

2020  
**ANNUAL  
REPORT**





## **BASE OF EVERY STRUCTURE**

Since its inception, Bawan has continued to invest heavily in manufacturing building materials, packaging materials and capital goods, fast becoming one of the most prominent local and regional industrial groups, cementing its wide investment base through substantial expansion. The Company is led by an eclectic and diverse senior team of professionals, with market-leading experience in multiple disciplines, who have been able to leverage their high-profile capabilities and expertise in the capital goods sector to provide a comprehensive portfolio of innovative products and services. These products and services meet the highest international standards, serving the Kingdom and beyond in terms of delivering advanced infrastructure, industrial, commercial and residential development projects.



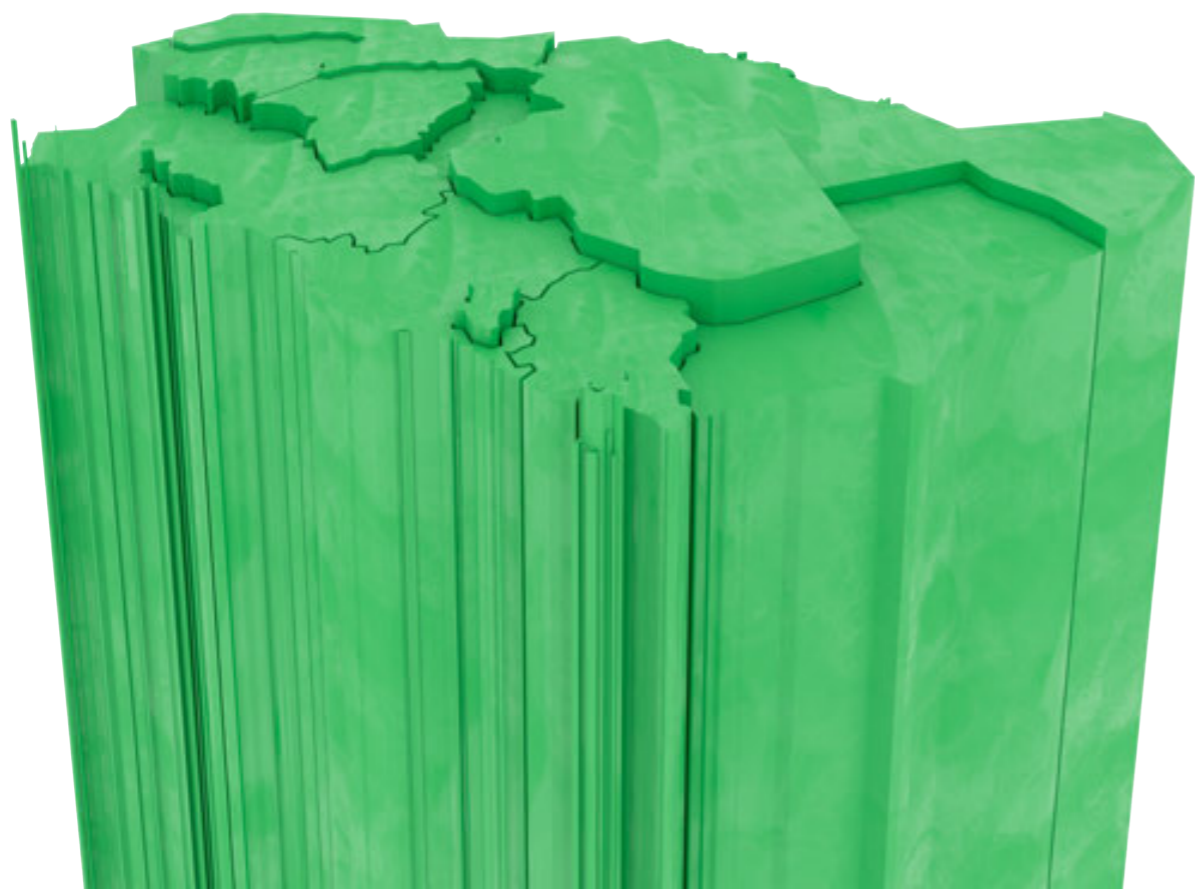
بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

*in the name of Allah the most merciful*

المملكة العربية السعودية



Kingdom of Saudi Arabia





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# 01

# BAWAN PROFILE

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## COMPANY HISTORY

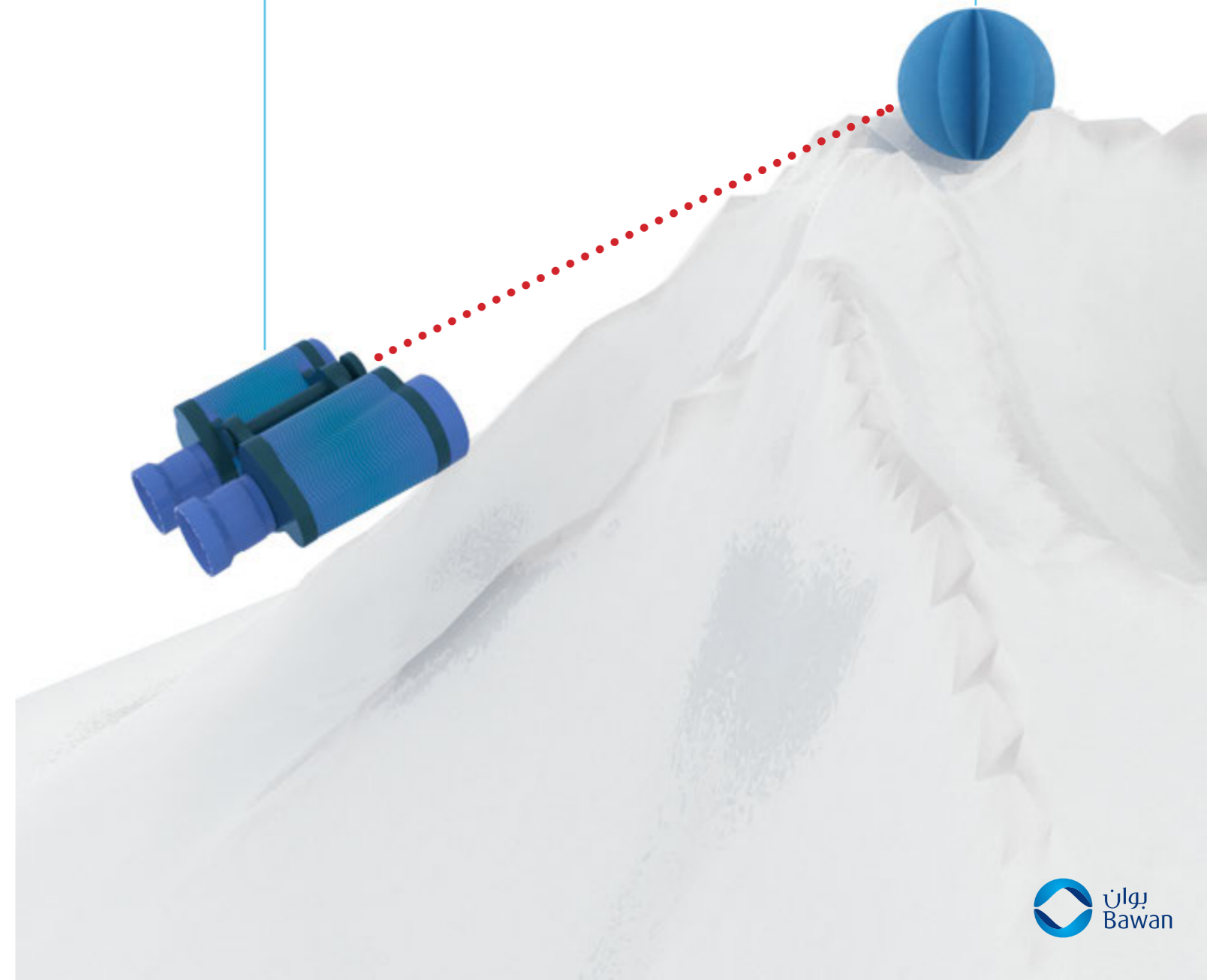
Referred to as the "Company" in this document, Bawan was originally established as a limited liability entity on 9 Shawwal 1400, corresponding to 20 August 1980, through the amalgamation of Abdullatif & Mohammad Alfozan Co and Abdulkader Al Muhaidib & Sons General Trading Co, operating in a diverse range of capital goods sector. Headquartered in Riyadh, Kingdom of Saudi Arabia, Bawan was converted to a Saudi joint-stock company that was formed in accordance with Ministerial resolution 420/Q as of 20th November 2011. Bawan operates under the Commercial Registration No. 1010033032 and is listed on the Saudi Stock Exchange (Tadawul) since 24th December 2013 with Ticker No 1302. As of 31st December 2020, Bawan's paid-up capital amounted to SAR 600 million, consisting of 60million fully paid and issued shares of SAR 10 each.

## VISION

Bawan strives to become the leading group in the Kingdom of Saudi Arabia and the Middle East in the capital goods sector.

## MISSION

To enhance Bawan's customers loyalty by providing market-leading and innovative products and services, through its existing sectors and new sectors in the future.



# 2020 HIGHLIGHTS

## Financial Highlights

Revenue  
**SAR 2.4 billion** ▲ 8.2%

Net Income  
**SAR 90.2 million** ▲ 238.6%

Operational Profit  
**SAR 123.2 million** ▲ 133.8%

## Earning per share (SAR)

2020 **1.5**  
▲  
2019 **0.44**

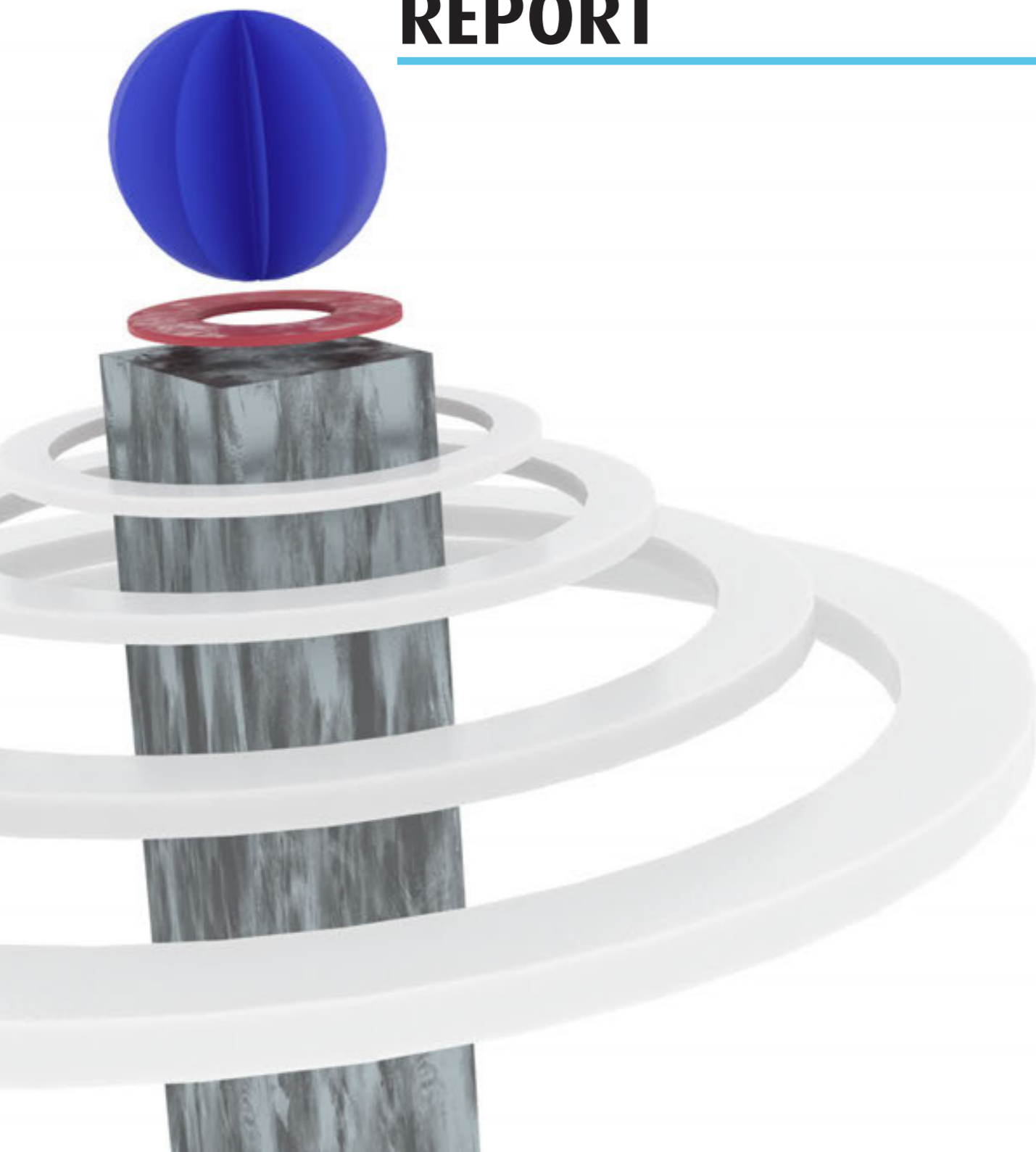
Employment  
Over **2,900** Staff

~%20  
Saudization

## Geographical Locations

**16** plants  
across  
KSA  
UAE  
Kuwait

# 02 STRATEGIC REPORT



Chairman Statement	18
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## CHAIRMAN STATEMENT

On behalf of my colleagues, the members of the Board of Directors, it is with great pleasure that I am able to present to you, our honorable stakeholders, the Annual Report of "Bawan Group" for the year 2020. The report includes a full representation of the Group's strategy, performance and future aspirations to enhance its leading and pioneering role in serving the national economy, along with its active participation, through its growing role in the fields of industry, construction, and commercial projects, coinciding with helping in the realization of the Kingdom's 2030 vision.



**Chairman**

Abdullah bin Abdul Latif Al-Fozan

2020 marked a difficult year for all of mankind. We faced, and are all still dealing with the effects of the new Corona pandemic caused by the Covid-19 virus. The great and unprecedented challenge it poses to all countries of the world, without exception, is a direct result of the unlimited negative repercussions in the global arena, affecting all areas of business and life, from trade to investment, transportation and tourism, which in turn has affected the lifestyle of all of us. We have all been affected in our day-to-day lives, from our work life, to education and social communication in all its forms.

Through its presidency of the G20, the Kingdom of Saudi Arabia has had a pioneering role in mobilizing and coordinating the global effort to support and encourage the production of vaccines, and to ensure their fair distribution throughout the world. In addition to this, the Government also took many urgent and drastic measures to help stimulate the Saudi economy, support the private sector, the health sector and investment in the modern technical infrastructure with the application of the highest level of comprehensive preventive and precautionary measures.

