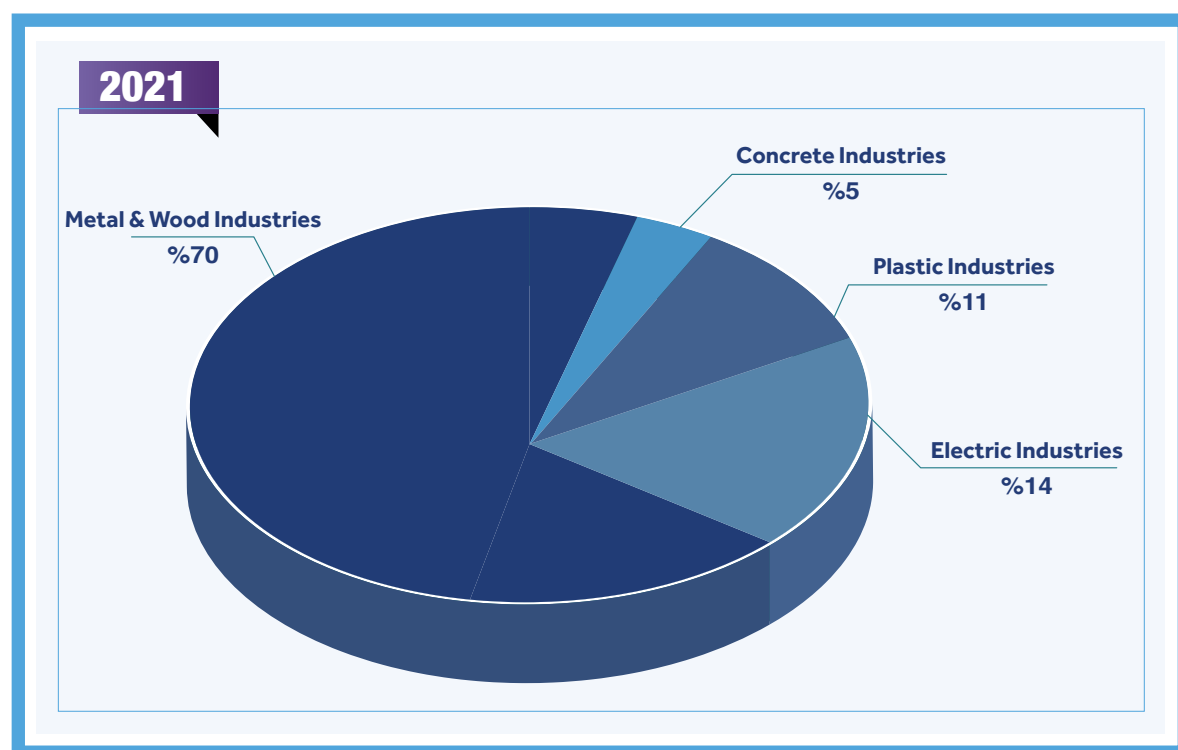
The share of non-controlling equity ownership in 2022 achieved a profit of SAR 15,262 million, with an increase rate of 5590% compared to the previous year, based on the results of 2021 and 2022.

Revenue segment analysis for the years 2021 and 2022

Sector	2022		2021	
	Revenues	Percentage of total revenue	Revenues	Percentage of total revenue
Metal and wood industries	2,389,482	66%	2,238,544	70%
Plastic industries	366,134	10%	364,951	11%
Electrical industries	608,642	17%	448,871	14%
Concrete industries	267,622	7%	175,044	5%
Total	3,631,880	100%	3,227,410	%100

The following chart shows the percentage of business sectors' contribution to the group's revenues for the years 2022 and 2022





The following table shows the classification of revenues from the local and global markets for the years 2021 and 2022:

	Revenue from local markets		Revenue from global markets	
	In thousands of Saudi riyals	Percentage of Revenue (%)	In thousands of Saudi riyals	Percentage of Revenue (%)
2022	3,517,626	96.9%	114,254	3.1%
2021	3,136,774	97.2%	80,307	2.8%

The following table shows the revenues by geographical location of incorporation of the subsidiaries for the years 2021 and 2022:

	2022		2021	
	Revenues (Thousands of Saudi Riyals)	Percentage (%)	Revenues (Thousands of Saudi Riyals)	Percentage (%)
KSA	3,595,634	99%	3,187,963	98.8%
UAE	17,797	0.5%	22,331	0.7%
Kuwait	18,449	0.5%	17,116	0.5%
Total	3,631,880	100.0%	3,227,410	100.0%

The table presented below displays the operating sectors' assets, liabilities, and business outcomes for the years 2021 and 2022, represented in thousands of Saudi riyals.

Statement	Metal and wood industries	Plastic industries	Electrical industries	Concrete industries
2022				
Assets	934,539	568,840	480,615	260,626
Liabilities	447,399	348,177	359,223	153,439
Revenues	2,389,482	366,134	608,642	267,622
Profit (loss)	135,035	20,434	27,432	16,194
2021				
Assets	971,270	550,494	391,603	250,907
Liabilities	487,003	352,524	302,204	172,547
Revenues	2,238,544	364,951	448,871	175,044
Profit (loss)	155,738	48,117	7,112	(18,085)

Significant differences in operational results

The table below presents the variances in operating results between the of 2021 AD and 2022 AD, displayed in thousands of Saudi riyals.

Statement	2022	2021	Change	%
Revenues	3,631,880	3,227,410	404,470	12.5%
Revenue cost	(3,184,562)	(2,801,938)	382,624	13.7%
Gross profit	447,318	425,472	21,846	5.1%
Operating expenses	(206,809)	(215,014)	(8,205)	-3.8%
Allowance for expected credit loss on trade receivables	(14,813)	(16,560)	(1,747)	-10.5%
Operating profit (loss).	225,696	193,898	31,798	16.4%

Due to the rise in revenues, the overall profit grew by 5.13% from 425,472 million Saudi riyals in 2021 AD to 447,318 million Saudi riyals in 2022 AD.

The following table shows the main financial indicators for the years 2021 and 2022:

Financial Indicator	2022	2021
Return on assets	7.3%	7.7%
Return on revenue	4.5%	5.2%
Return on shareholders' equity	20.3%	23.0%
Net profit growth rate	(4%)	88.9%
Earnings per share - Saudi Riyals	2.71	2.84

The following table shows a summary of the consolidated statement of cash flows for the years 2021 and 2022 (in thousands of Saudi riyals):

Statement	2022	2021
Cash generated from operating activities	299,977	142,965
Net cash used in / generated from investment activities	(92,176)	6,696
Net cash flows and in financing activities	(209,705)	(160,454)
Net decrease in cash and cash equivalents	(1,904)	(10,793)
The effect of changes in exchange rates on cash held in foreign currencies	-	4,086
Cash and cash equivalents, beginning of the year	40,305	47,012
Cash and cash equivalents, year end	38,401	40,305

Regular payments made and due ▼

The following table presents the statutory payments made and outstanding for the year 2022 AD, displayed in thousands of Saudi riyals:

The entity	Payer	Due until the end of the year and has not been paid	Brief description
Zakat	13,147	29,234	Zakat is calculated on the zakat base
Income tax	115	1,441	
The General Organization for Social Insurance	10,074	1,192	Company employees' insurance
Costs of visas, passports and labor office fees	2,921	-	Work permit renewal fees, residency renewal fees for workers, transfer of sponsorships, and recruitment visas
Value added tax	227,497	21,694	Calculated on subject sales

Investments and reserves of the company's employees ▼

The company has not made any investments in employee welfare. The subsequent table illustrates the reserves established for the benefit of the company's employees for the years 2021 and 2020, represented in thousands of Saudi riyals.

Statement	2022	2021
End of service compensation provision	1,943	1,304
Annual incentive	1,377	3,791

Total indebtedness ▼

The following table shows the classification of the total indebtedness utilized by the group as current and non-current installments for the year 2022 AD (in thousands of Saudi riyals):

Financing	Regular installments	Non-current installments	Total
Short term loans	468,200	-	468,200
Long term loans	38,779	87,430	126,209
Total indebtedness	506,979	87,430	594,409

It is noteworthy that the financing facilities agreements acquired by the Group adhere to the principles of Islamic financing terms.

The following is an analysis of the change in the amounts due to banks and loans for the year ending on December 31, 2022 AD (in thousands of Saudi riyals):

Statement	Short term loans	Loans (*)	Total
Beginning of the year balance	552,682	145,816	698,498
Amounts used	1,459,497	115,786	1,575,283
Reimbursements	(1,548,264)	(136,026)	(1,684,290)
Reclassified to loans	-	-	-
The costs of arranging Saudi Industrial Development Fund loans	-	328	328
Disposal group loans are classified as held for sale	-	-	-
Financing costs due	4,285	305	4,590
End of the year balance	468,200	126,209	594,409

(*) Includes bank loans and other loans and Saudi Industrial Development Fund loans.

The following table shows the details of the total indebtedness exploited by the group for the years 2021 and 2022 (in thousands of Saudi riyals):

Funding type	2022	2021
Short term loans	468,200	552,682
Long term loans	116,368	109,924
Saudi Industrial Development Fund loans	9,841	35,892
Other loans	-	-
Total indebtedness	594,409	698,498

The following table shows the total utilized debt by business sectors for the year 2022 (in thousands of Saudi riyals):

Sector	Short term loans	Long term loans	Net Saudi Industrial Development Fund loans	Total
Metal and wood industries	60,000	-	-	60,000
Electrical industries	204,967	-	-	204,967
concrete industries	36,234	-	-	36,234
plastic industries	162,714	95,000	9,841	267,555
Headquarter	-	20,786	-	20,786
Financing cost due\ others	4,285	582	-	4,867
Total	468,200	116,368	9,841	594,409

A. Short term loans:

The Group has acquired banking facilities in the form of short-term loans, Islamic Murabaha, forward swap contracts, letters of credit, and guarantees, which bear interest rates at the prevailing market rates. The said facilities are safeguarded by promissory notes and group corporate guarantees.

The following table shows the movement of amounts due to banks and donors for the year 2022 (in thousands of Saudi riyals):

Donor	Financing type	Amount due on 12/31/2021	Disposal group loans are classified as held for sale	Financing used	Reclassified into long-term loans	Financing cost due	Paid financing	The balance on 12/31/2020
Saudi Bank British, Saudi Bank french, the National Bank, Riyad Bank, Gulf bank Adelaide Bank, Arab Bank,	Sale on term, Islamic facilitation, Islamic tawarruq, Murabaha	552,682	-	1,459,497	-	4,285	(1,548,264)	468,200

B. Bank loans:

The Group has secured bank loans from local financial institutions, repayable through quarterly or semi-annual installments. The loans are subject to interest at the prevailing market rates and are secured by promissory notes and group corporate guarantees.

The following table shows the granting authority for bank loans for the year 2022 (in thousands of Saudi riyals):

Donor	Financing type	Funding origin	Financing term	Amount due on 12/31/2021	Disposal group loans are classified as held for sale
Banque Saudi Fransi	Islamic tawarruq	84,500	5 Years	84,500	-
British Saudi Bank	Islamic tawarruq	20,786	2.5 Years	-	20,786
Saudi National Bank	Islamic tawarruq	100,000	4 Years	100,000	-
British Saudi Bank	Islamic tawarruq	95,000	4 Years & 9 Months	-	95,000
Total					115,786

The following shows the repayment schedule for the utilized part of bank loans for the years 2022 and 2021 (in thousands of Saudi riyals):

Year	2022	2021
2022	-	38,857
2023	28,314	38,857
2024	28,314	31,929
2025	24,158	-
2026	20,000	-
2027	15,000	-
Total	115,786	109,643

C. Saudi Industrial Development Fund Loans:

The following table shows the details of the Saudi Industrial Development Fund loans for the years 2022 and 2021 (in thousands of Saudi riyals):

Donor	Funding type	Funding origin	Financing term	Balance remaining 12/31/2021	Paid until 31/12/2022	Remaining balance 12/31/2022
Saudi Industrial Development Fund	government funding	-	7 years and 4 months	825	825	-
Saudi Industrial Development Fund	government funding	-	6 years and four months	19,420	200	10,220
Saudi Industrial Development Fund	government funding	-	2 years and 6 months	16,500	16,500	-
Total	-	-	-	36,745	-	-
Deducts the costs of arranging SIDF loans	-	-	-	(853)	-	(328)
Total	-	-	-	35,892	-	9,841

The following shows the repayment schedule for the utilized part of the Saudi Industrial Development Fund loans for the years 2022 and 2021 (in thousands of SR):

Year	2022	2021
2021	-	-
2022	-	26,525
2023	10,220	10,220
2024	-	-
Total	10,220	36,745

Explanation of the comparative figures tab

Some comparative numbers have been reclassified to conform to the current year 2022 presentation.

Stock activities and debt instruments ▼

The company and its subsidiaries did not issue or grant any debt instruments convertible into shares or contractual securities, notes, subscription right or similar rights during the year 2022 AD. Also, there were no redeemable debt instruments redeemed, purchased or cancelled by the company, and no transfer or subscription rights were granted under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company or its subsidiaries.

Details of shares and debt instruments issued to subsidiaries ▼

Bawan Metal Industries Company (limited liability) ▼

The capital of Bawan metal Industries Company comprises of 50,000,000 cash shares with a value of one Saudi riyal per share. Bawan owns all the shares, which represent 100% of its capital totaling 50,000,000 Saudi riyals. No debt instruments have been issued by this company.

Bawan Engineering Industries Company (limited liability) ▼

The capital of Bawan Engineering Industries Company consists of 500,000 cash shares with a value of 100 Saudi riyals per share. Bawan owns all the shares, representing 100% of its capital amounting to 50,000,000 Saudi riyals. No debt instruments have been issued by this company.

Bawan Wood Industries Company (Limited Liability) ▼

The capital of Bawan Wood Industries Company comprises of 500,000 cash shares, each with a value of 100 Saudi riyals. Bawan holds 475,000 of these shares, which represent 95% of the company's capital totaling to 50,000,000 Saudi riyals. No debt instruments have been issued by the company.

United Company for Wood and Metal Products (Limited Liability) ▼

The capital of United Company for Wood and Metal Products Limited is made up of 25,680 cash shares, with each share valued at 1000 Saudi riyals. Bawan holds 24,396 shares, representing 95% of the company's capital amounting to 25,680,000 Saudi riyals. No debt instruments have been issued by the company.

Bina Industrial Investments Holding Company (Limited Liability) ▼

The capital of Bina Industrial Investments Holding Company consists of 10,000 cash shares, each with a value of 500 Saudi riyals. Bawan holds 5,675 shares, which represent 56.75% of the company's capital totaling to 5,000,000 Saudi riyals. No debt instruments have been issued by the company.

Arnon Plastic Industries Company (limited liability) ▼

The capital of Arnon Plastic Industries Company, a one-person company with limited liability, is made up of 450,000 cash shares, each valued at 100 Saudi riyals. Bawan owns all 450,000 shares, representing 100% of the company's capital amounting to 45,000,000 Saudi riyals. No debt instruments have been issued by the company.

Company Activities and Strategy ▼

Bawan is a publicly-traded company registered under No. 1010033032 in the commercial register of the Kingdom of Saudi Arabia on August 20, 1980. The company has a capital of 600 million Saudi riyals, divided into 60 million shares with a value of 10 Saudi riyals per share.

The company's diverse business operations in various industrial sectors, including metal, electrical, wood, concrete, and plastic industries, allow for a continuous cash flow and help mitigate the negative effects of economic fluctuations. Bawan is committed to investing in industrial activities that complement its current operations to achieve economic and investment diversification.

Bawan follows an integrated strategy aimed at consolidating its leadership position in the local and regional markets, developing existing products, and launching new and innovative products to meet international quality standards. The company also plans to expand its production capacity to meet growing demand from customers in the Kingdom and abroad.

To increase its investment returns, Bawan seeks to strengthen existing partnerships, invest in factories, companies, and new projects, and expand its geographical presence in specific markets with high growth potential.

The company relies on a policy of diversification at the operational and investment level, with five strategic operating units: wood, metals, electricity, concrete, and plastics. Bawan operates modern factories in several locations, including Riyadh, Jeddah, Dammam, Jubail, Yanbu, Rabigh, Kuwait, the United Arab Emirates, and Algeria, serving the local market and major export markets with high-quality products.

Bawan's strategy is focused on achieving the following objectives:

- Enhancing the existing product range through continuous product development and quality assurance.
- Maintaining a close relationship with current customers by meeting their requirements and maintaining the highest quality standards.

- Expanding the product range and penetrating new selected markets in the Kingdom and the Middle East.
- Improving operational processes by optimizing costs and enhancing operational efficiency.
- Investing in new products to add value to the company and leverage Bawan's competitive advantages to complement its product offerings.
- Continuously exploring investment opportunities in sectors similar or different from the company's current sectors.

Subsidiaries

Bawan owns a number of subsidiaries at different percentages. The following is a review of its subsidiaries, percentage of ownership, and the main activity of each company:

Company Name	Capital	Bawan's actual ownership percentage
Bawan Metal Industries Company is a one-person company (with limited liability)	50,000,000	100.0%
Bawan Engineering Industries Company (Limited Liability)	50,000,000	100.0%
Bawan Wood Industries Company (Limited Liability)	50,000,000	95.0%
United Company for Wood and Metal Products (Limited Liability)	25,680,000	95.0%
Bena Industrial Investments Holding Company (Limited Liability)	5,000,000	56.75%
Arnon Plastic Industries Company is a one-person company (with limited liability)	45,000,000	100.0%

Bawan Metal Industries Company

Bawan Metal Industries Company is a limited liability company registered in the Commercial Register in the city of Dammam, Kingdom of Saudi Arabia, on 08/12/1416 AH with a capital of fifty million (50,000,000) Saudi riyals. The company is engaged in manufacturing and supplying various products such as iron cables, sheet metal roll cutting, flat rod cutting, epoxy coating of rebar, wheelbarrows, steel doors, and aluminum products. Its primary market is located in the Kingdom of Saudi Arabia. The company owns several factories located in the main regions of the Kingdom of Saudi Arabia, including Riyadh, Jeddah, and Dammam.

Bawan Engineering Industries Company

Bawan Engineering Industries Company is a limited liability company registered in the commercial register in Riyadh, Kingdom of Saudi Arabia, on 08/29/1431 AH with a capital of fifty million (50,000,000) Saudi riyals. The company's main activity involves manufacturing and developing transformers, stations, and electrical circuit breakers. It markets and distributes its products both domestically and internationally, with its primary markets located in the Kingdom of Saudi Arabia. The company's subsidiaries export some of its products to the Middle East and Africa.

