

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S LIMITED REVIEW REPORT
FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2020 (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 MONTH PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

INDEX	PAGE
Independent auditor's limited review report	1
Interim condensed consolidated statement of profit or loss and other comprehensive income	2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial statements	6 – 15

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") and its subsidiaries (collectively "the Group") as of March 31, 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and 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 three month period ended March 31, 2019 were reviewed by another auditor, whose review report dated May 5, 2019 expressed an unmodified conclusion.

Deloitte and Touche & Co.
Chartered Accountants



Abdul Rahman S. Al-Suwayegh
License No. 461
18 Shawwal, 1441H
June 10, 2020



BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020 (UNAUDITED)**
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2020	March 31, 2019
Revenue	13, 14	642,954	596,811
Cost of revenue	13	(563,903)	(525,629)
Gross profit		79,051	71,182
Selling and distribution expenses		(19,539)	(20,176)
Administrative expenses		(29,992)	(27,491)
Loss on investment in financial assets at fair value through profit or loss ("FVTPL")		(7,057)	-
Other income	16	2,078	3,705
Profit before finance charges and Zakat		24,541	27,220
Finance charges		(8,979)	(9,690)
Profit before Zakat		15,562	17,530
Zakat		(2,541)	(2,670)
Profit for the period		13,021	14,860
Other comprehensive loss:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(1,054)	(107)
Total comprehensive income for the period		11,967	14,753
Profit for the period attributable to:			
Owners of the Company		15,205	15,044
Non-controlling interests		(2,184)	(184)
		13,021	14,860
Total comprehensive income for the period attributable to:			
Owners of the Company		14,763	14,999
Non-controlling interests		(2,796)	(246)
		11,967	14,753
Earnings per share (SR)			
Basic and diluted	5	0.25	0.25

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 FINANCIAL POSITION
AS OF MARCH 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6, 12	802,165	827,763
Right-of-use assets		21,454	21,857
Goodwill	7, 12	4,397	4,397
Other intangible assets	12	10,714	11,483
Non-current trade and other receivables		3,848	4,230
Total non-current assets		842,578	869,730
Current assets			
Inventories		519,211	526,663
Spare parts		27,708	27,282
Investment in financial assets		41,718	48,775
Trade and other receivables	8	766,092	699,896
Contract assets		28,093	34,659
Cash and cash equivalents		90,894	45,899
Total current assets		1,473,716	1,383,174
TOTAL ASSETS		2,316,294	2,252,904
EQUITY AND LIABILITIES			
Equity			
Share capital	9	600,000	600,000
Statutory reserve	1	12,106	10,585
Retained earnings	1	30,624	16,940
Foreign currency translation reserve		(1,793)	(1,351)
Equity attributable to owners of the Company		640,937	626,174
Non-controlling interests		67,834	70,630
Total equity		708,771	696,804
Non-current liabilities			
Loans	10	262,722	269,745
Lease liabilities		21,058	21,282
Employee defined benefit liabilities		81,781	79,780
Total non-current liabilities		365,561	370,807
Current liabilities			
Trade and other payables		494,776	433,777
Due to banks	10	620,991	658,275
Contract liabilities		59,640	33,673
Current portion of loans	10	47,163	40,416
Current portion of lease liabilities		2,523	2,660
Zakat payable		16,356	14,123
Dividends payable		513	2,369
Total current liabilities		1,241,962	1,185,293
Total liabilities		1,607,523	1,556,100
TOTAL EQUITY AND LIABILITIES		2,316,294	2,252,904