All of us at Bawan, from Members of the Board, to employees working across the Company in all departments, work sites, production and services, have been keen to strictly adhere to all implemented procedures, which have included moving from the conventional office space to remote locations, and utilizing virtual technology across all aspects of work, from training seminars to meetings. We are all extremely grateful and indebted to our Country's leaders, whose tremendous efforts in preserving the health and safety of every single citizen and resident have prevailed, with the provision of the highest levels of integrated health care for all, and with making available a highly effective vaccination program in record time.

Despite these difficult challenges, I am pleased to confirm through this report that the Company has been able to achieve positive results, with good production and operational rates, whilst rationalizing costs. This has been complimented by the Company preserving its market share and strengthening its investment base and its competitive position as one of the major manufacturing, building, packaging materials and capital goods groups, both domestically

and internationally. We have been able to fully benefit from our Group's accumulated experience spanning over forty years in developing the construction sector and infrastructure and providing specialized construction services, while providing advanced consulting and engineering solutions that meet the highest standards, through the optimal investment of our strengths and the competitive advantages the Group possesses.

Looking forward to the coming year, we seek to further develop our performance, product and service offering in various parts of the Kingdom, as well as strengthening our presence in international markets by providing the products from our electrical and plastic sectors in these markets on a large scale. We are optimistic, and look forward to the demise of the Covid-19 pandemic, the recovery of the global economy, and the return of international trade activity to its previous levels before the Corona pandemic, so that our national economy can continue to look towards new horizons, and so that all humanity, after the suffering of 2020, can collectively progress and prosper around the World.

In conclusion to this unique and eventful year, I would firstly like to take this opportunity to acknowledge the important contributions my fellow Board Members have made, and the support and guidance we have received from our Government, which has significantly reduced the impact Covid-19 made to the country. I would also like to express my sincere gratitude and appreciation for the support and trust our most valued shareholders have shown. Furthermore, it is because of the dedication and professionalism of our management team and all of our employees that we were able to unite and maximize our opportunities in 2020, despite the challenges, which stands us in good stead as we look towards the future, and a return to normal in all aspects of our lives.

## MANAGING DIRECTOR MESSAGE

In an unprecedented way in modern history, humanity faced a major crisis during 2020, the Corona pandemic, caused by the Covid-19 virus. This had significant repercussions that greatly damaged the global economy in all its fields and imposed a new reality that necessitated the international community to come together to confront an imminent danger that was threatening at the core. This pandemic targeted everyday activities for people around the world, because of the threat posed to peoples' health, safety and wellbeing, which are the most valuable wealth that a person possesses. Perhaps what makes this pandemic more difficult, is the general feeling of uncertainty and the difficulty of anticipating and determining the extent and scope of the successive effects of this pandemic.



**Managing Director**

*Fozan bin Mohammed Al Fozan*

As a kingdom of humanity, Saudi Arabia led, through its leadership position in the G20, the international efforts in confronting this pandemic head-on, which were crowned with the success in spearheading the provision of vaccines and the country's joint efforts with partners to help kickstart the global economy. These efforts are in addition to the preventive and precautionary measures that have been taken to preserve the health of citizens and residents of our generous homeland, whilst protecting our national economy from the complications resulting from this pandemic, as well as giving priority to the preservation of jobs of the citizens to minimize the effects of any negative developments that are beyond their control.

Taking into consideration the position of Bawan as one of the pillars in its sector of our national economy, we have been keen, with the support of our Honorable Chairman and the members of the Board of Directors, to implement an integrated strategic plan to enable the group to adapt to these successive changes and difficult challenges, by adopting an operational system characterized by flexibility and dynamism to ensure continuity. Bawan holds a leading role in our economy, serving several pioneering development projects throughout our beloved country. In addition, we serve the manufacturing, building, packaging materials and capital goods industries, striving to diversify our product line, allowing us to open further markets and developing our renewable resources, with priority given to preparing and developing the future leaders of our Country and preserving the rights and interests of our valued shareholders.

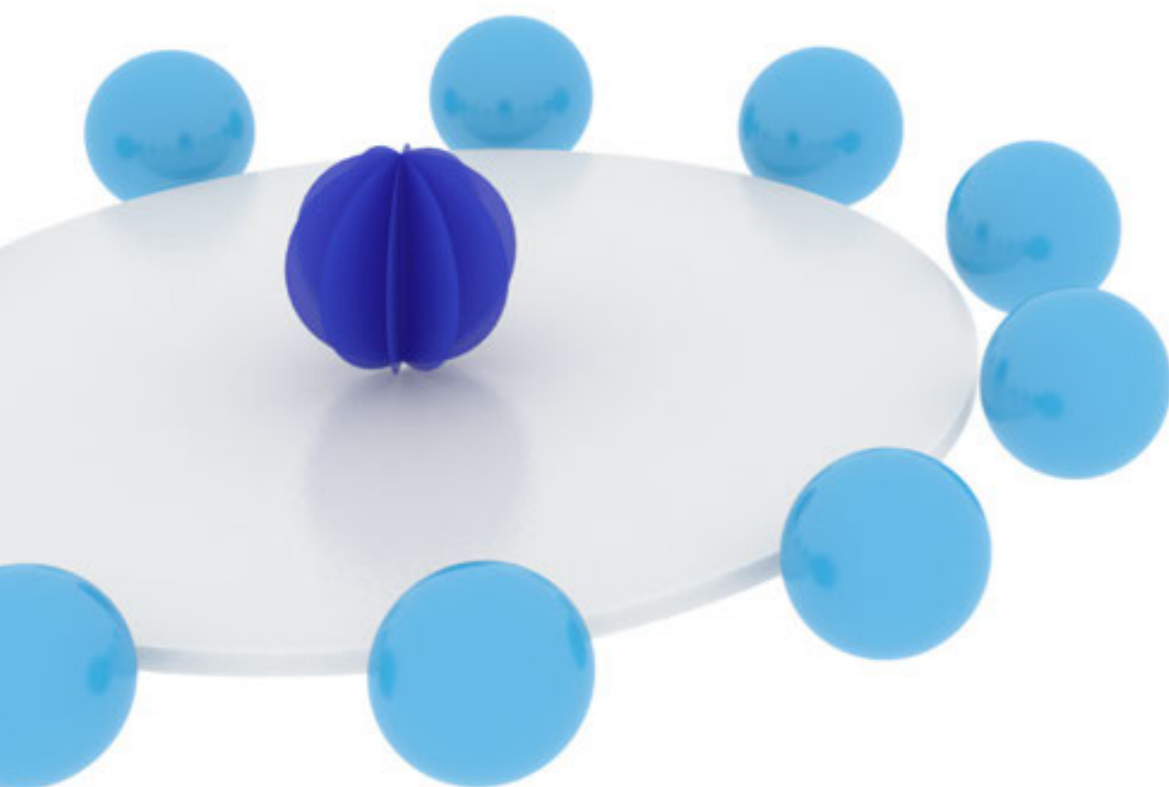
All these efforts have meant a high level of business continuity, always taking into consideration full adherence with preventive and precautionary measures, of which we are extremely proud of our achievements. We pride ourselves in the level of competence and professionalism of the Group's employees, who have shown with honour that they take ownership, responsibility and are at the level needed to face the challenges of the world head-on, and have proven they have the fighting spirit to beat the Corona pandemic.

By reviewing the main features of the Group's performance during the year 2020, which are included in detail in this report, we find many positive indicators that highlight the strength in depth of our business. There were significant increases in all key financial metrics, including an 8% increase in revenue for the year. This was complimented by a decrease in financing cost and operational expenses, coupled with an increase in other income, which resulted in an increase year-on-year in net income of 238.6%, reaching a figure of 90.2 million Saudi Riyals.

What makes me proud in my position and with our performance, is that all through the past year, with all its challenges, the group continued to strengthen its strategic partnerships, diversify its operations, and modernize its technical structure to enhance its capabilities and achievements, paving the way for an even brighter future.

And because difficulties and challenges are in fact the fuel of success, we at Bawan will all work as a team to overcome any future obstacles and benefit from them by enhancing our balance of experience and expertise and then convert them into momentum that strengthens our launch towards a bright future, especially with the positive signs of the expected decline in Coronavirus numbers. With this new challenge, and the increasing availability of vaccines across the world, we are grateful to our shareholders for their confidence that we cherish, to our customers for their positivity and support, government agencies for their support that we value, and to all the employees of the group for their dedication and incredible hard work and performance throughout 2020. I sincerely wish everyone nothing but health, safety, good health, prosperity and continued success.

## BOARD OF DIRECTORS



### Abdullah bin Abdul Latif Al Fozan

Chairman of the Board of Bawan Co

Chairman of the Board of Al Fozan Holding Co

#### Committees Membership

Nomination and Remuneration Committee

#### Qualifications

Bachelor's Degree in Accounting – King Saud University – 1989

#### Experience

Over 25 years experience in management, economics, investment and planning. He also carries out other duties, including serving as a Chairman and Board Member for a number of listed and unlisted joint stock companies.

### Essam bin Abdulkader AlMuhaidib

Vice Chairman of the Board of Bawan Co

Managing Director of Abdulkader AlMuhaidib & Sons

#### Committees Membership

Nomination and Remuneration Committee

#### Qualifications

Bachelor's Degree in Statistics – King Saud University – 1982

#### Experience

Considerable experience in the management of a number of companies. He also serves as a Chairman and Board Member for a number of listed and unlisted joint stock companies. He also has extensive experience in strategic leadership, with a specific focus on business development and guidance.

### Fozan bin Mohammed Al Fozan

Managing Director of Bawan Co

Board Member of Bawan Co

Vice Chairman of Al Fozan Holding Co

#### Committees Membership

Executive Committee

#### Previous Positions

General Manager of Al Fozan Building Materials Co – Central Region

#### Qualifications

Bachelor's Degree in Accounting – King Saud University - 1993

#### Experience

Broad management experience with numerous companies, who also serves as a Board Member for numerous listed and unlisted joint stock companies. He is highly experienced in the field of business administration and planning.



## BOARD OF DIRECTORS

### Raed bin Ibrahim Al Mudaiheem

Board Member and Chairman of the Executive Committee of Bawan Co

Board Member of Masdar Building Materials

### Committees Membership

Executive Committee

### Qualifications

Bachelor's Degree in Electrical Engineering – King Saud University – 1986

Master's Degree in Electrical Engineering – King Saud University – 1992

### Experience

Extensive experience leading and managing companies, he also serves as a Board Member for several listed and unlisted joint stock companies. Mr Raed has a range of engineering and administrative experience in the private and public sector in the areas of water and energy. Additionally, he worked in the building materials trade industry. Mr Raed also has extensive experience leading and managing numerous mergers, acquisitions and developing strategies, with an added emphasis on the implementation of policies and procedures.

### Basel bin Mohammed Al Gadhib

Board Member of Bawan Co

### Previous Positions

Project Engineer at Aramco

Executive Vice President of Treasury and Investment at Riyad Bank

Vice President of Investment Banking at Gulf Investment Corporation

Managing Director and Chief Executive Officer at Atheel Holding Co

### Qualifications

Bachelor's Degree in Civil Engineering – King Fahd University of Petroleum and Minerals – 1980

Master's Degree in Construction Management – Stanford University – 1985

Chartered Financial Analyst (CFA)

### Experience

With senior management experience with a number of companies, significantly in the banking, investment management and strategic planning fields, Mr. Basel has also served as a Board Member for a number of listed and unlisted joint stock companies. He also has served as a member of numerous Executive and Investment Committees for both listed and unlisted joint stock companies.

### Raed bin Ahmad Al Mazrou

Board Member, Chairman of the Nomination and Remuneration

Committee, Member of the Executive Committee of Bawan Co

Chairman of Adwan Chemical Industries Co

### Committees Membership

Nomination and Remuneration Committee, Executive Committee

### Qualifications

Bachelor's Degree in Chemistry – King Saud University – 1992

### Experience

Considerable experience in strategic planning, investment, finance, marketing, trade, industry, and business administration.

### Khalid bin Abdulrahman Al Gowaiz

Board Member of Bawan Co

Chief Executive Officer of Binladin Group Global Holding Company

### Previous Positions

Managing Director at ACWA Holding

Chief Executive Officer at Astra Industrial Group

General Manager of Corporate Banking Group in Central Region at Samba Group

General Manager of Credit Group at Arab National Bank

Director of the Financial and Administrative Affairs Sector at the National Company for Cooperative Insurance

Head of loan team at the Saudi Industrial Development Fund

### Qualifications

Bachelor's Degree in Urban Planning – University of Washington – 1980

### Experience

Extensive experience in banking, finance and industry, having held numerous senior and positions in a number of local banks and industrial companies.

### Abdul Karim bin Ibrahim Al Nafea

Board Member of Bawan Co

### Previous Positions

Managing Director of Saudi Ceramic Company

General Manager of the Industrial Fund

Chief Executive Officer at Saudi Ceramic Co

Saudi Industrial Development Fund

### Qualifications

Bachelor's Degree in Accounting and Business Administration – Whitworth University – 1980

### Experience

Highly experienced in public and private industrial facilities, in which he held various supervisory and leadership positions. He also serves as a Board Member for a number of joint stock companies.

### Abdullah bin Abdulrahman Al Rowais

Board Member and Chairman of the Audit Committee of Bawan Co

Chief Audit Executive of Internal Audit at Mobily Company

### Committees Membership

Audit Committee

### Previous Positions

Audit Director and Assistant Auditor General at Saudi Aramco

Director of Internal Audit at the Saudi Arabian Monetary Authority

### Qualifications

Bachelor's Degree in Accounting – King Saud University – 1992

Master's Degree in Computer Science and Information Systems – University of Detroit Mercy – 1997

### Experience

He has a wealth of experience at senior management level, held with several companies. He also serves as a Board Member and Audit Committee member for a number of listed and unlisted joint stock companies.

## EXECUTIVE MANAGEMENT



### Fozan bin Mohammed Al Fozan

Board Member of Bawan Co  
Managing Director of Bawan Co  
Vice Chairman of Al Fozan Holding Co

### Committees Membership

Executive Committee

### Previous Positions

Executive Committee

### Qualifications

Bachelor's Degree in Accounting – King Saudi University - 1993

### Experience

Broad management experience with numerous companies, who also serves as a Board Member for several listed and unlisted joint stock companies. He is highly experienced in the field of business administration and planning.

### Mohammed Ahmad Al Balawi

Chief Financial Officer at Bawan Co

### Previous Positions

Group Financial Controller at Exeed Industries  
Senior Manager at Deloitte & Touche

### Qualifications

Bachelor's Degree in Accounting – Zarqa University - 2000  
Postgraduate Diploma in Business Administration – Amman Arab University for Graduate Studies – 2005  
CPA – California Board of Accountancy - 2010  
Master's Degree in Business Administration – City University London – 2017

### Experience

Highly experienced management professional, with expertise in financial management, accounting, and auditing. He holds several professional certificates in accounting, whilst also serving as a member of the Audit Committee for numerous companies.

