Bawan Company
(A Saudi Joint Stock Company)

INDEPENDENT AUDITOR'S REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTHS AND SIX-MONTHS PERIOD ENDED 30 JUNE2025

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three-months and six-months periods ended 30 June 2025

Building a better working world

Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF BAWAN COMPANY (A SAUDI JOINT STOCK COMPANY)

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 referred to as "the Group") as at 30 June 2025, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2025, and the related interim condensed consolidated statements of changes in equity and interim condensed consolidated statement of cashflows for six months period ended 30 June 2025 and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement 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.

Other matter

The consolidated financial statements for the year ended December 31, 2024 and the interim financial information for the three-month and six-month periods ended June 30, 2024 were audited and reviewed, respectively, by another auditor who expressed an unmodified audit opinion on those statements and unmodified review conclusion on that information on 24 March 2025 (corresponding to 24 Ramadan 1446H) and 5 August 2024 (corresponding to 1 Safar 1446H), respectively.

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 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 19 Safar 1447H
13 August 2025

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

	Note	***30 June 2025 (Unaudited)***	*31 December 2024 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**770,437**	701,532
Right-of-use assets		**70,468**	23,288
Goodwill	15	**257,915**	4,397
Intangible assets		**9,347**	5,716
Non-current portion of due from a related party	11,15	**67,823**	-
Other assets		**1,421**	1,634
Total non-current assets		**1,177,411**	736,567
Current assets			
Inventories		**1,019,517**	781,539
Spare parts		**33,310**	32,357
Financial assets at fair value through profit or loss (FVTPL)		**1,348**	2,226
Trade receivables and other current assets	7	**1,127,160**	620,296
Current portion of due from a related party	11,15	**18,759**	-
Contract assets		**145,471**	-
Cash and cash equivalents		**114,742**	424,913
Total current assets		**2,460,307**	1,861,331
TOTAL ASSETS		**3,637,718**	2,597,898
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8.1	**600,000**	600,000
Statutory reserve	8.2	**69,440**	69,440
Reserve for acquisition of additional shares in subsidiaries	1	**(10,915)**	(10,915)
Foreign currency translation reserve		**(900)**	-
Retained earnings		**357,139**	270,261
Equity attributable to shareholders of the Company		**1,014,764**	928,786
Non-controlling interests		**43,849**	32,684
TOTAL EQUITY		**1,058,613**	961,470

(continued)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

	Note	***30 June 2025 (Unaudited)***	*31 December 2024 (Audited)*
LIABILITIES			
Non-current liabilities			
Long-term borrowings	9	**421,706**	476,305
Non-current portion of purchase consideration payable	15	**134,787**	-
Lease liabilities		**57,774**	18,938
Employee defined benefit liabilities		**97,058**	70,884
Total non-current liabilities		**711,325**	566,127
Current liabilities			
Trade and other payables		**734,783**	565,575
Short-term borrowings	9	**806,032**	352,407
Current portion of purchase consideration payable	15	**75,000**	-
Current portion of long-term borrowings	9	**45,797**	58,059
Contract liabilities		**147,662**	67,564
Current portion of lease liabilities		**14,130**	3,493
Zakat and income tax payable		**22,816**	20,957
Dividends payable		**21,560**	2,246
Total current liabilities		**1,867,780**	1,070,301
TOTAL LIABILITIES		**2,579,105**	1,636,428
TOTAL EQUITY AND LIABILITIES		**3,637,718**	2,597,898

Financial Reporting Manager | **Chief Executive Officer** | **Authorized Board of Directors Member**

The attached notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

	Note	*Three months period ended 30 June*		*Six months period ended 30 June*	
		2025	*2024 Restated (note 18)*	***2025***	*2024 Restated (note 18)*
Revenue	12, 11	**966,143**	632,567	**1,876,321**	1,516,438
Cost of revenue	11 & 18	**(794,761)**	(564,233)	**(1,586,821)**	(1,365,108)
Gross profit	18	**171,382**	68,334	**289,500**	151,330
Selling and distribution expenses	18	**(22,276)**	(16,931)	**(41,550)**	(33,034)
General and administrative expenses		**(46,710)**	(23,351)	**(81,135)**	(48,821)
Reversal of Expected credit loss (ECL) on trade receivables	7	**3,296**	1,247	**3,224**	700
Gain on disposal of investment in financial assets at FVTPL		**455**	1,039	**2,022**	2,977
Fair value gain/(loss) on investment in financial assets at FVTPL		**5**	(60)	**5**	(10)
Other (expense)/income, net		**(1,786)**	1,020	**(1,639)**	3,048
Profit before finance costs and zakat and income tax		**104,366**	31,298	**170,427**	76,190
Finance costs	13	**(32,346)**	(7,899)	**(54,120)**	(16,229)
Profit before zakat and income tax		**72,020**	23,399	**116,307**	59,961
Zakat and income tax		**(13,243)**	(1,298)	**(17,099)**	(5,521)
Net profit for the period		**58,777**	22,101	**99,208**	54,440
Other comprehensive loss					
Item that may be reclassified to profit or loss:					
Foreign currency translation differences		**(256)**	-	**(1,127)**	-
Other comprehensive loss for the period		**(256)**	-	**(1,127)**	-
Total comprehensive income for the period		**58,521**	22,101	**98,081**	54,440
Profit for the period attributable to:					
Ordinary shareholders of the Company		**50,373**	23,120	**86,878**	52,272
Non-controlling interests		**8,404**	(1,019)	**12,330**	2,168
		58,777	22,101	**99,208**	54,440
Total comprehensive income for the period attributable to					
Ordinary shareholders of the Company		**50,168**	23,120	**85,978**	52,272
Non-controlling interests		**8,353**	(1,019)	**12,103**	2,168
		58,521	22,101	**98,081**	54,440

