

BAWAN COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE THREE-MONTH
AND SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND
AUDITORS' LIMITED REVIEW REPORT**

BAWAN COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2020

	Page
Report on review of condensed consolidated interim financial statements	1
Consolidated interim statement of profit or loss and other comprehensive income	2
Consolidated interim statement of financial position	3
Consolidated interim statement of changes in equity	4
Consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6 - 14



Report on review of condensed consolidated interim financial statements

To the shareholders of Bawan Company:
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Bawan Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2020, the related consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods then ended, and the consolidated interim statements of changes in equity and cash flows for the six-month period then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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 information 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, as 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

August 18, 2020

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated interim statement of profit or loss and other comprehensive income
(Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended June 30,		Six-month period ended June 30,	
		2020	2019	2020	2019
Revenue	13, 14	519,802	519,166	1,162,756	1,115,977
Cost of revenue	13	(459,695)	(460,225)	(1,023,598)	(985,854)
Gross profit		60,107	58,941	139,158	130,123
Selling and marketing expenses		(16,352)	(20,561)	(35,891)	(40,737)
General and administrative expenses		(23,133)	(25,438)	(50,975)	(52,499)
Expected credit loss (ECL) allowance on trade receivables		(3,986)	(470)	(6,136)	(900)
Gain / (loss) on investment in financial assets at fair value through profit or loss ("FVTPL")		3,252	-	(3,805)	-
Other income	16	3,787	2,449	5,865	6,154
Profit before finance charges and zakat		23,675	14,921	48,216	42,141
Finance charges		(7,622)	(11,152)	(16,601)	(20,842)
Profit before zakat		16,053	3,769	31,615	21,299
Zakat		(2,546)	(2,360)	(5,087)	(5,030)
Net profit for the period		13,507	1,409	26,528	16,269
Other comprehensive (loss) / income:					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(642)	98	(1,696)	(9)
Other comprehensive (loss) / income for the period		(642)	98	(1,696)	(9)
Total comprehensive income for the period		12,865	1,507	24,832	16,260
Profit for the period attributable to:					
Owners of the Company		15,464	3,027	30,669	18,071
Non-controlling interests		(1,957)	(1,618)	(4,141)	(1,802)
Total comprehensive income for the period attributable to:		13,507	1,409	26,528	16,269
Total comprehensive income for the period attributable to:					
Owners of the Company		15,195	3,068	29,958	18,067
Non-controlling interests		(2,330)	(1,561)	(5,126)	(1,807)
Earnings per share (Saudi Riyals)		12,865	1,507	24,832	16,260
Basic and diluted	5	0.26	0.05	0.51	0.30

The accompanying notes on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated interim statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

		June 30, December 31,	
	Note	2020 (Unaudited)	2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6, 12	807,252	827,763
Right-of-use assets		20,658	21,857
Goodwill	7, 12	4,397	4,397
Other intangible assets	12	9,959	11,483
Non-current trade and other receivables		3,554	4,230
Total non-current assets		<u>845,820</u>	<u>869,730</u>
Current assets			
Inventories		540,740	526,663
Spare parts		28,665	27,282
Investment in financial assets		44,970	48,775
Trade and other receivables	8	699,599	699,896
Contract assets		29,280	34,659
Cash and cash equivalents		75,558	45,899
Total current assets		<u>1,418,812</u>	<u>1,383,174</u>
Total assets		<u>2,264,632</u>	<u>2,252,904</u>
Equity and liabilities			
Equity			
Share capital	9	600,000	600,000
Statutory reserve	1	13,652	10,585
Foreign currency translation reserve		(2,062)	(1,351)
Retained earnings	1	44,542	16,940
Equity attributable to owners of the Company		656,132	626,174
Non-controlling interests		65,504	70,630
Total equity		<u>721,636</u>	<u>696,804</u>
Liabilities			
Non-current liabilities			
Loans	10	250,388	269,745
Lease liabilities		20,131	21,282
Employee defined benefit liabilities		83,172	79,780
Total non-current liabilities		<u>353,691</u>	<u>370,807</u>
Current liabilities			
Trade and other payables		392,861	433,777
Due to banks	10	679,388	658,275
Contract liabilities		55,629	33,673
Current portion of loans	10	39,688	40,416
Current portion of lease liabilities		2,618	2,660
Zakat payable		18,608	14,123
Dividends payable		513	2,369
Total current liabilities		<u>1,189,305</u>	<u>1,185,293</u>
Total liabilities		<u>1,542,996</u>	<u>1,556,100</u>
Total equity and liabilities		<u>2,264,632</u>	<u>2,252,904</u>