# CFO REVIEW

2020 proved to be a rollercoaster of a year, full of challenges due to the global impact that the Covid-19 pandemic had on us all. We had to very quickly adapt our methodologies and way of thinking to overcome what was a complete unknown. Government imposed restrictions, and the need to re-evaluate operational routines meant our stringent business continuity plan came into full effect.



**Chief Financial Officer**  
Mohammed Ahmad Al Balawi

**Net profit for 2020 increased from 26.6 million Saudi Riyals to 90.2 million Saudi Riyals by the end of 2020**



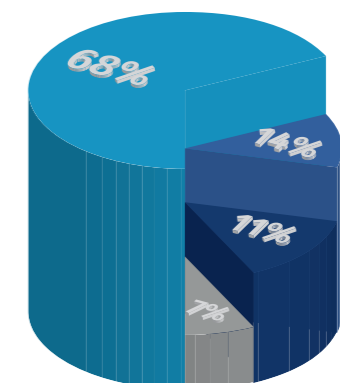
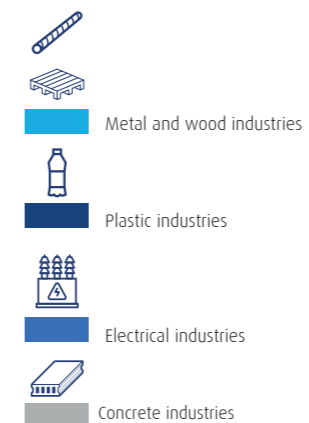
We faced the challenge head-on, and won. Despite the disruption to capacity at various points throughout the year, Bawan successfully overcome the difficulties and produced phenomenal results. Revenue increased 8.2%, reaching 2.4 billion Saudi Riyals, with gross profit reaching 336.7 million Saudi Riyals, an increase of 35.1%. Operational profit also increased significantly, with a rise of 133.8% to 123.2 million Saudi Riyals.

Despite the increase in Zakat expenses, loss from discontinued operation and the decrease in the gain on disposal and valuation of investment in financial assets at fair value through profit or loss, we successfully managed to decrease financing costs, operational expenses and increased other revenue streams. As a result, Net Income increased by 238.6% to 90.2 million Saudi Riyals, and Total Comprehensive Income attributable to the owners of the Company was up at 90.3 million Saudi Riyals, an increase of 362.3% year-on-year.

As we look forward to 2021, and with Government investment growing in domestic projects, our aim is to continue to build on the positive results of 2020, and to continue on our path of diversifying our product offerings and continuing to cement and increase our market share, not only in Saudi Arabia, but in all regions in which we operate.

Country	Revenues (In thousands of Saudi riyals)	(%)
Saudi Arabia	2,385,993	98.70%
UAE	16,844	0.70%
Kuwait	15,235	0.60%
<b>Total</b>	<b>2,418,072</b>	<b>100.00%</b>

## Revenue 2020





رؤية  
VISION  
2030  
المملكة العربية السعودية  
KINGDOM OF SAUDI ARABIA

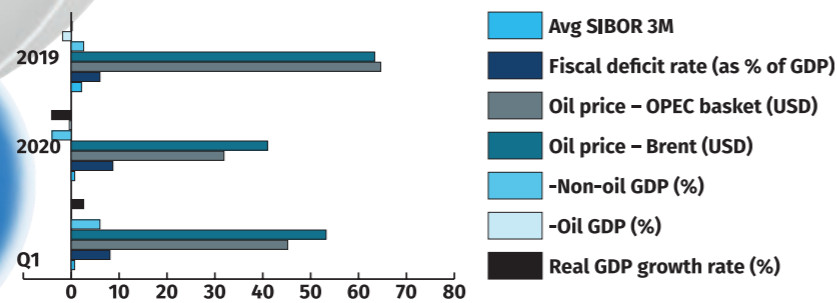
MARKET OVERVIEW  
& VISION 2030

Despite the difficulties faced by the global outbreak of Covid-19, combined with the continued volatility in the oil market and a VAT hike of 10% leading to an increase in the rate of inflation, there has been fundamental progress in the realization of the Country's iconic Vision 2030, with several of the so-called Giga-Projects starting to award multi-billion Dollar tenders to local and international companies to commence construction works. coinciding with helping in the realization of the Kingdom's 2030 vision.

# MACROECONOMICS REPORT

## Operating Environment

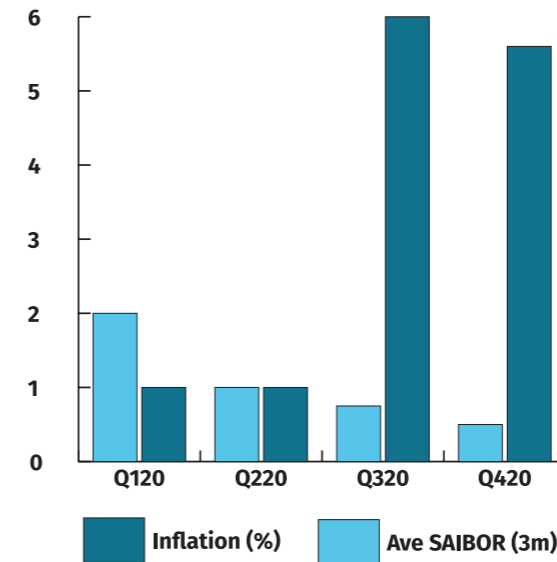
Following a number of years of positive momentum in the Saudi Economy, 2020 was a very special year. The impact of the Covid-19 pandemic has naturally affected Saudi Arabia's GDP, with a contraction of 2.6% in 2020. This, however, is offset by a predicted rebound of 3.2% in GDP growth for 2021.



The volatility in the Crude Oil market continued, with oil recording some of its lowest prices in a decade, and was primarily due to the Covid-19 pandemic which led to plummeting global demand, supporting a host of negative economic indicators. Brent Crude is currently trading at an average price of \$41 per barrel; following the positive news of a Covid-19 vaccine being rolled out across several countries. Brent Crude is expected to trade at an average price of \$55 per barrel in 2021.

The Central Bank of Saudi reduced the base rate of interest by a quarter percentage point from 0.75% to 0.50%, in line with international rate reductions. This provided respite for companies with ongoing credit facilities and provided a lower cost of borrowing for those looking to utilize lending facilities.

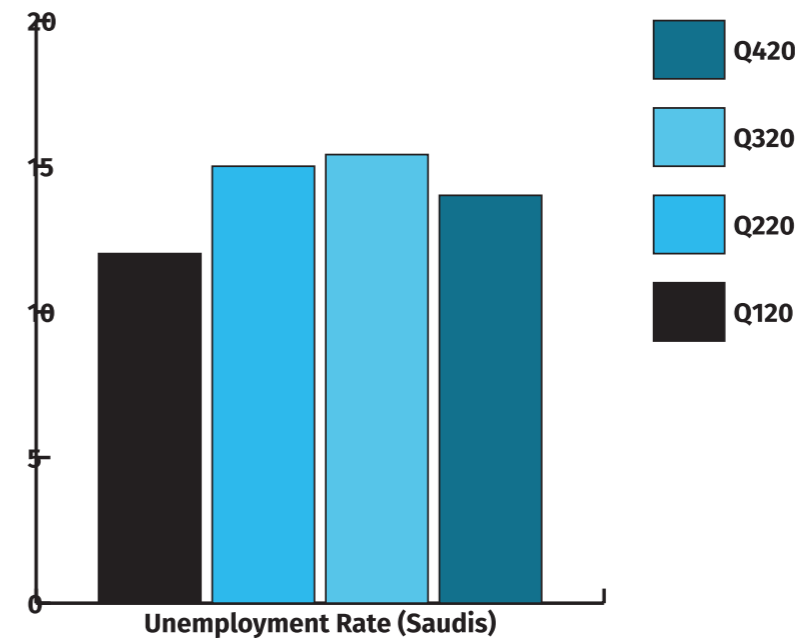
The hike in the Country's VAT rate from 5% to 15% increased the rate of inflation in 2020 to 3.6%, affecting consumer spending power. Year-on-year, prices rose by 3%, boosted mainly by a rise in VAT of 10%. More specifically, as the Country started to reopen following the nationwide lockdown, the Q3 of 2020 inflation rate reached 6%, compared to a lower average of almost 1% during Q2 of 2020. Looking forward to 2021, prices are expected to rise by 3.7% in 2021, supported by a rebound in activity and higher demand in multiple sectors including Food, Hospitality and Transport.



From a macro standpoint, the Education and Hospitality sectors saw the sharpest declines during the course of the year, with Telecommunication, Food and Beverage showing the largest rises. The reasons for this were that the Government implemented strict legislation from March 2020 that stopped initially all international travel, eventually locking the whole country down for an extended period. Thereafter, and as the country started to open up, only domestic travel was allowed, restricting the Saudi market of a vital source of income through Religious and international tourism.

More relevant towards the activities of the Company, cement sales showed a sharp rise towards the end of 2020, in-line with the acceleration of many paused projects. The latter stages of the year also led several Government-backed Giga-Projects to commence awarding significant tenders and projects to local and international contractors, to kick-start the multi-billion Dollar projects planned along the Red Sea Coast of Western Saudi Arabia, amongst other large-scale projects in the Country's Central Region.

The Company will continue in its efforts to support the realization of the Country's Vision 2030 by ensuring constant innovation of its offerings, and looking towards a more sustainable product-base, to meet the Vision set out by the Government. By also ensuring the latest in modern technology, value-for-money and availability of expertise, the Company is also perfectly poised to significantly support a number of the Vision Realization Programs.



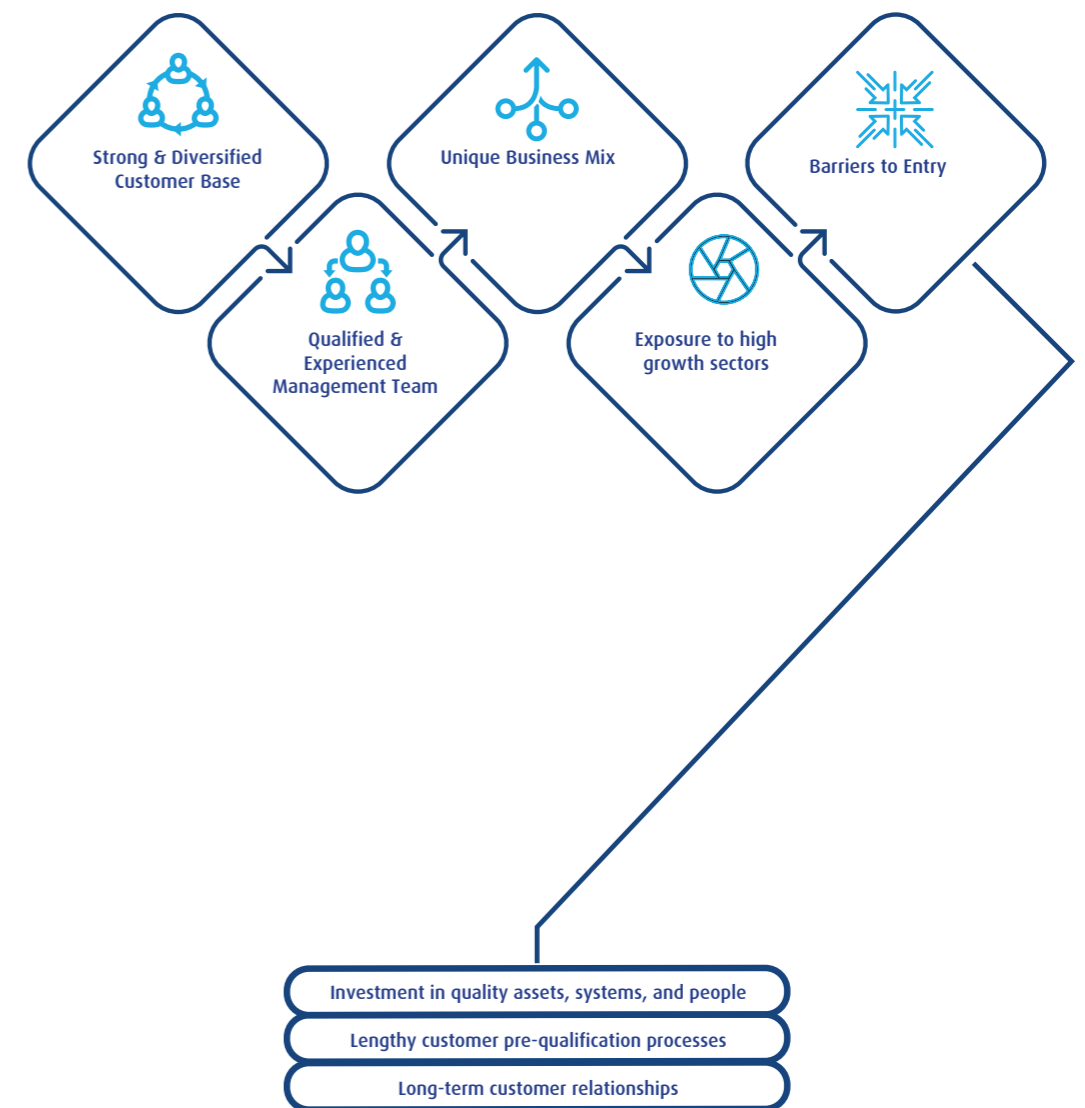
## BUSINESS MODEL

Bawan's business model is focused on diversification of business, in terms of products offered as well as geographically. As can be seen in the illustrations, Bawan's income is derived from its subsidiaries in the Metal, Wood, Electric, Plastic and Concrete sectors, with an international presence in Kuwait, the United Arab Emirates. With a diversified base of products, the Company is also able to further focus its efforts of consolidation of market-share; with the Covid-19 Pandemic, many of the businesses in the sector were unable to continue to operate, allowing Bawan to cement its place as a market-leading manufacturer of the aforementioned goods and products.