(continued)

Bawan Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) (CONTINUED)

For the three-month and six-month periods ended 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

		Three months period ended 30 June		*Six months period ended 30 June*	
	Note	***2025***	*2024 Restated (note 18)*	***2025***	*2024 Restated (note 18)*
Earnings per share for profit attributable to the ordinary shareholders of the Company:					
Basic and diluted	5	**0.84**	0.39	**1.45**	0.87

Financial Reporting Manager

Chief Executive Officer

Authorized Board of Directors Member

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

	Share capital	***Statutory reserve***	***Reserve for Acquisition of additional shares in subsidiaries***	***Foreign Currency Translation reserve***	***Retained earnings***	***Equity attributable to shareholders of the Company***	***Non Controlling interests***	***Total Equity***
At 1 January 2025 (Audited)	**600,000**	**69,440**	**(10,915)**	**-**	**270,261**	**928,786**	**32,684**	**961,470**
Net profit for the period	**-**	**-**	**-**	**-**	**86,878**	**86,878**	**12,330**	**99,208**
Other comprehensive loss for the period	**-**	**-**	**-**	**(900)**	**-**	**(900)**	**(227)**	**(1,127)**
Total comprehensive income for the period	**-**	**-**	**-**	**(900)**	**86,878**	**85,978**	**12,103**	**98,081**
Non-controlling interest recognized on newly acquired subsidiary (note 15)	**-**	**-**	**-**	**-**	**-**	**-**	**(938)**	**(938)**
At 30 June 2025 (Unaudited)	**600,000**	**69,440**	**(10,915)**	**(900)**	**357,139**	**1,014,764**	**43,849**	**1,058,613**

(continued)

Bawan Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months period ended 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

	Share capital	*Statutory reserve*	*Reserve for Acquisition of additional shares in subsidiaries*	*Foreign Currency Translation reserve*	*Retained earnings*	*Equity attributable to shareholders of the Company*	*Non Controlling interests*	*Total Equity*
At 1 January 2024 (Audited)	600,000	66,525	-	-	253,403	919,928	40,890	960,818
Net profit for the period	-	-	-	-	52,272	52,272	2,168	54,440
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	52,272	52,272	2,168	54,440
Transfer to statutory reserve	-	2,915	-	-	(2,915)	-	-	-
Transactions with current owners in their capacity as owners:								
Acquisition of additional shares in subsidiaries (Note 1)	-	-	(10,915)	-	-	(10,915)	(9,085)	(20,000)
Dividends (note 16)	-	-	-	-	(51,000)	(51,000)	(2,700)	(53,700)
At 30 June 2024 (Unaudited)	600,000	69,440	(10,915)	-	251,760	910,285	31,273	941,558

Financial Reporting Manager **Chief Executive Officer** **Authorized Board of Directors Member**

The attached notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

	Six months period ended 30 June	
	2025	*2024*
Operating activities		
Profit before zakat and income tax:	**116,307**	59,961
Adjustments for:		
Depreciation and amortization	**41,083**	30,888
Employee defined benefit liabilities	**9,037**	6,035
Finance costs	**54,120**	16,229
Reversal of expected credit loss on trade receivables	**(3,224)**	(700)
Fair value (gain)/loss on investment in financial assets at FVTPL	**(5)**	10
Gain on disposal of investment in financial assets at FVTPL	**(2,022)**	(2,977)
Loss /(gain) on derecognition of right-of-use-assets	**1**	(150)
Loss/(gain) on disposal of property, plant and equipment	**67**	(166)
Provision for warranties	**967**	-
Operating cash flows before movement in working capital	**216,331**	109,130
Changes in working capital:		
Inventories	**(26,109)**	156,852
Spare parts	**(953)**	(2,185)
Trade receivables and other current assets	**(177,058)**	17,851
Contract assets	**210,960**	-
Trade and other payables	**7,997**	(125,968)
Contract liabilities	**(1,229)**	(13,498)
Cash generated from operations	**229,939**	142,182
Employee defined benefit liabilities paid	**(4,488)**	(3,756)
Zakat and income tax paid	**(54,411)**	(17,029)
Finance costs paid	**(54,816)**	(13,931)
Net cash flows generated from operating activities	**116,224**	107,466
Investing activities		
Purchases of property, plant and equipment	**(32,522)**	(23,302)
Purchase of intangible assets	**(276)**	(74)
Proceeds from disposal of property, plant and equipment	**350**	172
Purchases of investment in financial assets at FVTPL	**(11,991)**	(10,867)
Proceeds from sale of investment in financial assets at FVTPL	**14,896**	13,844
Payment for acquisition of subsidiary, net of cash acquired	**(158,360)**	-
Net cash flows used in investing activities	**(187,903)**	(20,227)

(continued)

Bawan Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)

For the six months period ended 30 June 2025
(All amounts in Saudi riyals thousands unless otherwise stated)

