

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S LIMITED REVIEW REPORT  
FOR THE NINE MONTH PERIOD  
ENDED SEPTEMBER 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 NINE MONTHS PERIODS ENDED SEPTEMBER 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 September 30, 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and nine months periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine 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 nine month period ended September 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 October 30, 2018 and audit report dated March 18, 2019 expressed an unmodified conclusion and opinion respectively.

Deloitte and Touche & Co.  
Chartered Accountants

Al-Mutahhar Y. Hamiduddin  
License No. 296  
November 5, 2019  
8 Rabi' I, 1441H



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2019**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6, 13	806,708	431,646
Right-of-use assets		24,069	23,622
Goodwill	7, 13	4,397	331
Other intangible assets	13	12,526	1,326
Non-current trade and other receivables		4,613	5,760
<b>Total non-current assets</b>		<b>852,313</b>	<b>462,685</b>
<b>Current assets</b>			
Inventories		544,998	555,762
Spare parts		25,434	17,643
Trade and other receivables	8	693,784	605,012
Contract assets		50,236	26,896
Cash and cash equivalents		35,011	42,637
<b>Total current assets</b>		<b>1,349,463</b>	<b>1,247,950</b>
<b>TOTAL ASSETS</b>		<b>2,201,776</b>	<b>1,710,635</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	600,000	600,000
Statutory reserve	1	10,055	88,927
Retained earnings (accumulated losses)	1	19,911	(81,005)
Foreign currency translation reserve		(1,461)	(1,307)
Equity attributable to owners of the Company		628,505	606,615
Non-controlling interests		86,729	89,483
<b>Total equity</b>		<b>715,234</b>	<b>696,098</b>
<b>Non-current liabilities</b>			
Loans	10	170,305	20,501
Lease liabilities		21,286	23,388
Employee defined benefit liabilities		70,419	61,001
<b>Total non-current liabilities</b>		<b>262,010</b>	<b>104,890</b>
<b>Current liabilities</b>			
Trade and other payables		417,655	293,634
Due to banks	10	719,648	528,288
Contract liabilities		34,441	39,872
Current portion of loans	10	35,234	17,667
Current portion of lease liabilities		3,602	3,180
Zakat payable		13,571	19,187
Income tax payable		23	56
Dividends payable		358	7,763
<b>Total current liabilities</b>		<b>1,224,532</b>	<b>909,647</b>
<b>Total liabilities</b>		<b>1,486,542</b>	<b>1,014,537</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,201,776</b>	<b>1,710,635</b>

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 NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019 (UNAUDITED)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three months period ended September 30,		For the nine months period ended September 30,	
		2019	2018	2019	2018
Revenue	14, 15	525,592	443,814	1,641,569	1,431,937
Cost of sales	14	(468,523)	(403,706)	(1,454,377)	(1,295,502)
<b>Gross profit</b>		<b>57,069</b>	<b>40,108</b>	<b>187,192</b>	<b>136,435</b>
Selling and distribution expenses		(18,866)	(10,709)	(59,603)	(34,350)
Administrative expenses		(25,862)	(24,378)	(79,261)	(72,726)
Other income	17	1,523	1,429	7,677	4,676
<b>Profit before finance charges and zakat and income tax</b>		<b>13,864</b>	<b>6,450</b>	<b>56,005</b>	<b>34,035</b>
Finance charges	10	(10,177)	(7,214)	(31,019)	(17,796)
<b>Profit (loss) before zakat and income tax</b>		<b>3,687</b>	<b>(764)</b>	<b>24,986</b>	<b>16,239</b>
Zakat		(1,163)	(3,548)	(6,193)	(7,288)
Income tax		-	-	-	(24)
<b>Profit (loss) for the period</b>		<b>2,524</b>	<b>(4,312)</b>	<b>18,793</b>	<b>8,927</b>
<b>Other comprehensive loss:</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(359)	(50)	(368)	(697)
<b>Total comprehensive income (loss) for the period</b>		<b>2,165</b>	<b>(4,362)</b>	<b>18,425</b>	<b>8,230</b>
<b>Profit (loss) for the period attributable to:</b>					
Owners of the Company		3,262	(4,125)	21,333	11,489
Non-controlling interests		(738)	(187)	(2,540)	(2,562)
		<b>2,524</b>	<b>(4,312)</b>	<b>18,793</b>	<b>8,927</b>
<b>Total comprehensive income (loss) for the period attributable to:</b>					
Owners of the Company		3,112	(4,146)	21,179	11,197
Non-controlling interests		(947)	(216)	(2,754)	(2,967)
		<b>2,165</b>	<b>(4,362)</b>	<b>18,425</b>	<b>8,230</b>
<b>Earnings per share (SR)</b>					
Basic and diluted	5	<b>0.05</b>	<b>(0.07)</b>	<b>0.36</b>	<b>0.19</b>