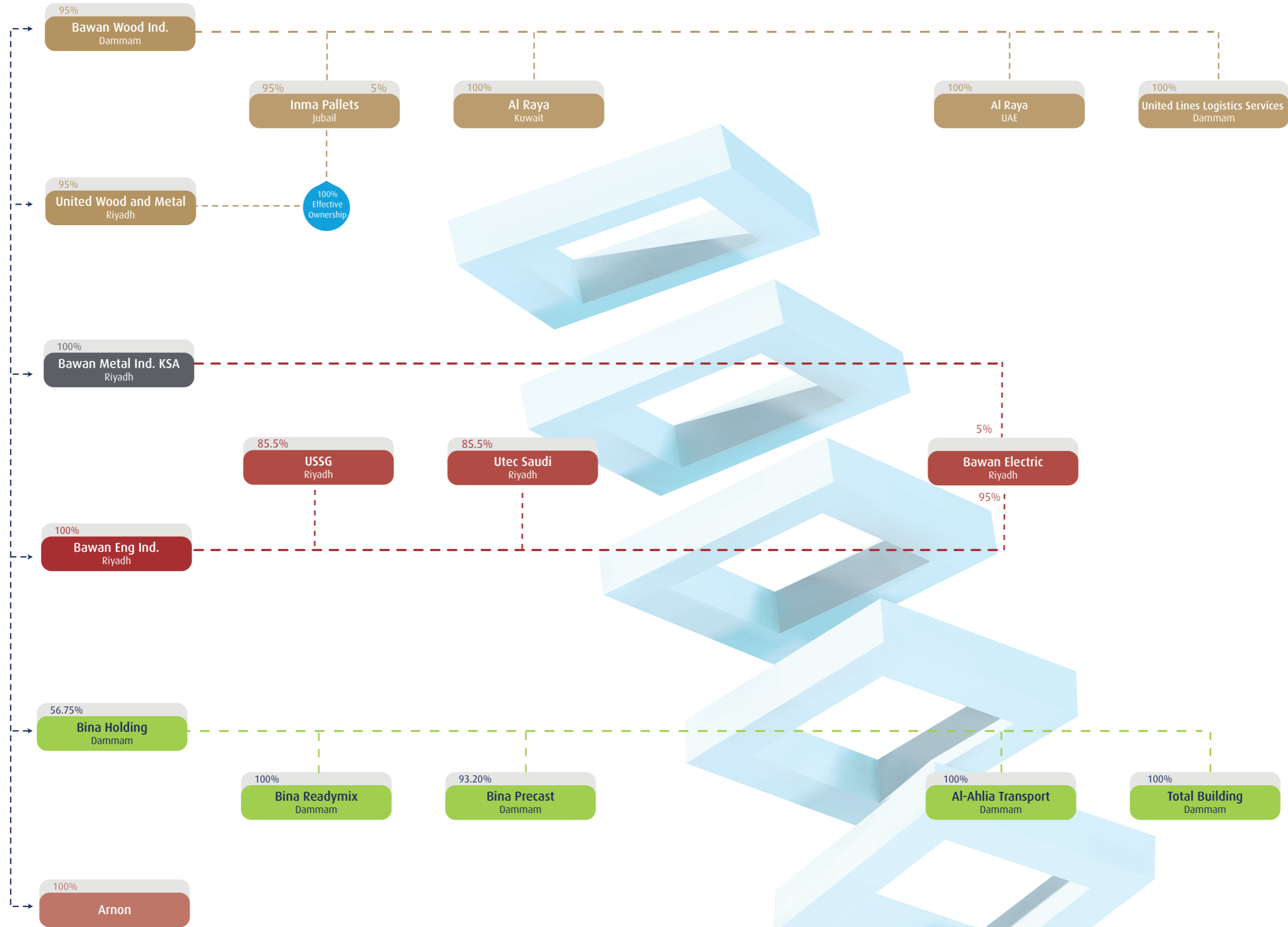
Further diversification of the product offering is expected in 2021, with the electrical sector introducing new products and focusing on developing business in international markets, and with the plastic sector set to introduce some new products.



## BUSINESS CASE










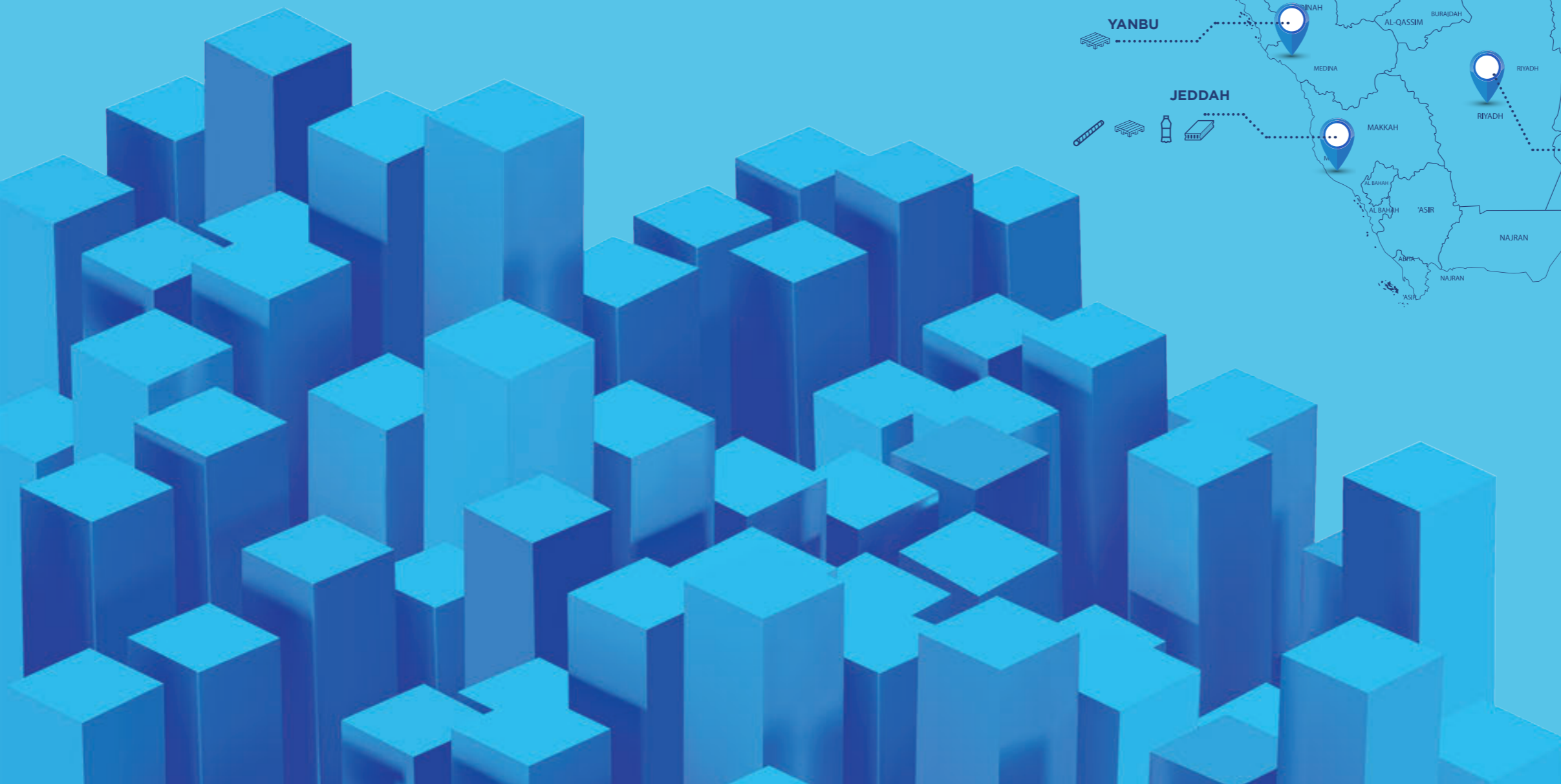
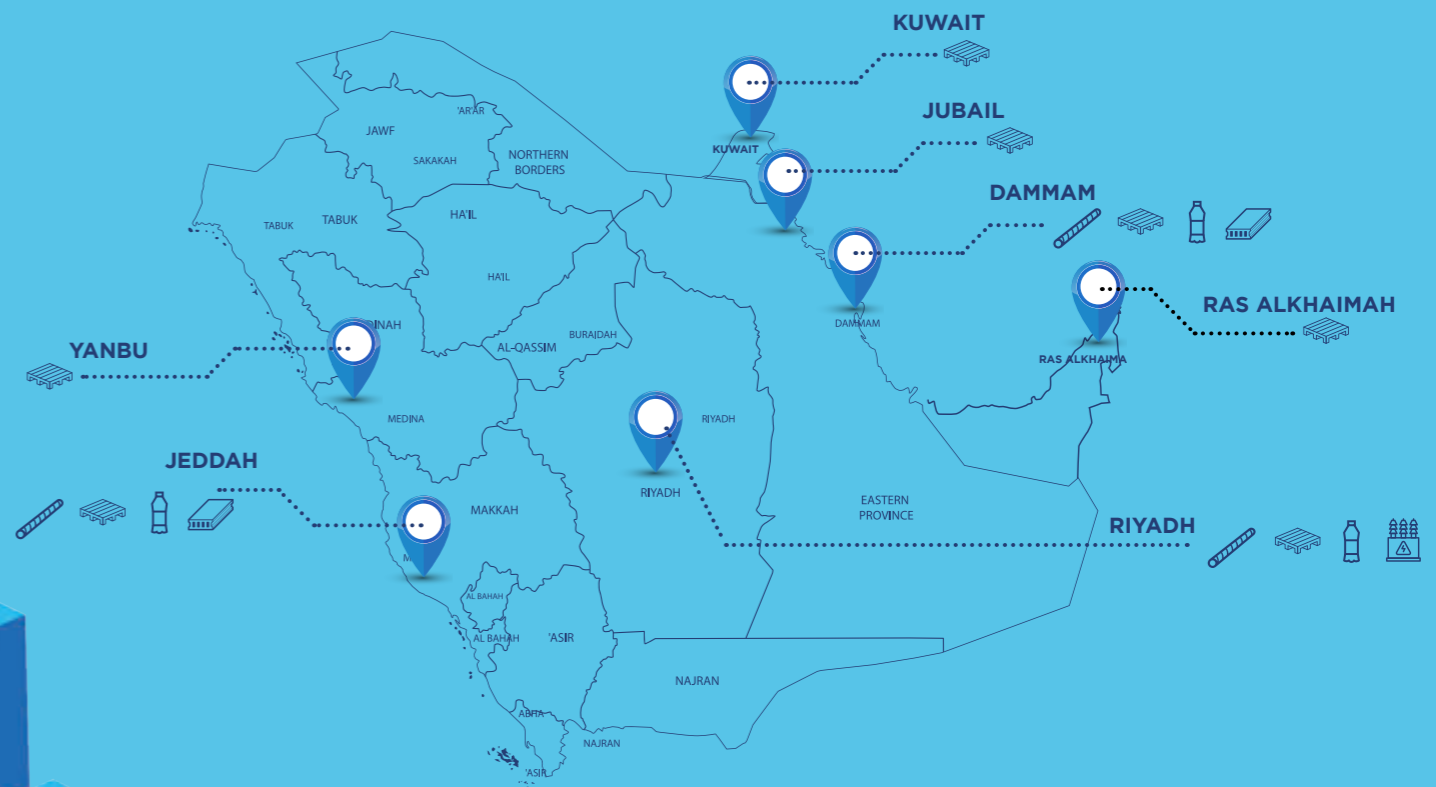


No. of factories:

- Metal SBU: 3
- Wood SBU: 13
- Electric SBU: 4
- Concrete SBU: 3
- Plastic SBU: 5

# OPERATING FACTORIES & LOCATIONS

-  Metal
-  Concrete
-  Wood
-  Plastic
-  Electric



## STRATEGY OVERVIEW

Bawan's corporate strategy is well defined, enhancing and complementing the Company's Core Values. With the rapidly maturing and evolving market in Saudi Arabia, the Company is perfectly poised to execute its strategy to further cement its market-leading position and ensure long-term sustainable growth and success, whilst continually assisting in the realization of Saudi Arabia's Vision 2030.

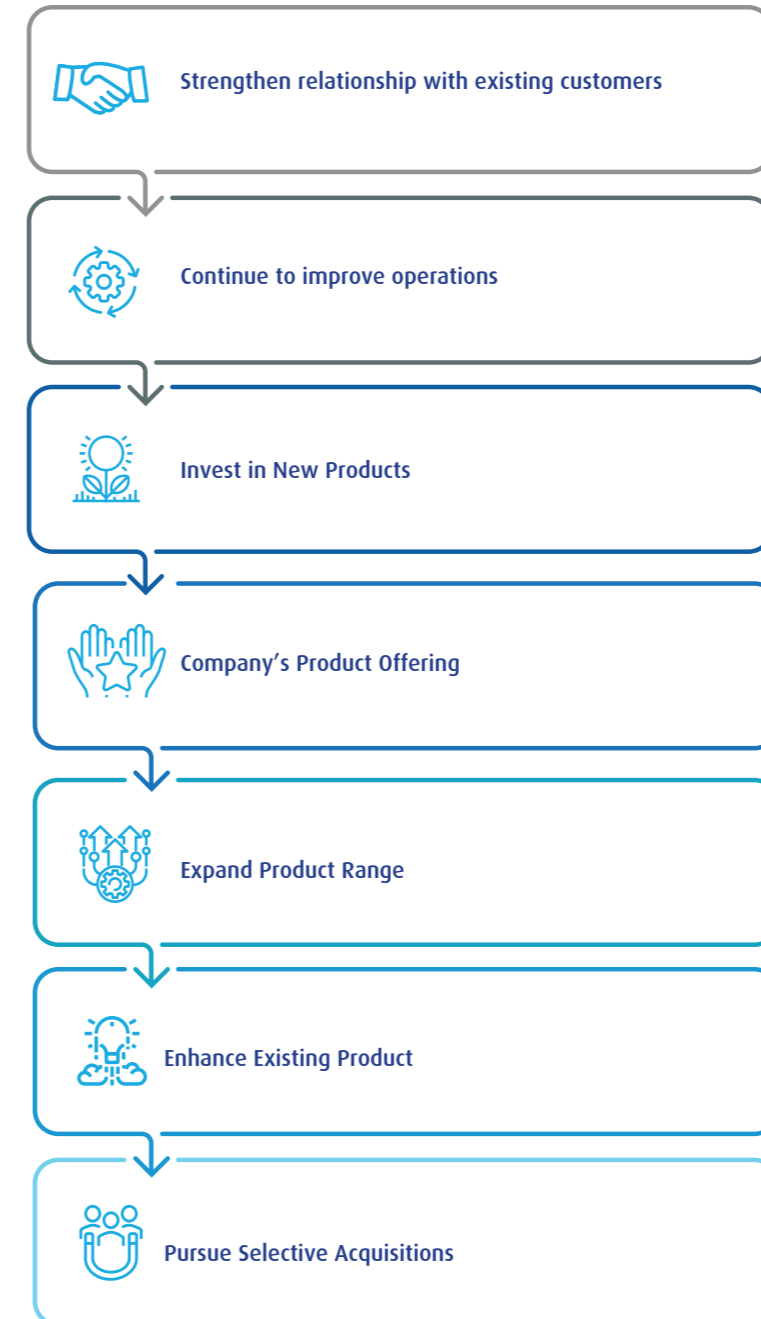
Bawan's strategy aims to:

1. Strengthen relationships with existing customers by responding to their desires whilst also maintaining the highest standards of quality,
2. Continue to improve operations through cost rationalization and process optimization,
3. Invest in new products that leverage Bawan's value and make use of Bawan's advantages to complement the
4. Company's product offering,
5. Add new products while working on entering specific new markets within Saudi Arabia as well as throughout the Middle East
6. Enhance its existing product range by focusing on product development and quality assurance,
7. Follow up on research into market investment opportunities in sectors that are both similar to and different from those sectors in which the Company operates.