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 THREE MONTH PERIOD ENDED MARCH 31, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings (accumulated losses)	Foreign currency translation reserve	Equity attributable to owners of the Company	Non- controlling interests	Total
Balance at January 1, 2019 (Audited)	600,000	88,927	(81,005)	(1,307)	606,615	89,483	696,098
Profit (loss) for the period	-	-	15,044	-	15,044	(184)	14,860
Other comprehensive loss	-	-	-	(45)	(45)	(62)	(107)
Total comprehensive income (loss) for the period	-	-	15,044	(45)	14,999	(246)	14,753
Transfer to statutory reserve	-	1,504	(1,504)	-	-	-	-
Balance at March 31, 2019 (Unaudited)	600,000	90,431	(67,465)	(1,352)	621,614	89,237	710,851
Balance at January 1, 2020 (Audited)	600,000	10,585	16,940	(1,351)	626,174	70,630	696,804
Profit (loss) for the period	-	-	15,205	-	15,205	(2,184)	13,021
Other comprehensive loss	-	-	-	(442)	(442)	(612)	(1,054)
Total comprehensive income (loss) for the period	-	-	15,205	(442)	14,763	(2,796)	11,967
Transfer to statutory reserve	-	1,521	(1,521)	-	-	-	-
Balance at March 31, 2020 (Unaudited)	600,000	12,106	30,624	(1,793)	640,937	67,834	708,771

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 THREE MONTH PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Zakat	15,562	17,530
<u>Adjustments for:</u>		
Depreciation	16,821	17,029
Amortization	769	723
Employee defined benefit liabilities	3,095	2,855
Finance charges	8,979	9,690
Re-measurement of loss allowance	3,150	-
Profit on disposal of property, plant and equipment	(418)	(298)
Loss on investment in financial assets at FVTPL	7,057	-
Operating cash flows before movement in working capital	55,015	47,529
<u>Movement in working capital:</u>		
Decrease in inventories	6,256	24,522
Increase in spare parts	(426)	(331)
Increase in trade and other receivables	(51,365)	(8,365)
Decrease (increase) in contract assets	6,566	(4,467)
Increase in trade and other payables	59,652	42,488
Increase (decrease) in contract liabilities	25,967	(2,327)
Cash generated from operations	101,665	99,049
Finance charges paid	(9,090)	(10,766)
Employee defined benefit liabilities paid	(1,091)	(1,298)
Zakat paid	-	(206)
Net cash flows from operating activities	91,484	86,779
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of/adjustment to property, plant and equipment	(9,670)	(9,615)
Proceeds on disposal of property, plant and equipment	1,739	523
Purchase of intangible assets	-	(11)
Net cash flows used in investing activities	(7,931)	(9,103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in due to banks	(37,284)	(43,707)
Loans obtained	4,500	-
Repayment of loans	(3,557)	(2,945)
Repayment of lease liabilities	(361)	(1,915)
Dividends paid to non-controlling interests	(1,856)	-
Net cash flows used in financing activities	(38,558)	(48,567)
Net increase in cash and cash equivalents	44,995	29,109
Cash and cash equivalents at the beginning of the period	45,899	42,637
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	90,894	71,746

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 MONTH PERIOD ENDED MARCH 31, 2020
(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 (collectively “the Group”):

	Effective ownership	
	2020	2019
	%	%
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	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 (“Bina Holding”)	56.75	56.75

Indirect subsidiaries include the following:

	Location	Ownership	
		2020	2019
		%	%
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 (“Bawan Electric”)	Saudi Arabia	100.00	100.00
Bawan Mechanical Works Company Limited (“Bawan Mechanical”) – Liquidated	Saudi Arabia	-	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 (“Inma Pallets”)	Saudi Arabia	100.00	100.00
United Lines Logistics Services Company Limited (“ULLS”)	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 ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES (CONTINUED)

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.

In 2019, the General Assembly, through its resolution dated April 2, 2019, approved to absorb accumulated losses of SR 81.01 million as at December 31, 2018 through transfer from the statutory reserve.

Legal formalities related to the liquidation of Bawan Mechanical were completed on March 15, 2020.

2. BASIS OF PREPARATION

Statement of compliance

The interim condensed consolidated financial statements for the three month period ended March 31, 2020 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 Company's annual consolidated financial statements for the year ended December 31, 2019. In addition, results for the three month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments measured at fair value and the employee defined benefit liability, which has been actuarially valued.

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 stated.

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

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, 2019, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period.

