

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S LIMITED REVIEW REPORT
FOR THE SIX MONTH PERIOD
ENDED JUNE 30, 2019 (UNAUDITED)

**BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019 (UNAUDITED)**

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INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders
Bawan Company and its subsidiaries
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bawan Company, a Saudi Joint Stock Company ("the Company" or "Bawan") and its subsidiaries (the "Group") as of June 30, 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and six months periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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


Conclusion

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

Other matter

The interim condensed consolidated financial statements of the Company for the six month period ended June 30, 2018 and the consolidated financial statements for the year ended December 31, 2018 were reviewed and audited by another auditor, whose review report dated August 1, 2018 and audit report dated March 18, 2019 expressed an unmodified conclusion and opinion respectively.

Deloitte and Touche & Co.
Chartered Accountants


Abdul Rahman S. Al-Suwayegh
License No. 461
July 30, 2019
27 Dhu Al-Qa'dah, 1440H



BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6, 13	798,532	431,646
Right-of-use assets		25,952	23,622
Goodwill	7, 13	4,397	331
Other intangible assets	13	13,320	1,326
Non-current trade and other receivables		4,995	5,760
Total non-current assets		847,196	462,685
Current assets			
Inventories		617,983	555,762
Spare parts		24,897	17,643
Trade and other receivables	8	703,312	605,012
Contract assets		34,578	26,896
Cash and cash equivalents		50,290	42,637
Total current assets		1,431,060	1,247,950
TOTAL ASSETS		2,278,256	1,710,635
EQUITY AND LIABILITIES			
Equity			
Share capital	9	600,000	600,000
Statutory reserve	1	9,729	88,927
Retained earnings (accumulated losses)		16,975	(81,005)
Foreign currency translation reserve		(1,311)	(1,307)
Equity attributable to owners of the Company		625,393	606,615
Non-controlling interests		87,676	89,483
Total equity		713,069	696,098
Non-current liabilities			
Loans	10	177,917	20,501
Lease liabilities		24,264	23,388
Employee defined benefit liabilities		71,074	61,001
Total non-current liabilities		273,255	104,890
Current liabilities			
Trade and other payables		459,429	293,634
Due to banks	10	745,285	528,288
Contract liabilities		30,004	39,872
Current portion of loans	10	37,478	17,667
Current portion of lease liabilities		2,536	3,180
Zakat payable		16,819	19,187
Income tax payable		23	56
Dividends payable		358	7,763
Total current liabilities		1,291,932	909,647
Total liabilities		1,565,187	1,014,537
TOTAL EQUITY AND LIABILITIES		2,278,256	1,710,635

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

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019 (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three month period ended June 30,		For the six month period ended June 30,	
		2019	2018	2019	2018
Revenue	14, 15	519,166	465,771	1,115,977	988,123
Cost of sales	14	(460,225)	(426,046)	(985,854)	(891,796)
Gross profit		58,941	39,725	130,123	96,327
Selling and distribution expenses		(20,561)	(12,034)	(40,737)	(23,641)
Administrative expenses		(25,908)	(22,194)	(53,399)	(48,348)
Other income	17	2,449	1,926	6,154	3,247
Profit before finance charges and zakat and income tax		14,921	7,423	42,141	27,585
Finance charges	10	(11,152)	(5,601)	(20,842)	(10,582)
Profit before zakat and income tax		3,769	1,822	21,299	17,003
Zakat		(2,360)	(1,974)	(5,030)	(3,740)
Income tax		-	(5)	-	(24)
Profit (loss) for the period		1,409	(157)	16,269	13,239
Other comprehensive income (loss):					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		98	(862)	(9)	(647)
Total comprehensive income (loss) for the period		1,507	(1,019)	16,260	12,592
Profit (loss) for the period attributable to:					
Owners of the Company		3,027	1,599	18,071	15,614
Non-controlling interests		(1,618)	(1,756)	(1,802)	(2,375)
		1,409	(157)	16,269	13,239
Total comprehensive income (loss) for the period attributable to:					
Owners of the Company		3,068	1,238	18,067	15,343
Non-controlling interests		(1,561)	(2,257)	(1,807)	(2,751)
		1,507	(1,019)	16,260	12,592
Earnings per share (SR)					
Basic and diluted	5	0.05	0.03	0.30	0.26