## STRATEGY

A well defined strategy enhanced by our core value





# RISK MANAGEMENT

The Company has been able to minimize the potential effects in market volatility by ensuring a broad and diverse range of businesses, product offering and markets it serves. The company will continue to pursue opportunities by actively investing in other related activities of the industrial and construction sector to further complement its current offering. In doing so, the Company aims to maximize its diversity of economic investment and distribution of risk, thus minimizing risk exposure. Operating in the current economic climate, and in a naturally highly competitive environment, the Company focused on managing the risks for the year as efficiently as possible.

## Business Risk

Business Risk is the exposure of an organization that will lower its profit or lead it to fail; anything that threatens a company's ability to achieve its goals may be classified as Business Risk, of which there may be multiple factors.

With fluctuations in energy prices, and current prices being historically high, there has been a continued focus by the Company on implementing and delivering its strategy to improve various business efficiencies and continuous cost rationalization in order to further support the company in minimizing the impact of this risk on its profitability output.

The cost of raw materials varies considerably, which can lead the Company to overspend on stocking the required raw materials. Having previously developed conservative policies, utilizing these guarantees the non-submission of raw material orders without the necessary request forms. These are provided upon receipt of a customer purchase request, whereby the Company will then commit to purchasing materials required. This ensures the Company is able to conservatively hold inventory as required, thus ensuring operating efficiency and minimizing risk in this matter.

## Currency Risk

Currency Risk is the risk of change in the price of one currency in relation to another. In order to mitigate this risk, the Company always agrees in advance on a fixed exchange rate with suppliers for all goods, equipment or material which are purchased from abroad, prior to import. In terms of export of goods, the Company requires all customers to procure their items in US Dollars to avoid any fluctuations, owing to the Saudi Arabian Riyal being pegged to the US Dollar.

## Strategic Risk

Strategic Risks are risks that failed business decisions pose to a company.

By the Company continuing to diversify its customer base, the Company has negated this risk by continually adding new customers, both locally and internationally. The purpose of this diversification is to reduce the reliance on a small number of large, key customers, but rather to spread the Company's revenue income across a larger pool.

To minimize the risk of receding markets as a result of political, economic and security disruptions, the Company has been working on adding new markets to existing ones in order further diversify its customer holding base and generate further income streams.

## Inventory Risk

Inventory Risk is the probability of a company being unable to sell its goods or products, or the potential for its stock to reduce in value.

To reduce the potential for loss of production, over pricing of produced goods because of over-reliance on single source suppliers, or the risk of inefficient spending, the company continues to increase the number of primary suppliers of raw materials through materials and procurement management. Technical controls are implemented to ensure that new suppliers are qualified in advance, and have high levels of quality to ensure material efficiency, punctual deliveries competitive prices in comparison to competitors and business continuity.

The Company also continues to strive to increase its revenues, rationalize and reduce operating costs and production inputs through identifying exactly what is required from the raw material suppliers, thus increasing its production capacities and opening new markets.

## Compliance Risk

Compliance risk is exposure to legal penalties, financial forfeiture, and material loss an organization faces when it fails to act in accordance with the stipulated laws and regulations. In this regard, the company ensures full compliance with all regulatory and mandatory requirements, as stipulated by the regulatory bodies. Bawan also continues to focus on the Saudization ratio across all subsidiaries, as recommended by the Saudi authorities. The Company additionally strives to ensure that the working environment and career paths provided are an attractive proposition, ensuring the retention of high caliber Saudi employees.

## Credit Risk

Credit Risk is the risk of default on a debt that may arise from a borrower failing to make required payments. For the Company to ensure the best possible rates, and as such, the minimum obligatory repayments for debt, the Company engages multiple banking institutions to ensure the best possible rates when sourcing the various, available Islamic financing options, and fully utilizes all available sources, minimizing the Credit Risk to it.

### Operational Risk

Operational risk is the risk of incurring losses due to inadequate or failed internal processes, people or systems. The Company aims to minimize this risk by ensuring ongoing training and development by the technical department, in addition to the participation in international seminars and exhibitions. This will help to ensure the use of the latest and most efficient, modern technologies and the transfer of knowledge.

To ensure minimal interruption to service, the Company has prepared a fully qualified maintenance department, including highly skilled and specialized technicians and the stocking of critical spare parts for the production lines to ensure minimal disruption and downtime in the event of a breakdown.

In order to meet the additional capacity requirements as is required from time to time, the Company has developed nearby, small-scale businesses through which it is able to perform some of its production operations. This is only done when additional output is required, and is all carried out in accordance with all Company's outlined specifications.

The Company continues to produce, stock, sell and update, as required, some of its approved and more popular, fast-moving products, in order to fulfil its obligations should there be any unforeseen disruption to its production lines. Periodic, planned and preventative, and predictive maintenance are regularly carried out on the main production lines. This is to adhere to the directives of the machine manufacturers, as well as to minimize the risk of future breakdowns by predicting when something may happen rather than it happen unexpectedly, and taking early preventative action.

To negate the risk of delay in delivery to the Customer, and avoid potentially negative consequences, the company utilizes its own fleet of delivery vehicles. In addition to this, the Company also has agreements in place with 3rd Party logistics firms, who assist in ensuring prompt delivery of goods when in-house vehicles are unavailable.

### Insurance Risk

Insurance risk is an outcome that an insurance company has agreed to insure against in the policy wordings, which has the potential to cause financial loss, property damage or bodily harm were it to occur. To ensure there is no risk to the Company, its property or any of its stakeholders, the Company continuously reviews and updates its insurance policies and ensures the adequacy of these policies for their requirements.

### Covid-19 and its Impact

The company and its subsidiaries ensured the safety of employees and customers through multiple channels. To negate the risk of Covid-19, and minimize the potential spread, the Company ensured a number of different methods were employed throughout its premises, including those of its subsidiaries. These included spreading awareness about the virus, providing face masks for use, ensuring adequate supply of sanitizers across all facilities, including residential dwellings, and ensuring all stakeholders maintained social distancing.

In addition, working from home was enforced for all non-essential employees, even post lockdown where movement between home and a person's place of work was allowed. During the Government enforced lockdown period, all staff members, with the exception of factory staff, were forced to work remotely. Special dispensation was provided by the Government to allow production to continue for the Company's subsidiaries and their factories.

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 has continuously monitored the COVID-19 pandemic situation and its impact on the aforementioned factors, and will continue to do so. At present, the Company 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.



## RISK MANAGEMENT PRACTICES

### LOOKING FORWARD

To further minimize risk to the Company, its core focus will continue to be split across a number of areas. The Plastic sector, acquired in 2019, has helped to broaden the Company's customer base and expand its product range, thus increasing its revenues and cash flow. This will continue to generate good income going forward by ensuring new developments of a wider range of products are intact. The Company will also look to improve the production line efficiency, reducing cost and increase production capacity. The added industrial and engineering services in the electrical industries sector provided consultation and support, which opened new markets and increased revenues.

It is also worth mentioning that one of the positive outcomes of Covid-19 was the acceleration of the Company's desire to embrace digitalization through the use of digital channels, proving very popular amongst customers. E-Commerce and other digital channels will continue to be developed to ensure the Company is always ready to fulfil customer demand, regardless of the given environment.





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Bawan

## BUSINESS OVERVIEW



Bawan, along with all its subsidiaries have successfully navigated and overcome the many challenges and obstacles faced globally in 2020, brought on by the Covid-19 pandemic. These included liquidity issues along with tougher competition as other companies battled it out and fought for survival. Due the Company's strength in depth, and highly skilled workforce, it was able to maintain output throughout most of the Government enforced lockdown. 2020 indeed gave the Company the opportunity to increase volumes in certain subsidiaries, whilst increasing efficiency and production with given capacity issues.

The tough market conditions also allowed the Company to focus its efforts on its core values. Its customer centric approach was further enhanced, with the Company able to continue in its long-term partnerships with key contractors in the construction market, whilst also diversifying and enhancing its products/offerings in all sectors.

Finally, and with the Covid-19 pandemic in mind, it is prudent to add that to ensure safety of all stakeholders, and to allow business to continue amidst a country-wide lockdown, social distancing was implemented across all Company facilities, with a key focus on Subsidiary factory floors. To also ensure staff safety, a significant number of staff were rehoused to assist in maintaining social distancing.



## METAL

Bawan Metal Industries operates 3 plants in Riyadh, along with a plant in Dammam and one in Jeddah via its head-office in Riyadh. The Company specializes in the manufacturing of a large number of diverse metal products through its divisions:

- Steel Reinforcement Division, which specializes in cutting and bending custom made steel into different shapes and sizes, stainless steel wire manufacturing, iron formation, corrugated sheet production, resin epoxy corrosion resistant steel re-bars manufacturing and the forming of steel bars, wire rod coils and cold and hot rolled coils.
- Steel Doors Manufacturing Division, which produces metal doors, fire-resistant hollow metal doors and sliding gates.

The Company is constantly striving to stay at the forefront of its industry, by equipping its facilities with the latest in machinery and advanced technologies, and ensuring that its 650 strong workforce are of the highest caliber. To further cement its position as a market leader, and in recognition of its continuous success, the Company has attained several certificates in management excellence and production quality, including ISO Certificates BSI, Exova Warrington Fire and UL Certificates.

As with all industries around the Country, the Covid-19 pandemic made for some difficult challenges. In line with Government guidelines, there was an initial, short pause in production, until some clarity was gained, and operations were restored, albeit under strict social distancing guidelines on factory floors. There was a so-called credit-crunch, where many customers faced financial difficulties, which meant a strategic re-think with regards to credit terms offered.

However, 2020 was overall a positive year for Bawan Metal, with cost cutting measures complimenting the increase in sales. The Company was also able to improve its relationship with external stakeholders by working together and renegotiating business terms to ensure a stronger working relationship for the future.

With a lot of large-scale construction projects kicking off in 2021, the Company is perfectly positioned to further increase its presence and cement its position as a market leader in the Metal industries, by leveraging its strength in depth, and the diversity of its offerings.



## WOOD

Managing 10 production factories across Saudi Arabia and the G.C.C., through their headquarters in Dammam, Bawan Wood Industries manufacture wood products that serve the packaging and construction industries. The subsidiaries within this sector include Bawan Wood Industries, United Wood and Metal, Inma Pallets, Al Raya and United Lines Logistics Services. To confirm its position as one of the largest and leading wood products manufacturer in the Middle East, Bawan Wood Industries was the first company of its kind to obtain ISO 9002 certification. The Company's product range includes the following:

- Wooden pallets/Wooden Boxes
- Laminated profiles
- Film-faced plywood
- Melamine faced boards
- Decorative panels lamination

In its aim to further cement its position in the industry, the Company's philosophy focuses on customer centricity, as well as its constant push for innovation and process improvement. An example of this is the quality tests that raw materials are subjected to, which form an integral part of the production process. The outlook overall for 2020 was difficult for most.

Due to the ongoing pandemic, many projects were postponed. As a manufacturer and wholesaler of products, and in line with the Company's customer centric approach, credit terms were extended for existing customers to help those more seriously affected by the crisis. Also, significant planning took place to ensure production continuity during the Government enforced lockdown.

2020, however, proved to be very positive for the Company. There were increases in sales volumes, whilst the Company also managed to successfully reduce administrative and selling expenses. The strength in depth of the Company meant that also increasing credit terms gave a more positive outcome, as it further cemented the Company's relationship with its customers, strengthening its position in the market.

The Company aims to continue its positive outlook for 2021, whereby it expects some of the delayed or postponed projects from 2020 to take off again. The Company has also implemented new business continuity plans, to negate the impact of any potential disruption due to the ongoing pandemic, which will minimize any impact this may have on production.



## ELECTRIC

Headquartered in Riyadh, the heart of Saudi Arabia, Bawan's Electric segment comprises of two subsidiaries specializing in the field of providing electric industrial automation systems and power distribution networks, and manufacturing electrical transformers. With all products manufactured through their modern factories in Riyadh, the main core of products include:

- Distribution transformers (up to 10MVA) for conventional and renewable energy distribution through a joint venture with Wilson Transformers of Australia
- Low voltage products, through partnerships with global LV leaders
- Medium voltage switchgears, through partnerships with global MV leaders
- Unit and packaged substations, through a joint venture with Wilson Transformers Australia
- Low current systems, through partnerships with global MV leaders.

Led by a team of competent and highly experienced engineers, Bawan Electric Companies, in collaboration with their Australian joint-venture partners, continue to develop the market and their product line-up, by applying the most advanced industrial techniques, technology and practices. Their vision aims to achieve the highest levels of customer satisfaction by ensuring quality, efficiency and by adhering to international industry best-practice standards.

With significant challenges being faced within the industry, as it is highly dependent on infrastructure spend, the sector Companies faced numerous difficulties all round, including the fact that current demand is only 50% of the supply chain capability. An increase in deficit in the economy implied a reduction in spending power; with all customers being from the utilities sector, predominantly Government based, meant a reduction in revenue.

With the challenges faced, however, came some positive results. The company successfully reduced the incurred losses of previous years significantly, and currently has a firm plan in place to reach break-even point within 2 years. This was done through vigorous

restructuring and through cost-cutting measures. The Company was able to venture more towards sustainable energy sectors by launching higher rating transformers aimed at the solar energy sector, along with enlarging their offerings with partners from reputable, international firms. By understanding the pressures customers were under, with regards to deliveries and payments, the Company was also able to strengthen its relationship with partners and distributors both domestically and internationally, ensuring a much closer working relationship for the future.

For 2021 and beyond, the Company will continue to innovate, and look towards entering new channels, both domestically and abroad. By maximizing both human capital and assets, the Company is currently exploring opportunities in oil and gas, renewables and medium voltage, with a main focus being on looking at channels that were not previously there, specifically in the renewable energy sector.





# PLASTIC

Bawan's Plastic Segment, with its headquarters in Dammam, offers a comprehensive range of products, produced through their 6 modern, specialized, state-of-the-art facilities in the main cities in Saudi Arabia, including:

- Polyethylene Foam (PE foam) in roll and sheet form, serving the industrial, construction and building material sectors.
- Polystyrene foam (PS foam): Food packaging solutions serving the food industry.
- Polyethylene Terephthalate (PET), Polypropylene (PP) and High Impact Polystyrene (HIPS): Packaging solutions serving the food and beverage industry.
- High Density Polyethylene (HDPE): Blow molded bottles serving the dairy industry.
- Extruded Polystyrene (XPS foam): Heat insulation boards produced serving the building material sector.