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revised standards adopted but do not have any impact

The following revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these interim condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Definition of a Business - Amendments to IFRS 3 Business Combinations

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to References to the Conceptual Framework in IFRS Standards related 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 those 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.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments

Amendments regarding pre-replacement issues in the context of the interbank offered rates reform.

New and revised standards and interpretations issued but not yet effective

	<u>Effective for annual periods beginning on or after</u>
<i>IFRS 17 Insurance Contracts</i>	January 1, 2022
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2022.	
<i>Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures</i>	Effective date deferred indefinitely. Adoption is still permitted.
Amendments relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 affect 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, 2019.

Management has considered the potential impact of the Coronavirus pandemic on the Group's significant accounting judgements and estimates and there are no changes to the significant judgements and estimates disclosed in the consolidated financial statements for the year ended December 31, 2019.

5. EARNINGS PER SHARE

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

6. PROPERTY, PLANT AND EQUIPMENT

During the period ended March 31, 2020, the Group purchased items of property, plant and equipment amounting to SR 11.49 million (period ended March 31, 2019: SR 9.68 million).

7. GOODWILL

During 2014, Bawan Wood and United Wood and Metal acquired 100% of the shares 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 shares of Arnon and goodwill of SR 4.07 million was recognized (note 12).

Impairment test for goodwill

The management performs goodwill impairment assessment annually and when there are indicators that the carrying value of the goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on December 31, 2019 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognised for the three month period ended March 31, 2020.

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

8. TRADE AND OTHER RECEIVABLES

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Opening balance at the beginning of the period/year	67,141	59,766
Acquisition of subsidiary (note 12)	-	11,094
Net re-measurement of loss allowance	3,150	7,169
Written-off during the period/year	-	(10,888)
Closing balance at the end of the period/year	70,291	67,141

9. SHARE CAPITAL

The Company had 60 million shares of SR 10 each in issue as at March 31, 2020 and December 31, 2019 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 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

The Group has obtained various loans from the SIDF for the construction and expansion of its concrete and plastic segment plants and the delivery of an ongoing project. 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 399.15 million as at March 31, 2020 (December 31, 2019: SR 414.72 million). The final repayment is due in 2023.

The loan agreements contain covenants requiring maintenance of certain financial ratios and other covenants. As at March 31, 2020, SIDF loans related to a subsidiary of the Group amounting to SR 25.82 million (December 31, 2019: SR 25.82 million) were not in compliance with certain covenants. The non-current portion of these loans has been presented as current as at March 31, 2020 and December 31, 2019. Had there been no breach of financial covenants, the non-current portion of loans would have been increased by SR 21.12 million (December 31, 2019: SR 21.12 million).

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

11. CONTINGENCIES AND COMMITMENTS

The Group had capital commitments of SR 14.06 million at the reporting date (December 31, 2019: SR 14.81 million).

The Group had contingent liabilities arising from letters of credit and guarantee of SR 603.95 million at the reporting date (December 31, 2019: SR 540.88 million).

12. ACQUISITION OF A SUBSIDIARY

Effective January 1, 2019, the Company acquired 100% of the shares of Arnon from a related party for a total consideration of SR 191.00 million, thereby obtaining control of Arnon. Arnon is engaged in the production of flexible packaging and insulation products serving the food packaging and building materials industries and qualifies as a business as defined in IFRS 3.

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 relationships 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.

The purchase price allocation exercise was carried out by an independent third party on the basis of the independent expert's valuation report.

Legal formalities related to acquisition of Arnon were completed in 2019 and non-objection approval from the General Authority for Competition was obtained.

The Company holds a bank guarantee of 15% of the consideration paid for acquisition of subsidiary.

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.

The goodwill of SR 4.07 million comprises the value of expected synergies arising from the acquisition and workforce, which is not separately recognised. Workforce is not an identifiable asset to be recognised separately from goodwill so the value attributable to workforce is subsumed into goodwill.

In 2019, the previous shareholder agreed to compensate the Company by an amount of SR 27.96 million against the provision for inventories recorded in 2019. The entire compensation amount was collected subsequent to the reporting period.