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

(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, 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	-	-	11,489	-	11,489	(2,562)	8,927
Other comprehensive loss	-	-	-	(292)	(292)	(405)	(697)
Total comprehensive income (loss) for the period	-	-	11,489	(292)	11,197	(2,967)	8,230
Transfer to statutory reserve	-	1,149	(1,149)	-	-	-	-
Dividends (refer note 11)	-	-	(24,000)	-	(24,000)	(7,405)	(31,405)
Balance at September 30, 2018 (Unaudited)	600,000	90,076	138,873	(1,228)	827,721	91,411	919,132
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	-	-	21,333	-	21,333	(2,540)	18,793
Other comprehensive loss	-	-	-	(154)	(154)	(214)	(368)
Total comprehensive income (loss) for the period	-	-	21,333	(154)	21,179	(2,754)	18,425
Absorption of accumulated losses (refer note 1)	-	(81,005)	81,005	-	-	-	-
Transfer to statutory reserve	-	2,133	(2,133)	-	-	-	-
Balance at September 30, 2019 (Unaudited)	600,000	10,055	19,911	(1,461)	628,505	86,729	715,234

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019 (UNAUDITED)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	September 30, 2019	September 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before zakat and income tax	24,986	16,239
<b><u>Adjustments for:</u></b>		
Depreciation	50,745	38,920
Amortization	3,090	744
Employee defined benefit liabilities	2,078	2,108
Finance charges	31,019	17,796
Profit on disposal of property, plant and equipment	(953)	(18)
<b>Operating cash flows before movement in working capital</b>	<b>110,965</b>	<b>75,789</b>
<b><u>Movement in working capital:</u></b>		
Decrease (increase) in inventories	146,408	(164,011)
Increase in spare parts	(2,041)	(265)
Decrease (increase) in trade and other receivables	16,194	(46,597)
Increase in contract assets	(23,340)	(4,184)
Increase in trade and other payables	43,301	85,227
Decrease in contract liabilities	(5,431)	(2,027)
<b>Cash generated from (used in) operations</b>	<b>286,056</b>	<b>(56,068)</b>
Finance charges paid	(31,723)	(15,990)
Zakat paid	(13,232)	(15,382)
Income tax paid	(33)	(363)
<b>Net cash flows from (used in) operating activities</b>	<b>241,068</b>	<b>(87,803)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of/adjustment to property, plant and equipment	(61,483)	(31,702)
Purchase of/adjustment to intangible assets	(42)	(1)
Proceeds on disposal of property, plant and equipment	1,186	211
Net cash outflow on acquisition of a subsidiary, net of cash and cash equivalents acquired (refer note 13)	(188,252)	-
<b>Net cash flows used in investing activities</b>	<b>(248,591)</b>	<b>(31,492)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease) increase in due to banks	(33,661)	155,821
Loans obtained	95,500	-
Repayment of loans	(49,910)	(10,160)
Repayment of lease liabilities	(4,627)	(3,626)
Dividends paid	-	(23,972)
Dividends paid to non-controlling interests	(7,405)	-
<b>Net cash flows (used in) from financing activities</b>	<b>(103)</b>	<b>118,063</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,626)</b>	<b>(1,232)</b>
Cash and cash equivalents at the beginning of the period	42,637	52,544
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>35,011</b>	<b>51,312</b>

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 NINE MONTHS PERIODS ENDED SEPTEMBER 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"):

	<b>Effective ownership</b>	
	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
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:

	<b>Location</b>	<b>Ownership</b>	
		<b>2019</b>	<b>2018</b>
		<b>%</b>	<b>%</b>
<b>Bawan Metal:</b>			
Bawan Contracting for Building and Construction ("BCBC") -liquidated in 2019	Saudi Arabia	-	100.00
<b>Bawan Engineering:</b>			
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
<b>Bawan Wood:</b>			
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	Saudi Arabia	100.00	100.00
<b>Bina Holding:</b>			
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 AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019**

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

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**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 September 30, 2019, legal formalities related to liquidation of BCBC were completed.

During the period ended September 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 nine month period ended September 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 nine month period ended September 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 stated.