In their quest to be market leaders in the Plastics industry, they continue to innovate and develop their product offering and technology, which is driven by their highly skilled and trained workforce, aligned with a customer-centric service ethos.

2020 proved to be a challenging year all round. Whilst Covid-19 brought with it many challenges, most notably a dip in export sales due to the instability surrounding border closures, along with an increase in shipping costs, and difficulty in accepting customer collections, there was a loss of production, and subsequent sales losses in Extruded Polystyrene Foam (XPS) due to a fire incident. On February 11, 2020, one of the plastic segment factories caught fire which resulted in damage to assets with 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 incidents and to compensate for losses due to such an interruption of business. The Group has filed an insurance claim and is arranging the required documentation in order to finalize the claim. An insurance claim receivable of SR 17.69 million was recognized and the management is convinced 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 the insurance claim was still under process.

However, the challenges faced also presented the company with many opportunities. It enabled the company to increase efficiency by restructuring and correcting department sizes across the board, whilst also embracing digitalization in marketing and client relations. The Company also enhanced their existing product range through upgrades in enabling manufacturing of different coloured and sized products, and allowed the company to address the need for diversification of the supply chain. 2020 also showed continued growth for the Juice Cups, introduced in previous years, with increased sales volumes, and the addition of 650 new customers for that segment.

Looking forward to 2021, the company will continue to innovate its current products, whilst focusing on expanding the product range to meet requirements in currently unserved sectors. The Company looks to maintain vertical and horizontal organic growth across local markets by concentrating on continually increasing operating efficiency, with a specific focus on e-commerce.



## CONCRETE

Bawan Concrete is based in the Eastern Province of Saudi Arabia, has a branch in Jeddah in the West of the Country, and has fast established itself as a leader in its sector, by catering to the construction industry by offering the following:

- Ready Mix Concrete
- Pre-Cast Concrete Products

By adopting the latest technologies available in the industry, complimented by its market leading facilities and equipment, the Company is able to offer solutions to its customers that are more durable, economical and of a higher quality. This is also assisted by the Company's highly rigorous selection process in recruiting the correct sales staff, technical and quality control staff, production operators and administration team.

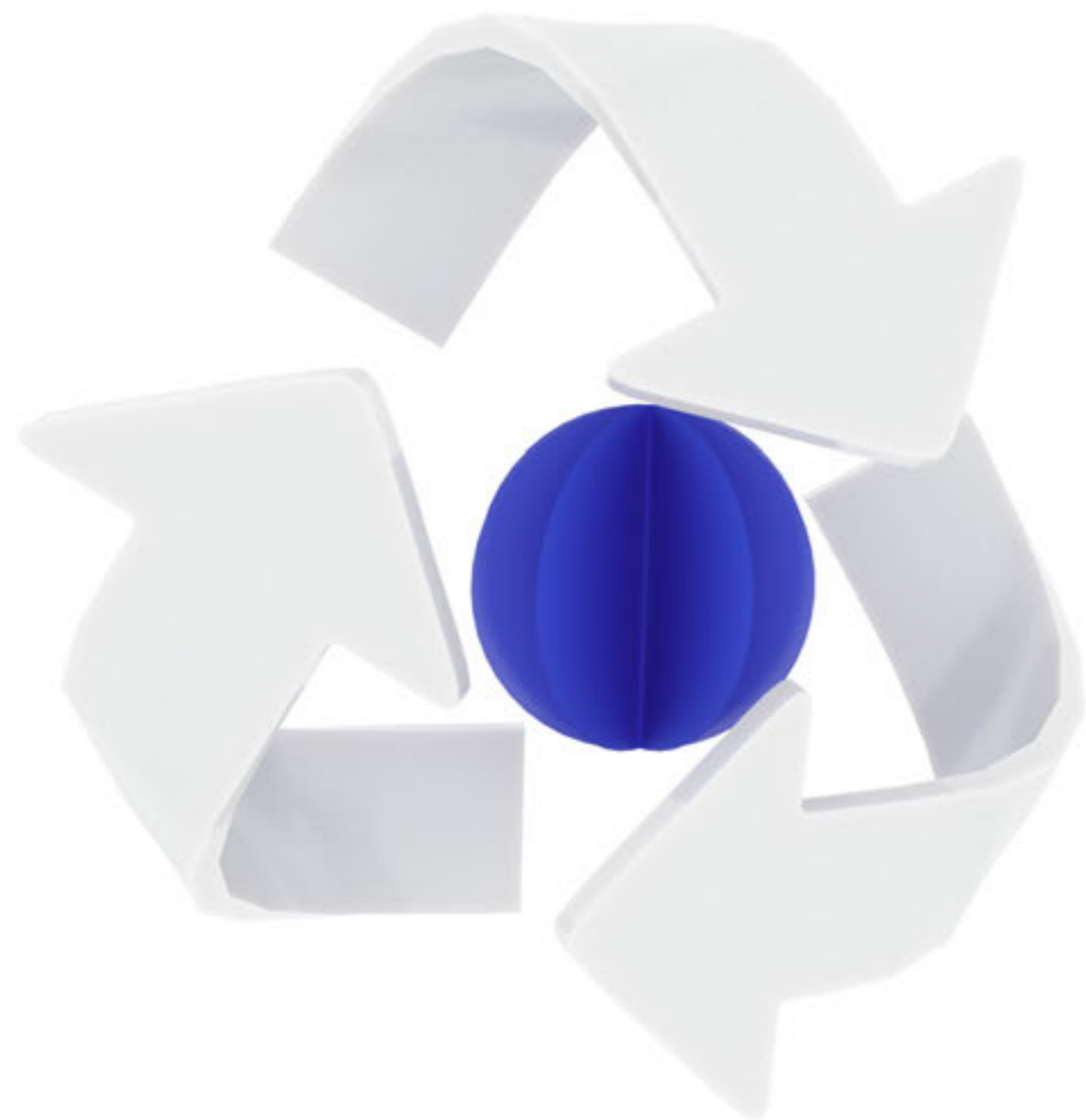
2020 brought many challenges to the Company, most notably with Covid-19. Pandemic aside, the company faced numerous challenges throughout the year, specifically in receiving investment approvals and meeting its budget. Although the industry did not appear to be as affected as others, as construction resumed relatively quickly following lock-down legislations, the Company was required, understandably, to follow very strict health and safety protocols in relation to working through the pandemic.

From a more positive standpoint, however, the Company was able to increase efficiency and add more value to customers by increasing its sales of modern products which minimized manpower costs. This increase in product offering meant that a decision was taken early in the year to increase production and take advantage of increasing margins by reducing the cost of production. Effective planning was also put in place before lockdown restrictions took effect, which meant when the Company was able to start operating again, and with a predicted surge in demand, they were fully stocked with raw materials, ready to meet the demand. The pandemic also allowed the company to renegotiate terms with its suppliers, reducing material pricing and increasing credit terms.

With a view to 2021, the Company appears to be in a healthy position as many projects were put on hold pending the outcome of the global Pandemic. As such, with the predicted sprint to complete all projects, there is expected to be good growth, in which the Company will push to ensure it secures a share in the Ministry of Housing Projects.



# 03 SUSTAINABILITY





# Sustainability

**Bawan is committed to generating positive value to all its stakeholders through its business performance, and controlled through its governance policy. The Company conducts business in a way that aligns with the Kingdom's Vision, by taking into consideration the environment and sustainability in all its productions.**

## ESG Approach

The Company ensures it works with reputable customers, more specifically those who also take social and environmental factors into consideration. These responsibilities towards building a sustainability policy in the Company acts as a stepping stone towards Bawan's commitment to environmental, social and governance (ESG) practices. The Company takes into consideration its working environment and employees, as well as all stakeholders and the society in regions in which it operates. Bawan's working values are all positioned and directed towards these goals.

## ESG Management

Whilst the Company has always integrated ESG matters into their decision making, including in the evaluation of risks and opportunities, Bawan must continue to strive to adhere to the evolving standards expected of a company in this industry. This implies consistent efforts on maintaining and taking new initiatives to ensure that the most relevant of issues concerning stakeholders and the business are addressed. Thereafter, the Company must improve in its method of communicating management approaches, targets, performance and progress around material ESG issues.

Bawan will continue to focus on the main items that are important to its senior management team in uplifting the Company's sustainability standards, that lead towards a more structured ESG policy.

## Managing Our Environmental Impacts

As part of the Company's commitment towards aligning with the country's Vision 2030 towards a more developed, sustained environment, Bawan aim to reduce their environmental operational impact from its production lines, that in turn leads to protecting the planet for the future by also reducing the carbon footprint.

## Responsible Customer Relations

Safeguarding customer interests is of paramount importance to the Company. Bawan's commitment is to professionalism, and they constantly aim towards an improved customer journey and experience. The knowledge base system is very straightforward, and it leads customers to understand their needs and employees to serve them in the simplest way possible, thus, leading employees to assist clients in making the most suitable decisions.

The Company has a dedicated quality of service team, responsible for developing the quality of the services provided. The working environment at Bawan and its subsidiaries also encourages all staff to promote customer-centricity and experience.

## Engagement

As a Company that works towards retention of highly talented and skilled employees, Bawan strives to ensure its working environment promotes harmony whilst ensuring the highest levels of professionalism.

Nurturing engagement between its highly diverse teams is one of the Company's key elements, done by giving the deserved recognition to all employees living its values. Communication and an open door policy is a theme of the norm in the Company. All voices are heard, even putting the negative before the positive, to ensure fairness amongst employees at all levels.

## Talent Development

The Company sees its employees as its assets. As a result, the Company places a heavy emphasis on investing in them, giving employees every opportunity to develop their skills, talents and leadership abilities. These developments are given through different forms of training such as in-house training or through well-established centers.

Measuring employee performance levels is also a way of developing them as they are assured that the highest performers are differentiated from the rest. This encourages employees to perform at the highest level at all times, as fairness is a policy that the Company live by.

## Compensation and Benefits

As stated above, the high performers must be distinguished from the rest and that is taken into considering in the Company's compensation policy.

Bawan encourages performance, professionalism and team work; these are elements that go into the Company's variable compensation rather than the fixed compensation, as they vary based on performance and are translated into yearend performance bonuses.

## Community and Social Responsibility

Bawan tries its best to involve themselves in the community, invest, and provide back where it can. It is part of the Company's responsibility, as a Saudi Company, to support and give back to the community. Bawan continues to contribute to various programs that aim at supporting Saudi society.

The Company succeeded in attracting many Saudi employees; the number of Saudi employees as of 31/12/2020 reached approximately 590.

The Company will continue to diversify its partnership initiatives as part of its social responsibility towards its beloved country and its esteemed people and in the public interest.

In the Company's Electric sector, as a way of giving back to the community, the Company regularly hosts regular events in a local community centre. This is given free of charge by the non-profit organization running the centre; however, as a gesture of giving back, the Company regularly donates large amounts in return.

## Corporate Governance

Note: This section provides a brief overview of the Company's corporate governance practices. For further detail, see the 'Corporate Governance' chapter of this Annual Report (pages XX-XX).

An effective corporate governance controls Company performance and productivity. Bawan aims to ensure best practices in corporate governance, and have reliable policies and procedures in place that reflect this commitment.

The Corporate Governance Framework consists of 3 Board committees – the Executive Committee, Nomination and Remuneration Committee, and Audit Committee. All these committees are managed through a proper governance policy that ensures each member of the committee knows their responsibility and the committees follow a well-governed charter.

## Managing Risk

Identifying key risks ahead of time is important to ensure business continuity is in place and no disruption to the business. Various controls and thresholds are established to ensure minimum impact if any. The Company has created policies and procedures with proper details that identifies and analyzes relevant risks.

The Company has witnessed these risks during the current year with the Covid-19 pandemic. However due to Bawan's strong business continuity plan, the Company managed to ensure spreading awareness and educating its employees and customers of the importance of the safety measurements and social distancing while conducting business.

The Company also managed many of its clients' orders through digital channels, which was established due to the covid-19 environment. Bawan will always remain risk averse to ensure they are providing the best for the Company and its stakeholders.

## Integrity

Bawan takes pride in its Code of Conduct policy, which applies to the entire Company. These include all the rules and regulations that everyone must follow to ensure integrity and transparency is adhered to across the entire Company and its subsidiaries

The Human resource department ensures that all employees are up to date with any changes in the policy and give training as and when required.

# 04 Governance

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## The company's performance during the year 2020

Although the challenges in company's main markets, the company achieved revenues during the year 2020 amounting to 2,418.1 million Saudi Riyals compared to 2,235.2 million Saudi Riyals in 2019, with an increase of 182.9 million Riyals Saudi Arabia, which represent 8.2%, while the net profit for the year attributable to the owners of the company amounted to 90.2 million Saudi Riyals compared to an amount of 26.6 million Saudi Riyals in 2019, which reflected positively on the earnings per share, which reached during the year 2020 the amount of 1.5 Saudi Riyals per share, compared to 0.44 Saudi Riyals per share in 2019.

The following table shows the summary of the consolidated balance sheet for the last five years (in thousands of Saudi Riyals):

Statement	2020	2019	2018	2017	2016
Non-current assets	766,864	869,73	462,685	635,279	654,154
Current assets	1,461,468	1,383,174	1,247,950	1,220,001	1,283,142
Total assets	2,228,332	2,252,904	1,710,635	1,855,280	1,937,296
Equity attributable to Owners of the Company	692,519	626,174	606,615	842,037	811,293
Non-controlling interests	62,900	70,63	89,483	102,296	85,095
Total equity	755,419	696,804	696,098	944,333	896,388
Non-current liabilities	243,174	391,923	104,890	101,802	110,058
Current liabilities	1,229,739	1,164,177	909,647	809,145	930,850
Total liabilities	1,472,913	1,556,100	1,014,537	910,947	1,040,908

Non-current assets decreased during 2020 by 11.8% compared to 2019, mainly due to a decrease in property items, plant and equipment, right-of-use assets, and intangible assets.

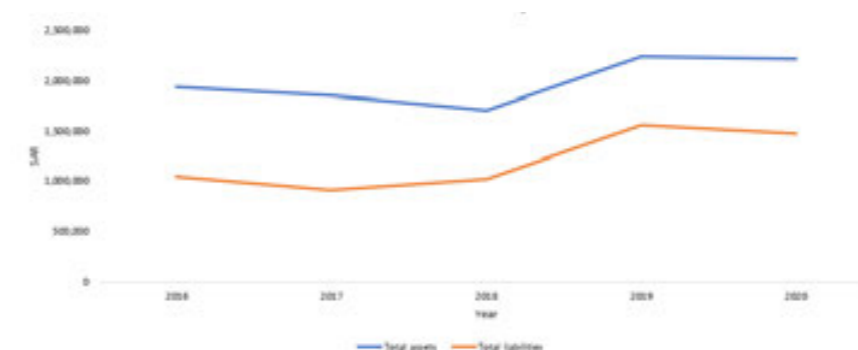
The current assets increased during the year 2020 by 5.7% compared to the year 2019, mainly due to the increase in the item of assets related to an exclusion group classified as held for sale and an increase in inventory was built to meet expected future operations.