Bawan Engineering Industries owns the following companies:

- 1 ■ United Electrical Transformers Company - Saudi Arabia ("Utec - Saudi Arabia"), in which it owns 85.5% of the shares. Utec is specialized in the manufacturing and production of oil-immersed electric distribution transformers with a capacity of up to 3150 kVA and a high voltage of up to 36 kV, and electrical distribution transformers suspended on poles with a capacity of up to 500 kVA.
- 2 ■ United Company for Electrical Substations and Circuit Breakers Technology - Saudi Arabia ("USSG"), in which it owns 85.5% of the shares. USSG is a company that specializes in the manufacturing and production of electrical distribution stations, low-voltage distribution panels, and medium-voltage circuit breakers.
- 3 ■ Bawan Electrical Company Limited - Saudi Arabia, in which it effectively owns 100% of the shares. The company specializes in the manufacturing and production of electrical panels, circuit breakers, wires, and cables. As of 2022, the company did not carry out any commercial activities, and the liquidation procedures related to it are still ongoing as of December 31, 2022. However, the management believes that the liquidation procedures will not have a material impact on the company.

Bawan Wood Industries Company (Limited Liability) ▼

The limited liability company is registered in the Commercial Register in the city of Dammam on 06/25/1413 AH in the Kingdom of Saudi Arabia with a capital of fifty million (50,000,000) Saudi riyals. Its main activity is the production of wooden pallets, wooden boxes, plywood panels, medium and high-density boards coated with decorative paper, wooden floors, wooden rollers, and wooden decorations. The company's primary markets are in the Kingdom of Saudi Arabia, with some of its subsidiaries operating in the United Arab Emirates and the State of Kuwait.

To serve its customers inside and outside the Kingdom, Bawan Wood Industries owns factories in various geographical areas, including Riyadh, Dammam, Jeddah, Jubail, Yanbu, and Rabigh. The company also owns the following subsidiaries:

- 1 ■ Inma Pallets Company Limited, a limited liability company based in Jubail - Saudi Arabia, which is 100% owned, specializing in the production of wooden pallets.
- 2 ■ Al-Raya Carpentry Works, a sole proprietorship based in the United Arab Emirates, 100% owned, specializing in the manufacture of wooden pallets, boxes, and containers.
- 3 ■ Al-Raya Carpentry Works Company, a limited liability company based in the State of Kuwait, 100% effectively owned, specialized in the production of wooden pallets, boxes, and containers.
- 4 ■ United Lines Company for Logistics Services Limited, a limited liability company based in Dammam, Kingdom of Saudi Arabia, 100% owned, and specializing in support services, logistics, catering, storage, refrigeration, loading, unloading, receiving, and delivering goods.

United Company for Wood and Metal Products Limited (Limited Liability) ▼

This limited liability company is registered in the commercial register in the city of Riyadh, Kingdom of Saudi Arabia. It was registered on 02/05/1409 AH with a capital of twenty-five million six hundred and eighty thousand (25,680,000) Saudi riyals. The company's main activity is the production of wooden packaging materials and wood products covered with formica, plywood coated with a thin

layer, panels covered with decoration and melamine. These products are marketed and distributed both inside and outside the Kingdom of Saudi Arabia, with the main markets being located within the Kingdom.

Bena Industrial Investments Holding Company (Limited Liability) ▼

This limited liability company is registered in the commercial register in the city of Khobar, Kingdom of Saudi Arabia. It was registered on 11/26/1430 AH with a capital of five million (5,000,000) Saudi riyals. The company's main activity is developing prefabricated products used in buildings and ready-mix concrete. The main markets for the company's activity are located in the Kingdom of Saudi Arabia. Bena Industrial Investments Holding Company owns the following subsidiaries:

- 1 ■ Bena Factory for Advanced Concrete Products Company: This is a limited liability company based in Khobar, Saudi Arabia, owned by 93.2%. It is a company specialized in manufacturing precast concrete products.
- 2 ■ Bena Ready Mix Concrete Company: This is a limited liability company based in Khobar, Saudi Arabia, 100% owned, and is specialized in the manufacture and production of ready-mixed concrete.
- 3 ■ Al-Ahliyah Transport Company Limited: This is a limited liability company based in Khobar, Saudi Arabia, 100% owned, and is specialized in transportation and transport trucks.
- 4 ■ Total Building Company: A Limited Liability Company based in Khobar, Saudi Arabia, 100% owned, and is specialized in Construction for building.

Arnon Plastic Industries Co., Ltd. ▼

This limited liability company registered in the Commercial Register in the city of Dammam, Kingdom of Saudi Arabia, with a capital of forty-five million (45,000,000) Saudi riyals. Its main activity includes the production of polyethylene and transparent PET polyethylene containers, polyethylene bottles, as well as marketing and distributing these products within and outside the Kingdom of Saudi Arabia. The company's main markets are located within the Kingdom of Saudi Arabia, and it also exports some of its products to the Middle East.

Fundamental Developments during 2022 ▼

The following are the most significant fundamental developments that occurred during the year 2022 for Bawan and its subsidiaries:

Bawan Company ▼

- A member of the Audit Committee, Mr. Abdul Moti Abdel Hadi, resigned on 3/30/2022, and Dr. Abdullah bin Sagheer Al-Husseini was appointed as a member of the Audit Committee (independent from outside the Council) until the end of the committee's term on 25//9/2025 AD.
- A telephone meeting was held on March 1, 2022, with investors and financial analysts to discuss the annual financial results for the year 2021. The company's management provided details of the company's performance during the year and answered all inquiries.
- On 28/2/2022 AD, Bawan Company announced the annual financial results for the year 2021 AD, with a net profit increase of 88.91% compared to 2021 AD, and earnings per share increased to 2.84 SAR.
- Bawan Company invited its shareholders to attend the Ordinary General Assembly meeting (the first meeting) through modern technology means on 4/17/2022 AD.
- Bawan Company announced its preliminary financial results for the period ending on 3/31/2022 AD on 4/28/2022 AD, showing a net profit increase of 12.87% compared to the same quarter of 2021 AD.
- A telephone meeting was organized on 10/5/2022 AD to discuss the results of the first quarter of the year 2022 AD with investors and financial analysts.
- The results of the Ordinary General Assembly meeting (the first meeting) were announced by Bawan Company on 11/5/2022 AD.
- Bawan Company announced the opening of candidacy for membership of the Board of Directors on 5/19/2022 AD.
- On 6/14/2022 AD, Bawan Company announced the appointment of Mr. Muhammad bin Ahmed Al-Balawi as CEO of the company, based on the recommendation of the Nominations and Remuneration Committee, effective July 1, 2022 AD.
- On 6/28/2022 AD, Bawan Company announced its intention to buy up to 3 million shares of ordinary shares to keep as treasury shares, not exceeding 5% of the issued shares, due to the share price in the market being less than its fair value.
- Bawan Company announced its preliminary financial results for the period ending on 6/30/2022 AD (six months) on 8/9/2022 AD, with a net profit increase of 11.91% compared to the first half of the year 2021 AD.
- On 9/8/2022 AD, Bawan Company announced the distribution of cash dividends to shareholders for the first half of the year 2022 AD, with a total amount of 51 million Saudi riyals, and a share per share distribution of 0.85 Saudi riyals for 60 million shares entitled to dividends.
- A telephone meeting was organized on 9/8/2022 AD to discuss the results of the second quarter of the year 2022 AD with investors and financial analysts to enhance transparency, disclosure, and participation with the financial community.
- Bawan Company invited its shareholders to attend the Extraordinary General Assembly meeting (the first meeting) on 8/25/2022 AD.
- The results of the Extraordinary General Assembly meeting (the first meeting) were announced by Bawan Company on 9/20/2022 AD.
- On September 27th, 2022 AD, the company announced the appointment of its Chairman of the Board of Directors, his deputy, the Managing Director, the Secretary, and the company's representatives at the Capital Market Authority and the Saudi Stock Exchange (Tadawul) as well as the formation of committees.
- On October 30th, 2022 AD, the company announced its initial financial results for the period ending on September 30th, 2022 AD (nine months), revealing a 4% increase in net profit after zakat and tax compared to the same period in 2021 AD. The non-controlling property also generated a profit of 8.4 million Saudi riyals during the period, compared to 1.6 million Saudi riyals for the same period in the previous year.
- On November 6th, 2022 AD, Bawan announced that it had organized a telephone meeting with investors and financial analysts to discuss the results of the third quarter of the year 2022 AD. The aim of the meeting was to enhance transparency, disclosure, and participation with the financial community.

Transactions with related entities / parties

During the fiscal year 2022 AD, some contracts continued, in which Bawan or its subsidiaries were a party, and in which there is an interest for some members of the Board of Directors. Some contracts were agreed upon in previous years and come as an extension of ongoing relations that began before the fiscal year 2022 AD.

We summarize these contracts in the tables below as follows:

A. The sales that took place during the year 2022 AD and in which a member of the Board of Directors has an interest:

#	First party	Second Party	Related board member	The nature of the agreements	The history of the agreements	Duration of Agreement	Transaction value (Thousands of Saudi Riyals)
1	Bawan Metal Industries Company	Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Mo-daihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	171,362.9
		Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	49,604.8
		Building and Construction Com.	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	22,197.5
		Madar Building Materials Company - Bahrain	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	2,654.6

#	First party	Second Party	Related board member	The nature of the agreements	The history of the agreements	Duration of Agreement	Transaction value (Thousands of Saudi Riyals)
2	Bawan Wood Industries Company	Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	2,773.8
		Madar company for hardware and tools	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	28.8
		Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Mo-daihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	2,558.4
		Madar Building Materials Company - Bahrain	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	4,159.3
3	United Company for Wood and Metal Products Ltd	Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Mo-daihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	14.8
		Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	1,069.3
4	Binaa Industrial Investments Holding Company	Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	02/07/ 1433 AH Corresponding 01/01/ 2012	year and renews automatically	2,590.4
		Thabat Construction Company Limited	Mr. Faisal Al-Muhaidib Mr. Raed Al-Mo-daihem	Providing concrete products	28/6/1443 AH Corresponding 31/1/ 2022	One Year	44,605.7

#	First party	Second Party	Related board member	The nature of the agreements	The history of the agreements	Duration of Agreement	Transaction value (Thousands of Saudi Riyals)
5	Arnon Plastic Industries Company for	Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Selling products	Transactions under purchase orders	Not Applicable	1,179.7
		Madar Building Materials Company - Bahrain	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	136.4
		Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Selling products	Transactions under purchase orders	Not Applicable	335.9
		Al-Romansiah Com.	Mr. Faisal Al-Muhaidib	Sale of commercial products	Transactions under purchase orders	Not Applicable	484.6
6	United Electrical Transformers Company	Al-Yamamah Com. for Reinforcement steel Bars	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Selling products	Transactions under purchase orders	Not Applicable	1,462
		Thabat Construction Company Limited	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Selling products	Transactions under purchase orders	Not Applicable	14
		United Glass Industries Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale of commercial products	Transactions under purchase orders	Not Applicable	85

B. Sales occurred that were free from any involvement or interest by members of the Board of Directors in 2022 AD.

#	First party	Second Party	Related board member	The nature of the agreements	The history of the agreements	Duration of Agreement	Transaction value (Thousands of Saudi Riyals)
1	Binaa Industrial Investments Holding Company	Ahmed Al-Osaimi	Partner in Binaa Industrial Investments Holding Company	Providing concrete products	Transactions under purchase orders	Not Applicable	3
		Ibrahim Al-Faris and Partners Company	Partner in Binaa Industrial Investments Holding Company	Providing concrete products	Transactions under purchase orders	Not Applicable	3
2	United Electrical Transformers Company	Wilson Transformers Company Pty Ltd	Partner in the United Company for Electrical Transformers - Saudi Arabia	Selling electrical products	Transactions under purchase orders	Not Applicable	3,338.9

C. Purchases made during the year 2022 AD, in which a member of the Board of Directors has an interest:

#	First party	Second Party	Related board member	The nature of the agreements	Date of the agreements	Duration of Agreement	Transaction value (Thousands of Saudi Riyals)
1	Bawan Metal Industries Company	Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	9,382.1
2	Bawan Wood Industries Company	Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	641.4
		Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	1,746
3	United Wood and Metal Products Co. Ltd	Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	2,155.8
		Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	435.8
4	United Electrical Transformers Company	Madar company for hardware and tools	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Purchasing materials	Transactions under purchase orders	Not Applicable	59.9
		Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Purchasing materials	Transactions under purchase orders	Not Applicable	5,729.6
		Masdar Technical Services Industry Co., Ltd	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Purchasing materials	Transactions under purchase orders	Not Applicable	567.6
		Madar Electricity Materials Co. Ltd	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Purchasing materials	Transactions under purchase orders	Not Applicable	3
		Masdar Building Materials Company	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	2,966.2

#	First party	Second Party	Related board member	The nature of the agreements	Date of the agreements	Duration of Agreement	Transaction value (Thousands of Saudi Riyals)
5	Binaa Industrial Investments Holding Company	Madar Building Materials Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	8,308.3
		Thabat Construction Company Limited	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Providing concrete products	Transactions under purchase orders	Not Applicable	968.1
		Madar company for hardware and tools	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	296.7
		Source Technical Services Industry Co., Ltd	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaihem	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	602.4
		Imdad Human Resources Recruitment Company	Mr. Faisal Al-Muhaidib	Supply of hired labor	10/22/1439 corresponding to 06/07/2018	Two years, automatically renewed	3,150.1

D. Purchases and franchise fees made during the year 2022, in which none of the Board of Directors members have a vested interest:

#	First party	Second Party	Related board member	The nature of the agreements	Date of the agreements	Duration of Agreement	Transaction value (Thousands of Saudi Riyals)
1	United Transformers Electric Company UTEC	Wilson Transformer Company Pty Ltd	Partner in United Transformers Electric Company – Saudi Arabia	Franchise fees	28/08/1442 corresponding to 10/04/2021	2 years	1,479.3
				Purchasing materials	Transactions under purchase orders	Not Applicable	137.5
2	Bina Holding for Industrial Investments Company	Ibrahim A. Al-Fares & Bros. Trading Company	Partner in Bina Holding for Industrial Investments Company	Sale and provision of commercial services	Transactions under purchase orders	Not Applicable	673.8

E. Operational lease expenses, management fees, and commissions paid for the year 2022:

#	Part A	Part B	Related Board Member	Nature of Agreements	Date of Agreements	Duration of Agreement	Value of Transactions (in thousands of Saudi Riyals)
1	Bawan Company	Ajdan Real Estate Development Company	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Rent of the main office for Bawan Company	25/04/1440 AH corresponding to 01/01/2019 AD	One year automatically renewed	403.7
2		BLOMINVEST Company – Saudi Arabia	Mr. Abdullah Al-Fawzan Mr. Fawzan Al-Fawzan	Investment portfolio management	14/03/1441 AH corresponding to 11/11/2019 AD	One year automatically renewed	280.6

Referring to the contracts and agreements listed in the tables, the company management confirms that these agreements are based on pure commercial terms without any preferential conditions that do not serve the interests of the company and the shareholders. The company and its board of directors confirm their commitment to Articles (71) and (72) of the Companies Law issued by the Ministry of Commerce and Investment, as well as the instructions of the Corporate Governance Regulations issued by the Capital Markets Authority, and voting on all contracts with related parties in the company's general assembly.

Zakat and Income Tax

The group is subject to both Zakat and income tax according to the regulations of the General Authority for Zakat and Income Tax in the Kingdom of Saudi Arabia. The company and its wholly-owned Saudi subsidiaries submit their Zakat returns on a consolidated basis. Other subsidiaries of the group submit their Zakat and income tax returns individually. Zakat and income tax provisions are made on an accrual basis. Zakat is calculated on the Zakat base or the adjusted net profit, whichever is greater, while income tax is calculated on the adjusted net profit. Any differences in estimates are recorded upon final reconciliation, at which time the provision is closed. Zakat and income tax charges are included in the profit or loss statement and the consolidated statement of comprehensive income. Zakat and income tax are computed using the rates and in accordance with applicable laws and regulations.

Zakat represents the amounts relating to the company and its subsidiaries, while income tax represents the amounts relating to foreign partners.

The following table shows the amount of Zakat and income tax paid during the years 2022 and 2021:

Statement	2022	2021
Zakat paid during the year	(13,147)	(14,770)
Income Tax paid during the year	(115)	-

The company and its wholly-owned Saudi subsidiaries submit Zakat returns on a consolidated basis. Other subsidiaries of the group submit their Zakat and income tax returns independently. The Zakat returns for the company have been filed and paid for all years up to 2021, and Zakat certificates have been received.

The Company and its 100% effectively owned Saudi Arabian subsidiaries submit zakat returns on a combined basis. Other Group subsidiaries submit their zakat and income tax returns independently. Zakat returns for the Company have been filed and paid for all years through to 2021 and zakat certificates have been received.

During 2021, the Company received revised assessments for the years from 2015 to 2018 claiming an additional zakat liability of SR 1.52 million and the Company filed an appeal against these assessments. During 2022, the company appeal was accepted by "the Committee for resolution of tax violations and disputes", however, ZATCA filed an escalation against the resolution to "the advanced committee for tax violations and disputes".

During 2022, the Company received revised final assessments for the years 2019 and 2020 claiming an additional zakat liability of SR 10.73 million and the Company filed an appeal against these assessments.

The Company believes that the outcomes of appeals will be in its favor.

The status of the final zakat and income tax assessments of the other Group's subsidiaries is disclosed in their respective financial statements.

Future expectations and risks facing the company and its subsidiaries

The future expectations for the company and its subsidiaries include:

- Improving the efficiency of production lines, which could have positive effects such as cost reduction and increased production capacity.
- Adding industrial and engineering services in the electrical industries sector and providing related services, consultations, and technical installations that could open new markets, in addition to increasing revenues.
- The company continues its plans to search for investment opportunities to acquire sectors and activities that align with its strategy to increase its services at the local and international levels. These actions would enable the company to achieve its goals and develop the rights of its shareholders. Additionally, as part of the company's expansion plans and increasing its market share, the company acquired Arnon Plastic Industries during 2019. This acquisition is of significant importance to Bawan and is part of the company's strategy to diversify its business activities, which will contribute to increasing its customer base and products, and consequently, its revenues and cash flows.
- Introducing new products in the plastic industries sector, which will lead to an increase in plastics industry revenues and an increase in its market share.
- For more details about future expectations, please refer to the future outlook section of the company's strategy and sectors.

Risks facing the company and its subsidiaries

The company is exposed to certain risks related to its operations and subsidiaries, which can be summarized in the following table that shows the measures taken by the company to mitigate these risks:

Risks	Measures to Mitigate Risks
Rising energy prices and electricity consumption tariffs	The company continues to implement its strategy, which aims to improve its efficiency and reduce spending to minimize its impact on the company's profitability.