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

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	(Accumulated losses)/retained earnings	Foreign currency translation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
Balance at January 1, 2018 (Audited)	600,000	88,927	154,046	(936)	842,037	102,296	944,333
Impact of adoption of IFRS 16 (refer note 3)	-	-	(1,513)	-	(1,513)	(513)	(2,026)
Profit (loss) for the period	-	-	15,614	-	15,614	(2,375)	13,239
Other comprehensive loss	-	-	-	(271)	(271)	(376)	(647)
Total comprehensive income (loss) for the period	-	-	15,614	(271)	15,343	(2,751)	12,592
Transfer to statutory reserve	-	1,561	(1,561)	-	-	-	-
Dividends (refer note 11)	-	-	(24,000)	-	(24,000)	(7,405)	(31,405)
Balance at June 30, 2018 (Unaudited)	600,000	90,488	142,586	(1,207)	831,867	91,627	923,494
Balance at January 1, 2019 (Audited)	600,000	88,927	(81,005)	(1,307)	606,615	89,483	696,098
Impact of adoption of IFRS 16 (refer note 3)	-	-	711	-	711	-	711
Profit (loss) for the period	-	-	18,071	-	18,071	(1,802)	16,269
Other comprehensive loss	-	-	-	(4)	(4)	(5)	(9)
Total comprehensive income (loss) for the period	-	-	18,071	(4)	18,067	(1,807)	16,260
Absorption of accumulated losses (refer note 1)	-	(81,005)	81,005	-	-	-	-
Transfer to statutory reserve	-	1,807	(1,807)	-	-	-	-
Balance at June 30, 2019 (Unaudited)	600,000	9,729	16,975	(1,311)	625,393	87,676	713,069

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

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019 (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	June 30, 2019	June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and income tax	21,299	17,003
Adjustments for:		
Depreciation	33,863	26,070
Amortization	2,079	569
Employee defined benefit liabilities	2,733	1,391
Finance charges	20,842	10,582
Profit on disposal of property, plant and equipment	(616)	(54)
Operating cash flows before movement in working capital	80,200	55,561
Movement in working capital:		
Decrease (increase) in inventories	73,423	(101,580)
(Increase) decrease in spare parts	(1,504)	342
Decrease (increase) in trade and other receivables	6,284	(41,082)
Increase in contract assets	(7,682)	(4,775)
Increase in trade and other payables	85,221	121,437
Decrease in contract liabilities	(9,868)	(962)
Cash generated from operations	226,074	28,941
Finance charges paid	(21,147)	(10,167)
Zakat paid	(8,729)	(10,632)
Income tax paid	(33)	(297)
Net cash flows from operating activities	196,165	7,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of /adjustment to property, plant and equipment	(37,229)	(21,127)
Purchase of intangible assets	(37)	(17)
Proceeds on disposal of property, plant and equipment	903	128
Net cash outflow on acquisition of a subsidiary, net of cash and cash equivalents acquired (refer note 13)	(188,252)	-
Net cash flows used in investing activities	(224,615)	(21,016)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in due to banks	(8,024)	53,681
Loans obtained	95,500	-
Repayment of loans	(40,331)	(8,636)
Repayment of lease liabilities	(3,637)	(1,937)
Dividends paid	-	(23,967)
Dividends paid to non-controlling interests	(7,405)	-
Net cash flows from financing activities	36,103	19,141
Net increase in cash and cash equivalents	7,653	5,970
Cash and cash equivalents at the beginning of the period	42,637	52,544
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	50,290	58,514

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

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2019**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES

Bawan Company ("Bawan" or "the Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010033032 dated 9 Shawwal, 1400H (corresponding to August 20, 1980G). The Company's shares are traded on the Saudi Stock Exchange (Tadawul). The Company's financial year end is December 31.

These interim condensed consolidated financial statements include the financial statements of the Company and the following subsidiaries ("the Group"):

	Effective ownership	
	2019	2018
	%	%
Bawan Metal Industries Company ("Bawan Metal")	100.00	100.00
Bawan Engineering Industries Company ("Bawan Engineering")	100.00	100.00
Arnon Plastic Industries Company ("Arnon")	100.00	-
Bawan Wood Industries Company ("Bawan Wood")	95.00	95.00
United Company for Wood and Metal Products ("United Wood and Metal")	95.00	95.00
Bina Holding for Industrial Investments Company ("Bina Holding")	56.75	56.75

Indirect subsidiaries include the following:

	Location	Ownership	
		2019	2018
		%	%
Bawan Metal:			
Bawan Contracting for Building and Construction ("BCBC") -under liquidation)	Saudi Arabia	100.00	100.00
Bawan Engineering:			
United Transformers Electric Company-Saudi ("Utec-Saudi")	Saudi Arabia	85.50	85.50
United Transformers Electric Company-Algeria ("Utec-Algeria")	Algeria	49.00	49.00
United Technology of Electric Substations & Switchgears Company ("USSG")	Saudi Arabia	85.50	85.50
Bawan Electric Company Limited	Saudi Arabia	100.00	100.00
Bawan Mechanical Works Company Limited-under liquidation	Saudi Arabia	100.00	100.00
Bawan Wood:			
Al-Raya Wood Works Establishment-UAE	UAE	100.00	100.00
Al-Raya Company for Wood Works-Kuwait	Kuwait	100.00	100.00
Inma Pallets Company Limited	Saudi Arabia	100.00	100.00
United Lines Logistics Services Company Limited	Saudi Arabia	100.00	100.00
Bina Holding:			
Bina Ready-Mix Concrete Products Company ("Bina Ready-Mix")	Saudi Arabia	100.00	100.00
Bina Advanced Concrete Products Company ("Bina Precast")	Saudi Arabia	93.20	93.20
Al-Ahliyah Transport Company Limited	Saudi Arabia	100.00	100.00
Total Building Company	Saudi Arabia	100.00	100.00

BAWAN COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES (CONTINUED)

The Group ("Bawan and its subsidiaries") 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 and ready mix and concrete products and production of flexible packaging and insulation products.

During the period ended June 30, 2019, the General Assembly approved to absorb accumulated losses of SR 81.01 million as at December 31, 2018 through transfer from the statutory reserve.

2. BASIS OF PREPARATION

Statement of compliance

The interim condensed consolidated financial statements for the six month period ended June 30, 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2018. In addition, results for the six months period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention except for employee defined benefit liability measured at present value calculated using the projected unit credit method.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is the Group's functional currency, and all values are rounded to the nearest thousand (SR'000), except where otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2018, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

Revised standards that do not have any impact on the Company's interim condensed consolidated financial statements

Effective for annual periods beginning on or after January 1, 2019

- Amendments to IFRS 9 relating to prepayment features with negative compensation and modification of financial liabilities.

BAWAN COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Amendments to IAS 28 *Investment in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*
- Amendments to IAS 19 *Employee Benefits* Plan Amendment, Curtailment or Settlement
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

New and revised standards and interpretations issued but not yet effective

Effective for annual periods beginning after January 1, 2020

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17 *Insurance Contracts*
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

Early adoption of IFRS 16 Leases

IFRS 16 *Leases* is effective on or after January 1, 2019, however, as permitted by IFRS 16, the Group elected to early adopt this Standard effective from January 1, 2018 except for the newly acquired subsidiary. The Group applied IFRS 16 retrospectively with the cumulative effect of initially applying the Standard recognized as an adjustment to the opening retained earnings for the Group and Arnon as at January 1, 2018 and January 1, 2019 respectively. Accordingly, comparative information was not restated. The Group measured the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application and recognized a right-of-use asset as if IFRS 16 had been applied since the commencement of the lease .

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's annual consolidated financial statements for the year ended December 31, 2018.

5. EARNINGS PER SHARE

Basic and diluted earnings per share are based on net profit for the period attributable to owners of the Company divided by the weighted average number of shares in issue of 60 million outstanding during the period. There has been no item of dilution affecting the weighted average number of shares.

BAWAN COMPANY AND SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group purchased items of property, plant and equipment amounting to SR 37.24 million (period ended June 30, 2018: SR 21.09 million).

7. GOODWILL

In 2010, the Company acquired 85.5% of the shares of Utec-Saudi. Goodwill of SR 169.77 million was recognized on the acquisition that represented the excess consideration paid over the net book value of net assets acquired, after allocation of SR 26.67 million to adjust the net book value of net assets acquired to their fair values. During the year ended December 31, 2018, an impairment loss for the full value of goodwill was recognized.