During the year 2020, the Equity attributable to owners of parent increased by 10.6% compared to the year 2019, mainly due to the comprehensive profit achieved during the year 2020, amounting to 90.3 million Saudi Riyals. The non-controlling interests also decreased during the year 2020 by 10.9% compared to the year 2019, mainly due to its shares of losses achieved in the Electric Sector.

Non-current liabilities decreased during 2020 by 37.9% compared to 2019, mainly due to a decrease in long-term borrowings.

Current liabilities increased during 2020 by 5.6% compared to 2019, mainly due to the increase in each of the liabilities items directly related to an exclusion group classified as held for sale, the item of trade and other payables, the current portion of long-term loans, contract liabilities, and the Zakat payable component.

The following chart shows a comparison between the total assets and liabilities for the last five years (in thousands of Saudi Riyals):



The following table shows the net book value of the share for the last five years (in thousands of Saudi Riyals):

Year	Equity attributable to Owners of the Company	Net book value per share	Change from the previous year	% Change	
2020	692,519	11.54	1.1	10.6%	Increase
2019	626,174	10.44	0.33	3.20%	Increase
2018	606,615	10,11	-3.92	(28,0%)	Decrease
2017	842,037	14,03	0,51	3,8%	Increase
2016	811,293	13,52	0,80	6,3%	Increase



The following table shows the consolidated statement of profit or loss and other comprehensive income for the last five years (in thousands of Saudi Riyals) (\*):

Statement	2020	2019	2018	2017	2016
Revenues	2,418,072	2,235,233	1,953,455	2,128,752	2,318,624
Cost of revenue	2,081,420	(1,986,037)	(1,797,879)	(1,865,557)	(1,966,888)
Gross profit	336,652	249,196	155,576	263,195	351,736
Selling and distribution expenses	(75,552)	(81,427)	(46,391)	(49,103)	(57,229)
Administrative expenses	(106,735)	(105,971)	(109,649)	(106,752)	(133,336)
Impairment of goodwill, property, plant and equipment	-	-	(189,167)	-	-
Expected credit loss allowance for trade receivables**	(31,203)	(9,099)	-	-	-
Gain on disposal of an investment in financial assets at fair value through profit or loss	2,041	8,621	-	-	-
Fair Value (Loss)/Gain on an investment in financial assets at fair value through profit or loss	(182)	4,497	-	-	-
Other income	13,418	11,408	8,037	11,287	5,901
Profit (loss) before finance cost, zakat and income tax	138,862	77,225	(181,594)	118,627	167,072
Finance Cost	(29,859)	(45,164)	(26,510)	(22,261)	(26,398)
Profit (loss) before zakat and income tax	109,003	32,061	(208,104)	96,366	140,674
Zakat	(16,003)	(6,806)	(16,195)	(12,656)	(12,642)
Income tax	-	-	(24)	(348)	(966)
Profit (Loss) from continued operations	93,000	25,255	(224,323)	83,362	127,066
Loss from discontinued operations	(8,256)	(3,512)	-	-	-
Profit for the year	84,744	21,743	-	-	-
Total comprehensive income (Loss)					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement Gain / (Loss) of employee defined benefit liabilities	838	(8,125)	11,457	(1,806)	3,822
Items that may be reclassified subsequently to profit or loss:					
(Discontinued operations) Exchange differences on translating foreign	(1,947)	(105)	(886)	(1,077)	(2,322)

Total comprehensive income (loss) for the year	83,635	13,513	(213,752)	80,479	128,566
Profit (loss) for the year attributable to:					
Company owners	90,168	26,632	(218,353)	71,013	114,369
Non-controlling property rights	(5,424)	(4,889)	(5,970)	12,349	12,697
	84,744	21,743	(224,323)	83,362	127,066
Total comprehensive income (loss) for the year attributable to:					
Company owners	90,345	19,542	(208,909)	69,004	117,004
Non-controlling property rights	(6,710)	(6,029)	(4,843)	11,475	11,562
	83,635	13,513	(213,752)	80,479	128,566
Total comprehensive income / (comprehensive loss) for the year attributable to the owners of the company arising from:					
Continuous operations	94,620	21,644	(268,909)	69,009	117,009
Discontinued operations	(4,275)	(2,102)	-	-	-
	90,345	19,542	-	-	-
Earning (loss) per share (in Saudi Riyals)					
Basic and Diluted earnings	1.5	0.44	(3.64)	1.18	1.91

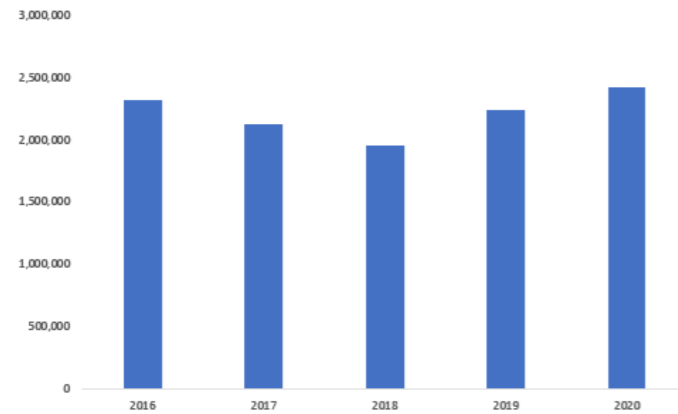
(\*) It should be noted that the consolidated statement of profit or loss and other comprehensive income for the years from 2016 to 2018 did not include the results of the plastic industries sector business, as the consolidation of the sector's business results started from January 1, 2019.

(\*\*) Expected credit loss allowance for trade receivables in the years from 2016 to 2018 was grouped in administrative expenses

The following table shows the change in revenues for the last five years (in thousands of Saudi Riyals):

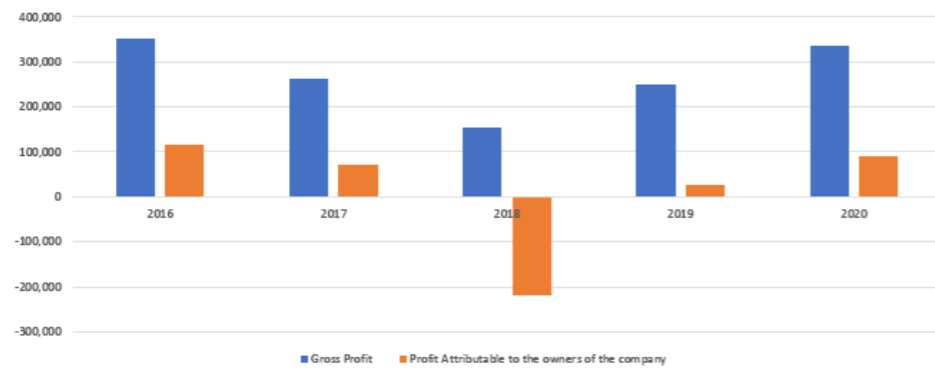
Year	Revenues	Change from the previous year	% change from the previous year	Status change from the previous year
2020	2,418,072	182,839	8.2%	Increase
2019	2,235,233	281,778	14.40%	Increase
2018	1,953,455	(175,297)	(8.2%)	Decrease
2017	2,128,752	(189,872)	(8.2%)	Decrease
2016	2,318,624	(85,356)	(3.6%)	Decrease

The following graph shows the change in revenues for the last five years (in thousands of Saudi Riyals):

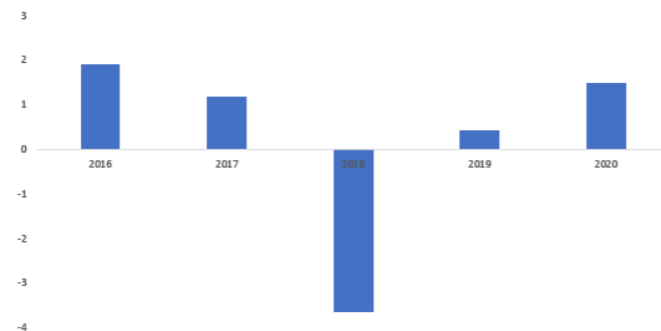


The company's revenues increased during the year 2020 compared to the year 2019 by 8.2%, this is mainly due to the increase in the revenues of the metal, wood and electrical industries, mainly affected by the increase in the quantities sold.

The following chart shows the change in profit (loss) for the year attributable to the owners of the Company and the gross profit for the last five years (in thousands of SAR):



The following graph shows the earnings (loss) per share for the last five years (in Saudi Riyals):



The reason for the increase in the net profit attributable to the owners of the company during 2020 compared to 2019 was mainly due to the increase in gross profit which was a result of an increase in revenue and improved gross profit margins, decrease in financing costs and operating expenses, and the increase in other income, despite the decrease in the profits of excluding and evaluating investment in financial assets at fair value through Profit or loss, increase in zakat expenses and loss from discontinued operation.

The revenues from the plastic sector decreased by 15.4% compared to the previous year, mainly due to the fire that occurred in one of the sector's factories during February of 2020, which in turn negatively affected the sales of XPS products in the sector. It should be noted that the sector has insurance coverage of 42.4 million Saudi Riyals to compensate for losses resulting from this accident, including compensation for losses resulting from business interruption. For more information, please refer to note 36.1 in the consolidated financial statements for the year ended December 31, 2020.

The revenues of the concrete sector decreased by 11.4% compared to the previous year, mainly due to the decrease in the quantities sold as a result of the presence of many of the sector's projects in cities that were completely banned or closed due to the Corona virus, which in turn negatively affected the distribution and supply of the sector's products.

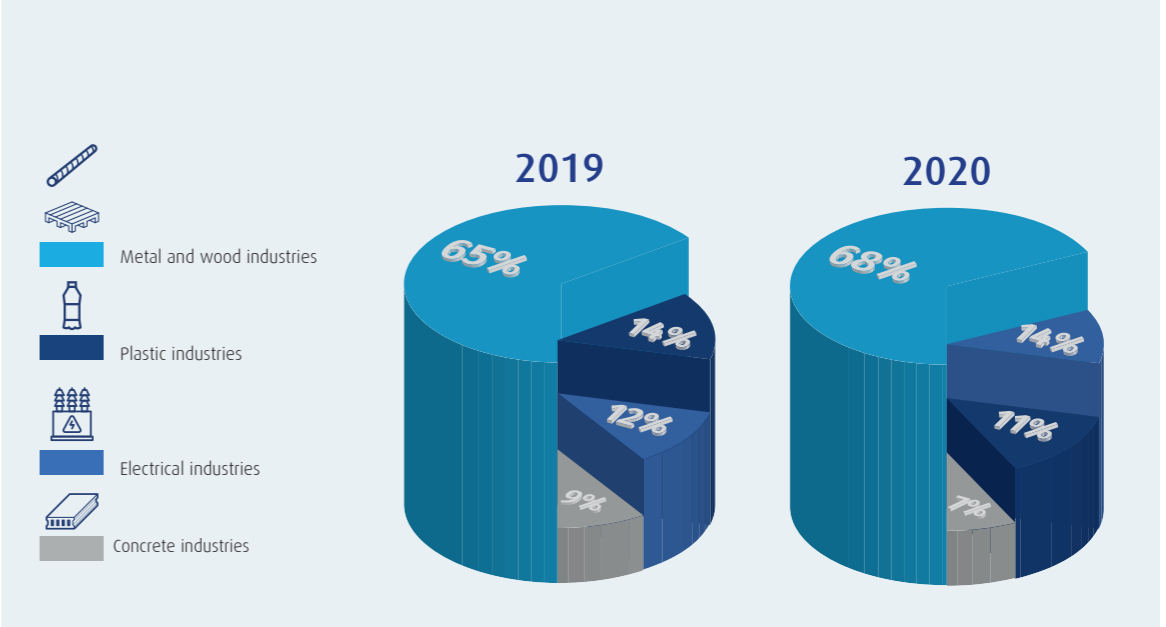
It should be noted that expected credit loss allowance on trade receivables were recorded in the amount of SR 31.2 million during the year to meet potential credit risks, compared to SR 9.1 million during the previous year.

Non-controlling interest achieved a loss during the year amounted to SAR 5.4 million compared to the previous year net loss with an amount of SAR 4.9 million, with an increase of 10.9%.

Geographic analysis of revenue:

SECTOR	2020		2019	
	Revenues	% from total Revenues	Revenues	% from total Revenues
Metal and wood industries	1,639,851	67.8%	1,463,373	65.40%
Plastic industries	262,370	10.8%	310,061	13.90%
Electrical industries	337,990	14.0%	261,029	11.70%
Concrete industries	177,861	7.4%	200,770	9.00%
Total	2,418,072	100.0%	2,235,233	100.00%

The following chart shows the percentage of the contribution of business sectors to the Group's revenues for the years 2020 and 2019:



The following table shows the geographic analysis of revenue for the years 2020 and 2019:

	Revenues from Local Market		Revenue from foreign markets	
	In thousands of Saudi Riyals	(%)	In thousands of Saudi Riyals	(%)
2020	2,339,941	96.8%	78,131	3.2%
2019	2,138,727	95.70%	96,506	4.30%

Revenues from foreign markets decreased from 4.3% in 2019 to 3.2% in 2020, mainly due to the Decrease in revenues from the wooden and plastic industries sectors from foreign markets.

The following table shows revenues according to the geographical location of the subsidiary companies' incorporation for the years 2020 and 2019:

	2020		2019	
	Revenues In thousands of Saudi Riyals	(%)	Revenues In thousands of Saudi Riyals	(%)
Saudi Arabia	2,385,993	98.7%	2,191,459	98.00%
UAE	16,844	0.7%	23,506	1,0%
Kuwait	15,235	0.6%	20,268	1,0%
Total	2,418,072	100.0%	2,235,233	100,0%

The following table shows the assets, liabilities, and business results of the operating sectors for the years 2020 and 2019 (in thousands of Saudi Riyals):

	Metal and wood industries	Plastic industries	Electrical industries	Concrete industries
<b>2020</b>				
Assets	915,618	577,445	401,008	260,576
Liabilities	482,046	427,733	335,818	153,755
Revenues	1,639,851	262,370	337,990	177,861
Profit (loss)	124,614	15,737	(40,597)	369
<b>2019</b>				
Assets	833,167	622,096	404,169	293,665
Liabilities	188,170	461,425	292,338	190,448
Revenues	1,463,373	310,061	261,029	200,770
Profit (loss)	45,756	24,414	(50,031)	3,875

The assets and liabilities of the head office in 2020 amounted to 73.7 million Saudi Riyals and 73.6 million Saudi Riyals, respectively (in 2019, 99.8 million Saudi Riyals and 123.7 million Saudi Riyals, respectively). The reason for the decrease in the head office's assets mainly due to the decrease in investment in the financial assets resulting from the IPO underwriting of Aramco.