Risks related to fluctuations in raw material prices	The company has established cautious policies that ensure that it is not exposed to risks that may arise from sudden changes in raw material prices, God willing. It secures raw material orders once it receives customer purchase orders and restricts its inventory to reserved purchases as a guarantee for the continuity of its operations.
Risks related to currency exchange rate fluctuations	When the company purchases equipment or materials from outside the Kingdom and in foreign currencies, it secures the exchange rates of these currencies with the Saudi Riyal, once an agreement is reached with suppliers, to avoid any fluctuations in prices. The company also requires any of its exported products sold and paid for in US dollars, to avoid any currency risks since the exchange rate of the Saudi Riyal is fixed against the US dollar.
Dependency on key customers	The company continually seeks to add local and foreign customers to expand its customer base and reduce reliance on a limited number of key customers.
Compliance with localization ratios	<ul style="list-style-type: none"> - The company is committed to monitoring, understanding, and applying the regulations issued by the Ministry of Labor regarding Saudization and the Nitaqat program. - The company works on creating an attractive working environment for Saudi employees. - The company recruits Saudi competencies. - The company prepares internal training programs to qualify Saudi employees.
Local and international competition	The company always works on increasing its revenues, streamlining and reducing operating costs and production inputs through continuous qualification of raw material suppliers, increasing its production capacities, and opening up new markets.
Credit risks	The company distributes the use of Islamic credit facilities to many donors of these facilities to ensure the continuity of providing the company's credit needs at competitive prices.
Dependency on key suppliers	The company works on increasing the number of key suppliers of raw materials through the materials and procurement departments. It has established technical controls that ensure the qualification of additional suppliers while maintaining the high-quality levels practiced by the company in terms of material efficiency, adherence to supply deadlines, and competitive prices. It also regularly reviews supplier contracts to ensure their contractual obligations are met.
Regional conditions	The company continuously works on opening up new markets in addition to its current ones, in order to reduce the risks of some regional markets declining due to political, economic, and security fluctuations.

Technological changes in production	The technical departments in the company continuously follow up on the development of production technologies through attending and participating in specialized international exhibitions, as well as entering into agreements that include the transfer and updating of technology in the fields in which the company operates.
Disruption in some production lines	<ul style="list-style-type: none"> - The company has established qualified maintenance departments with specialized technicians and retains spare parts for its production lines to address any malfunction or stoppage of its lines. - The company works on developing some surrounding small industries, through which it carries out some production processes that comply with the specifications, to provide the company with these capabilities when needed. - The company produces and stores reserves of some of its products with the approved specifications required in its markets and sells them, and updates them continuously to fulfill any obligations in case of any production line breakdown. - The company operates under a periodic maintenance system for its main production lines, which helps to avoid some routine malfunctions.
Transportation of products to customers	The company owns many transport trucks, in addition to contracting agreements with several transportation companies to ship its goods to customers in various regions at competitive prices. The company has an efficient supply chain management system.
Sufficiency of insurance coverage	The company continuously reviews its insurance documents and ensures their sufficiency, updating them regularly.

Profit Distribution Policy

The net profits of the company are distributed after deducting all general expenses and other costs as follows:

- 1** ■ Ten percent (10%) of the net profits are allocated to form a regular reserve. The Ordinary General Assembly may suspend this allocation when the mentioned reserve reaches thirty percent (30%) of the paid-up capital.
- 2** ■ Upon the proposal of the Board of Directors, the Ordinary General Assembly may allocate a certain percentage of the net profits to form a contractual reserve and allocate it for a specific purpose or purposes. This reserve may not be used except by the decision of the Extraordinary General Assembly.
- 3** ■ The Ordinary General Assembly may decide to form other reserves, in a manner that serves the interest of the company or ensures the distribution of fixed profits to shareholders as much as possible. The mentioned assembly may also deduct amounts from the net profits to establish social institutions for the company's employees or to assist existing institutions.
- 4** ■ The remaining amount is distributed thereafter as a first payment to the shareholders, with a percentage not less than five percent (5%) of the paid-up capital.
- 5** ■ After allocating a percentage not exceeding ten percent (10%) of the remaining amount, in accordance with the provisions of Article (22) of the Company's Basic Regulations and Article (76) of the Companies System, the Board of Directors is rewarded if the reward is a certain percentage of the company's profits, and this reward shall be proportional to the number of sessions attended by the member.
- 6** ■ The company may distribute semi-annual or quarterly profits to the shareholders, after satisfying the regulations set by the competent authority. The Board of Directors may be delegated for this purpose.

The shareholder is entitled to his/her share of the profits according to the decision of the General Assembly issued in this regard. The decision specifies the entitlement date and the distribution date, and the right to the profits belongs to the owners of registered shares in the shareholders' records at the end of the entitlement day.

The General Assembly of shareholders for Bawan company, held on 10/5/2022, authorized the Board of Directors to distribute interim dividends to shareholders

on a semi-annual or quarterly basis for the fiscal year 2022. The entitlement date and distribution date will be determined in accordance with regulatory guidelines and procedures implemented in accordance with the Companies Law, taking into account the financial status, cash flow, and expansion and investment plans of the company. Based on this, the Board of Directors of Bawan company has approved financial distributions during the year 2022 as follows:

Clause	06/02/2022* For the second half of 2021	06/09/2022 For the first half of 2022	05/03/2023 For the second half of 2022
Distribution percentage of nominal value per share	%7.5	%8.5	%6.5
Distribution percentage of net profit for the period	%52.60	%53.73	%57.39
Total profits for the period (in thousands SAR)	85,540	94,904	67,946
Total distributed profits (in SAR)	45 million SAR	51 million SAR	39 million SAR

The Structure of Company ownership, Board of Directors, and Affiliated Committees ▼

Company ownership ▼

The following is a list of the names of shareholders who directly own more than 5% of the company's capital as of 31/12/2022:

#	Name of shareholder	Number of shares as of 01/01/2022	Direct ownership percentage on 01/01/2022	Number of shares as of 31/12/2022	Direct ownership percentage on 31/12/2022
1	A. K. Al-Muhaidib and Sons	12,232,283	20.38%	12,233,483	20.38%
2	Al Fozan Holding Company	12,518,800	20.86%	12,518,800	20.86%

Regarding the direct share ownership by members of the Board of Directors and executive management as of 01/01/2022 and 12/31/2022, the following table shows the number of shares directly owned by members of the Board of Directors, Senior Executives, their spouses, and underage children:

Name (*)	Position	Number of shares as of 01/01/2022	Change	Number of shares as of 31/12/2022	Change Percentage %
Mr. Abdullah bin Abdul Latif Al Fozan	Chairman	-	-	-	0%
Mr. Essam bin Abdulkader Al Muhaidib	Member of the Board until the end of the term on 25/9/2022	1500	-	1500	0%
Mr. Fozan bin Mohammed Al Fozan	Board Member / Senior Executive	1200	-	1200	0%
Mr. Raed bin Ibrahim Al Mudaiheem	Board Member	1200	-	1200	0%

Name (*)	Position	Number of shares as of 01/01/2022	Change	Number of shares as of 31/12/2022	Change Percentage %
Mr. Basel bin Mohammed Al Gadhib	Member of the Board until the end of the term on 25/9/2022	-	-	-	0%
Mr. Raed bin Ahmad Al Mazrou	Board Member	1200	-	1200	0%
Mr. Khaled bin Abdulrahman Al Qoaz	Board Member	-	-	-	0%
Mr. Abdulkareem bin Ibrahim Al Nafie	Board Member	-	-	-	0%
Mr. Abdullah Abdulrahman Al-rowais	Board Member	-	-	-	0%
Mr. Faisal bin Majid Al-Muhaib**	Member of the Board until the end of the term on 26/9/2022	-	-	-	0%
Mr. Mohammad bin Abdulaziz Al-Aqeel**	Member of the Board until the end of the term on 26/9/2022	-	-	-	%-0

There is no direct ownership of shares in the company by other senior executives, their spouses, or their minor children in the company's debt instruments or any of its subsidiaries.

The company also acknowledges that it does not have any treasury shares as of the date of this report.

Members of the Board of Directors and Members of the Committees Emanating from the Board and the Executive Management

The company is managed by a Board of Directors consisting of nine members who were elected at the Ordinary General Assembly meeting of shareholders held on 25/09/2019 for the term starting from 26/09/2019 and for a period of three Gregorian years, which ended on 25/09/2025. They are classified according to the definitions provided in the Corporate Governance Regulations issued by the Saudi Arabian Capital Market Authority.

A Board of Directors consisting of nine members was also elected at the Extraordinary General Assembly meeting of shareholders held on 19/9/2022 for the new term starting from 26/9/2022 and for a period of three Gregorian years, which ends on 25/9/2025. They are classified according to the definitions provided in the Corporate Governance Regulations issued by the Saudi Arabian Capital Market Authority.

The Audit Committee was formed and its tasks, working procedures, and members' remuneration were determined for the term from 26/09/2019 until the end of the term on 25/09/2022 at the Ordinary General Assembly meeting of shareholders held on 25/09/2019.

Then, the Audit Committee was formed for its new term, and its tasks, working procedures, and members' remuneration were determined at the Extraordinary General Assembly meeting of shareholders held on 19/09/2022, starting from 26/09/2022 until the end of the term on 25/09/2025.

Names of companies inside or outside the kingdom in which a board member is a current or former member of its Board of Directors or one of its Managers:

Member Name: Mr. Abdullah bin Abdul Latif Al Fozan

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Retal Urban Development Co.	Inside Kingdom	Public Joint-Stock Co.	United Transformers Electric Co.	Inside Kingdom	Mixed Limited Liability Co.
Abdul Latif & Mohammed Al Fozan Holding Co.	Inside Kingdom	Closed Joint-Stock Co.	USSG	Inside Kingdom	Mixed Limited Liability Co.
Maali Holding Co.	Inside Kingdom	Closed Joint-Stock Co.	Digital and Electronic Solution Development	Inside Kingdom	Limited Liability Co.
Al-Maali Holding Co.	Inside Kingdom	Sole Proprietorship	Building Construction Ltd.	Inside Kingdom	Limited Liability Co.
Al Fozan Holding Co.	Inside Kingdom	Closed Joint-Stock Co.	Nesaj Real Estate Residential Compound Co.	Inside Kingdom	Limited Liability Co.
Zawayah Holding Co.	Inside Kingdom	Sole proprietorship	Nesaj Real Estate Development	Inside Kingdom	Sole proprietorship
Dhahran Exhibitions Co.	Inside Kingdom	Closed Joint-Stock Co.	Aram Al Ihsan Holding Ltd.	Inside Kingdom	Limited Liability Co.
Ajwad Holding Co.	Inside Kingdom	Closed Joint-Stock Co.	Arab Paper Manufacturing Co.	Inside Kingdom	Closed Joint-Stock Co.
Shomoul Holding Co.	Inside Kingdom	Limited with Gulf Capital	BLOM INVEST - Saudi Arabia	Inside Kingdom	Closed Joint-Stock Co.
Rafah Al Khaleej Ltd.	Inside Kingdom	Limited Liability Co.	Al Oula Real Estate Development Company	Inside Kingdom	Closed Joint-Stock Co.
Tarabot Investment & Development	Inside Kingdom	Limited Liability Co.	Bawan Engineering Industries Co.	Inside Kingdom	Limited Liability Co.
Ezdan Al-Arabiya Commercial Ltd.	Inside Kingdom	Sole proprietorship	Bawan Wood Industries Co.	Inside Kingdom	Limited Liability Co.
Midad Company Ltd.	Inside Kingdom	Limited Liability Co.	Building Construction Ltd.	Inside Kingdom	Limited Liability Co.
Amjal Property Development Company	Inside Kingdom	Sole proprietorship	Madar Hardware Co.	Inside Kingdom	Limited Liability Co.
Etlaala Al Arabiya Trading Company Ltd.	Inside Kingdom	Sole proprietorship	Madar Electrical Material Co.	Inside Kingdom	Limited Liability Co.

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity
AlMahaba for Investment Co.	Inside Kingdom	Sole proprietorship
Gulf Riyadh Co. Ltd.	Inside Kingdom	Limited Liability Co.
Projects & Supplies Company Ltd.	Inside Kingdom	Limited Liability Co.
Atheel Holding Company	Inside Kingdom	Limited Liability Co.
Madar Holding Co.	Inside Kingdom	Sole proprietorship
Etheel for Services Co.	Inside Kingdom	Limited Liability Co.
The Gulf Elixir Contracting Company	Inside Kingdom	Limited Liability Co.
Somu Trading Company Ltd.	Inside Kingdom	Limited Liability Co.
Al Fozan Investment Ltd.	Inside Kingdom	Sole proprietorship
Madar Hardware Co. – Bahrain	Inside Kingdom	Closed Joint-Stock Co.
Al-Oula Real Estate Development Co.	Outside Kingdom	Limited Liability Co.
Al-Oula Resources Real Estate Co.	Inside Kingdom	Limited Liability Co.
Al-Maaly Trading Est	Inside Kingdom	Sole proprietorship
Al Masarat Investment Company	Inside Kingdom	Sole proprietorship
Madar Holding Company	Inside Kingdom	Sole proprietorship
AlMahaba for Investment Co.	Outside Kingdom (Dubai)	Sole proprietorship
Etlalah Investment Holding Company	Inside Kingdom	Sole proprietorship

Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
INJAZ Development Co.	Under liquidation	-
Amwal Alkhaleej Investment Co	Under liquidation	-
United Electronics Company (Extra)	Inside Kingdom	Listed Joint-Stock Co.
ARNON Plastic Industries	Inside Kingdom	Sole proprietorship
Madar Building Materials	Inside Kingdom	Limited Liability Co.
Zawaya Holding Co.	Inside Kingdom	Closed Joint-Stock Co.
ASCEND Healthcare Solutions	Inside Kingdom	Sole proprietorship

Member Name: Mr. Raed bin Ibrahim Al Mudaiheem

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Masdar Construction Materials	Inside Kingdom	Closed Joint-Stock Co.	Arabian Pipes	Inside Kingdom	Listed Joint-Stock Co.
United Mining Industries	Inside Kingdom	Closed Joint-Stock Co.	Suez Cement	Outside Kingdom (Egypt)	Listed Joint-Stock Co.
Northern Region Cement	Inside Kingdom	Listed Joint-Stock Co.			
Northern Region Cement	Outside Kingdom (Jordan)	Listed Joint-Stock Co.			
Al Badia Cement	Outside Kingdom (Syria)	Closed Joint-Stock Co.			
Jeddah Airports Co.	Inside Kingdom	Limited Liability Co.			
Saudi Airlines Catering	Inside Kingdom	Listed Joint-Stock Co.			
Thabat Construction Co. Ltd.	Inside Kingdom	Limited Liability Co.			
Yamamah Steel Co.	Inside Kingdom	Listed Joint-Stock Co.			
Riyadh Cables Group Co.	Inside Kingdom	Closed Joint-Stock Co.			

Member Name: Mr. Fozan bin Mohammed Al Fozan

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Al Fozan Holding Co.	Inside Kingdom	Closed Joint-Stock Co.	Al Oula Real Estate Development Holding Co.	Inside Kingdom	Closed Joint-Stock Co.
Abdul Latif & Mohammed Al Fozan Holding Co.	Inside Kingdom	Closed Joint-Stock Co.	Beautiful Home Co. Ltd	Inside Kingdom	Limited Liability Co.

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Yamamah Steel Co.	Inside Kingdom	Closed Joint-Stock Co.	Madar Electrical Material Co.	Inside Kingdom	Limited Liability Co.
Amjal Property Development Co.	Inside Kingdom	Sole proprietorship	Madar Hardware Co.	Inside Kingdom	Limited Liability Co.
Ajwad Holding Co.	Inside Kingdom	Closed Joint-Stock Co.	INJAZ Development Co. Ltd.	Inside Kingdom	Limited Liability Co.
United Electronics Co.	Inside Kingdom	Listed Joint-Stock Co.	Madar Building Materials	Inside Kingdom	Limited Liability Co.
Bawan Co.	Inside Kingdom	Public Joint-Stock Co.	Etlalah Investment Holding Co.	Inside Kingdom	Sole proprietorship
ASCEND Healthcare Solutions	Inside Kingdom	Sole proprietorship	Zawaya Holding Co.	Inside Kingdom	Closed Joint-Stock Co.
Al Mada Holding Co.	Inside Kingdom	Limited Liability Co.			
Kayan International Co.	Inside Kingdom	Limited Liability Co.			
Unisteel Co.	Inside Kingdom	Limited Liability Co.			
Uniglass Co.	Inside Kingdom	Limited Liability Co.			
ARNON Plastic Industries	Inside Kingdom	Limited Liability Co.			
Athman Healthcare Holding Co.	Inside Kingdom	Limited Liability Co.			
Madar building materials - Bahrain	Inside Kingdom	Limited Liability Co.			
United Financial Services Co.	Inside Kingdom	Sole proprietorship			
Rawabi Riyadh Co. Ltd.	Inside Kingdom	Sole proprietorship			
BLOM INVEST	Inside Kingdom	Closed Joint-Stock Co.			
Retal Urban Development Co.	Inside Kingdom	Public Joint-Stock Co.			

Member Name: Mr. Raed bin Ahmad Al Mazrou

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Adwan Chemical Industries Co.	Inside Kingdom	Limited Liability Co.	-	-	-
Adwan Chemicals CIE. Algeria	Outside Kingdom	Limited Liability Co.			
Adwan Chemicals CIE. Syria	Outside Kingdom	Limited Liability Co.			

Member Name: Mr. Khaled bin Abdulrahman Al Qoiz

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Al-Rajhi Bank	Inside Kingdom	Listed Joint-Stock Co.	ACWA Holding Company	Inside Kingdom	Closed Joint-Stock Co.
Riyadh Cables Group Co.	Inside Kingdom	Closed Joint-Stock Co.	Astra Industrial Group	Inside Kingdom	Listed Joint-Stock Co.
SPIMACO ADDWAEIH	Inside Kingdom	Listed Joint-Stock Co.	SWICORP	Inside Kingdom	Closed Joint-Stock Co.
EMCOR Facilities Management	Inside Kingdom	Limited Liability Co.	Saudi Binladin Holding Group	Inside Kingdom	Closed Joint-Stock Co.
Unique Solutions for Chemical Industries	Inside Kingdom	Limited Liability Co.	Rua Watan Holding Company (one of the companies of the Bin Laden Group)	Inside Kingdom	Limited Liability Co.
			Rua Development Holding Company (one of the companies of the Bin Laden Group)	Inside Kingdom	Limited Liability Co.