	Six months period ended 30 June	
	2025	*2024*
Financing activities		
Proceeds from short term borrowings	**784,402**	358,450
Repayment of short-term borrowings	**(859,695)**	(374,894)
Proceeds from long term borrowings	**-**	27,300
Repayment of long-term borrowings	**(62,877)**	(5,467)
Due from related party	**(93,750)**	-
Repayment of lease liabilities	**(3,644)**	(547)
Dividends paid to the shareholders	**-**	(51,006)
Dividends paid to the non-controlling interests	**-**	(2,700)
Net cash flows used in financing activities	**(235,564)**	(48,864)
Net change in cash and cash equivalents	**(307,243)**	38,375
Cash and cash equivalents at the beginning of the period	**30,543**	31,588
Changes in restricted bank balances	**394,370**	-
Foreign currency translation differences	**(2,928)**	-
Cash and cash equivalents at the end of the period	**114,742**	69,963
Significant non-cash transactions		
Right-of-use-asset and lease liabilities recognition	**11,971**	585
Transfer from PPE to intangible assets	**2,332**	-
Capitalization of finance cost	**2,423**	-
Written off / adjustments in trade receivables	**380**	278
Due to a related party against purchase of additional shares	**-**	20,000
Derecognition of lease liability	**-**	603
Derecognition of the right of use of assets	**-**	453

Financial Reporting Manager | **Chief Executive Officer** | **Authorized Board of Directors Member**

(All amounts in Saudi riyals thousands unless otherwise stated)

1 GENERAL INFORMATION

Bawan Company ("Bawan", 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) and its unified registration number is 7001401467. The Company's shares are traded on the Saudi Stock Exchange (Tadawul). The Company's financial year ends on 31 December every year.

The Company's registered office is located at King Fahad Road, P.O. Box 25533, Riyadh, Kingdom of Saudi Arabia ("Saudi Arabia"). The principal activities of Bawan and its subsidiaries (collectively referred as "the Group") remain the same as disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2024.

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 and production of flexible packaging and insulation products, oil and gas equipment and provision of related services.

These interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred as "the Group").

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

			Effective Percentage of ownership	
Subsidiary	***Principal activity***	***Location***	***30 June 2025***	*31 December 2024*
Bawan Engineering Industries Company ("Bawan Engineering") *Subsidiaries of Bawan Engineering are as follows:*	Wholesale and retail of electrical products	KSA	**100**	100
• United Transformers Electric Company-Saudi ("Utec-Saudi") *	Manufacturing of electrical products	KSA	**90**	90
• United Technology of Electric Substations & Switchgears Company ("USSG") *	-Same as above-	KSA	**90**	90
Bawan Wood Industries Company ("Bawan Wood") *Subsidiaries of Bawan Wood are as follows:*	Manufacturing of wood products	KSA	**95**	95
• Al-Raya Wood Works Establishment-UAE	-Same as above-	UAE	**95**	95
• Al-Raya Company for Wood Works-Kuwait	-Same as above-	Kuwait	**95**	95
• Inma Pallets Company Limited ("Inma Pallets")	-Same as above-	KSA	**95**	95
• United Lines Logistics Services Company Limited ("ULLS")	Logistic services	KSA	**95**	95

(All amounts in Saudi riyals thousands unless otherwise stated)

1 GENERAL INFORMATION (continued)

			(Effective Percentage of ownership)	
Subsidiary	***Principal activity***	***Location***	***30 June 2025***	*31 December 2024*
Bawan Metal Industries Company ("Bawan Metal")	Manufacturing of metal products	KSA	**100**	100
Arnon Plastic Industries Company ("Arnon")	Manufacturing plastic packaging and insulation products	KSA	**100**	100
United Company for Wood and Metal Products ("United Wood and Metal")	Manufacturing wood / metal products	KSA	**95**	95
Petronash Holding SPV Limited ("Petronash SPV") **	Intermediate holding company	UAE	**80**	-
Subsidiary of Petronash SPV is as follows:				
• Petronash Holding Limited ("Petronash Holding")	Intermediate holding company	UAE	**80**	-
Subsidiaries of Petonash Holding are as follows:				
• Petronash FZE	Manufacturing oil and gas equipment	UAE	**80**	-
• Petronash Engineering Services Private Limited	-Same as above-	India	**80**	-
• Petronash SPC	-Same as above-	Oman	**80**	-
• Petronash Arabia Co. Limited	-Same as above-	KSA	**80**	-
• Petronash Oil Field and Services Sole Proprietorship LLC	-Same as above-	UAE	**80**	-
• Petronash Qatar SPV Limited	-Same as above-	Cayman island	**80**	-
• Petronash Oil and Gas Services & Trading LLC. ***	-Same as above-	Qatar	**80**	-
• DTS SPV Limited	-Same as above-	Cayman island	**80**	-
• Dynamic solutions Arabia for consulting and research factory company limited	-Same as above-	KSA	**80**	-

* On 1 Sha'ban 1445 corresponding to 2 February 2024, the Group announced that effective from 1 January 2024, one of its subsidiaries, Bawan Engineering, has signed an agreement to acquire additional 4.5% shareholding in Utec-Saudi and USSG against total consideration of SR 20 million. During the year ended 31 December 2024, Bawan Engineering acquired control of this additional shareholding. The purchase was accounted for as an equity transaction with owners, with no impact on the interim condensed consolidated statement of profit or loss for the three and six months periods ended 30 June 2024. The difference of SR 10.92 million between the carrying value of non-controlling interests (determined based on financial statements of subsidiaries as of 31 December 2023) and purchase consideration was recorded under equity as 'Reserve for acquisition of additional shares in subsidiaries.

1 GENERAL INFORMATION (continued)

** On 13 February 2025, the group acquired a controlling shareholding in Petronash Holding SPV Limited along with its subsidiaries (note 15).