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

13. RELATED PARTY INFORMATION

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

	Three month period ended March 31, 2020 (Unaudited)	Three month period ended March 31, 2019 (Unaudited)
Revenue	66,600	47,949
Purchases and royalties	4,575	4,803
Acquisition of a subsidiary (note 12)	-	191,000

As of March 31, 2020, amounts due from and due to related parties mainly relate to the abovementioned transactions.

14. 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 15 for revenue from each reportable segment under IFRS 8 *Operating Segments*.

15. 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>	Three month period ended March 31, 2020		Three month period ended March 31, 2019	
	Revenue (Unaudited)	Profit (loss) (Unaudited)	Revenue (Unaudited)	Profit (loss) (Unaudited)
Metal and Wood	450,925	29,765	404,709	16,749
Plastic	72,989	5,708	75,713	7,404
Electrical	71,590	(7,963)	66,115	(8,171)
Concrete	47,450	(2,933)	50,274	1,831
Head office	-	(11,556)	-	(2,953)
	642,954	13,021	596,811	14,860

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

15. SEGMENT REPORTING (CONTINUED)

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

Segment	March 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Metal and Wood	867,855	495,041	833,167	488,170
Plastic	637,410	471,726	622,096	461,425
Electrical	418,417	317,371	404,169	292,338
Concrete	299,155	194,994	293,665	190,448
Head office	93,457	128,391	99,807	123,719
	2,316,294	1,607,523	2,252,904	1,556,100

16. OTHER INCOME

During the three month period ended March 31, 2020, other income primarily comprises scrap and material sales of SR 1.19 million (March 31, 2019: SR 1.16 million) and profit on disposal of property, plant and equipment of SR 0.42 million (March 31, 2019: SR 0.30 million).

17. FAIR VALUE MEASUREMENT

The Group measures financial assets at fair value thorough profit or loss at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

17. FAIR VALUE MEASUREMENT (CONTINUED)

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial assets, other than those with carrying amounts that are reasonable approximations of fair values:

March 31, 2020	Carrying value	Fair value total	Level 1	Level 2	Level 3
<i>Financial assets measured at FVTPL</i>					
Quoted equity investments	41,718	41,718	41,718	-	-
<hr/>					
December 31, 2019	Carrying value	Fair value total	Level 1	Level 2	Level 3
<i>Financial assets measured at FVTPL</i>					
Quoted equity investments	48,775	48,775	48,775	-	-

The directors consider that the carrying values of the financial instruments reported in the interim condensed consolidated statement of financial position approximate their fair values. During the three month period ended March 31, 2020, there were no movements between the levels.

18. SUPPLEMENTARY INFORMATION

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. The Plastic segment has insurance coverage of SR 42.36 million against a loss caused by such an incident and to compensate for losses due to such an interruption of business. The Group has filed an insurance claim and is arranging the required documentation in order to finalize the claim. Insurance claim receivable of SR 17.69 million was recognized and the management is certain that this amount is fully collectable from the insurance company. As of the date of the approval of these interim condensed consolidated financial statements, the insurance claim was still under process.

Coronavirus pandemic (COVID-19)

Possible effects of the outbreak of COVID-19 may include, but are not limited to, disruption to the Group's operations, its revenue and availability of its products, delay in payments by customers, damage to the health of employees, measurement of expected credit loss and provision for inventories. The Group is continuously monitoring the COVID-19 pandemic situation and its impact on the aforementioned factors. The Group is continuing its operations without any significant disruption after implementing the necessary business continuity procedures and ensuring required precautionary measures.

As the COVID-19 situation is still fluid and evolving, currently it is difficult to measure the complete extent and duration of the economic impact. However, management believes, based on its assessment of the situation and available information, that there is no significant impact on the Group's financial performance and that the Group has sufficient liquidity and access to financing facilities to continue to meet its financial obligations for the foreseeable future as and when they become due.

BAWAN COMPANY AND ITS SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

No 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 June 10, 2020.