The accompanying notes on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated interim statement of changes in equity
For the six-month period ended June 30, 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Foreign currency translation reserve	Retained earnings of the Company	Equity attributable to owners of the Company	Non-controlling interests	Total equity
At January 1, 2020 (Audited)	600,000	10,585	(1,351)	16,940	626,174	70,630	696,804
Profit / (loss) for the period	-	-	-	30,669	30,669	(4,141)	26,528
Other comprehensive loss for the period	-	-	(711)	-	(711)	(985)	(1,696)
Total comprehensive (loss) / income for the period	-	-	(711)	30,669	29,958	(5,126)	24,832
Transfer to statutory reserve	-	3,067	-	(3,067)	-	-	-
At June 30, 2020 (Unaudited)	600,000	13,652	(2,062)	44,542	656,132	65,504	721,636
At January 1, 2019 (Audited)	600,000	88,927	(1,307)	(81,005)	606,615	89,483	696,098
Impact of adoption of IFRS 16	-	-	-	711	711	-	711
Profit / (loss) for the period	-	-	-	18,071	18,071	(1,802)	16,269
Other comprehensive loss for the period	-	-	(4)	-	(4)	(5)	(9)
Total comprehensive (loss) / income for the period	-	-	(4)	18,071	18,067	(1,807)	16,260
Absorption of accumulated losses (refer note 1)	-	(81,005)	-	81,005	-	-	-
Transfer to statutory reserve	-	1,807	-	(1,807)	-	-	-
At June 30, 2019 (Unaudited)	600,000	9,729	(1,311)	16,975	625,393	87,676	713,069

The accompanying notes on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

BAWAN COMPANY
(A Saudi Joint Stock Company)
Consolidated interim statement of cash flows (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Six-month period ended June 30,	
		2020	2019
Cash flows from operating activities			
Profit before zakat		31,615	21,299
<u>Adjustments for non-cash items:</u>			
Depreciation		33,829	33,863
Amortization		1,530	2,079
Employee defined benefit liabilities		6,187	5,693
Finance charges		16,601	20,842
Expected credit loss allowance on trade receivables		6,136	900
Loss on investment in financial assets at FVTPL		3,805	-
Gain on disposal of property, plant and equipment		(2,955)	(616)
<i>Operating cash flows before movement in working capital</i>		<u>96,748</u>	<u>84,060</u>
<u>Changes in working capital:</u>			
Inventories		(16,885)	73,423
Spare parts		(1,383)	(1,504)
Trade and other receivables		11,247	5,384
Contract assets		5,379	(7,682)
Trade and other payables		(41,822)	85,221
Contract liabilities		<u>21,956</u>	<u>(9,868)</u>
<i>Cash generated from operations</i>		<u>75,240</u>	<u>229,034</u>
End-of-service indemnities paid		(2,799)	(2,960)
Zakat paid		(294)	(8,729)
Income tax paid		-	(33)
Finance charges paid		<u>(16,732)</u>	<u>(21,147)</u>
<i>Net cash flows generated from operating activities</i>		<u>55,415</u>	<u>196,165</u>
Cash flows from investing activities			
Purchases of / adjustment to property, plant and equipment	6	(30,724)	(37,229)
Purchases of intangible assets		(6)	(37)
Proceeds from disposal of property, plant and equipment		4,538	903
Net cash outflow on acquisition of a subsidiary, net of cash and cash equivalents acquired	12	-	(188,252)
<i>Net cash flows used in investing activities</i>		<u>(26,192)</u>	<u>(224,615)</u>
Cash flows from financing activities			
Due to banks, net		21,113	(8,024)
Proceeds from loans		17,054	95,500
Repayment of loans		(34,682)	(40,331)
Repayment of lease liabilities		(1,193)	(3,637)
Dividends paid to non-controlling interests		<u>(1,856)</u>	<u>(7,405)</u>
<i>Net cash flows generated from financing activities</i>		<u>436</u>	<u>36,103</u>
Net increase in cash and cash equivalents		29,659	7,653
Cash and cash equivalents at the beginning of the period		<u>45,899</u>	<u>42,637</u>
Cash and cash equivalents at the end of the period		<u>75,558</u>	<u>50,290</u>

The accompanying notes on pages 6 to 14 form an integral part of these condensed consolidated interim financial statements.

BAWAN COMPANY**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

Bawan Company ("Bawan", the "Company" or the "Group") 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 ends on December 31 every year.