Member Name: Mr. Abdulkareem bin Ibrahim Al Nafie

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Al Moammar Information Systems Co.	Inside Kingdom	Listed Joint-Stock Co.	Saudi Industrial Development Fund	Inside Kingdom	Government Institution
Riyadh Steel Co.	Inside Kingdom	Closed Joint-Stock Co.	National Shipping Company of Saudi Arabia (Bahri)	Inside Kingdom	Listed Joint-Stock Co.
Maan Aljasser & Co.	Inside Kingdom		Saudi Ceramic Co.	Inside Kingdom	Listed Joint-Stock Co.
United Cement Co.	Inside Kingdom	Closed Joint-Stock Co.	Ceramic Pipes Co.	Inside Kingdom	Closed Joint-Stock Co.
Astra Industrial Group	Inside Kingdom	Listed Joint-Stock Co.	Natural Gas Distribution Co.	Inside Kingdom	Closed Joint-Stock Co.
Etiad Etisalat Company (Mobily)	Inside Kingdom	Listed Joint-Stock Co.	Naseej International Trading Co.	Inside Kingdom	Listed Joint-Stock Co.

Member Name: Mr. Abdullah Abdulrahman Al-rowais

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
ACWA Power Co.	Inside Kingdom	Closed Joint-Stock Co.	Manafe Holding Co.	Inside Kingdom	Closed Joint-Stock Co.
Saudi Tourism Authority	Inside Kingdom	Government Institution	Samba Financial Group	Inside Kingdom	Listed Joint-Stock Co.
SNB AlAhli	Inside Kingdom	Listed Joint-Stock Co.			

Member Name: Mr. Mohammad bin Abdulaziz Al-Aqeel

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Midad Holdings Co.	Inside Kingdom	Limited Liability Co.	-	-	-
Ajdan Real Estate Development Co.	Inside Kingdom	Closed Joint-Stock Co.			
Al Oula Real Estate Development Co.	Inside Kingdom	Closed Joint-Stock Co.			
Dar Al Tamleek Co.	Inside Kingdom	Closed Joint-Stock Co.			
Saddeed	Inside Kingdom	Limited Liability Co.			

Member Name: Mr. Faisal Majed Al-Muhaidib

Companies' Name, a board member is a member of the current Board of Directors/ Managers	Location	Legal Entity	Companies' Name, a board member is a member of the former Board of Directors/ Managers.	Location	Legal Entity
Masdar Building Materials	Inside Kingdom	unlisted joint stock Co.	Albonian International	Outside Kingdom	Limited liability
Thabat Real Estate Development	Inside Kingdom	Limited liability	AL Maha General Trading Co.	Outside Kingdom	Limited liability
RAFAL Real Estate Development Co	Inside Kingdom	unlisted joint stock Co.	Manahil El Ryan	Outside Kingdom	Limited liability
Thabat Almaskan Re	Inside Kingdom	Limited liability	United Mining Industries	Inside Kingdom	Limited liability
Badwa Capital	Outside Kingdom	Limited liability	ESNAD Co	Outside Kingdom	Limited liability
			Pioneer Cement Limited	Outside Kingdom	Limited liability
			AK Al Muhaidib & Sons	Outside Kingdom	Limited liability

Formation of the Board of Directors, Membership classification, and the nature memberships ▼

#	Member's Name	Membership Nature	Membership Classification
1	Mr. Abdullah bin Abdul Latif Al Fozan	Chairman	Non-executive member
2	Mr. Essam bin Abdulkader AlMuhaidib	Vice President until the end of the previous term on 25/9/2022	Non-executive member
3	Mr. Fozan bin Mohammed Al Fozan	Board member and managing director of Bawan	Executive member
4	Mr. Raed bin Ibrahim Al Mudaiheem	Board member until the end of the previous term on 25/9/2022 - Vice President in the new term began on 26/9/2022	Non-executive member
5	Mr. Basel bin Mohammed Al Gadhib	Board member until the end of the previous term on 25/9/2022	Non-executive member
6	Mr. Raed bin Ahmad Al Mazrou	Board member	Independent member until the end of the previous term on 25/9/2022, a non-executive member in the new term that started on 26/9/2022
7	Mr. Khaled bin Abdulrahman Al Qoaiz	Board member	Independent member
8	Mr. Abdulkareem bin Ibrahim Al Nafie	Board member	Independent member
9	Mr. Abdullah Abdulrahman Al-rowais	Board member	Independent member
10	Mr. Mohammad bin Abdulaziz Al-Aqeel	Board member in the new term began on 26/9/2022	Independent member
11	Mr. Faisal bin Majid Al-Muhaib	Board member in the new term began on 26/9/2022	Non-executive member

Measures taken by the Board of Directors to inform its members, especially

non-executive ones, of shareholders' proposals and comments regarding the company's performance are:

The Chairman, in the first meeting of the Board at the beginning of the fiscal year, informs all members of shareholders' proposals and comments regarding the company and its performance, as well as other related topics, if any.

It should be noted that the company did not receive any written proposals or comments from any of the shareholders during the year ended on 31/12/2022.

The number of Board of Directors meetings held during the fiscal year ended on 31/12/2022, the dates of these meetings, and a record of attendance for each meeting indicating the names of attendees:

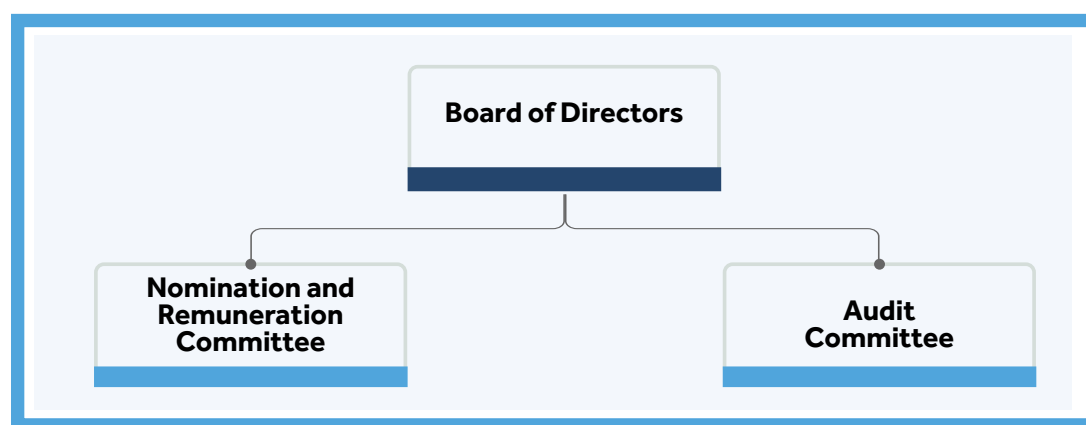
Member's Name	1 st Meeting 30/03/ 2022	2 nd Meeting 27/06/ 2022	3 rd Meeting 26/09/ 2022	4 th Meeting 26/12/ 2022	Total
Mr. Abdullah bin Abdul Latif Al Fozan	✓	✓	✓	✓	4
Mr. Essam bin Abdulkader AlMuhaidib*	✓	✓	✗	✗	2
Mr. Fozan bin Mohammed Al Fozan	✓	✓	✓	✓	4
Mr. Raed bin Ibrahim Al Mudaiheem	✓	✓	✓	✓	4
Mr. Basel bin Mohammed Al Gadhib*	✓	✓	✗	✗	2
Mr. Raed bin Ahmad Al Mazrou	✓	✓	✓	✓	4
Mr. Khaled bin Abdulrahman Al Qoaiz	✓	✓	✓	✓	4
Mr. Abdulkareem bin Ibrahim Al Nafie	✓	✓	✓	✓	4
Mr. Abdullah Abdulrahman Al-rowais	✓	✓	✓	✓	4
Mr. Mohammad bin Abdulaziz Al-Aqeel**	✗	✗	✓	✓	2
Mr. Faisal bin Majid Al-Muhaib**	✗	✗	✓	✓	2

* End of term on 25/9/2022

** Start of term on 26/9/2022

Board Committees

In accordance with the Corporate Governance Regulations issued by the Saudi Arabian Capital Market Authority and the Companies Law, the Company has prepared charters for the Audit Committee, Nomination and Remuneration Committee, Executive Committee, and Business Development Committee, as shown in the following figure. These charters include rules for selecting committee members, their term of membership, and the committee's working methodology, which were approved by the Board of Directors and the General Assembly of Shareholders. The policies include the following committees:



Audit Committee

The Audit Committee is responsible for overseeing the tasks of internal auditing, studying its reports, and monitoring the implementation of corrective measures for the observations included in the reports. It recommends the appointment of auditors, their scope of work, and proposes their annual fees. The committee monitors their work and studies their comments on the financial statements. Its responsibilities also include evaluating and ensuring the existence of an effective and sound internal control system. The committee reviews the interim and annual financial statements of the company before they are presented to the Board of Directors.

During the year, the Audit Committee reviewed the quarterly and annual financial statements and recommended their approval to the Board of Directors.

It met with the auditor and ensured that the financial statements were prepared in accordance with accounting standards, and that there were no significant or

material comments from the auditors on the financial statements.

The Audit Committee also discussed the internal auditors' report, which did not contain any significant comments, and submitted a report to the Board of Directors on this matter.

Audit Committee from Members outside the Board of Directors:

#	Name	Current Positions	Previous Positions	Qualifications	Expertise
1	Mr. Kenneth Charles Ibrahim	CFO - Telad Investment Company	- Financial Controller for the Group - Atheel Holding Company - Financial Controller - General Trading Company - Senior Manager - Deloitte & Touch	Bachelor degree in Economics from the University of Mumbai - India - 1988	Has obtained several professional certificates in the fields of accounting, economics, and internal auditing. He has extensive experience in the field of internal and external auditing.
2	Mr. Abdulmoeti Wasef Abdulhadi*	CEO - Baker Tilly and Partners Certified Public Accountants	- Internal Audit Advisor - Al Fozan Holding Company - Senior Manager - Deloitte & Touch	Bachelor of Economics and Administration from Yarmouk University - Jordan - 1984	He holds several professional certifications in the field of accounting, economics, and internal auditing. He has extensive experience in the fields of internal and external auditing. He has experience in Saudi local standards and other local regulations, as well as international standards for preparing financial reports.
3	Dr. Abdullah Bin Sagheer Al-Husaini**	A doctor at the College of Business Administration at Prince Sultan University	Financial Manager - Financial Advisor - Accountant and Auditor in a group of entities	Bachelor's degree in Accounting from King Abdulaziz University, Saudi Arabia - 1990. Master's degree in Accounting from King Saud University, Saudi Arabia - 1997. PhD in Financial Accounting and Auditing from the University of Kent, United Kingdom - 2005	Member of the Board of Directors, Chairman of the Audit Committee, and member of various committees in a group of listed companies. He has extensive experience in the fields of accounting, internal and external auditing, and financial management. He is a member of several professional organizations inside and outside the Kingdom.

* Member until his resignation on 30/03/2022

** Member starting from his appointment on 30/03/2022

The committee, which consisted of three members, held five meetings during 2022. The following table shows the attendance record:

Member's Name	Membership Nature	1 st Meeting 19/01/2022	2 nd Meeting 27/02/2022	3 rd Meeting 27/04/2022	4 th Meeting 08/08/2022	5 th Meeting 27/10/2022	Total
Mr. Abdullah Abdulrahman Al-rowais	Head of the Committee	✓	✓	✓	✓	✓	5
Mr. Kenneth Charles Ibrahim	Member	✓	✓	✓	✓	✓	5
Mr. Abdulmoeti Wasef Abdulhadi*	Member	✓	✓	x	x	x	2
Dr. Abdullah Bin Sagheer Al-Husaini**	Member	x	x	✓	✓	✓	3

*Member until his resignation on 30/03/2022

** Member starting from his appointment on 30/03/2022

Nomination and Remuneration Committee

The committee is responsible for recommending nominations for membership in the Board of Directors and its affiliated committees in accordance with the approved standards. It conducts an annual review of the required skills for board membership, reviews the board's structure, and makes recommendations on possible changes. The committee is also responsible for identifying the strengths and weaknesses of the board and how to address them in the best interest of the company, evaluating the performance of board members and members of its subcommittees, and ensuring the independence of independent members on an annual basis. Moreover, the committee is tasked with developing policies for compensations and rewards for the board members and top executives of the company.

Additionally, the committee is also responsible for assisting the Board of Directors in developing and reviewing the company's organizational structure and operating model that regulates the relationship between the company and its subsidiaries.

The committee, which consists of three members, held two meetings during the year 2022. The following table shows the attendance record:

Member's Name	Membership Nature	1 st Meeting 21/02/2022	2 nd Meeting 26/06/2022	Total
Mr. Raed bin Ahmad Al Mazrou	Head of the Committee	✓	✓	2
Mr. Abdullah bin Abdul Latif Al Fozan	Member	✓	✓	2
Mr. Essam bin Abdulkader AlMuhaidib*	Member	✓	✓	2

It is worth noting that the Board of Directors in its new term, started on 26/09/2022, formed the Nominations and Remunerations Committee consisting of the following members:

- 1 ■ Mr. Khaled bin Abdulrahman Al Qoaz (Independent) as the Committee Chairman
- 2 ■ Mr. Mohammad bin Abdulaziz Al-Aqeel (Independent) as a member of the Committee
- 3 ■ Mr. Raed bin Ibrahim Al Mudaiheem (Non-Executive) as a member of the Committee

The newly formed committee did not hold any meetings during the year 2022.

Executive Committee ▼

The company's Executive Committee was appointed by the Board of Directors to ensure the Board's presence between meetings and to provide the ability to respond quickly in emergency situations. In addition, it assists the Board in efficiently and effectively performing its supervisory duties, especially in terms of defining the company's strategic goals and financial and operational priorities, as well as evaluating the long-term productivity of the company's operations.

The Committee is responsible for reviewing the executive management's performance quarterly and comparing it to the established goals. It presents the company's annual management report to the Board of Directors, reviews proposed investments, prioritizes them, approves investments that fall within its jurisdiction, and recommends to the Board investments that exceed its authority.

Additionally, the Committee reviews the annual strategic plan proposed by the executive management before submitting it to the Board of Directors for approval, as well as the proposed annual budget of the company before it is presented to the Board of Directors, following review by the Chief Financial Officer.

It is worth noting that in the new session of the Board of Directors that began on 26/09/2022, the Executive Committee was not formed, thus the tasks assigned to the Executive Committee ended with the end of the previous Board's term.

The committee, consisting of three members, held three meetings during 2022, and the following table shows the attendance record:

Member's Name	Membership Nature	1 st Meeting 20/03/2022	2 nd Meeting 21/06/2022	3 rd Meeting 18/09/2022	Total
Mr. Raed bin Ibrahim Al Mudaiheem	Head of the Committee	✓	✓	✓	3
Mr. Fozan bin Mohammed Al Fozan	Member	✓	✓	✓	3
Mr. Raed bin Ahmad Al Mazrou	Member	✓	✓	✓	3

Disclosure of Rewards Policy for members of the Board of Directors and members of committees emanating from the Board and the executive management ▼

Rewards for members of the Board of Directors ▼

- 1 ■ An annual fixed bouns of SAR 200,000 according to the Companies System and the Basic Law of the company, provided that the total amount of financial or in-kind rewards and benefits received by a member of the Board of Directors does not exceed SAR 500,000 annually, in accordance with the regulations set by the competent authority, and in accordance with the above Rewards policy.
- 2 ■ Each member is entitled to receive a transportation allowance equivalent to the value of a first-class ticket on Saudi Airlines, in addition to a daily accommodation allowance of SAR 2,000 if their permanent residence is outside the city where the Board of Directors meetings are held.
- 3 ■ A fixed amount is paid as compensation for housing, food, transportation, etc. when attending a Board of Directors meeting outside Riyadh (the company's headquarters) and in any other city within the Kingdom. The amount is SAR 3,000 for each member attending the meeting, in addition to a first-class (round-trip) travel ticket from Riyadh to the city where the meeting will be held, or its equivalent.
- 4 ■ A fixed amount is paid as compensation for housing, food, transportation, etc. when attending a Board of Directors meeting outside the Kingdom. The amount is 3,000 US dollars for each member attending the meeting, in addition to a first-class (round-trip) travel ticket from Riyadh to the city where the meeting will be held, or its equivalent.

If the Chairman of the Board requests any of the committees to hold a meeting outside Riyadh, or to participate in any of the committee members or all of them in a Board meeting, the attending members will be compensated for the expenses, similar to the Board of Directors members.

If more than one meeting is held in the same place on the same day, the aforementioned expense reimbursements will be paid only once per member.

Annual fixed rewards are paid based on the member's attendance percentage at the meetings, and allowances for attending meetings are paid after the meeting.

Rewards for members of the committees emanating from the Board ▼

- 1 ■ Fixed annual reward of SAR 100,000 for members of Audit Committee and Business Development Committee, in accordance with the regulations set by the relevant authorities and as per the above-mentioned reward policy.
- 2 ■ Attendance allowance for committee meetings at SAR 3,000 per member of the Board of Directors for each meeting.
- 3 ■ Each member of the Board residing outside the city in which the committee meetings are held is entitled to a travel allowance equivalent to a first-class ticket on Saudi Airlines, in addition to a lodging allowance of SAR 2,000 for each day of the meeting.
- 4 ■ A fixed amount is paid to each member of the Board as compensation for expenses related to accommodation, food, transportation, etc. when attending a committee meeting outside of Riyadh (the company's headquarters) and in any other city within the kingdom. The fixed amount is SAR 3,000 for each member who attends the meeting, in addition to a first-class travel ticket (round trip) from Riyadh to the city where the meeting will be held or its equivalent value.
- 5 ■ A fixed amount is paid to each member of the Board as compensation for expenses related to accommodation, food, transportation, etc. when attending a committee meeting outside the kingdom. The fixed amount is 3,000 US dollars for each member who attends the meeting, in addition to a first-class travel ticket (round trip) from Riyadh to the city where the meeting will be held or its equivalent value.

If more than one meeting is held in the same place on the same day, the aforementioned expense reimbursements will be paid only once per member.

Executive Management Rewards Policy ▼

- 1 ■ The Board of Directors determines the types of rewards to be granted to employees, based on the recommendation of executive management, such as fixed rewards, performance-based rewards, and rewards in the form of shares, in a manner that does not conflict with the regulations and procedures issued in implementation of the private sector companies system for listed joint-stock companies.

- 2 ■ Rewards and Nomination Committee continuously reviews the salary scale set for all employees and senior executives, as well as incentive programs and plans, and approves them based on a recommendation from the executive management.
- 3 ■ At the beginning of the year, the company's annual goals and the goals of senior executives and employees are approved. At the end of the year, the company's overall performance and the achievement of its goals are evaluated.
- 4 ■ The main performance criteria for the company include a set of short-term and long-term goals, including profitability, solvency, liquidity, and growth indicators. The performance of management process ensures that all goals are properly sequenced at all levels of the company, including business units and employees involved.
- 5 ■ The rewards aim to provide the necessary competitiveness to attract and retain qualified and competent employees, and maintain the high level of skills needed by the company.