*** In accordance with Federal Law effective in Qatar, while Petronash Holding Limited Owns 49% of equity interest, according to the shareholders agreement it holds 100% of economic and beneficial rights and has the right to control the business, resulting in consolidation of this investment as a wholly owned subsidiary.

2 BASIS OF PREPARATION

Statement of compliance
The interim condensed consolidated financial statements for the three- and six-months periods ended 30 June 2025 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 Chartered and Professional 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 31 December 2024. In addition, results for the three months and six months periods ended 30 June 2025 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2025. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.The balances and transactions presented in these interim condensed consolidated financial statements are not entirely comparable with those reported in the consolidated financial statements as of 31 December 2024 and the interim condensed consolidated financial statements as of 30 June 2024, due to the acquisition of a subsidiary during the period (Note 15).

Basis of measurement
These condensed consolidated interim financial statements are prepared under the historical cost convention, except where IFRS requires other measurement basis.

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR). and all values are rounded to the nearest thousands, 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 MATERIAL 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 as of and for the year ended 31 December 2024, and the notes attached thereto, except for the adoption of certain new and revised standards that became effective in the current period and the adoption of certain new policies adopted due to the acquisition of a new group of subsidiaries (note 15) stated as follows:

3.1 Revenue recognition

Revenue is recognized in the interim condensed consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic future benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue shall be measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty.

The Group recognizes revenue from contracts with customers based on a five-step model set out in IFRS 15.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 Revenue recognition (continued)

(b) The Group performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) The Group performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

The Group assesses each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

For contracts where the over time criteria are met, the Group measures progress through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation. For contracts where over time criteria are not met, the Group recognizes the revenue at point in time upon transfer of control to the customers.

When the Group satisfy a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assess their revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group have concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch-up adjustments to the cost to complete method of revenue recognition. Variation orders which require the addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require the addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers. A loss is recognised in the Interim consolidated statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract if one or more of the following criteria are met:

- Two or more contracts entered into at or near the same time with the same customer are negotiated as a package with a single commercial objective.
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract: or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 Revenue recognition (continued)

The Group provides warranties to customers with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. The Group does not provide warranties as a service, in addition to the assurance that the product complies with agreed-upon specifications in its contracts with customers. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group recognizes revenue from the following major sources:

- Contract revenue from sale of equipment.
- Sale of spare parts; and
- Rendering of services.

Contract revenue from sale of equipment
For equipment contracts, the Group measures progress and recognises revenue based on the actual cost of work performed at the end of the reporting period as a percentage of total contract costs at completion. The Group evaluates each equipment manufacturing contract to determine whether revenue should be recognised over time or at a point in time. For contracts where performance does not create an asset with an alternative use to the Group and the Group has an enforceable contractual right to payment for performance completed to date, revenue is recognised over time. For other equipment contracts that do not meet these criteria, revenue is recognised at a point in time upon transfer of control to the customer.

The Group is involved in the manufacturing and sale of equipment used in the oil and gas industries. These equipment are highly specialised in nature and are built to order based upon the requirements from its customers. The Group's performance obligations include sale of equipment, installation, testing and commissioning at site and contain distinct goods and services. However, these are not distinct in the context of the contract because the customer cannot benefit from the individual good or service on its own neither can the good or services be used with other readily available resources and the goods and services are highly interrelated and are not considered distinct within the context of the contract. Therefore, the contracts are considered to be a single performance obligation. For contracts where revenue is recognised over time, the Group uses the input method to measure progress towards complete satisfaction of performance obligations.

Sale of spare parts
Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group's contracts with customers for the sale of spare parts generally includes one performance obligation. The Group concluded that revenue from the sale of spare parts should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised when the services have been performed and rendered which is at a point in time considering the fact that these services are short term in nature. There are no services contracts that are bundled with the manufacturing of equipment.

Contract assets
A contract asset is a right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customers pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The revenue recognised at the measurement of progress using input based on the actual cost, after deducting the progress payments received or receivable from the customers, is presented within the contract assets line item in the balance sheet as work in progress.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 Revenue recognition (continued)

Contract assets (continued)
The amounts recognised as work in progress are adjusted for any expected credit loss allowance using the probability of default of the counter party. Contract assets are subject to impairment assessment.

Contract liabilities
A contract liability, in addition to advances from customers, is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due from the customer). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Where the payments received or receivable for any contract exceeds revenue recognised, the excess is presented as contract liabilities in the interim condensed consolidated statement of financial position.

3.2 Cost of revenue

Cost of revenue for sales recognized over a period of time using input method
Cost of revenue for revenues that are recognized over a period of time using input method. Costs are recognized based on the Group's costs incurred toward fulfilling the performance obligation.

Costs to obtain a contract such as marketing and advertising expenses and commissions paid to internal sales team, such costs are not directly attributable to securing the contract and are not expected to be recovered from the customers. As such, these costs are recognized as expenses in the period in which they are incurred and are charged to interim condensed consolidated statement of profit or loss.

Cost of revenue for other types of revenues
Cost of revenue for other types of revenue (i.e. revenue recognized at point in time) includes the cost of goods sold and other related costs. The costs for other types of revenues in respect of revenue recognized at point of time is recognized on transferring the control to the customer. Cost of revenue in respect of services is based on the cost of providing the services.

3.3 New Standards, Amendments to Standards and Interpretations effective from 1 January 2025

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, and the adoption of new standards effective as of 1 January 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The International Accounting Standards Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2025. The management has assessed that the amendments have no significant impact on the Group’s financial statements.