**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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019**

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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
- 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 where the Group has applied the Standard effective from January 1, 2019. 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 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 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, 2018.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(CONTINUED)**

**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019**

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

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**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 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 September 30, 2019, the Group purchased items of property, plant and equipment amounting to SR 61.72 million (period ended September 30, 2018: SR 31.68 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 identifiable 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 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 (refer note 13).

**8. TRADE AND OTHER RECEIVABLES**

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance at the beginning of the period/year	<b>59,766</b>	43,003
Acquired (refer note 13)	<b>11,094</b>	-
Net re-measurement of loss allowance	<b>1,515</b>	16,763
Closing balance at the end of the period/year	<b>72,375</b>	59,766

**9. SHARE CAPITAL**

The Company had 60 million shares of SR 10 each in issue as at September 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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019**

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

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**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**

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 long term loans from SIDF for the construction 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.

**11. DIVIDENDS**

During the nine month period ended September 30, 2019, the Board of Directors did not resolve to distribute dividends to the Company's shareholders. During the nine month period ended September 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 period ended September 30, 2018 amounted to SR 23.97 million.

**12. CONTINGENCIES AND COMMITMENTS**

The Group had capital commitments of SR 14.33 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 515.48 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 shares of 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 paid 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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. ACQUISITION OF A SUBSIDIARY (CONTINUED)**

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

The purchase consideration of SR 191.00 million for the 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 food packaging and building materials 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 September 30, 2019, gross trade receivables of Arnon amounted to SR 100.31 million and allowance for doubtful debts amounted to SR 11.44 million. Carrying values of trade receivables approximate to their fair values. Profit for the period ended September 30, 2019 of Arnon amounted to SR 22.42 million.

As at September 30, 2019, Arnon had contingent liabilities arising from letters of credit and guarantee of SR 42.71 million.

**14. RELATED PARTY INFORMATION**

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

	<b>Three month period ended September 30, 2019</b>	<b>Three month period ended September 30, 2018</b>	<b>Nine month period ended September 30, 2019</b>	<b>Nine month period ended September 30, 2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>58,597</b>	32,953	<b>155,358</b>	105,874
Purchases and royalties	<b>5,730</b>	3,000	<b>13,696</b>	8,171

As of September 30, 2019, amounts due from and due to related parties mainly relate to the abovementioned transactions.

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

**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019**

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**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*.

**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>Nine month period ended September 30, 2019</u>		<u>Nine month period ended September 30, 2018</u>	
	<u>Revenue</u> (Unaudited)	<u>Profit (loss)</u> (Unaudited)	<u>Revenue</u> (Unaudited)	<u>Profit (loss)</u> (Unaudited)
Metal and Wood	1,060,275	32,976	1,119,751	38,678
Plastic	233,753	22,415	-	-
Electrical	201,777	(27,373)	203,694	(21,099)
Concrete	145,764	1,855	108,492	(935)
Head office	-	(11,080)	-	(7,717)
	<b>1,641,569</b>	<b>18,793</b>	<b>1,431,937</b>	<b>8,927</b>

  

<u>Segment</u>	<u>Three month period ended September 30, 2019</u>		<u>Three month period ended September 30, 2018</u>	
	<u>Revenue</u> (Unaudited)	<u>Profit (loss)</u> (Unaudited)	<u>Revenue</u> (Unaudited)	<u>Profit (loss)</u> (Unaudited)
Metal and Wood	332,425	8,361	344,766	9,117
Plastic	75,159	5,837	-	-
Electrical	67,616	(8,732)	59,987	(12,070)
Concrete	50,392	1,029	39,061	2,457
Head office	-	(3,971)	-	(3,816)
	<b>525,592</b>	<b>2,524</b>	<b>443,814</b>	<b>(4,312)</b>



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(CONTINUED)**

**FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 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>September 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Audited)</u>
Metal and Wood	825,563	488,152	952,028	566,205
Plastic	603,722	437,481	-	-
Electrical	428,640	289,727	492,163	294,215
Concrete	292,143	163,827	264,923	142,358
Head office	51,708	107,355	1,521	11,759
	<u>2,201,776</u>	<u>1,486,542</u>	<u>1,710,635</u>	<u>1,014,537</u>

**17. OTHER INCOME**

During the nine month period ended September 30, 2019, other income primarily comprises scrap and material sales of SR 3.85 million (September 30, 2018: SR 3.44 million) and reversal of provision of SR 1.02 million (September 30, 2018: nil).

**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. Legal formalities were still under progress as at the date of approval of these interim condensed consolidated financial statements.

**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 November 5, 2019.