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

Direct subsidiaries include the following:

	Location	Effective ownership	
		As at June 30, 2020	As at December 31, 2019
		%	%
Bawan Metal Industries Company ("Bawan Metal")	Saudi Arabia	100.00	100.00
Bawan Engineering Industries Company ("Bawan Engineering")	Saudi Arabia	100.00	100.00
Arnon Plastic Industries Company ("Arnon")	Saudi Arabia	100.00	100.00
Bawan Wood Industries Company ("Bawan Wood")	Saudi Arabia	95.00	95.00
United Company for Wood and Metal Products ("United Wood and Metal")	Saudi Arabia	95.00	95.00
Bina Holding for Industrial Investments ("Bina Holding")	Saudi Arabia	56.75	56.75

Indirect subsidiaries include the following:

	Location	Ownership	
		As at June 30, 2020	As at December 31, 2019
		%	%
Bawan Engineering:			
United Transformers Electric Company-Saudi ("Utec-Saudi")	Saudi Arabia	85.50	85.50
United Transformers Electric Company-Algeria ("Utec-Algeria")	Algeria	49.00	49.00
United Technology of Electric Substations & Switchgears Company ("USSG")	Saudi Arabia	85.50	85.50
Bawan Electric Company Limited ("Bawan Electric")	Saudi Arabia	100.00	100.00
Bawan Mechanical Works Company Limited ("Bawan Mechanical") – Liquidated	Saudi Arabia	-	100.00
Bawan Wood:			
Al-Raya Wood Works Establishment	UAE	100.00	100.00
Al-Raya Company for Wood Works	Kuwait	100.00	100.00
Inma Pallets Company Limited ("Inma Pallets")	Saudi Arabia	100.00	100.00
United Lines Logistics Services Company Limited ("ULLS")	Saudi Arabia	100.00	100.00
Bina Holding:			
Bina Ready-Mix Concrete Products Company ("Bina Ready-Mix")	Saudi Arabia	100.00	100.00
Bina Advanced Concrete Products Company ("Bina Precast")	Saudi Arabia	93.20	93.20
Al-Ahliyah Transport Company Limited	Saudi Arabia	100.00	100.00
Total Building Company	Saudi Arabia	100.00	100.00

BAWAN COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the six-month period ended June 30, 2020 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

On May 22, 2019, the General Assembly approved to absorb accumulated losses of Saudi Riyals 81.01 million as at December 31, 2018 through a transfer from the statutory reserve.

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

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements for the three-month and six-month periods ended June 30, 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The condensed consolidated interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019. In addition, results for the three-month and six-month periods ended June 30, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

Basis of measurement

These condensed consolidated interim financial statements are prepared under the historical cost convention, except for certain financial instruments measured at fair value and the employee defined benefits liability which is stated at the present value of the related obligation.

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

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

3. Significant Accounting Policies

The accounting policies used in the preparation of these condensed consolidated interim 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 December 31, 2019, and the notes attached thereto, except for the adoption of certain new and revised standards that became effective in the current period.

Revised standards adopted but do not have any impact

There are no new standards applicable to the Group, however, the Group has applied the following amendments to the existing standards in these condensed consolidated interim financial statements for the first time for its reporting periods commencing on or after January 1, 2020. The application of these amendments has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

BAWAN COMPANY**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

Definition of a Business - Amendments to IFRS 3 Business Combinations

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

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss and other comprehensive income.

New IFRS standards, amendments to standards and interpretations not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Effective for annual periods beginning on or after

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

Effective date deferred indefinitely. Adoption is still permitted.

Amendments relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

4. Critical judgments and key sources of estimation uncertainty

The preparation of the condensed consolidated interim 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 December 31, 2019.

BAWAN COMPANY**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 2020 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)**

However, management has proactively assessed the potential impact of the Coronavirus (Covid-19) pandemic for any further regulatory and government restrictions both locally and in the market in which the Group operates that could adversely affect its supply chain and its production capabilities, demand of its products, as well as its sales distribution network that could cause a negative impact on its financial performance. Management has concluded that the critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances and there are no changes to the significant judgements and estimates disclosed in the consolidated financial statements for the year ended December 31, 2019.

5. Earnings per share

Basic and diluted earnings per share are based on profit for the period attributable to owners of the Company divided by the weighted average number of ordinary shares of 60 million outstanding during the period. The Company has no items of potential ordinary shares which might have any dilutive or antidilutive effects on earnings per share of the Company.

6. Property, plant and equipment

During the period ended June 30, 2020, the Group purchased items of property, plant and equipment amounting to SR 30.72 million (period ended June 30, 2019: SR 37.23 million).