Amendments to IAS 21 – Lack of exchangeability: Sale or contribution of Assets between an Investor and its Associate or Joint Ventures

(All amounts in Saudi riyals thousands unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 New Standards, Amendments to Standards and Interpretations effective from 1 January 2025 (continued)

Standards and amendments issued and not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are not expected to have material impact on the Group.

Effective for annual financial periods beginning on or after	***Standard, amendment or interpretation***	***Summary of requirements***
1 January 2026	Annual Improvements to IFRS Accounting Standards	Clarification and amendments relating to various IFRSs under annual improvement program.
1 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements	New requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.
1 January 2027	IFRS 19 - Subsidiaries without Public Accountability: Disclosures	In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.
1 January 2026	Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	Clarifies derecognition of financial liabilities on "Settlement date" and settled through electronic payment system before settlement date with certain conditions, clarifies contractual cash flows characteristic linked with environmental, social and governance (ESG) features ,clarifies treatment of non-recourse assets and contractually linked instruments, require additional disclosures financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.
Effective date deferred indefinitely	Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Sales or contribution of Assets between an Investor and its Associate or Joint Ventures.

(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 as of and for the year ended 31 December 2024.

5 EARNINGS PER SHARE

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

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

	Three months period ended 30 June		***Six months period ended 30 June***	
	2025 (Unaudited)	*2024 (Unaudited)*	***2025 (Unaudited)***	*2024 (Unaudited)*
Profit attributable to the ordinary shareholders of the Company used in calculating basic and diluted earnings per share:	**50,373**	23,120	**86,878**	52,272
Weighted average number of ordinary shares outstanding during the period	**60,000**	60,000	**60,000**	60,000
Basic and diluted earnings per share				
Total basic and diluted earnings per share attributable to the ordinary shareholders of the Company	**0.84**	0.39	**1.45**	0.87

6 PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2025, the Group purchased items of property, plant and equipment amounting to SR 32.52 million (period ended 30 June 2024: SR 23.3 million). During the period ended 30 June 2025 the company acquired a subsidiary whose book value of the property, plant and equipment at the acquisition date amounted to SR 71.39 million (note 15)

7 TRADE RECEIVABLES AND OTHTER CURRENT ASSETS

7.1 During the period ended 30 June 2025, the Group acquired a new subsidiary which resulted in the addition of trade and other receivables amounting to SR 326.37 million as at acquisition date (note 15).

(All amounts in Saudi riyals thousands unless otherwise stated)

7 TRADE RECEIVABLES AND OTHTER CURRENT ASSETS (continued)

7.2 The following table shows the movement in lifetime expected credit loss (ECL) that has been recognized against trade receivables during the period / year:

	30 June 2025 (Unaudited)	*31 December 2024 (Audited)*
As at beginning of the period / year	**75,667**	77,608
Recognised on acquisition of a subsidiary	**5,633**	-
Expected credit loss reversal for the period / year	**(3,224)**	(1,272)
Written off during the period / year	**(380)**	(669)
Foreign exchange translation differences	**(15)**	-
As at end of the period / year	**77,681**	75,667

7.3 Other receivables as of 30 June 2025 include an amount of SR Nil (31 December 2024: SR 19.43 million). This represents receivable on disposal of a subsidiary, Bina Industrial Investment Holding Company ("Bina Holding") during 2023. During the six month period ended 30 June 2025, this balance has been completely collected.

8 EQUITY

8.1 Share Capital

The Company had 60 million authorized, issued and fully paid ordinary shares with a nominal value of SR 10 per share amounting to total share capital of SR 600 million as at 30 June 2025 and 31 December 2024.

8.2 Statutory Reserve

In accordance with the previously applicable Saudi Arabian Regulations for Companies and the Company's by-laws, the Company had established a statutory reserve by the appropriation of 10% of its annual net profit, until such reserve equals 30% of the share capital. The reserve was not available for dividend distribution. During the year ended 31 December 2024, the Company has amended its by-laws to comply with the provisions of the new Company's Regulations. Under the new by-laws of the Company, no statutory reserve is required. Accordingly, the Company allocated 10% of profit to statutory reserve till 31 March 2024 and after the update in the Company's by-laws no further profit has been allocated to the statutory reserve.

9 BORROWINGS

9.1 Short-term borrowings

The Group has obtained bank facilities ("the Facilities") in the form of short-term loans, Islamic Murabaha, forward exchange contracts, and letters of credit and guarantee. The Facilities carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the Group. During the period ended 30 June 2025, the Group acquired a new subsidiary which resulted in the addition in its short-term borrowings amounting to SR 532.45 million (note 15).

9.2 Long term loans payable to banks

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

(All amounts in Saudi riyals thousands unless otherwise stated)

9 BORROWINGS (continued)

9.3 Saudi Industrial Development Fund (SIDF) loans

The Group has obtained a loan from SIDF for the construction and expansion of its plastic segment plants. This loan is guaranteed by promissory notes and corporate guarantees of the Group.

9.4 During the year ended 31 December 2024, the Group obtained a bank loan amounting to SR 393.75 million from a local bank for the purchase of subsidiary (note 15). The loan is repayable in 16 equal semi-annual payments with last payment due in April 2032. The loan carry interest at prevailing market rates and is secured by promissory note and corporate guarantees of the Group.

9.5 Certain borrowings require the maintenance of debt covenants. As at 30 June 2025 and 31 December 2024, none of the conditions require to cause the loans to be payable on demand by the loan agreements. As of 30 June 2025, newly acquired subsidiary is in breach of some of its debt covenants for certain short-term borrowings.