The following tables illustrate the rewards paid to the Board of Directors, committee members, and senior executives during 2022, excluding the Audit Committee:

Board of Directors Rewards

Name	Sum of Rewards and Attendance Allowances for Committee Meetings (Excluding Audit Committee)		Total Amount
	Fixed Annual Rewards	Rewards	
1st: Independent Members			
Mr. Raed bin Ahmad Al Mazrou	200,000	15,000	215,000
Mr. Khaled bin Abdulrahman Al Qoaiz	200,000	-	200,000
Mr. Abdulkareem bin Ibrahim Al Nafie	200,000	-	200,000
Mr. Abdullah Abdulrahman Al-rowais	200,000	-	200,000
Sum	800,000	15,000	815,000
2nd: Non-Executive Members			
Mr. Abdullah bin Abdul Latif Al Fozan	200,000	6,000	206,000
Mr. Essam bin Abdulkader AlMuhaidib	200,000	6,000	206,000
Mr. Raed bin Ibrahim Al Mudaiheem	200,000	12,000	212,000
Mr. Basel bin Mohammed Al Gadhib	200,000	-	200,000
Sum	800,000	24,000	824,000
3rd: Executive Members			
Mr. Fozan bin Mohammed Al Fozan	200,000	12,000	212,000
Sum	200,000	12,000	212,000

Senior Executives Rewards

Statement	Fixed Rewards (SAR)			Variable Rewards (SAR)	Total Amount (SAR)
	Salaries	Allowances	Total	Annual Rewards	
Senior Executive, DFO Rewards, including Chief Executive Officer	2,301,547	814,467	3,116,014	726,370	3,842,384

The company committed to disclosing the elements of senior executive rewards in total, in accordance with the regulatory requirements set forth in subparagraph (b) of paragraph (4) of Article (93) of the Corporate Governance Regulations issued by the Capital Markets Authority. However, to protect the interests of the company, shareholders, and employees, and to avoid any potential harm resulting from detailed disclosure according to the position, the details were not presented as shown in Appendix (1) for senior executive under the Corporate Governance Regulations.

Audit Committee Members Rewards

Audit Committee Members	Fixed Annual Rewards	Attendance Allowances	Total (SAR)
Mr. Abdullah Abdulrahman Al-rowais	100,000	18,000	118,000
Mr. Kenneth Charles Ibrahim	100,000	-	100,000
Mr. Abdulmoeti Wasef Abdulhadi*	100,000	-	100,000
Sum	300,000	18,000	318,000

Corporate Governance System ▼

The company applies all provisions included in the Corporate Governance Regulations issued by the Saudi Arabian Capital Markets Authority, except for the provisions listed below:

Article/Paragraph No.	Article/ Paragraph Text	Reasons for Non-Application
Article 39	Training	Guideline Article
Article 41 / Paragraph h	Evaluation	Guideline Article
Article 70	Establishment of a Risk Management Committee	Guideline Article
Article 71	Responsibilities of the Risk Management Committee	Guideline Article
Article 72	Meetings of the Risk Management Committee	Guideline Article
Article 85	Employee motivation	Guideline Article
Article 87	Social Responsibility	Guideline Article
Article 88	Social work initiatives	Guideline Article
Article 95	Establishment of a Corporate Governance Committee	Guideline Article

Results of Annual Review of the Effectiveness of Internal Control Procedures ▼

The internal control system aims to ensure the company's objectives are achieved effectively and efficiently, including the issuance of reliable financial reports, compliance with laws, regulations, and policies, as well as managing potential risks to minimize their impact on achieving the objectives. The control system plays a vital role in detecting and preventing fraud and protecting the company's resources. The company's management is responsible for preparing a comprehensive and effective control system that is commensurate with the level of risks the company may face and at a reasonable cost, providing acceptable assurances to avoid material errors and resulting losses. The committee continuously reviews the periodic reports prepared by internal and external auditors and various company departments related to internal control. Based on the results of the annual reviews, the Audit Committee did not identify any material weaknesses in the existing internal control procedures, and regardless of how well designed, yet it can't provide absolute assurance.

Imposed on the Company ▼

There are no penalties, sanctions, or precautionary measures imposed on the company by the Saudi Arabian Capital Markets Authority or any regulatory, supervisory, or judicial entity.

Statement of the dates of General Assembly meetings held during the fiscal year ending on 2022/12/31, and the members of Board of Directors presented at these meetings ▼

#	Name	Attendance Record Ordinary General Assembly 10/05/2022	Attendance Record Extraordinary General Assembly 19/09/2022
1	Mr. Abdullah bin Abdul Latif Al Fozan	✘	✓
2	Mr. Essam bin Abdulkader AlMuhaidib	✓	✓
3	Mr. Fozan bin Mohammed Al Fozan	✓	✓
4	Mr. Raed bin Ibrahim Al Mudaiheem	✓	✓
5	Mr. Basel bin Mohammed Al Gadhib	✘	✘
6	Mr. Raed bin Ahmad Al Mazrou	✓	✓
7	Mr. Khaled bin Abdulrahman Al Qoaz	✓	✓
8	Mr. Abdulkareem bin Ibrahim Al Nafie	✓	✓
9	Mr. Abdullah Abdulrahman Al-rowais	✓	✓

Number of requests made by the company to shareholders register, the dates of these requests, and their reasons ▼

No. Requests Made by the Company to Shareholders Register	Request Date	Request Reasons
1	21/03/2022	Corporate Procedures
2	21/03/2022	Corporate Procedures
3	29/03/2022	Corporate Procedures
4	27/04/2022	General Assembly
5	25/08/2022	General Assembly
6	10/11/2022	Corporate Procedures

Confirmations and Declarations of the Board of Directors and Management ▼

The Board of Directors and Management of the company confirm and declare the following:

- The accounting records have been prepared properly.
- The internal control system has been established on sound basis and effectively implemented.
- There is no significant doubt about the company's ability to continue as a going concern.

Clarifications from Bawan Company's Management during 2022 ▼

- The company is not subject to any penalties, fines, or precautionary measures imposed by the Saudi Arabian Capital Markets Authority or any supervisory, regulatory or judicial entity.
- The company has not issued any debt instruments.
- Members of the Board of Directors, Senior Executives, or their families members do not have any subscription rights or interests in the company's shares, except as stated in this report.
- The company has not issued any bonds, and therefore has not redeemed, purchased, or cancelled any redeemable debt instruments.
- The company does not have any conversion or subscription rights under convertible debt instruments, options, subscription warrants, or similar rights issued or granted by the company.
- There are no arrangements or agreements whereby any shareholders of the company have waived any profit rights.
- The financial statements have been prepared in accordance with International Accounting Standards and in accordance with the company's regulations and articles of association regarding the preparation and publication of financial statements.
- The company has not received any comments or observations from shareholders regarding the company or its performance.
- The auditor's report did not include any reservations on the annual financial statements.
- The board did not decide or recommend changing the company's auditors during 2022.
- The audit committee did not recommend appointing an internal auditor for the company due to the presence of an internal audit department.

- There are no recommendations from the audit committee that conflict with the Board's decisions or have been rejected by the Board regarding the appointment, removal, determination of fees, evaluation of performance, or appointment of the internal auditor.
- The company does not have any treasury shares.
- The company has not issued any shares or debt instruments for its subsidiaries.
- There are no differences from the International Financial Reporting Standards (IFRS) adopted by the Saudi Organization for Certified Public Accountants.

Social Responsibility ▼

As a public-joint stock company in the Kingdom of Saudi Arabia, Bawan company is committed to continuously fulfilling its duty towards the community and taking responsibility towards its individuals, serving their interests and developing their awareness, especially for the youth who are the backbone of society and the hope for the future to complete and develop the path of construction and giving.

The company has succeeded in attracting many Saudi talents to work for the company, with the number of Saudi employees reaching about 1400 employees as of 31/12/2022.

For Bawan company, innovation and developing high-quality products that meet customers' needs is one of the main foundations that the company believes in, aiming to support the quality and level of Saudi capital industries. Therefore, Bawan plays a major role in research and development operations, encouraging creativity in work methods for its employees, placing the company at the heart of the national transformation journey of Saudi Arabia's Vision 2030.

In line with Bawan company's belief in the importance of the environmental aspect and supporting the Kingdom's transition to a clean economy, the company continuously strives to develop strategies, policies, and applications for energy management and greenhouse gas emissions, water and waste management, preserving air quality and biodiversity, and managing supply chains and purchasing operations responsibly. For more details on Bawan's social responsibility practices, please refer to the company's sustainability report for 2022.

BUSINESS OVERVIEW

Consolidated Financial Statements For The Year Ended December 2022 ,31 With Independent Auditor's Report ▼

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- Independent auditor's report
- 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
- Notes to the consolidated financial statements

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF BAWAN COMPANY
(A Saudi Joint Stock Company)**

(1/4)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bawan Company – a Saudi Joint Stock Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the group, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2022;
- 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, including a summary of significant accounting policies.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key Audit Matter	How our audit addressed the key audit matter
1- Impairment allowance for trade receivables as per requirements of IFRS 9	
As at December 31, 2022, the gross carrying amount of trade receivables amounted to SR 679.62 million (2021: SR 690.12 million) against which the Group recognized ECL allowance amounting to SR 88.99 million (2021: SR 92.08 million) in accordance with the requirements of IFRS 9, “Financial Instruments”.	We have performed the following procedures for assessing the impact on the impairment allowance of financial assets as per requirements of IFRS 9:
IFRS 9 requires “Expected Credit Loss” model (ECL) for the calculations of allowance for impairment of financial instruments including trade receivables. Management has applied a simplified expected credit loss (“ECL”) model to determine the allowance for impairment of trade receivables.	<ul style="list-style-type: none"> • Evaluated the appropriateness of the application of expected credit loss model prepared by the Management of the Group for the relevant financial assets by understanding the nature of the financial assets and comparing the application to the requirements of the standard; • Verified the data inputs in assessing the reasonableness of the probability of defaults (PDs) against source documents and information;

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF BAWAN COMPANY
(A Saudi Joint Stock Company)**

(2/4)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTER (Continued)

Key Audit Matter	How our audit addressed the key audit matter
1- Impairment allowance for trade receivables as per requirements of IFRS 9 (Continued)	
We considered this to be a key audit matter due to the level of significant judgments, estimates and assumptions used by the management in calculations of allowance for impairment of trade receivables.	<ul style="list-style-type: none"> • Tested key assumptions by comparing to the historical data; • Performed our independent assessment of impairment of trade receivables based on simplified approach and engaged our expert to provide further reliance on the assessment performed by us; and • Reviewed the adequacy of the Group’s disclosures as presented in the accompanying consolidated financial statements in accordance with the applicable accounting standard.
Refer to note 2.17, 4.2(b) and 11 to the consolidated financial statements for further information.	

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in 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 do 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. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and the Regulations for Companies and the Company's By Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management 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 of the Company are responsible for overseeing the Group financial reporting process.

INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDERS OF BAWAN COMPANY**
(A Saudi Joint Stock Company)

(3/4)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**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 ISAs that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in 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 the ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performance of the group audit. We remain solely responsible for the 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, related safeguards.

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

INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDERS OF BAWAN COMPANY**
(A Saudi Joint Stock Company)

(4/4)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 period 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.

For Al-Bassam & Co.

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Riyadh: Shaban 15, 1444H
Corresponding to: March 7, 2023

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	719,943	709,840
Right-of-use assets	6.1	24,545	18,485
Goodwill	7	4,397	4,397
Intangible assets	8	3,451	5,722
Other assets		2,487	2,913
Total non-current assets		754,823	741,357
Current assets			
Inventories	9	703,995	661,505
Spare parts		31,287	27,867
Financial assets at fair value through profit or loss (FVTPL)	10	14,206	-
Trade and other receivables	11	664,046	690,786
Contract assets	12.1	76,288	40,932
Cash and cash equivalents	13	38,401	40,305
Total current assets		1,528,223	1,461,395
TOTAL ASSETS		2,283,046	2,202,752
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	600,000	600,000
Statutory reserve	15	52,921	36,636
Retained earnings		210,568	102,877
Equity attributable to the owners of the Company		863,489	739,513
Non-controlling interests	22	66,143	50,389
Total equity		929,632	789,902
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	87,430	80,541
Lease liabilities	6.3	23,878	17,322
Employee defined benefit liabilities	17	74,593	85,562
Total non-current liabilities		185,901	183,425
Current liabilities			
Trade and other payables	18	560,918	483,449
Short-term borrowings	16	468,200	552,682
Current portion of long-term borrowings	16	38,779	65,275
Contract liabilities	12.2	65,481	56,209
Current portion of lease liabilities	6.3	2,323	2,724
Zakat and income tax payable	24	30,675	22,946
Dividends payable		1,137	46,140
Total current liabilities		1,167,513	1,229,425
TOTAL LIABILITIES		1,353,414	1,412,850
TOTAL EQUITY AND LIABILITIES		2,283,046	2,202,752

Financial Reporting
Director

Chief Executive Officer

Authorized Board of Directors
Member

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Note	2022	2021
Continuing operations			
Revenue	19, 25	3,631,880	3,227,410
Cost of revenue	19, 26	(3,184,562)	(2,801,938)
Gross profit		447,318	425,472
Selling and distribution expenses	27	(93,200)	(86,429)
General and administrative expenses	28	(113,609)	(128,585)
Expected credit loss (ECL) allowance on trade receivables	11	(14,813)	(16,560)
Gain on disposal of investments in financial assets at FVTPL	10	5,724	4,063
Fair value loss on investment in financial assets at FVTPL	10	(2,266)	-
Other income	29	1,470	12,166
Profit before finance costs, zakat and income tax		230,624	210,127
Finance costs	30	(31,521)	(18,840)
Profit before zakat and income tax		199,103	191,287
Zakat and income tax	24	(20,991)	(19,111)
Profit from continuing operations		178,112	172,176
Loss from discontinued operation	23	-	(2,112)
Profit for the year		178,112	170,064
Other comprehensive income / (loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement gain / (loss) on employee defined benefit liabilities	17.2	16,418	(1,476)
<i>Item that may be reclassified to profit or loss:</i>			
Foreign currency translation reserve released on disposal of a foreign subsidiary	23	-	2,167
Other comprehensive income for the year		16,418	691
Total comprehensive income for the year		194,530	170,755
Profit / (loss) for the year attributable to:			
Ordinary equity holders of the Company		162,850	170,342
Non-controlling interests	22	15,262	(278)
Total comprehensive income / (loss) for the year attributable to:		178,112	170,064
Total comprehensive income / (loss) for the year attributable to:			
Ordinary equity holders of the Company		174,976	172,994
Non-controlling interests		19,554	(2,239)
Total comprehensive income / (loss) for the year attributable to:		194,530	170,755
Total comprehensive income / (loss) for the year attributable to:			
Continuing operations		174,976	175,106
Discontinued operations		-	(2,112)
Total comprehensive income / (loss) for the year attributable to:		174,976	172,994

The accompanying notes form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	2022	2021
Basic and diluted earnings per share		
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	32 2.71	2.84

Financial Reporting Director

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total equity
January 1, 2022	600,000	36,636	-	102,877	739,513	50,389	789,902
Profit for the year	-	-	-	162,850	162,850	15,262	178,112
Other comprehensive income for the year	-	-	-	12,126	12,126	4,292	16,418
Total comprehensive income for the year	-	-	-	174,976	174,976	19,554	194,530
Transfer to statutory reserve (note 15)	-	16,285	-	(16,285)	-	-	-
Transactions with current owners in their capacity as owners:							
Dividends (note 38)	-	-	-	(51,000)	(51,000)	(3,800)	(54,800)
December 31, 2022	600,000	52,921	-	210,568	863,489	66,143	929,632
January 1, 2021	600,000	19,602	(2,167)	75,084	692,519	62,900	755,419
Profit / (loss) for the year	-	-	-	170,342	170,342	(278)	170,064
Other comprehensive income / (loss) for the year	-	-	2,167	485	2,652	(1,961)	691
Total comprehensive income / (loss) for the year	-	-	2,167	170,827	172,994	(2,239)	170,755
Transfer to statutory reserve (note 15)	-	17,034	-	(17,034)	-	-	-
Derecognition of non-controlling interest on disposal of a foreign subsidiary (note 23)	-	-	-	-	-	(6,517)	(6,517)
Transactions with current owners in their capacity as owners:							
Dividends (note 38)	-	-	-	(126,000)	(126,000)	(3,755)	(129,755)
December 31, 2021	600,000	36,636	-	102,877	739,513	50,389	789,902

Financial Reporting Director

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	2022	2021
Cash flows from operating activities		
Profit before zakat:		
Continuing operations	199,103	191,287
Discontinued operations	-	(2,112)
Profit before zakat including discontinued operations	199,103	189,175
<i>Adjustments for:</i>		
Depreciation and amortization	77,372	73,226
ECL allowance on trade receivables	14,813	16,560
Net realizable value adjustment for inventories	8,003	8,915
Employees' end of service benefits cost	10,569	9,912
Finance costs	31,521	18,840
Fair value loss on financial assets at FVTPL	2,266	-
Gain on disposal of financial assets at FVTPL	(5,724)	(4,063)
Loss on disposal of a foreign subsidiary	-	2,112
Gain on derecognition of lease liabilities	-	(802)
Provision for warranty	955	1,064
Loss on disposal of intangible assets	-	4
Gain on disposal of property, plant and equipment	(971)	(1,419)
<i>Operating cash flows before movements in working capital</i>	337,907	313,524
<i>Changes in working capital</i>		
Inventories	(50,493)	(60,556)
Spare parts	(3,420)	214
Trade and other receivables	11,281	(61,741)
Contract assets	(35,356)	(18,771)
Trade and other payables	77,914	17,578
Contract liabilities	9,272	190
<i>Cash generated from operations</i>	347,105	190,438
Finance costs paid	(26,597)	(19,824)
Zakat and income tax paid	(13,262)	(14,770)
Employee defined benefit liabilities paid	(7,269)	(12,879)
Net cash generated from operating activities	299,977	142,965
Cash flows from investing activities		
Purchase of property, plant and equipment	(82,151)	(47,353)
Purchase of intangible assets	(392)	(127)
Purchase of financial assets at FVTPL	(71,541)	(14,480)
Proceeds from disposal of financial assets at FVTPL	60,793	44,034
Proceeds from disposal of property, plant and equipment	1,115	2,105
Proceeds from disposal of a foreign subsidiary	-	22,517
Net cash (used in) / generated from investing activities	(92,176)	6,696
Cash flows from financing activities		
Proceeds from borrowings	1,575,283	1,031,495
Repayment of borrowings	(1,682,475)	(1,105,486)
Repayment of lease liabilities	(2,710)	(2,489)
Dividends paid	(96,003)	(80,817)
Dividends paid to non-controlling interests	(3,800)	(3,157)
Net cash used in financing activities	(209,705)	(160,454)

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

	2022	2021
Net decrease in cash and cash equivalents	(1,904)	(10,793)
Cash and cash equivalents at the beginning of the year	40,305	47,012
Cash and cash equivalents related to disposal group classified as held for sale at the beginning of the year	-	4,086
Cash and cash equivalents at the end of the year	38,401	40,305

Supplemental cash flow information (refer note 36.2)

Financial Reporting Director	Chief Executive Officer	Authorized Board of Directors Member
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The accompanying notes form an integral part of these consolidated financial statements.