During 2014, Bawan Wood and United Wood and Metal acquired the entire shareholding of Inma Pallets. Goodwill of SR 0.33 million was recognized on the acquisition that represented the excess consideration paid over the net book value of net assets acquired, after allocation of SR 21.35 million to adjust the net book value of net assets acquired to their fair values, of which SR 3.29 million was allocated to property, plant and equipment, while the remaining balance of SR 18.06 million was recognized as identifiable intangible assets.

Effective January 1, 2019, the Company acquired 100% of the issued share capital of Amon and goodwill of SR 4.07 million was recognized (refer note 13).

8. TRADE AND OTHER RECEIVABLES

The movement in the loss allowance during the period/year is as follows:

	June 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
Opening balance at the beginning of the period / year	59,766	43,003
Acquired (refer note 13)	11,094	-
Net re-measurement of loss allowance	901	16,763
Closing balance at the end of the period / year	71,761	59,766

9. SHARE CAPITAL

The Company had 60 million shares of SR 10 each in issue as at June 30, 2019 and December 31, 2018 amounting to total issued capital of SR 600 million. There was no movement in share capital during the current period.

10. BORROWINGS

10.1 Due to banks

The Group has bank facilities ("the Facilities") arranged from local banks 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. The Facilities are secured by promissory notes and corporate guarantees

BAWAN COMPANY AND SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

10. BORROWINGS (CONTINUED)

10.1 Due to banks (continued)

of the Group. The Facilities agreements contain covenants requiring maintenance of certain financial ratios.

10.2 Term loans

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

10.3 SIDF loans

Bina Ready-Mix has long term loans arranged from the Saudi Industrial Development Fund ("SIDF") for the construction and expansion of its plants. These loans are guaranteed by promissory notes, corporate guarantees of shareholders and mortgage of its property, plant and equipment. The loan agreements contain covenants requiring maintenance of certain financial ratios during the terms of the loans.

Arnon has obtained long term loans from SIDF for the construction of its plants. The loan agreements contain covenants requiring maintenance of certain financial ratios during the terms of the loans.

11. DIVIDENDS

During the six month period ended June 30, 2019, the Board of Directors did not resolve to distribute dividends to the Company's shareholders. During the period ended June 30, 2018, the Board of Directors resolved to distribute cash dividends of SR 0.40 per share totaling SR 24 million. Dividends paid during the six month period ended June 30, 2018 amounted to SR 23.97 million.

12. CONTINGENCIES AND COMMITMENTS

The Group had capital commitments of SR 15.01 million at the reporting date (December 31, 2018: SR 15.86 million).

The Group had contingent liabilities arising from letters of credit and guarantee of SR 538.18 million at the reporting date (December 31, 2018: SR 454.79 million).

13. ACQUISITION OF A SUBSIDIARY

Effective January 1, 2019, the Company acquired 100% of the issued share capital of Arnon Plastic Industries Company ("Arnon") for a total purchase consideration of SR 191.00 million, thereby obtaining control of Arnon. The carrying value of the identifiable assets acquired and liabilities assumed of Arnon amounted to SR 573.91 million and SR 436.62 million respectively. Goodwill of SR 4.07 million was recognized that represented the excess consideration over the net book value of net identifiable assets acquired after allocation of SR 49.64 million to adjust the net book values of net assets acquired to their fair values, of which SR 35.61 million was allocated to property, plant and equipment and SR 14.03 million was allocated to identifiable intangible assets. Identifiable intangible assets comprise customer relationship and the trade name.

The fair values have been determined on the basis of the valuer's professional knowledge and belief, taking into account the prevailing market conditions, current conditions of assets and the sources of market information. The valuations prepared by the independent valuer, which conform to International Valuation Standards, were arrived at by reference to the open market value models.

BAWAN COMPANY AND SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Also, the purchase price allocation exercise was carried out by an independent third party on the basis of the independent expert's valuation report. As at reporting date, purchase price allocation was not complete, and accordingly the fair value and goodwill adjustments disclosed in these interim condensed consolidated financial statements are provisional.

Legal formalities related to acquisition of Arnon were completed during the period and non-objection approval from the General Authority for Competition was obtained.

The net cash outflow of SR 191.00 million arising on acquisition of Arnon was paid fully in cash. Cash and cash equivalents acquired on acquisition of Arnon amounted to SR 2.75 million.

Arnon is engaged in the production of flexible packaging and insulation products serving the building material and food packaging industries. Arnon was acquired for growth of the Group's operations. Acquisition-related costs amounted to SR 3.00 million, out of which SR 2.94 million were expensed during the prior year.