10 CONTINGENCIES AND COMMITMENTS

The Group had capital commitments of SR 30.18 million as at 30 June 2025 (31 December 2024: SR 415.8 million). The balance outstanding as at 31 December 2024 included SR 300.47 million for commitment of purchase of a subsidiary (note 15). This balance also included SR 93.9 million agreed to be provided to the newly acquired subsidiary as a loan.

The Group had the following contingencies as at 30 June 2025 and 31 December 2024:

	30 June 2025 (Unaudited)	*31 December 2024 (Audited)*
Letters of credit	**132,090**	91,114
Letters of guarantees	**686,504**	603,293

11 RELATED PARTIES' INFORMATION

Related parties mainly represent shareholders, affiliates, subsidiary companies, key personnel and entities controlled or significantly influenced by such parties. In addition to the related parties as already disclosed in the consolidated financial statements as at 31 December 2024 the Group identified some new related parties due to acquisition of a subsidiary and as of period ended 30 June 2025 they are stated as follows:

Name	***Relationship***
Petronash Holding SPV Limited and its Subsidiaries	Subsidiaries
Petronash Global Limited	Affiliate

(All amounts in Saudi riyals thousands unless otherwise stated)

11 RELATED PARTIES' INFORMATION

During the periods presented, the Group entered the following significant transactions with its related parties:

		Three months period ended 30 June		*Six months period ended 30 June*	
	Nature of relationship	***2025 (Unaudited)***	*2024 (Unaudited)*	***2025 (Unaudited)***	*2024 (Unaudited)*
Revenue	Affiliate	**47,906**	62,661	**104,645**	119,240
Purchases	Affiliate	**494**	3,243	**886**	5,669
Royalties	Affiliate	**324**	292	**658**	721
Management fee and commission paid	Affiliate	**48**	-	**608**	-
Loan to a related party	Affiliate	**-**	-	**93,796**	-
Purchase of additional shares in subsidiaries	Affiliate	**-**	20,000	**-**	20,000

As of 30 June 2025, amounts due from and due to related parties are as follows;

	30 June 2025 (Unaudited)	*31 December 2024 (Audited)*
Loan to a related party	**86,582**	-
Trade receivable	**74,758**	80,662
Non-Trade receivable	**597**	601
Trade payables	**763**	3,107
Board and committee members compensation payables	**1,406**	2,817

During the period, short-term and long-term employment benefits to the Company's key management personnel amounted to SR 4.42 million (2024: SR 4.26 million). Key management personnel include directors and key executives at the Company level.

12 REVENUE

	Three months period ended 30 June		*Six months period ended 30 June*	
	2025	*2024*	***2025***	*2024*
Timing of revenue recognition:				
• At a point in time	**893,890**	632,567	**1,693,571**	1,516,438
• Over time	**72,253**	-	**182,750**	-
	966,143	632,567	**1,876,321**	1,516,438

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

Refer to note 13 for revenue from each reportable segment under IFRS 8 "Operating Segments"

13 SEGMENT REPORTING

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

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

- **Metal and Wood** – The segment is engaged in the production of wooden pallets, plywood panels and boards, medium and high density coated in decoration paper, platforms, wooden bowls and boxes, premade hangars and steel buildings and forming and bending rebars, general contracting (repair, demolition, rebuilding, construction) of residential, commercial and public buildings, educational recreational and health facilities, maintenance, operation and installation of equipment, devices and electrical and electronic systems, aluminum works, iron and wood doors and their installation, electrical extension works, carpentry, painting, drawing on iron and wood, roads, bridges and street works and all acts of carpentry and decorations.

- **Plastic** – The principal activities of the segment are the production of plates and polystyrene foam, packaging and insulation slices from polyethylene foam, soft colored polyvinyl chloride sheets, rigid colored and non-colored Polyvinyl Chloride sheets, soft and hard Polyvinyl Chloride sheets padded by polystyrene and parts for vacuum fans, transparent containers of PET polyethylene, polyethylene bottles, PET preforms and their covers.

- **Electrical** – The principal activities of the segment are wholesale and retail of electric transformers, voltage stabilizers, battery chargers, welding caustics, electric substations, electric station equipment and voltage transformers, trading and distribution, import and export, testing and inspection services, goods and commodities clearance and double-weight services in addition to acquiring shares in other companies.

- **Oil and gas equipment (note 15)** – The principal activities of this segment include providing engineered solutions to the oil and gas industry, primarily through the manufacturing of modular wellsite packages, chemical injection skids, and wellhead control panels. The segment operates through manufacturing facilities located in the Kingdom of Saudi Arabia, United Arab Emirates, India, and Qatar.

- **Other** – Other segment is a residual segment and comprises of Bawan Company representing only the parent company and associated activities carried out at the head office level.