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

1. GENERAL INFORMATION

Bawan Company (“Bawan” or “the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia (“KSA”) under Commercial Registration number 1010033032 dated Shawwal 9, 1400H (corresponding to August 20, 1980G). The Company’s shares are traded on the Saudi Stock Exchange (Tadawul).

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”) as at December 31, 2022.

The Group is mainly engaged in the manufacturing of metal and steel works, wooden pallets, plywood panels, boards and all work of carpentry and decorations, electrical transformers, packaged and unit substations, ready-mix and concrete products and production of flexible packaging and insulation products.

The subsidiaries included in these consolidated financial statements are as follows:

Subsidiary	Principal activity	Location	Percentage of ownership (direct or indirect)	
			2022	2021
Bawan Engineering Industries Company (“Bawan Engineering”)	Intermediate holding company	KSA	100	100
<i>Subsidiaries of Bawan Engineering along with its ownership are as follows:</i>				
- United Transformers Electric Company-Saudi (“Utec-Saudi”)	Manufacturing of electrical products	KSA	85.50	85.50
- United Technology of Electric Substations & Switchgears Company (“USSG”)	-Same as above-	KSA	85.50	85.50
- Bawan Electric Company Limited (“Bawan Electric”) – under liquidation*	-Same as above-	KSA	100	100
Bawan Wood Industries Company (“Bawan Wood”)	Manufacturing of wood products	KSA	95	95
<i>Subsidiaries of Bawan Wood along with its ownership are as follows:</i>				
- Al-Raya Wood Works Establishment-UAE	-Same as above-	UAE	100	100
- Al-Raya Company for Wood Works-Kuwait	-Same as above-	Kuwait	100	100
- Inma Pallets Company Limited (“Inma Pallets”)	-Same as above-	KSA	100	100
- United Lines Logistics Services Company Limited (“ULLS”)	Logistic services	KSA	100	100
Bina Holding for Industrial Investments (“Bina Holding”)	Intermediate holding company	KSA	56.75	56.75
<i>Subsidiaries of Bina Holding along with its ownership are as follows:</i>				
- Bina Ready-Mix Concrete Products Company (“Bina Ready-Mix”)	Manufacturing of concrete products	KSA	100	100
- Al-Ahliyah Transport Company Limited	Dormant	KSA	100	100
- Total Building Company	-Same as above-	KSA	100	100
- Bina Advanced Concrete Products Company (“Bina Precast”)	Manufacturing of concrete products	KSA	93.20	93.20
<i>Subsidiary of Bina precast along with its ownership is as follows:</i>				
- Saudi Bina Consulting Engineering Company (“Bina engineering”)	Intermediate holding company Engineering and architectural consulting	KSA	100	-
Bawan Metal Industries Company (“Bawan Metal”)	Manufacturing of metal products	KSA	100	100
Arnon Plastic Industries Company (“Arnon”)	Manufacturing of plastic packaging and insulation products	KSA	100	100
United Company for Wood and Metal Products (“United Wood and Metal”)	Manufacturing of wood/metal products	KSA	95	95

BAWAN COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS THOUSANDS UNLESS OTHERWISE STATED)

1. GENERAL INFORMATION (Continued)

Based on the contractual arrangements between the Utec-Saudi and other shareholders, the Group had the majority of the voting rights in Utec-Algeria. Therefore, the directors of the Group concluded that the Group had control over Utec-Algeria and accordingly Utec-Algeria was consolidated in the prior years. However, as disclosed in note 23 to the consolidated financial statements, Utec-Algeria has been sold during 2021 at a value of US Dollars 7.09 million which is equivalent to SR 26.60 million (note 23).

* On 21 Rabi I, 1443 corresponding to October 27, 2021, the shareholders of Bawan Electric Company (BEC) resolved to voluntarily liquidate BEC and appoint a liquidator to carry out liquidation process. Accordingly, on 21 Rabi I, 1443 corresponding to October 27, 2021, Dr. Abdullah Aljendi Law Firm, having license number 8592, Riyadh, Kingdom of Saudi Arabia, was appointed as liquidator of the BEC. Liquidation process was not completed during the term of contract of the previous liquidator (Dr. Abdullah Aljendi Law Firm). On 03/06/1444AH corresponding to December 27, 2022 partners resolved to extend the liquidation period for a period of one year from its date and appoint Mr. Badr bin Adel Abdullah Al Muhaideb as liquidator of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in KSA and other standards and pronouncements endorsed by the Saudi Organization for Chartered Professional Accountants (“SOCPA”).

The consolidated financial statements have been prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the applicable accounting policies in note 2 of these consolidated financial statements.

2.2 Fair value measurement

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 ‘Inventories’ or value in use in IAS 36 ‘Impairment of Assets’, where applicable.

Valuation techniques

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Inputs for assets or liability that are not based on observable market data (unobservable inputs).

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stakeholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. These interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 and, when applicable, the cost on initial recognition of an investment in an associate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Goodwill

Goodwill arising on an acquisition of a business (being the excess of the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree over the fair values of net assets acquired) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

If the fair values of net assets acquired exceed the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree, the resulting gain is recognized in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 Employee Benefits.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.6 Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Saudi Riyals (SR), which is also the Company's functional and Group presentation currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. On disposal of a foreign operation, any gain or loss that arises is transferred from consolidated statement of financial position to the consolidated statement of profit or loss and other comprehensive income.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is classified to the consolidated statement of profit or loss and other comprehensive income. Repayment of intercompany loans are considered as disposal or partial disposal. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at the average exchange rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss account in the consolidated statement of profit or loss and other comprehensive income.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in the statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss and other comprehensive income.

2.7 Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of various manufactured goods; and
- Construction of various bespoke items for customers

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognizes revenue when it transfers control of a product or provides service to a customer.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (Continued)

Sales of various manufactured goods

Revenue on the sale of goods is recognized when the contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer. Revenue is recognized at point in time of shipment or at the receipt of the goods by the customers.

A receivable is recognized by the Group when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales-related warranties associated with goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group has not raised a refund liability given the historically low level of returns in the past. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low level of returns over previous years.

Construction of various bespoke items for customers

The Group constructs various bespoke items under contracts with its customers. Such contracts are entered into before construction of the items begins. Under the terms of the contracts, the Group has an enforceable right to payment for work done. The Group is unable to use the items for any other purpose.

Revenue from construction of these items is therefore recognized over time on output method as the Group fulfils the criteria under IFRS 15 "Revenue from contracts with customers". Management considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15 Revenue from Contracts with Customers.

Contract assets comprise the value of work performed in excess of the amount billed as at the period end. Contract liabilities comprise, in addition to advances from customers, the excess amount billed over the value of work performed at the period end.

2.8 Costs and expenses

(i) Costs of revenue

The costs incurred during the year, to produce the inventories that are sold, render the services and perform the contracts which includes direct and indirect cost of production, including direct labor, direct materials, depreciation and overheads are classified as cost of revenue.

(ii) Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products.

(iii) General and administrative expenses

General and administrative expenses include costs not specifically part of selling and distribution expenses, cost of revenue, finance costs or Zakat and income tax expense. Allocations between general and administrative expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

2.9 Employee benefits

The Group recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Employee benefits (Continued)

Employee defined benefit liabilities

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- re-measurements.

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items.

Retirement benefits

Retirement benefits made to funded defined contribution plans in respect of Saudi employees are expensed when incurred.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Zakat and taxes

(i) Zakat and income tax

Companies with only Saudi shareholders

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Custom Authority (the "ZATCA"). A provision for zakat for the Company and zakat related to the Group's wholly owned subsidiaries is estimated at the end of each reporting period and charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Mixed companies with foreign shareholders

The subsidiaries incorporated in KSA with foreign shareholders are subject to zakat for their Saudi shareholders and income tax for their foreign shareholders in accordance with the regulations of the ZATCA. A provision for zakat and income tax for the mixed companies is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final foreign income tax assessments are recorded in the period in which such assessments are made.

Zakat and income tax related to the minority shareholders in certain subsidiaries is included in their share of non-controlling interest in the consolidated statement of profit or loss and other comprehensive income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Zakat and taxes (Continued)

(i) Zakat and income tax (Continued)

The tax expense includes the current tax and deferred tax charge recognized in the consolidated statement of profit or loss and other comprehensive income. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense, if any, includes the current tax and deferred tax charge, if any, recognized in the consolidated statement of profit or loss and other comprehensive income.

Current tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the consolidated statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

(ii) Withholding tax

The Company and its local subsidiaries withhold taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

(iii) Value added tax

Expenses and assets are recognized net of the amount of value added tax, except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Property, plant and equipment

Property, plant and equipment, except land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. Land and capital work-in-progress are stated at cost less impairment in value.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Group applies the annual depreciation rates in the following ranges to its property, plant and equipment:

	<u>Percentage (%)</u>
Buildings and leasehold improvement	3 – 20
Plant and machinery	5 – 25
Vehicles	20 – 25
Furniture, fixtures and office equipment	20 – 25
Tools	20 - 33.3

Land and capital work-in-progress are not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.13 Leases

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

i) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

i) Lease liabilities (continued)

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

ii) Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- 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.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of profit or loss and other comprehensive income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

2.14 Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are not amortized but are assessed annually for impairment and are stated at cost less accumulated impairment losses, if any.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Other intangible assets (Continued)

The Group applies the following annual rates of amortization to its intangible assets:

	<u>Percentage (%)</u>
Software	20
Customer relationships	20 – 29
Trade name	20

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.15 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, if any, is tested for impairment annually. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). When 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. Such impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income in the period it has occurred.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income. Impairment losses on goodwill, if any, are not reversible.

2.16 Inventories and spare parts

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of raw materials and consumable stores is determined on the weighted average basis. The cost of goods in transit is determined based on the invoice value plus other charges incurred in getting this inventory to its location at the reporting date. The cost of work-in-process and finished goods is determined on the weighted average basis which includes, inter alia, an allocation of labor and manufacturing overheads.

Spare parts which are consumable inventory are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost method. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date. Net realizable value is the estimated selling price less cost to sell.

Spare parts may represent items that might result in fixed capital expenditure but are not distinguishable from consumables spare parts, hence these are classified under spare parts as current assets.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Financial instruments

a) Initial recognition and measurement of financial instruments

The Group initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Where the trade receivables do not have a significant financing component, initial measurement is at their transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Except for trade receivables that do not have a significant financing component, initial measurement of the financial instrument is at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) Financial assets - subsequent classification and measurement

Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. There are two criteria used to determine how financial assets should be classified and measured:

- the Group's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect cash flows.

A financial asset is measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at fair value through profit or loss (FVTPL).

Investments in equity instruments are measured at fair value, and the Group did not elect to present in other comprehensive income subsequent changes in the fair value of such investment in an equity instrument.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Financial instruments (Continued)

b) Financial assets - subsequent classification and measurement (Continued)

Financial assets are only reclassified between measurement categories, when and only when, the Group's business model for managing them changes, which is expected to be uncommon.

The Group derecognizes a financial asset when the rights to the cash flows from the financial asset have expired or where the Group has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

c) Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost.

As required by IFRS 9, the Group applies the simplified approach for trade receivables and contract assets. The Group uses a provision matrix in the calculation of the expected credit losses on trade receivables and contract assets to estimate the lifetime expected credit losses, applying certain provision rates to respective aging buckets.

d) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

e) Financial liabilities - subsequent classification and measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

f) Cash and cash equivalents

For the purposes of the consolidated statements of financial positions and cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of change in values.

g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are extinguished from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss and other comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under applicable sale of goods legislation are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

2.20 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated statement of financial position under trade and other payables. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.21 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividends are recorded in the consolidated financial statements in the year in which they are declared and approved by the shareholders of the Company.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Segmental reporting

A business segment is a group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- the results of its operations are continuously analyzed by the group controller in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 21 to these consolidated financial statements.

2.23 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 will be 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 recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised 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 recognised.

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 consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation 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.

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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 New standards, amendments to standards and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Group's consolidated financial statements, except for where referenced below.

New amendments to standards issued and applied effective in year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contracts. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS
(Continued)

3.2 New standards, amendments and revised IFRS issued but not yet effective

The Group has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 2, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements that have the most significant effect on the amounts recorded in the financial statements.

a) Revenue recognition over time

The Group recognizes revenue from construction contracts over time, i.e. before the goods are delivered to the customer's premises. Progress is determined based on output method.

4.2 Key sources of estimation uncertainty

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

a) Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management estimates the useful lives of its property, plant and equipment and intangible assets for the purpose of calculating depreciation and amortization respectively. These estimates are determined after considering the expected usage of the asset or physical wear and tear for useful lives. Residual values are based on experience and observable data where available. These are disclosed in note 2 of these consolidated financial statements.

b) Impairment of trade and other receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis (note 11).

c) Employee defined benefit liabilities

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs such as discount rates, rate of salary increase, mortality rates and employment turnover. Changes in key assumptions can have a significant impact on the projected benefit liabilities and/or periodic employee defined benefit costs incurred (note 17).

d) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

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5. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Building and leasehold improvement	Plant and machinery	Vehicles	Furniture, fixture and office equipment	Tools	Capital work-in progress (CWIP)	Total
Cost									
January 1, 2022		71,506	407,214	770,463	102,239	49,990	17,322	57,052	1,475,786
Additions during the year		-	3,464	7,479	4,426	2,367	631	63,784	82,151
Transfers from CWIP		9,646	24,573	34,095	-	428	-	(68,742)	-
Transfers to intangible assets	8	-	-	-	-	-	-	(681)	(681)
Disposals		-	-	(4,202)	(1,692)	(115)	(91)	-	(6,100)
December 31, 2022		81,152	435,251	807,835	104,973	52,670	17,862	51,413	1,551,156
Accumulated depreciation and impairment									
January 1, 2022		9,574	213,100	413,248	70,719	45,149	14,156	-	765,946
Charge for the year		-	18,228	42,135	8,240	2,254	366	-	71,223
Disposals		-	-	(4,202)	(1,563)	(100)	(91)	-	(5,956)
December 31, 2022		9,574	231,328	451,181	77,396	47,303	14,431	-	831,213
Net book value									
December 31, 2022		71,578	203,923	356,654	27,577	5,367	3,431	51,413	719,943

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5. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Note	Land	Building and leasehold improvement	Plant and machinery	Vehicles	Furniture, fixture and office equipment	Tools	Capital work-in progress (CWIP)	Total
Cost									
January 1, 2021		71,506	402,171	746,375	100,457	48,093	17,099	63,144	1,448,845
Additions during the year		-	2,480	6,296	9,856	1,608	316	26,797	47,353
Transfers from CWIP		-	2,563	28,541	1,393	327	-	(32,824)	-
Transfers to intangible assets	8	-	-	-	-	-	-	(65)	(65)
Disposals		-	-	(10,749)	(9,467)	(38)	(93)	-	(20,347)
December 31, 2021		71,506	407,214	770,463	102,239	49,990	17,322	57,052	1,475,786
Accumulated depreciation and impairment									
January 1, 2021		9,574	196,564	384,510	70,843	42,845	13,750	-	718,086
Charge for the year		-	17,402	39,428	7,903	2,336	452	-	67,521
Disposals		-	(866)	(10,690)	(8,027)	(32)	(46)	-	(19,661)
December 31, 2021		9,574	213,100	413,248	70,719	45,149	14,156	-	765,946
Net book value									
December 31, 2021		61,932	194,114	357,215	31,520	4,841	3,166	57,052	709,840

Certain items of property, plant and equipment amounting to SR 44.43 million as at December 31, 2022 (2021: SR 93.65 million) are mortgaged to secure the Saudi Industrial Development Fund ("SIDF") loans (note 16.5).

Capital work-in-progress mainly comprises building and leasehold improvement and items of plant and machinery in the course of construction and installation for certain Group subsidiaries.

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5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charge on property, plant and equipment for the year has been allocated as follows:

	Note	2022	2021
Cost of revenue	26	61,733	58,099
Selling and distribution expenses	27	2,911	2,770
General and administrative expenses	28	6,579	6,652
		71,223	67,521

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases certain of its premises. The lease term on the various leases is between 3 years and 25 years.

6.1 Movement of right-of-use assets is as follows:

	Note	2022	2021
January 1		18,485	19,967
Add: Additions during the year		8,865	4,873
Less: derecognition of lease liabilities, net		-	(3,517)
Less: depreciation on right-of-use assets	26	(2,805)	(2,838)
December 31		24,545	18,485

6.2 The consolidated statement of profit or loss and other comprehensive income included the following amounts related to leases:

	Note	2022	2021
Depreciation on right-of-use assets		2,805	2,838
Accretion of finance costs under lease liabilities	30	962	778
		3,767	3,616

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Group does not have any leases which contain variable lease payment terms.

6.3 Lease liabilities classified in the consolidated statement of financial position as at December 31 are as below:

	2022	2021
Non-current portion of lease liabilities	23,878	17,322
Current portion of lease liabilities	2,323	2,724
	26,201	20,046

The future minimum lease payments have been discounted, using an effective interest rate ranging from 2.5% to 4.5% per annum (2021: ranging from 2.5% to 4%), to their present values.

The Group's remaining contractual maturity for its lease liabilities have been disclosed in note 34.4.

The Group does not face a significant liquidity risk with regard to its lease liabilities, which are monitored to determine that these are settled in accordance with the relevant lease agreements.

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7. GOODWILL

The carrying amount of goodwill has been allocated to the following cash generating units:

	2022	2021
Arnon	4,066	4,066
Inma Pallets	331	331
	4,397	4,397

The Group performed its annual impairment tests as at December 31, 2022. The recoverable amounts of the above cash generating units were determined using a value-in-use calculation which incorporates cash flow projections for a five-year period based on budgets approved by the management. A discount rate of 9.42% per annum (2021: 8.85% per annum) is used to discount the future cash flows to present value.