As at June 30, 2019, gross trade receivables of Arnon amounted to SR 112.19 million and allowance for doubtful debts amounted to SR 11.39 million. Carrying values of trade receivables approximate to their fair values. Profit for the period ended June 30, 2019 of Arnon amounted to SR 16.76 million.

As at June 30, 2019, Arnon had contingent liabilities arising from letters of credit and guarantee of SR 38.27 million.

14. RELATED PARTY INFORMATION

During the period, the Group entered into the following trading transactions with related parties:

	Three month period ended June 30, 2019 (Unaudited)	Three month period ended June 30, 2018 (Unaudited)	Six month period ended June 30, 2019 (Unaudited)	Six month period ended June 30, 2018 (Unaudited)
Revenue	48,812	26,285	96,761	72,921
Purchases and royalties	3,163	3,462	7,966	5,171

As of June 30, 2019 and December 31, 2018, amounts due from and due to related parties mainly relate to the abovementioned transactions.

15. REVENUE

The Group derives its revenue from contracts with customers for sale of goods over time and at a point in time. Refer to note 16 for revenue from each reportable segment under IFRS 8 *Operating Segments*.

BAWAN COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

16. SEGMENT REPORTING

Business segments have been approved by management in respect of the Group's activities which are consistent with the Group's internal reporting processes:

- Metal and Wood
- Plastic
- Electrical
- Concrete
- Head office

The following is an analysis of the Group's revenue and results by segment:

<u>Segment</u>	<u>Six month period</u> <u>ended June 30, 2019</u>		<u>Six month period</u> <u>ended June 30, 2018</u>	
	<u>Revenue</u> <u>SR'000</u>	<u>Profit (loss)</u> <u>SR'000</u>	<u>Revenue</u> <u>SR'000</u>	<u>Profit (loss)</u> <u>SR'000</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Metal and Wood	727,851	24,615	774,985	29,561
Plastic	158,594	16,578	-	-
Electrical	134,161	(18,641)	143,707	(9,029)
Concrete	95,371	826	69,431	(3,392)
Head office	-	(7,109)	-	(3,901)
	1,115,977	16,269	988,123	13,239

<u>Segment</u>	<u>Three month period</u> <u>ended June 30, 2019</u>		<u>Three month period</u> <u>ended June 30, 2018</u>	
	<u>Revenue</u> <u>SR'000</u>	<u>Profit (loss)</u> <u>SR'000</u>	<u>Revenue</u> <u>SR'000</u>	<u>Profit (loss)</u> <u>SR'000</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Metal and Wood	323,142	7,866	366,070	9,096
Plastic	82,881	9,174	-	-
Electrical	68,046	(10,470)	67,850	(4,625)
Concrete	45,097	(1,005)	31,851	(2,600)
Head office	-	(4,156)	-	(2,028)
	519,166	1,409	465,771	(157)

BAWAN COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

16. SEGMENT REPORTING (CONTINUED)

The following is an analysis of the Group's assets and liabilities by segment:

<u>Segment</u>	<u>June 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Assets</u> <u>SR'000</u>	<u>Liabilities</u> <u>SR'000</u>	<u>Assets</u> <u>SR'000</u>	<u>Liabilities</u> <u>SR'000</u>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Metal and Wood	899,041	567,335	952,028	566,205
Plastic	602,634	440,292	-	-
Electrical	440,251	291,384	492,163	294,215
Concrete	282,773	156,513	264,923	142,358
Head office	53,557	109,663	1,521	11,759
	<u>2,278,256</u>	<u>1,565,187</u>	<u>1,710,635</u>	<u>1,014,537</u>

17. OTHER INCOME

During the six month period ended June 30, 2019, other income primarily comprises scrap and material sales of SR 2.43 million (June 30, 2018: SR 2.36 million) and reversal of provision of SR 1.02 million.

18. SUPPLEMENTARY INFORMATION

The board of directors of two subsidiaries of the Group, Utec-Saudi and USSG, have decided to merge these two entities through a merger agreement dated June 19, 2019. Subsequent to the reporting period, legal formalities were still under progress.

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to the reporting period, legal formalities related to liquidation of BCBC, which was already under liquidation prior to the reporting period, were completed. No other events have taken place after the end of the reporting period which require adjustment to, or separate disclosure, in these interim condensed consolidated financial statements.

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on July 30, 2019.