7. Goodwill

During 2014, Bawan Wood and United Wood and Metal acquired 100% of the shares of Inma Pallets. Goodwill of SR 0.33 million was recognized on the acquisition that represented the excess consideration paid over the net book value of net assets acquired, after allocation of SR 21.35 million to adjust the net book value of net assets acquired to their fair values, of which SR 3.29 million was allocated to property, plant and equipment, while the remaining balance of SR 18.06 million was recognized as identifiable intangible assets.

Effective January 1, 2019, the Company acquired 100% of the shares of Arnon and goodwill of SR 4.07 million was recognized (note 12).

8. Trade and other receivables

The following table shows the movement in lifetime Expected Credit Loss (ECL) that has been recognized against trade receivables in accordance with the simplified approach set out in IFRS 9:

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Opening balance at the beginning of the period / year	67,141	59,766
Acquisition of subsidiary (note 12)	-	11,094
Net re-measurement of loss allowance	6,136	7,169
Written-off during the period / year	-	(10,888)
Closing balance at the end of the period / year	<u>73,277</u>	<u>67,141</u>

9. Share capital

The Company had 60 million shares of SR 10 each in issue as at June 30, 2020 and December 31, 2019 amounting to total issued capital of SR 600 million. There was no movement in share capital during the current period.

BAWAN COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the six-month period ended June 30, 2020 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 and are secured by promissory notes and corporate guarantees of the Group.

10.3 Saudi Industrial Development Fund (SIDF) loans

The Group has obtained various loans from SIDF for the construction and expansion of its concrete and plastic segment plants and the delivery of an ongoing project. These loans are guaranteed by promissory notes, corporate guarantees of the Group and mortgages of property, plant and equipment with a carrying value of SR 404.47 million as at June 30, 2020 (December 31, 2019: SR 414.72 million). The final repayment of SIDF loans is due in 2023.

The SIDF loan agreements contain covenants requiring maintenance of certain financial ratios and other covenants. As at June 30, 2020, SIDF loans related to a subsidiary of the Group amounting to SR 25.74 million (December 31, 2019: SR 25.82 million) were not in compliance with certain covenants. The outstanding balances of these loans have been presented as current liabilities as at June 30, 2020 and December 31, 2019. Had there been no breach of financial covenants, the non-current portion of loans as at June 30, 2020 would have been increased by SR 21.04 million (December 31, 2019: SR 21.12 million).

11. Contingencies and commitments

The Group had capital commitments of SR 13.60 million as at June 30, 2020 (December 31, 2019: SR 14.81 million).

The Group had contingent liabilities arising from letters of credit and guarantee of SR 568.37 million as at June 30, 2020 (December 31, 2019: SR 540.88 million).

12. Acquisition of a subsidiary

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

The carrying value of the identifiable assets acquired and liabilities assumed of Arnon amounted to SR 573.91 million and SR 436.62 million respectively. Goodwill of SR 4.07 million was recognized that represented the excess consideration over the net book value of net identifiable assets acquired after allocation of SR 49.64 million to adjust the net book values of net assets acquired to their fair values, of which SR 35.61 million was allocated to property, plant and equipment and SR 14.03 million was allocated to identifiable intangible assets. Identifiable intangible assets comprise the customer relationships and the trade name.

BAWAN COMPANY**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

The goodwill of SR 4.07 million comprises the value of expected synergies arising from the acquisition and workforce, which is not separately recognized. Workforce is not an identifiable asset to be recognized separately from goodwill so the value attributable to workforce is subsumed into goodwill. The fair values have been determined on the basis of the valuer's professional knowledge and belief, taking into account the prevailing market conditions, current conditions of assets and the sources of market information. The valuations prepared by the independent valuer, which conform to International Valuation Standards, were arrived at by reference to the open market value models.

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

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

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

In 2019, the previous shareholder agreed to compensate the Company by an amount of SR 27.96 million against the provision for inventories recorded in 2019. The entire compensation amount was collected during the six-month period ended June 30, 2020.

13. Related party information

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

	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	31,566	48,812	98,166	96,761
Purchases and royalties	8,013	3,163	12,588	7,966

As of June 30, 2020, amounts due from and due to related parties mainly relate to the abovementioned transactions.

14. Revenue

The Group derives its revenue from contracts with customers for sale of goods over time and at a point in time. Refer to note 15 for revenue from each reportable segment under IFRS 8 - Operating Segments.

15. Segment reporting

Operating business segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The segment information is 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.