8. INTANGIBLE ASSETS

	Note	Software	Customer relationships	Trade name	Total
Cost					
January 1, 2022		11,618	11,727	6,190	29,535
Additions		392	-	-	392
Transfers from property, plant and equipment	5	681	-	-	681
December 31, 2022		12,691	11,727	6,190	30,608
Accumulated amortization					
January 1, 2022		11,490	8,588	3,735	23,813
Amortization		537	1,569	1,238	3,344
December 31, 2022		12,027	10,157	4,973	27,157
Net book value					
December 31, 2022		664	1,570	1,217	3,451
Cost					
January 1, 2021		11,430	11,727	6,190	29,347
Additions		127	-	-	127
Transferred from property, plant and equipment	5	65	-	-	65
Disposals		(4)	-	-	(4)
December 31, 2021		11,618	11,727	6,190	29,535
Accumulated amortization					
January 1, 2021		11,430	7,019	2,497	20,946
Amortization		60	1,569	1,238	2,867
December 31, 2021		11,490	8,588	3,735	23,813
Net book value					
December 31, 2021		128	3,139	2,455	5,722

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9. INVENTORIES

	2022	2021
Raw materials	456,754	402,130
Finished goods	163,347	146,179
Work-in-process	45,055	51,180
Goods in transit	34,250	57,254
Consumables	4,589	4,762
	703,995	661,505
	2022	2021
Cost of inventories recognized as expense during the year	2,840,528	2,483,717
Carrying value of inventories held at net realizable value	141,213	89,740
Inventory written down during the year	8,003	8,915

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The movement in financial assets at FVTPL is set out below:

	2022	2021
January 1	-	25,491
Additions	71,541	14,480
Changes in fair value	(2,266)	-
Disposals	(55,069)	(39,971)
December 31	14,206	-

These financial instruments are mandatorily measured at fair value through profit or loss in accordance with the requirements of IFRS 9.

Fair values of these equity investments are determined based on the quoted market price available on the Saudi Stock Exchange, which is a Level 1 input in terms of IFRS 13 Fair Value Measurement.

Amounts recognized in consolidated statement of profit or loss and other comprehensive income for the year are as follows:

	2022	2021
Gains on disposal of financial assets at FVTPL	5,724	4,063
Fair value loss on financial assets at FVTPL	(2,266)	-
	3,458	4,063

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11. TRADE AND OTHER RECEIVABLES

	Note	2022	2021
Trade receivables			
Third parties		594,177	608,162
Retention receivables		11,691	15,355
Related parties	19	73,754	66,604
		679,622	690,121
Less: ECL allowance		(88,998)	(92,080)
		590,624	598,041
Advances to suppliers		35,940	38,093
Prepaid expenses and other assets		20,639	18,589
Amounts due from employees		7,235	6,803
Refundable value added tax, net		6,603	-
Due from related parties	19	388	3,179
Insurance claim receivable	36.1	-	23,406
Other receivables		2,617	2,675
		664,046	690,786

The Group's average credit period on sales of goods is up to 90 days. No interest is charged on outstanding trade receivables.

The Group considers that default can occur when a financial asset or debtor is past due by more than the average credit limit of 90 days and in this case, debtors are segregated into various categories keeping in view the nature of debtors, their past track records and any other relevant and applicable information. Accordingly, the Group defines the default for each category of debtor based on delay in payment beyond the allowed average credit limit unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

However, based on the historical collection pattern, the management considers that a customer will fall in default and credit impaired category after one year of past due balance. Accordingly, the management believes that the balances within one year of past due will result not in material amount of credit loss.

The following table shows the lifetime ECL allowance that has been recognized against gross trade receivables representing each segment in accordance with the simplified approach set out in IFRS 9:

	Metal and Wood	Plastic	Electrical	Concrete	Total
December 31, 2022					
Gross trade receivables	397,801	83,674	126,394	71,753	679,622
Less: ECL allowance	(30,038)	(10,954)	(30,325)	(17,681)	(88,998)
Net trade receivables	367,763	72,720	96,069	54,072	590,624
December 31, 2021					
Gross trade receivables	441,393	85,087	82,250	81,391	690,121
Less: ECL allowance	(46,301)	(10,731)	(19,348)	(15,700)	(92,080)
Net trade receivables	395,092	74,356	62,902	65,691	598,041

The following table shows the movement in lifetime ECL that been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2022	2021
January 1	92,080	83,764
ECL allowance	14,813	16,560
Written-off	(19,295)	(8,244)
Transfer from other liabilities	1,400	-
December 31	88,998	92,080

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11. TRADE AND OTHER RECEIVABLES (Continued)

The change in the loss allowance during the year was mainly due to change in credit risks as the receivable balances progressed through successive stages of delinquency to write off.

The following table shows the ECL by gross trade receivables aging:

	Current	1-180	181-360	361-720	721-1080	>1080	Total
2022							
Gross trade receivables	496,385	64,790	9,557	23,402	14,908	70,580	679,622
Less: ECL allowance	(2,184)	(781)	(3,409)	(5,932)	(11,230)	(65,462)	(88,998)
Net trade receivables	494,201	64,009	6,148	17,470	3,678	5,118	590,624
Average loss rates (%)	0.44	1.21	35.67	25.35	75.33	92.75	13.10
	Current	01-180	181-360	361-720	721-1080	>1080	Total
2021							
Gross trade receivables	426,832	127,803	12,553	21,158	23,738	78,037	690,121
Less: ECL allowance	(1,290)	(467)	(785)	(5,554)	(13,717)	(70,267)	(92,080)
Net trade receivables	425,542	127,336	11,768	15,604	10,021	7,770	598,041
Average loss rates (%)	0.30	0.37	6.25	26.25	57.78	90.04	13.34

Out of total gross trade receivables, receivables amounting to SR 88.72 million (2021: SR 97.13 million) have been assessed individually on a case-by-case basis which mainly comprised customers under litigation amounting to SR 34.76 million (2021: SR 67.64 million), customers under collection agreements amounting to SR 18.9 million (2021: SR 14.91 million) and customers individually assessed under miscellaneous categories amounting to SR 35.06 million (2021: SR 14.58 million). Accordingly, the management based on their judgement and best estimate, recognized an ECL allowance for customers under litigation, customers under collection agreement and customers individually assessed under miscellaneous categories amounting to SR 32.76 million (2021: SR 61.78 million), SR 5.64 million (2021: SR 1.01 million) and SR 19.45 million (2021: SR 8.18 million) respectively. The overall loss rate on balances against customers under litigation, customers under collection agreement and customers individually assessed under miscellaneous categories is 94.24% (2021: 91.34%), 29.84% (2021: 6.77%) and 55.48% (2021: 56.10%) respectively.

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12. CONTRACT ASSETS AND CONTRACT LIABILITIES

12.1 Contract assets

Contract assets comprise the value of work performed in excess of the amount billed as at the year end arising entirely from construction contracts for sale of various bespoke items to the customers. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Movement in contract assets is as follows:

	2022	2021
January 1	40,932	22,161
Unbilled revenue recognised during the year	167,254	92,280
Revenue billed during the year	(131,898)	(73,509)
December 31	76,288	40,932

12.2 Contract liabilities

	2022	2021
Advances from customers	64,083	54,620
Billings in excess of revenue recognized	1,398	1,589
	65,481	56,209

The transaction price allocated to unsatisfied performance obligations at December 31, 2022 amounted to SR 65.48 million (December 31, 2021: SR 56.21 million) which comprise mostly of sales of goods.

Management expects that a significant portion of the contract liabilities of SR 65.48 million (December 31, 2021: SR 56.21 million) will be recognized as revenue in the next financial year.

Contract liabilities of SR 39.22 million (December 31, 2021: 46.50 million) raised in prior year were recognized as revenue in the current year. All of this amount related to the sale of goods. There was no revenue recognized in the current reporting year that related to performance obligations which were satisfied in prior year.

13. CASH AND CASH EQUIVALENTS

	2022	2021
Cash at bank	37,600	39,650
Cash in hand	801	655
	38,401	40,305

For the purpose of the consolidated statement of cash flow for the year ended December 31, 2021, cash and cash equivalents at the end of the year also include cash and cash equivalents of 'disposal group classified as held for sale' (note 23).

14. SHARE CAPITAL

The Company had 60 million authorized, issued and fully paid ordinary shares with a nominal value of SR 10 per share as at December 31, 2022 and 2021 amounting to total share capital of SR 600 million as at December 31, 2022 and 2021.

During the year ended December 31, 2022, the shareholders of the Company in the extraordinary general assembly meeting held on September 19, 2022, approved the buy-back of its shares for the purpose of retaining them as treasury shares with a maximum number of 3 million shares, when the board of directors or its authorized representatives consider that the share price on the Saudi Exchange is lower than its fair value. The resolution includes various aspects including the financing of such shares and retainage period for those shares.

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15. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and the Company By-Laws, the Company has established a statutory reserve by the appropriation of 10% of its annual net profit, until such reserve equals 30% of the share capital. The reserve is not available for dividend distribution.

16. BORROWINGS

16.1 Borrowings consist of the following:

	Current	Non-current	Total
2022			
Short-term borrowings	468,200	-	468,200
Long-term borrowings			
Term loans payable to banks	28,938	87,430	116,368
SIDF loans	9,841	-	9,841
	38,779	87,430	126,209
	506,979	87,430	594,409
	Current	Non-current	Total
2021			
Short-term borrowings	552,682	-	552,682
Long-term borrowings			
Term loans payable to banks	39,138	70,786	109,924
SIDF loans	26,137	9,755	35,892
	65,275	80,541	145,816
	617,957	80,541	698,498

The financing facilities agreements obtained by the Group are in accordance with the terms of Islamic financing.

16.2 Movement of borrowings for the current year is as follows:

	Short term borrowings	Long term borrowings	Total
January 1, 2022	552,682	145,816	698,498
Receipts	1,459,497	115,786	1,575,283
Repayments and others	(1,548,264)	(136,026)	(1,684,290)
Debt arrangement costs	-	328	328
	463,915	125,904	589,819
Accrued finance cost	4,285	305	4,590
December 31, 2022	468,200	126,209	594,409
January 1, 2021	518,646	256,430	775,076
Receipts	1,031,495	-	1,031,495
Repayments and others	(998,993)	(111,223)	(1,110,216)
Debt arrangement costs	-	328	328
	551,148	145,535	696,683
Accrued finance cost	1,534	281	1,815
December 31, 2021	552,682	145,816	698,498

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16. BORROWINGS (Continued)

16.3 Short-term borrowings

The Group has obtained bank facilities ("the Facilities") in the form of short-term loans, Islamic Murabaha, forward exchange contracts and letters of credit and guarantee. The Facilities carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the Group.

16.4 Term loans payable to banks

The Group has obtained bank loans from local banks which are repayable in quarterly/semi-annual installments. The loans carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the Group.

16.5 SIDF loans

The Group has obtained various loans from SIDF for the construction and expansion of its concrete and plastic segment plants. These loans are guaranteed by promissory notes, corporate guarantees of the Group and mortgages of property, plant and equipment with a carrying value of SR 44.43 million as at December 31, 2022 (2021: SR 93.65 million) (note 5).

Certain borrowings require the maintenance of debt covenants. As at December 31, 2022 and 2021, none of the conditions require to cause the loans to be payable on demand by the loan agreements.

17. EMPLOYEE DEFINED BENEFIT LIABILITIES

17.1 Defined contribution plan

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 8.43 million (December 31, 2021: SR 6.34 million).

17.2 Defined benefit obligation – employees' end of service termination benefits obligation

The Group operates a termination benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia for each of the respective subsidiary entities. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia.

Employees' end of service termination benefits obligation are unfunded plans and the benefit payment obligations are met when they are due.

	Note	2022	2021
January 1		85,562	85,088
Current service cost	31	10,569	9,912
Interest cost	30	2,149	1,931
Total amount recognised in profit or loss		12,718	11,843
Payments		(7,269)	(12,879)
Benefits payable at the year end		-	34
Financial assumptions		(9,636)	(2,997)
Experience adjustments		(6,782)	4,473
(Gain) / loss attributable to the re-measurements of actuarial assumptions		(16,418)	1,476
December 31		74,593	85,562

Actuarial valuations were performed by an independent qualified actuary using the projected unit credit method.

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17. EMPLOYEE DEFINED BENEFIT LIABILITIES (Continued)

17.2 Defined benefit obligation – employees' end of service termination benefits obligation (continued)

Movements in the employee defined benefit obligations arising from current service cost and interest cost are recognized in profit or loss. However, re-measurement gains or losses arising from changes in actuarial assumptions are recognized as other comprehensive income / (loss). The principal assumptions used for the purpose of the actuarial valuations were approximately as follows:

	2022	2021
Discount rate	4.70%	2.50%
Average rate of salary increase	2.25%	2.25%
Rate of employee turnover	Moderate	Moderate
Mortality rates (WHO)	SA19-75%	SA19-75%

The weighted average duration of the defined benefit obligation of the Group is 6.06 years (2021: 8.21 years).

The actuary increased the discount rate in 2022 to reflect the changes in applicable market yields.

17.3 Sensitivity analysis

The sensitivity analysis presented below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2022	2021
Increase in discount rate by 0.5%	(2,148)	(3,452)
Decrease in discount rate by 0.5%	2,278	3,719
Increase in rate of salary increase by 0.5%	1,817	3,103
Decrease in rate of salary increase by 0.5%	(1,731)	(2,915)

18. TRADE AND OTHER PAYABLES

	Note	2022	2021
Trade payables			
-Third parties		461,043	384,202
-Related parties	19	11,550	12,768
		472,593	396,970
Employee related accruals		38,283	41,430
Due to related parties	19	328	702
Accrued commission		2,114	1,935
Board and committee members compensation	19	2,169	2,169
Value added tax payable, net		15,794	10,628
Warranty provisions	18.1	3,038	2,270
Other payables and accruals		26,599	27,345
		560,918	483,449

Trade and other payables are unsecured and are usually paid within 30 to 90 days from recognition.

18.1 The movement in the warranty provision is as follows:

	2022	2021
January 1	2,270	2,622
Raised during the year	955	1,064
Utilized during the year	(187)	(1,416)
December 31	3,038	2,270

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19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties mainly represent shareholders, affiliates, subsidiary companies, key personnel and entities controlled or significantly influenced by such parties. During the year, the Group mainly had transactions with the following related parties:

<u>Name</u>	<u>Relationship</u>
Al Fozan Group of Companies	Shareholder/ Affiliate
Al Muhaidib Group of Companies	Shareholder/ Affiliate
WTC Investment Pty. Limited (Australia)	Affiliate

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below:

Nature of transactions	Note	2022	2021
Revenue		310,664	225,225
Purchases		37,824	51,408
Royalties	27	1,479	1,100
Short-term lease charges		405	405
Management fee and commission paid		281	238

The following balances were outstanding with related parties at the reporting date:

	Note	2022	2021
Trade receivables	11	73,754	66,604
Non-trade receivables	11	388	3,179
Trade payables	18	11,550	12,768
Non-trade payables	18	328	702
Board and committee members compensation payable	18	2,169	2,169

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given to the related parties and no ECL allowance has been provided for in the current year in respect of amounts due from related parties since no significant balance has been considerably past due.

During the year, short-term and long-term employment benefits to the Company's key management personnel amounted to SR 5.59 million (December 31, 2021: SR 4.66 million). Key management personnel include directors and key executives at the Group level.

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20. CAPITAL COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of SR 16.44 million (December 31, 2021: SR 12.96 million) and contingencies in the form of letters of credit and guarantee of SR 631.17 million (December 31, 2021: SR 738.43 million) at the reporting date.

21. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), i.e. the Board of Directors.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in internal reporting structure. The Group's operating segments are as follows:

- **Metal and Wood** The segment is engaged in the production of wooden pallets, plywood panels and boards, medium and high density coated in decoration paper, platforms, wooden bowls and boxes, premade hangars and steel buildings and forming and bending rebars, general contracting (repair, demolition, rebuilding, construction) of residential, commercial and public buildings, educational recreational and health facilities, maintenance, operation and installation of equipment, devices and electrical and electronic systems, aluminum works, iron and wood doors and their installation, electrical extension works, carpentry, painting, drawing on iron and wood, roads, bridges and street works and all acts of carpentry and decorations.
- **Plastic** The principal activities of the segment are the production of plates and polystyrene foam, packaging and insulation slices from polyethylene foam, soft colored polyvinyl chloride sheets, rigid colored and non-colored Polyvinyl Chloride sheets, soft and hard Polyvinyl Chloride sheets padded by polystyrene and parts for vacuum fans, transparent containers of PET polyethylene, polyethylene bottles, PET preforms and their covers.
- **Electrical** The principal activities of the segment are wholesale and retail of electric transformers, voltage stabilizers, battery chargers, welding caustics, electric substations, electric station equipment and voltage transformers, trading and distribution, import and export, testing and inspection services, goods and commodities clearance and double-weight services in addition to acquiring shares in other companies.
- **Concrete** The principal activities of the segment are production of ready-mix, concrete products, investing in companies in addition to commercial services of export and marketing for third parties, repair and maintenance of laboratory tools and equipment, machines, industrial, electrical and non-electrical equipment and desalination and sewage plants, electrical and mechanical works.
- **Other** Other segment is a residual segment and comprises of Bawan Company representing only the holding company (i.e. head office) and associated activities carried out at the head office level.