(All amounts in Saudi riyals thousands unless otherwise stated)

13 SEGMENT REPORTING (continued)

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

	Oil and Gas equipment	*Metal and Wood*	*Electrical*	*Plastic*	*Other*	*Total*
Six months period ended 30 June 2025 (Unaudited)						
Revenue	**333,675**	**926,540**	**413,497**	**202,609**	**-**	**1,876,321**
Depreciation and amortization	**6,714**	**10,759**	**6,431**	**15,683**	**1,496**	**41,083**
Finance costs	**27,481**	**1,530**	**6,718**	**9,449**	**8,942**	**54,120**
Profit / (loss) for the period	**37,102**	**25,760**	**40,384**	**14,416**	**(18,454)**	**99,208**
Total assets	**1,105,210**	**879,781**	**691,282**	**672,373**	**289,072**	**3,637,718**
Total liabilities	**814,099**	**425,124**	**435,879**	**430,798**	**473,205**	**2,579,105**
Six months period ended 30 June 2025 (Unaudited)						
Segment revenues	**333,675**	**926,540**	**413,497**	**202,609**	**-**	**1,876,321**
Intersegment revenues	**-**	**-**	**-**	**-**	**-**	**-**
External revenues	**333,675**	**926,540**	**413,497**	**202,609**	**-**	**1,876,321**

	Oil and Gas equipment	*Metal and Wood*	*Electrical*	*Plastic*	*Other*	*Total*
Six months period ended 30 June 2025 (Unaudited)						
Segment assets	**1,105,210**	**884,679**	**698,618**	**672,373**	**404,761**	**3,765,641**
Consolidation adjustments	**-**	**(4,898)**	**(7,336)**	**-**	**(115,689)**	**(127,923)**
Total assets	**1,105,210**	**879,781**	**691,282**	**672,373**	**289,072**	**3,637,718**
Segment liabilities	**814,099**	**450,429**	**435,374**	**432,201**	**569,386**	**2,701,489**
Consolidation adjustments	**-**	**(25,305)**	**505**	**(1,403)**	**(96,181)**	**(122,384)**
Total liabilities	**814,099**	**425,124**	**435,879**	**430,798**	**473,205**	**2,579,105**

	Metal and Wood	*Electrical*	*Plastic*	*Other*	*Total*
Six months period ended 30 June 2024 – Unaudited					
Revenue	996,184	337,645	182,609	-	1,516,438
Depreciation and amortization	11,548	3,345	14,726	1,269	30,888
Finance costs	1,814	5,550	8,862	3	16,229
Profit / (loss) for the period	16,833	30,777	10,704	(3,874)	54,440
Total assets	855,872	488,172	609,357	69,770	2,023,171
Total liabilities	395,553	310,944	363,325	11,791	1,081,613
Segment revenues	996,184	337,645	182,609	-	1,516,438
Intersegment revenues	-	-	-	-	-
External revenues	996,184	337,645	182,609	-	1,516,438

(All amounts in Saudi riyals thousands unless otherwise stated)

13 SEGMENT REPORTING (continued)

	Metal and Wood	*Electrical*	*Plastic*	*Other*	*Total*
As of 31 December 2024 – Audited					
Total assets	918,688	602,172	631,341	445,697	2,597,898
Total liabilities	453,227	386,598	384,687	411,916	1,636,428
Segment assets	918,947	609,508	631,341	521,821	2,681,617
Consolidation adjustments	(259)	(7,336)	-	(76,124)	(83,719)
Total assets	918,688	602,172	631,341	445,697	2,597,898
Segment liabilities	510,456	386,648	405,586	411,916	1,714,606
Consolidation adjustments	(57,229)	(50)	(20,899)	-	(78,178)
Total liabilities	453,227	386,598	384,687	411,916	1,636,428

Geographic information

The geographic information analysis of the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	Oil and Gas equipment	*Metal and Wood*	*Electrical*	*Plastic*	*Other*	*Total*
Six months period ended June 30, 2025 – (Unaudited)						
Revenue						
Kingdom of Saudi Arabia	**244,473**	**926,540**	**413,497**	**202,609**	**-**	**1,787,119**
United Arab Emirates	**45,847**	**-**	**-**	**-**	**-**	**45,847**
Other Countries	**43,355**	**-**	**-**	**-**	**-**	**43,355**
	333,675	**926,540**	**413,497**	**202,609**	**-**	**1,876,321**
As at June 30, 2025 – (Unaudited)						
Non-current assets						
Kingdom of Saudi Arabia	**83,588**	**194,838**	**114,528**	**416,376**	**274,911**	**1,084,241**
United Arab Emirates	**81,127**	**-**	**-**	**-**	**-**	**81,127**
Other Countries	**12,043**	**-**	**-**	**-**	**-**	**12,043**
	176,758	**194,838**	**114,528**	**416,376**	**274,911**	**1,177,411**

Segment revenues reported above represent revenue generated from both external customers and related parties. There were no significant inter-segment revenues during the six months period ended 30 June 2025 and 2024. One customer contributed more than 10% of the Group's revenue during the six months period ended 30 June 2025 and 2024, with revenue amounting to SR 287.13 million (30 June 2024:197.16 million).

14 FAIR VALUE MEASUREMENT

The Group measures financial assets at fair value through profit or loss (FVTPL) 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.

14 FAIR VALUE MEASUREMENT (continued)

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 best economic interest. 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.

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

The carrying values of the financial instruments reported in the interim condensed consolidated statement of financial position approximate their fair values.

15 BUSINESS COMBINATION

15.1 On 8 September 2024, the Company announced a binding memorandum of understanding (MOU) to acquire all outstanding shares of Petronash Holding Limited from Petronash Global Limited. The acquisition is valued at USD 175 million (equivalent to approximately SR 656.25 million), contingent on Petronash achieving specific financial targets over three financial years starting from 2024.The Company was required to initially pay USD 80 million (equivalent to approximately SR 300 million) for 80% of Petronash’s shares, subject to completion of certain approvals and conditions detailed in the share purchase agreement (SPA). Additionally, the Company will pay Petronash Global Limited up to USD 60 million (equivalent to approximately SR 225 million) if Petronash achieves set financial results over the period of three financial years (2024-2026). On 27 October 2024, the Company signed the Share Purchase Agreement (SPA) with Petronash Global Limited. For the purpose of acquisition, the Group established a new special purpose vehicle i.e. Petronash Holding SPV Limited. The legal procedures for transferring 80% of the shares of Petronash Holding SPV Limited to Bawan Company were completed during the year ended 31 December 2024. Petronash Global Limited transferred all its shares in Petronash Holding Limited on 12 February 2025. Accordingly, the consolidation of the newly acquired subsidiary started from 13 February 2025. The remaining 20% of Petronash’s shares will be acquired following the release of audited financial statements for the years 2027 or 2028, with the valuation method and payment structure defined in the SPA.