Business segments have been approved by the 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

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(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the six-month period ended June 30, 2020 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Segment	Six-month period ended June 30, 2020		Six-month period ended June 30, 2019	
	Revenue (Unaudited)	Profit (loss) (Unaudited)	Revenue (Unaudited)	Profit (loss) (Unaudited)
Metal and wood	801,390	50,790	727,851	24,615
Plastic	129,699	8,095	158,594	16,578
Electrical	149,797	(14,187)	134,161	(18,641)
Concrete	81,870	(5,392)	95,371	826
Head office	-	(12,778)	-	(7,109)
	1,162,756	26,528	1,115,977	16,269

Segment	Three-month period ended June 30, 2020		Three-month period ended June 30, 2019	
	Revenue (Unaudited)	Profit (loss) (Unaudited)	Revenue (Unaudited)	Profit (loss) (Unaudited)
Metal and wood	350,465	21,025	323,142	7,866
Plastic	56,710	2,387	82,881	9,174
Electrical	78,207	(6,224)	68,046	(10,470)
Concrete	34,420	(2,459)	45,097	(1,005)
Head office	-	(1,222)	-	(4,156)
	519,802	13,507	519,166	1,409

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

Segment	June 30, 2020		December 31, 2019	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Metal and wood	811,551	419,299	833,167	488,170
Plastic	630,023	492,564	622,096	461,425
Electrical	459,538	365,160	404,169	292,338
Concrete	296,564	199,169	293,665	190,448
Head office	66,956	66,804	99,807	123,719
	2,264,632	1,542,996	2,252,904	1,556,100

Segment revenues reported above represent revenue generated from both external customers and related parties. There were no significant inter-segment revenues during the three-month and six-month periods ended June 30, 2020 and 2019. Furthermore, no single customer contributed more than or equal to 10% of the Group's revenue in any of the three-month or six-month periods ended June 30, 2020 and 2019.

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

16. Other income

During the six-month period ended June 30, 2020, other income primarily comprises scrap and material sales of SR 2.29 million (June 30, 2019: SR 2.43 million) and profit on disposal of property, plant and equipment of SR 2.96 million (June 30, 2019: SR 0.62 million).

BAWAN COMPANY**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

17. Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. 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.

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

June 30, 2020 (Unaudited)	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at FVTPL					
Quoted equity investments	44,970	44,970	44,970	-	-
December 31, 2019 (Audited)	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at FVTPL					
Quoted equity investments	48,775	48,775	48,775	-	-

The Company's directors consider that the carrying values of the financial instruments reported in the consolidated interim statement of financial position approximate their fair values. During the six-month period ended June 30, 2020, there were no movements between the levels of the fair value hierarchy.

18. Supplementary information*Fire incident at one of the plastic segment factories*

On February 11, 2020, one of the plastic segment factories caught fire which resulted in damage to assets having a net book value of SR 17.69 million. The plastic segment has insurance coverage of SR 42.36 million against a loss caused by such an incident and to compensate for losses due to such an

BAWAN COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the six-month period ended June 30, 2020 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

interruption of business. The Group has filed an insurance claim and is arranging the required documentation in order to finalize the claim. Insurance claim receivable of SR 17.69 million was recognized and the management is certain that this amount is fully collectable from the insurance company. As of the date of the approval of these condensed consolidated interim financial statements, the settlement of insurance claim was still under process.

Coronavirus pandemic (COVID-19)

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

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

19. Events subsequent to the reporting date

No events have taken place after the end of the reporting period until the date of approval of these condensed consolidated interim financial statements which require adjustment to, or separate disclosure, in these condensed consolidated interim financial statements.

20. Reclassification of comparative period presentation

Certain comparative period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results. A reclassification has been made to the consolidated interim statement of profit or loss and other comprehensive income for the three and six-month periods ended June 30, 2019 to disclose the ECL allowance on trade receivables of SR 0.47 million and SR 0.90 million respectively which were previously classified under general and administrative expenses. A reclassification has also been made to the consolidated interim statement of cash flows for the six-month period ended June 30, 2019 to disclose as a separate line item the ECL allowance on trade receivables of SR 0.90 million which was previously disclosed as changes in working capital alongwith trade and other receivables. Furthermore, a reclassification has been made to the consolidated interim statement of cash flows for the six-month period ended June 30, 2019 to disclose as a separate line item the employee defined benefits liabilities paid of SR 2.96 million which were previously disclosed alongwith employee defined benefit liabilities expense. These changes in classification do not affect previously reported profit for the three month and six-month periods then ended in the consolidated interim statement of profit or loss and other comprehensive income and the previously reported cash flows from operating activities in the consolidated interim statement of cash flows for the period then ended.

21. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements for the three-month and six-month periods ended June 30, 2020 were approved by the Company's Board of Directors on August 17, 2020.