The Group's consolidated balances by business segments were as follows:

	Metal and Wood	Electrical	Plastic	Concrete	Other	Total
December 31, 2022						
Total revenue	2,389,482	608,642	366,134	267,622	-	3,631,880
Depreciation and amortization	21,195	9,510	25,278	15,459	5,930	77,372
Finance costs	8,094	9,816	9,622	2,607	1,382	31,521
Profit / (loss) for the year	135,035	27,432	20,434	16,194	(20,983)	178,112
Total assets	934,539	480,057	568,840	260,626	38,984	2,283,046
Total liabilities	447,399	359,223	348,177	153,439	45,176	1,353,414
For the year ended December 31, 2022						
Segment revenues	2,389,482	608,694	367,091	267,622	-	3,632,889
Intersegment revenues	-	(52)	(957)	-	-	(1,009)
External revenues	2,389,482	608,642	366,134	267,622	-	3,631,880

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21. SEGMENT INFORMATION (Continued)

	Metal and Wood	Electrical	Plastic	Concrete	Other	Total
December 31, 2022						
Segment assets	934,539	480,615	569,158	260,626	66,642	2,311,580
Consolidation adjustments	-	(558)	(318)	-	(27,658)	(28,534)
Total assets	934,539	480,057	568,840	260,626	38,984	2,283,046
Segment liabilities	450,748	363,016	348,641	172,026	45,176	1,379,607
Consolidation adjustments	(3,349)	(3,793)	(464)	(18,587)	-	(26,193)
Total liabilities	447,399	359,223	348,177	153,439	45,176	1,353,414

	Metal and Wood	Electrical	Plastic	Concrete	Other	Total
December 31, 2021						
Total revenue	2,238,544	448,871	364,951	175,044	-	3,227,410
Depreciation and amortization	20,530	9,041	22,370	15,392	5,893	73,226
Finance costs	4,653	3,149	6,279	3,588	1,171	18,840
Profit / (loss) for the year	155,738	7,112	48,117	(18,085)	(22,818)	170,064
Total assets	971,270	391,603	550,494	250,907	38,478	2,202,752
Total liabilities	487,003	302,204	352,524	172,547	98,572	1,412,850

For the year ended December 31, 2021

Segment revenues	2,238,544	448,871	365,830	175,044	-	3,228,289
Intersegment revenues	-	-	(879)	-	-	(879)
External revenues	2,238,544	448,871	364,951	175,044	-	3,227,410

December 31, 2021						
Segment assets	971,270	391,848	551,113	250,907	61,797	2,226,935
Consolidation adjustments	-	(245)	(619)	-	(23,319)	(24,183)
Total assets	971,270	391,603	550,494	250,907	38,478	2,202,752
Segment liabilities	490,053	302,897	352,613	190,716	98,572	1,434,851
Consolidation adjustments	(3,050)	(693)	(89)	(18,169)	-	(22,001)
Total liabilities	487,003	302,204	352,524	172,547	98,572	1,412,850

The majority of the Group's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.

No single customer contributed 10 percent or more to the Group's revenue in either 2022 or 2021.

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22. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests as at December 31:

Subsidiary	Percentage of Non-controlling interest	Accumulated non-controlling interests		Profit / (loss) attributable to non-controlling interests	
		2022	2021	2022	2021
Utec and USSG	14.50	16,297	12,695	3,115	2,101
Bina Holding and its subsidiaries	43.25	33,560	22,361	7,968	(8,506)
Others		16,286	15,333	4,179	6,127
		66,143	50,389	15,262	(278)

The subsidiaries individually detailed above are incorporated and operate in Saudi Arabia. Others include subsidiaries wherein non-controlling interests are within the range of 5% and which are not significant to the consolidated financial statements as a whole.

Summarized consolidated financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized consolidated financial information below represents amounts before intragroup eliminations.

Summarized statement of financial position

	Utec and USSG		Bina Holding and its subsidiaries	
	2022	2021	2022	2021
Non-current assets	53,622	56,882	92,402	101,998
Current assets	426,217	335,606	170,353	151,242
Non-current liabilities	19,466	22,466	17,028	23,436
Current liabilities	343,401	282,717	157,387	161,671

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22. NON-CONTROLLING INTERESTS (Continued)

Summarized statement of profit or loss and other comprehensive income

	Utec and USSG		Bina Holding and its Subsidiaries	
	2022	2021	2022	2021
Revenue	608,694	448,871	267,622	175,044
Expenses, net	(582,455)	(439,276)	(251,428)	(193,129)
Profit / (loss) for the year	26,239	9,595	16,194	(18,085)
Profit / (loss) attributable to:				
Owners of the company	23,124	7,494	15,684	(16,685)
Non-controlling interests	3,115	2,101	510	(1,400)
Profit / (loss) for the year	26,239	9,595	16,194	(18,085)

Other comprehensive income / (loss) attributable to

Owners of the company	2,874	2,212	4,336	(2,778)
Non-controlling interests	487	375	3,676	(2,358)
Other comprehensive income for the year	3,361	2,587	8,012	(5,136)

Summarized statement of cash flows

	Utec and USSG		Bina holding and its Subsidiaries	
	2022	2021	2022	2021
Cash generated from / (used in) operating activities	5,563	(30,513)	2,739	40,753
Cash (used in) / generated from investing activities	(11,340)	23,248	(5,598)	(13,497)
Cash generated from / (used in) financing activities	12,757	(10,524)	1,396	(32,142)
Net increase / (decrease) in cash and cash equivalents for the year	6,980	(17,789)	(1,463)	(4,886)

23. DISPOSAL OF A FOREIGN SUBSIDIARY

On January 31, 2021, the Group announced that one of its subsidiaries (Utec-Saudi) had entered into a contract to sell its entire equity stake in Utec-Algeria for a value of US Dollars 8 million (equivalent to SR 30 million). Accordingly, assets and liabilities of Utec-Algeria were classified as disposal group held for sale as on December 31, 2020. The sale was subject to all regulatory approvals from the relevant authorities. Effective from the beginning of 2021, the Group lost control over Utec-Algeria, and the sale transaction was completed with a revised value of US Dollars 7.09 million (equivalent to SR 26.60 million) and accordingly net assets related to the disposal group held for sale were derecognized resulting in a net loss of SR 2.11 million, including the foreign currency translation reserve amounting to SR 2.17 million which was realized and transferred to the consolidated statement of profit and loss and other comprehensive income.

In the consolidated statement of cash flows, sales proceeds were presented net off with cash and cash equivalents of SR 4.09 million held by Utec-Algeria. Details of net loss on disposal of a foreign subsidiary was as follows:

	As at January 1, 2021
Consideration received	26,603
Net value of net assets of a foreign subsidiary	(26,548)
Gain before realization of foreign currency translation reserve	55
Realization of foreign currency translation reserve	(2,167)
Net loss on disposal of a foreign subsidiary	(2,112)

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23. DISPOSAL OF A FOREIGN SUBSIDIARY (Continued)

	<u>Amount</u>
Gross value of net assets of a foreign subsidiary sold at the date of disposal	33,065
Less: Value of NCI of a foreign subsidiary at the date of disposal	(6,517)
Net value of net assets of a foreign subsidiary sold	26,548

24. ZAKAT AND INCOME TAX

24.1 Zakat and income tax expense for the year

		<u>2022</u>	<u>2021</u>
Zakat	24.2	19,435	19,111
Income tax	24.3	1,556	-
		20,991	19,111

Income tax is applicable on local subsidiaries wherein the shareholders are foreigners (i.e. non-Saudi nationals).

24.2 Movement in zakat payable is as follows:

	<u>2022</u>	<u>2021</u>
January 1	22,946	18,605
Current year	19,435	17,596
Prior year under provision	-	1,515
Provision for the year	19,435	19,111
Payments	(13,147)	(14,770)
December 31	29,234	22,946

24.3 Movement in income tax payable is as follows:

	<u>2022</u>	<u>2021</u>
January 1	-	-
Provision for the year	1,556	-
Payments	(115)	-
December 31	1,441	-

24.4 Status of assessments

The Company and its 100% effectively owned Saudi Arabian subsidiaries submit zakat returns on a combined basis. Other Group subsidiaries submit their zakat and income tax returns independently. Zakat returns for the Company have been filed and paid for all years through to 2021 and zakat certificates have been received.

During 2021, the Company received revised assessments for the years from 2015 to 2018 claiming an additional zakat liability of SR 1.52 million and the Company filed an appeal against these assessments. During 2022, the company appeal was accepted by "the Committee for resolution of tax violations and disputes", however, ZATCA filed an escalation against the resolution to "the advanced committee for tax violations and disputes".

During 2022, the Company received revised final assessments for the years 2019 and 2020 claiming an additional zakat liability of SR 10.73 million and the Company filed an appeal against these assessments.

The Company believes that the outcomes of appeals will be in its favor.

The status of the final zakat and income tax assessments of the other Group's subsidiaries is disclosed in their respective financial statements.

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25. REVENUE

	<u>2022</u>	<u>2021</u>
Revenue	3,631,880	3,227,410
Timing of revenue recognition:		
- At a point in time	3,460,242	3,134,129
- Over time	171,638	93,281
	3,631,880	3,227,410

The amount of revenue to be recognized is based on the consideration that the Group expects to receive at contract inception, in exchange for its goods and services. The Group does not have any contracts where the period between the transfer of the promised goods or services to customers and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for time value of money.

Refer to note 21 for disclosure of the revenue earned for each reportable segment.

26. COST OF REVENUE

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Material cost		2,840,528	2,483,717
Employees' salaries and related costs	31	151,064	145,812
Depreciation	5, 6	64,538	60,937
Manufacturing expenses		23,669	27,989
Utility expenses		19,520	16,922
Repairs and maintenance		18,260	15,510
Transportation		15,132	6,701
Rent		2,530	2,695
Others		49,321	41,655
		3,184,562	2,801,938

27. SELLING AND DISTRIBUTION EXPENSES

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Employees' salaries and related costs	31	37,556	31,804
Transportation and shipping		31,065	30,259
Sales commission		5,215	4,679
Repairs and maintenance		3,440	2,840
Depreciation	5	2,911	2,770
Advertising		2,309	1,050
Delivery and insurance		2,255	1,982
Royalties	19	1,479	1,100
Other		6,970	9,945
		93,200	86,429

28. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Employees' salaries and related costs	31	81,518	96,840
Depreciation and amortization	5, 8	9,923	9,519
Insurance		3,029	2,989
Board and committee members' compensation		2,160	2,169
Repairs and maintenance		1,843	1,651
Communication and utilities		1,589	1,313
Travel		1,142	593
Short-term lease charges		1,095	1,439
Other		11,310	12,072
		113,609	128,585

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29. OTHER INCOME

Other income for the year ended December 31, 2022 mainly represents gain on disposal of property, plant and equipment and gain on insurance claim receivable amounting to 0.97 million (2021: 1.42 million) and nil (2021: SR 5.31 million), respectively.

30. FINANCE COSTS

	Note	2022	2021
Short-term borrowings		18,862	8,038
Employees' defined benefits liabilities	17	2,149	1,931
Long-term borrowings		3,205	3,265
Accretion of finance cost under lease liabilities	6.2	962	778
Other		6,343	4,828
		31,521	18,840

Finance costs amounting to SR 1.5 million (2021: SR 0.99 million) were capitalized during the year ended December 31, 2022. 'Other' mainly represents charges relating to issuing letters of credit and guarantee.

31. EMPLOYEE SALARIES AND STAFF RELATED BENEFITS

	Note	2022	2021
Salaries and staff related benefits charged to:			
Cost of revenue	26	151,064	145,812
Selling and distribution expenses	27	37,556	31,804
General and administrative expenses	28	81,518	96,840
		270,138	274,456

These salaries and staff related benefits include the current service cost related to end of service benefits obligations amounting to SR 10.57 million (2021: SR 9.91 million). (Note 17.2)

32. EARNINGS PER SHARE

The Company presents basic and diluted earnings per shares (EPS) for its ordinary shares. Basic EPS is calculated by dividing profit for the year attributable to the ordinary equity holders of the Company separately from each of the continuing and discontinued operations by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding during the year for the effects of all dilutive potential ordinary shares. Since the Company has no such dilutive potential ordinary shares, the calculation and presentation of basic and diluted EPS of the Company will be the same.

The following table reflects the profit and weighted average number of ordinary shares used in the computations:

	2022	2021
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:	162,850	170,342
Weighted average number of ordinary shares outstanding during the year	60,000	60,000
Basic and diluted earnings per share		
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	2.71	2.84

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33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table combines information about classes of financial instruments based on their nature and characteristics and the carrying amounts of financial instruments:

	2022	2021
Financial assets		
<i>i) Fair value through profit or loss</i>		
Investment in financial assets	14,206	-
<i>ii) Amortized cost</i>		
Cash and cash equivalents	38,401	40,305
Trade and other receivables	593,629	627,301
Contract assets	76,288	40,932
	708,318	708,538
	722,524	708,538
Financial liabilities at amortized cost		
<i>Amortized cost</i>		
Trade and other payables	542,086	470,551
Short-term borrowings	468,200	552,682
Long-term borrowings	126,209	145,816
Lease liabilities	26,201	20,046
	1,162,696	1,189,095

The financial assets measured at FVTPL at the end of the reporting period are classified as level 1 in the fair value hierarchy. There were no transfers between the levels of fair value hierarchies during the year.

The carrying values of the financial instruments classified under current assets and current liabilities in the consolidated statement of financial position approximate their fair values due to their short term nature. For the borrowings, the fair values are not materially different from their carrying amounts since interest payable on these borrowings is either close to current market rate or borrowings are of short term nature.

34. FINANCIAL RISK

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

34.1 Market risk

Market risk is the risk from changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. There has been no change during the year to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals and US Dollars, which are currently pegged. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

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34. FINANCIAL RISK (Continued)

34.1 Market risk (Continued)

(ii) Interest rate risk

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft, bank facilities and other borrowings. Management limits the Group's interest rate risk by monitoring changes in interest rates and believes that the cash flow and fair value interest rate risk to the Group is not significant.

The Group's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The Group does not hedge its exposure to movements in interest rates.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would have decreased or increased by SR 3.60 million (2021: SR 3.62 million).

34.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed are disclosed in note 11. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating. The Group does not hold any collateral to cover the credit risk associated with its financial assets.

Trade receivables

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss ("ECL"). The collective basis ECL on trade receivables are estimated using a provision matrix by reference to historical loss rates and adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date based on the management best estimate. Accordingly, the ECL is primarily based on the historical past due information and related loss rates and no significant assumptions were incorporated in the ECL model used to calculate the collective provision. Further, based on the management assessment, the forward-looking information i.e. economic factor also does not significantly impact the ECL loss and therefore the related sensitivities are not disclosed.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There are no customers who comprise more than 10% of the total trade receivables balance in the current and prior years.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in the consolidated statement of financial position.

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34. FINANCIAL RISK (Continued)

34.2 Credit risk (Continued)

Trade receivables (Continued)

The Group does not hold collaterals as security. However, the Group has obtained promissory notes, post-dates cheques and letter of credits as security from certain parties to cover the credit risk.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and the ECL assessment is performed at subsidiary level.

Refer to note 11 for the expected credit loss analysis as of December 31, 2022 and 2021.

Financial instruments and cash deposits

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 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.

34.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

For maturity profile of the Group's financial liabilities, refer to note 34.4.

The Group's current liabilities approximate to its current assets. The management believes that this is not expected to significantly impact the Group's ability to meet its obligation as the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available throughout the year (note 16).

34.4 Maturity profile of financial liabilities (undiscounted basis)

	Interest Rate (%)	Within 1 year	1 to 5 years	Over 5 years	Total
2022					
Lease liabilities	2.5 to 4.5	3,259	12,697	17,738	33,694
Long-term borrowings	6.67	45,475	98,076	-	143,551
Short-term borrowings	6.31	492,470	-	-	492,470
Trade and other payables	Interest free	542,086	-	-	542,086
		1,083,290	110,773	17,738	1,211,801
2021					
Lease liabilities	2.5 to 4	2,593	9,767	11,781	24,141
Long-term borrowings	2.38	66,831	82,826	-	149,657
Short-term borrowings	2.05	562,446	-	-	562,446
Trade and other payables	Interest free	470,551	-	-	470,551
		1,102,421	92,593	11,781	1,206,795

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35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. For capital management purposes, capital was considered as equal to the total equity of the Group.

Group's gearing ratio as of December 31, 2022, measured as total borrowings less cash and cash equivalents over total capital employed, was 37% (December 31, 2021: 45%). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and 2021.

36. SUPPLEMENTARY INFORMATION

36.1 Fire incident at one of the plastic segment factories

On February 11, 2020, one of the plastic segment factories caught fire which resulted in damage to assets having a net book value of SR 17.69 million which included net book value of property, plant and equipment and inventories amounting to SR 16.5 million and SR 1.19 million respectively. During the year 2021, management agreed a final claim settlement with the insurance company at a total amount of SR 33 million bifurcated against loss of assets and business interruption amounting to SR 23 million and 10 million respectively. This resulted in a net gain of SR 15.31 million which was booked in cost of revenue for business interruption and the remaining in other income amounting to SR 10 million and SR 5.31 million respectively in the same year. Partial payments were received in 2021 with final payment received in 2022.

36.2 Supplemental cash flow information

	2022	2021
Supplemental schedule of non-cash information		
Trade receivables written-off	19,295	8,244
Right-of-use asset and lease liabilities recognized	8,865	4,873
'Right-of-use asset' derecognized	-	3,517
Lease liabilities derecognized	-	4,319
'Property, plant and equipment' transferred to 'intangible assets'	681	65
Transfer from other liabilities to trade and other receivables	1,400	-
Debt arrangement cost	328	328
Accrued employee defined benefits liabilities	-	34

36.3 Change in liabilities arising from financing activities for the year ended December 31, 2022 can be broken down as follows:

	As at January 1, 2022	Movement during the year	Cash outflows	Other transactions / non cash transactions	As at December 31, 2022
Borrowings	698,498	1,575,283	(1,682,475)	3,103	594,409
Lease liabilities	20,046	8,865	(2,710)	-	26,201
Dividends to shareholders	45,542	51,000	(96,003)	-	539
Dividends to non-controlling interests	598	3,800	(3,800)	-	598
	764,684	1,638,948	(1,784,988)	3,103	621,747

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36. SUPPLEMENTARY INFORMATION (Continued)

36.3 Change in liabilities arising from financing activities for the year ended December 31, 2021 can be broken down as follows:

	As at January 1, 2021	Movement during the year	Cash outflows	Other transactions / non cash transactions	As at December 31, 2021
Borrowings	775,076	1,031,495	(1,105,486)	(2,587)	698,498
Lease liabilities	21,981	4,873	(2,489)	(4,319)	20,046
Dividends to shareholders	359	126,000	(80,817)	-	45,542
Dividends to non-controlling interests	-	3,755	(3,157)	-	598
	797,416	1,166,123	(1,191,949)	(6,906)	764,684

37. SUBSEQUENT EVENTS

On March 2, 2023, the Board of Directors of the Company approved the distribution of interim cash dividends of SR 0.65 per share amounting to SR 39 million to the shareholders of the Company.

There were no other significant subsequent events, adjusting or non-adjusting, since December 31, 2022 that would have a material impact on the financial position or financial performance of the Group as reflected in these consolidated financial statements.

38. DIVIDENDS

On August 8, 2022, the Board of Directors of the Company approved the distribution of interim cash dividends of SR 0.85 per share amounting to SR 51.0 million (2021: SR 126.0 million) to the shareholders of the Company.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Company's Board of Directors on March 2, 2023.

| CONCLUSION

According to the results included in this report and the final data attached for the year 2022, Bawan Company has continued to develop and grow in all sectors in which it operates.

The Board takes this opportunity to express its gratitude and appreciation to the company's employees, shareholders, customers, suppliers, and government entities for their support, trust, cooperation, which has had a significant impact on achieving more progress and prosperity for the company.