(All amounts in Saudi riyals thousands unless otherwise stated)

15 BUSINESS COMBINATION (continued)

15.2 Breakup of purchase consideration is stated as follows:

	12 February 2025 (Unaudited)
Cash paid	**300,472**
Contingent consideration*	**209,119**
	509,591

* Contingent consideration has been calculated on the basis of expected outflows in the future years, payable to Petronash Global Limited discounted to present value.

15.3 The fair value of assets and liabilities acquired are as follows:

	February 12, 2025 (Unaudited)
Assets	
Property, plant and equipment	**71,394**
Right-of-use assets	**40,686**
Intangible assets	**1,942**
Trade and other receivables	**326,369**
Inventories	**211,869**
Contract assets	**356,431**
Cash and cash equivalents	**142,112**
Total assets	**1,150,803**
Liabilities	
Lease liabilities	**41,327**
Employee defined benefit liabilities	**21,682**
Accruals and other payables	**13,166**
Due to related parties	**339**
Short-term borrowings	**532,448**
Contract liabilities	**81,327**
Trade and other payables	**146,739**
Zakat payable	**39,275**
Dividend payable	**19,365**
Total liabilities	**895,668**
Net assets of subsidiary acquired	**255,135**
Non-controlling interest	**938**
Bawan Company share of net assets acquired	**256,073**

(All amounts in Saudi riyals thousands unless otherwise stated)

15 BUSINESS COMBINATION (continued)

15.4 Goodwill has been calculated as follows:

	12 February 2025 (Unaudited)
Total consideration	**509,591**
Net assets acquired	**(256,073)**
Goodwill	**253,518**

As at period ended 30 June 2025, the management is in process of completing purchase price allocation. Management expects that this exercise will be completed within one year of the acquisition date.

15.5 Cashflows on acquisition

At 31 December 2024, the Group held restricted cash balances of SR 394 million (USD 105 million) in an escrow account pursuant to the Share Purchase Agreement (SPA) executed for the acquisition of a subsidiary. Of this amount, SR 300 million (USD 80 million) related to the payment against acquisition of 80% shares in the subsidiary, while the remaining SR 94 million (USD 25 million) related to a loan given by the Group to a related party on completion of closing conditions described in the SPA. These escrowed funds were legally restricted for the specific purposes outlined in the SPA and were not available for general use by the Group. The acquisition and related transactions were completed on 12 February 2025 and these amounts were disbursed from the escrow account to Petronash Global Limited.

Cash outflows on acquisition of a subsidiary are stated as follows:

	12 February 2025 (Unaudited)
Cash paid	**300,472**
Cash acquired on the acquisition of a subsidiary	**(142,112)**
Payment for acquisition of subsidiary, net of cash acquired	**158,360**

15.6 Acquisition related costs

Acquisition related costs amounting to SR 3.9 million were incurred during the year ended 31 December 2024 which were charged to consolidated statement of profit or loss and other comprehensive income.

16 DIVIDENDS

On 29 February 2024, the Board of Directors of the Company approved the distribution of dividends of SR 0.85 per share amounting to SR 51 million to the shareholders of the Company.

(All amounts in Saudi riyals thousands unless otherwise stated)

17 SUBSEQUENT EVENTS

There were no significant subsequent events, adjusting or non-adjusting, since June 30, 2025 that would have a material impact on the financial position and financial performance of the Group as reflected in these condensed consolidated interim financial statements.

18 CORRECTION OF CLASSIFICATION ERROR

During the period, management has reassessed the classification of transportation costs based on the requirements of IFRS 15 'Revenue from contracts with customers' for some entities and identified that the Group has a performance obligation i.e., sale of goods, in addition to a promise to transfer/deliver the goods to its customers. According to IFRS 15, such costs should be classified as cost of revenue instead of being classified as selling and distribution expenses as they represent costs to fulfil the revenue obligation.Consequentially, prior year transportation costs amounting to SR 7.5 million and SR 16.6 million for the three months and six months periods ended 30 June 2024, respectively, have been reclassified from selling and distribution expenses to cost of revenue to conform with the current year presentation. Such reclassification changes do not affect previously reported profit, equity, cash flows or items in the statement of financial position. The reclassification in the interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months periods ended 30 June 2024 is summarized below:

	As previously reported	*Reclassification*	*As reported currently*
Three months period ended 30 June 2024			
Cost of revenue	556,734	7,499	564,233
Gross profit	75,833	(7,499)	68,334
Selling and distribution costs	24,430	(7,499)	16,931
Six months period ended 30 June 2024			
Cost of revenue	1,348,541	16,567	1,365,108
Gross profit	167,897	(16,567)	151,330
Selling and distribution costs	49,601	(16,567)	33,034

19 APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated interim financial statements for the three-month and six-month periods ended 30 June 2025 were approved by the Company's Board of Directors on 6th August 2025.