The reason for the decrease in liabilities was mainly due to the decrease in outstanding borrowing balance.

While the net resulting expenses of new head office in 2020 amounted to 15.5 million Saudi Riyals (in 2019 it amounted to 2,3million Saudi Riyals). It should be noted that during the year 2019, the head office achieved an occasional profit resulting from the IPO subscription of Aramco.



**Significant differences in operational results, compared to previous expectations:**

The following table shows the differences in the operating results for the year 2020 compared to 2019 (in thousands of Saudi Riyals):

Statement	2020	2019	Change	%
Revenues	2,418,072	2,235,233	182,839	8.2
Cost of revenue	(2,081,420)	(1,986,037)	95,383	4.8
Gross profit	336,652	249,196	87,456	35.1
Operating expenses	(182,260)	(187,398)	5,138	2.7
Expected credit loss allowance on trade receivables	(31,203)	(9,099)	22,104	242.9
Operating profit (loss)	123,189	52,699	70,490	133.8

As a result of the increase in revenues, the gross profit increased by 35.1% from 249.2 million Saudi Riyals in 2019 to 336.7 million Saudi Riyals in 2020.

The following table shows the main financial indicators for the years 2020 and 2019:

Financial indicator	2020*	2019*
Return on assets	4.0%	1.2%
Return on revenue	3.7%	1.2%
Return on equity	13.0%	4.3%
Growth rate / (decrease) of net profits	238.6%	112.2%
Earnings per share - Saudi Riyals	1.50	0.44

(\* Profit for the year attributable to the owners of the Company was used to calculate the above ratios.

The following table shows a summary of the consolidated statement of cash flows for the years 2020 and 2019 (in thousands of Saudi Riyals):

Statement	2020	2019
Cash flows from operating activities	207,976	293,150
Cash flows from investing activities	(22,394)	(322,190)
Cash flows from (used in) financing activities	(180,383)	32,332
Net increase in cash and cash equivalents	5,199	3,292
Net foreign exchange loss	-	(30)
Cash and cash equivalents as at the beginning of the year	45,899	42,637
Cash and cash equivalents at end of year	51,098	45,899

Summary of payments made and due to the government during 2020 (In thousands of Saudi Riyals):

Declaration	Amount paid	Amount due	Summary
Zakat	11,521	18,605	Zakat is calculated on the Zakat base
General Organization of Social Insurance (GOSI)	7,735	669	Social Insurance of employees at GOSI
Costs of visas, passports and labor office fees	10,014	-	Work permit renewal fees, residency renewal fees for workers, and transfer of sponsorships and recruitment visas
Value added tax	69,710	7,064	Calculated on subject sales

**Company's Investments and reserves for its employees:**

The company did not make any investments for the benefit of its employees, and the following is a table showing the reserves that were established for the benefit of the company's employees for the years 2020 and 2019 (in thousands of Saudi Riyals):

Statement	2020	2019
Provision of End service benefits	1,209	903,7
Employees' benefits	1,500	691,6

**Total debt:**

The following table shows a summary of the total borrowings utilized by the Group as current and non-current Installments for the year 2020 (in thousands of Saudi Riyals):

Financing	current instilments	non-current instilments	Total
Short-term borrowings	518,646	-	518,646
long-term borrowings	117,891	138,539	256,430
Total borrowings	636,537	138,539	775,076

It should be noted that the financing facilities agreements obtained by the group are in line with the terms of Islamic financing.

The following is a summary of the change in borrowings for the year ended December 31, 2020 (in thousands of Saudi Riyals):

Statement	Short-term borrowings	Long-term borrowings	Total
Balance at the beginning of the year	658,275	310,161	968,436
Receipts	1,011,690	14,463	1,026,153
Repayments	(1,103,408)	(72,732)	(1,176,140)
Reclassified to Long-Term Borrowings	(35,055)	35,055	-
Debt Arranging Cost	-	328	328
Borrowings of disposal group classified as held for sale	(17,586)	(30,845)	(48,431)
Accrued Finance Cost	4,730	-	4,730
Blance at the end of the year	518,646	256,430	775,076

The following table shows the details of the total debt utilized by the group for the years 2020 and 2019 (in thousands of Saudi Riyals):

Type of financing	2020	2019
Short term borrowings	518,646	663,301
Long Term borrowings	172,256	209,931
Saudi Industrial Development Fund loans	85,355	85,355
Other loans	-	16,382
Deducts the costs of arranging the Saudi Industrial Development Fund loans	(1,181)	(1,507)
Total debts	775,076	973,462

The following table shows the total debt utilized by business sectors for the year 2020 (in thousands of Saudi Riyals):

Sector	Short term borrowings	Long term borrowings	Saudi Industrial Development Fund loan	Total
Metal and wood industries	99,982	-	-	99,982
Electrical industries	163,749	-	-	163,749
Concrete industries	26,181	-	57,996	84,177
Plastic industries	221,167	112,500	26,178	359,845
Head Office	2,837	59,756	-	62,593
Accrued Finance Cost	4,730	-	-	4,730
Total	518,646	172,256	84,174	775,076

#### Short term borrowings:

The Group obtained banking facilities ("the facilities") in the form of short-term borrowings, Islamic murabaha, forward exchange contracts, letters of credit and guarantees. The facilities carry interest at prevailing market rates and are secured by promissory notes and corporate guarantees of the group.

The following table shows the movement of amounts due to banks for the year 2020 (in thousands of Saudi Riyals):

Lender name	Financing type	Amount due as of at 31/12/2019	Borrowings of disposal group classified as held for sale	Used Financing	Reclassified to Long-Term Borrowings	Accrued FinanceCost	Paid financing	Balance as of at 31/12/2020
British Saudi Bank, Saudi Fransi Bank, Al Bilad Bank, National Commercial Bank, Riyadh Bank, Gulf International Bank, Arab Bank, Gulf Bank - Algeria	Sale sake, Islamic facilitation, Islamic tawarruq and murabahah	658,275	(17,586)	1,011,690	(35,055)	4,730	(1,103,408)	518,646

#### Bank loans:

The group has obtained bank loans from local banks that are repayable in quarterly / semi-annual installments. The facilities are subject to interest at prevailing market rates and are secured by order bonds and guarantees from the group companies.

The following table shows loans for the years 2020 and 2019 (in thousands of Saudi Riyals):

Lender name	Financing type	Financing amount	Financing term	Paid as of at 31/12/2020	Due as of at 31/12/2019
Saudi Fransi Bank, Saudi British Bank, Riyadh Bank, National Commercial Bank, Arab Bank	Islamic Tawarruq	95,500	Five years	47,000	48,500
	Islamic Tawarruq	35,055	Three years	23,800	11,256
	Murabaha	6,904	Three years	6,904	-
	Murabaha	100,000	Four years	-	100,000
	Murabaha	50,000	five years	37,500	12,500
Total					172,256

The following table shows the used part of bank loans for the years 2020 and 2019 (in thousands of Saudi Riyals):

Year	2020	2019
2020	-	12,931
2021	54,171	61,643
2022	41,671	49,143
2023	41,672	49,143
2024	34,742	37,071
Total	172,256	209,931



**Saudi Industrial Development Fund loans:**

The group has obtained various loans from the Saudi Industrial Development Fund to establish and expand concrete and plastic sector factories and to deliver an ongoing project. These loans are secured by order bonds and guarantees from the group companies and mortgage of property, plant and equipment with a book value of 403.90 million Saudi Riyals as on December 31, 2020 (December 31, 2019: Saudi Riyals 414.72 million).

Loan agreements include covenants that require certain financial ratios.

As of December 31, 2020, one subsidiary of the group was not in compliance with certain covenant, As of December 31, 2020 and 2019, the terms of these pledges did not cause them to become due on demand under the loan agreements..

The following table shows Saudi Industrial Development Fund loans for the years 2020 and 2019 (in thousands of Saudi Riyals):

Lender name	Financing type	Financing amount	Financing term	Due as of at 12/31/2019	Paid as of at 12/31/2020	Due as of at 12/31/2020
Saudi Industrial Development Fund	Government funding	33,750	Seven years and four months	5,125	-	5,125
Saudi Industrial Development Fund	Government funding	34,730	Six years and four months	27,230	-	27,230
Saudi Industrial Development Fund	Government funding	53,000	Two years and six months	53,000	-	53,000
<b>Total</b>	-	-	-	<b>85,355</b>	-	<b>85,355</b>
Deducted costs for Saudi Industrial Development Fund loans	-	-	-	(1,569)	328	(1,181)
<b>Total</b>	-	<b>121,480</b>	-	<b>83,848</b>	<b>328</b>	<b>84,174</b>

The following table shows the repayment of the utilized portion of the Saudi Industrial Development Fund loans for the years 2020 and 2019 (in thousands of Saudi Riyals):

Year	2020	2019
2020	-	6,725
2021	64,110	35,200
2022	11,025	35,200
2023	10,220	8,230
<b>Total</b>	<b>85,355</b>	<b>85,355</b>

**Reclassification of Comparison Items**

Certain comparative figures have been reclassified to conform to the current year presentation. Certain comparative amounts for the period have been reclassified with a view to improving presentation. However, these reclassifications had no material effect.

The major reclassifications were as follows:

Reclassification from	Reclassification to	Amount
Consolidated statement of profit or loss and other comprehensive income		
General and administrative expenses – Re-measurement of loss allowance	'Expected credit loss (ECL) allowance on trade receivables' presented on the face of the statement of profit or loss and other comprehensive income	9,099
Other income - Gains on disposal of investment in financial assets	'Gain on disposal of investment in financial assets at FVTPL' presented on the face of the statement of profit or loss and other comprehensive income	8,621
Other income - Fair value gain on financial assets	'Fair value gain on investment in financial assets at FVTPL' presented on the face of the statement of profit or loss and other comprehensive income	4,497
Other income - Compensation against provision for inventories	'General and administrative expenses' to be adjusted against 'provision for inventories' associated with acquisition of Arnon (Note 35)	27,955
Cost of revenue – Interest cost on employees' defined benefits liabilities	Finance Costs	3,136
Consolidated statement of financial position		
Trade and other payables - accrued finance charges	'Short-term borrowings' as accrued finance charges	5,026
Current portion of loans – representing non-current portion of loan	Long-term borrowings	21,116

These reclassifications were made in the comparative year for improved comparability and did not affect either the net worth, the net profit / (loss) or cashflows of the Group for the previous year.

**Clarification on difference from the approved accounting standards:**

There are no differences from the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards endorsed in the Kingdom of Saudi Arabia and other relevant standards issued by the Saudi Organization for Certified Public Accountants SOCPA.

**Equity and debt instruments activities:**

There are no debt instruments convertible into shares or any contractual securities, memoranda, subscription right, or similar rights issued or granted by the company or any of its subsidiaries or any of the subsidiaries of its subsidiaries during the year 2020, and there is also no redemption, purchase or Cancellation by the company of any recoverable debt instruments, and there are no transfer or subscription rights under transferable debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company or any of its subsidiaries.

**Details of shares and debt instruments issued to subsidiaries:****Bawan Metal Industries Company ("Bawan Metal")**

The capital of Bawan Metal Industries Company consists of 50,000,000 cash shares, with a share value amounting to 1 Saudi riyal per share. Bawan Company actually owns the entire shares, which represent 100% of the company's capital of 50,000,000 Saudi Riyals, and there are no debt instruments issued from it.

**Bawan Engineering Industries Company ("Bawan Engineering")**

The capital of Bawan Engineering Industries Company consists of 500,000 cash shares with a share value amounting to 100 Saudi Riyals per share. Bawan actually owns the entire shares, which represent 100% of the company's capital of 50,000,000 Saudi Riyals, and there are no debt instruments issued from it.

**Bawan Wood Industries (LLC)**

The capital of Bawan Wood Industries Company consists of 500,000 cash shares, with a share value amounting to 100 Saudi Riyals per share, and Bawan has 475,000 shares representing 95% of the company's capital of 50,000,000 Saudi Riyals, and there are no debt instruments issued from it.

**United Company for Wood and Metal Products ("United Wood and Metal")**

The capital of the United Wood and Metal Products Company Ltd. consists of 25,680 cash shares, with a share value amounting to 1000 Saudi Riyals per share, and Bawan Company owns 24,396 shares representing 95% of the company's capital of 25,680,000 Saudi Riyals, and there are no debt instruments issued from it.

**Bina Holding for Industrial Investments ("Bina Holding")**

The capital of Bina Holding for Industrial Investments consists of 10,000 cash shares, with a share value amounting to 500 Saudi Riyals per share. Bawan Company owns 5,675 shares, which represent 56.75% of the company's capital, which amounts to 5,000,000 Saudi Riyals, and there are no debt instruments issued from it.

**Arnon Plastic Industries Company ("Arnon")**

The capital of Arnon Plastic Industries Company, a limited liability company, consists of 450,000 cash shares, with a share value amounting to 100 Saudi Riyals per share. Bawan Company owns the full shares, which represent 100% of the company's capital of 45,000,000 Saudi Riyals, and there are no debt instruments issued from it.

**Company activities and strategy:**

Bawan is a public shareholding company registered in the Kingdom of Saudi Arabia under the Commercial Registration No. 1010033032 issued on Shawwal 9, 1400H, corresponding to August 20, 1980. The company's capital is 600 million Saudi Riyals, divided into 60 million shares, each share value amounts of 10 Saudi Riyals.

Bawan has diversified its business through its various industrial sectors (metallurgical industries, electrical industries, wood industries, concrete industries and plastic industries), which enable the company to obtain a continuous cash flow, in addition to that, this diversity in the company's business, products and markets has helped reduce the negative effects of economic fluctuations and its reflections.

Bawan will continue its continuous efforts to invest in other industrial activities to support the industrial and construction sectors, and to complement its current activities to obtain the best levels of economic and investment diversification and risk distribution.

**SUBSIDIARIES**

Bawan Company owns a number of subsidiaries in different proportions. The following table shows the company's subsidiaries and the ownership percentage and the main activity of each company:

Company name	Share capital	Ownership percentage
Bawan Metal Industries Co. LLC	50,000,000	100,0%
Bawan Engineering Industries Co. LLC	50,000,000	100,0%
Bawan Wood Industries Co. LLC	50,000,000	95,0%
United Company for Wood and Metal Products Co. LLC	25,680,000	95,0%
Bina Holding for Industrial Investments LLC	5,000,000	% 56,75
Arnon Plastic Industries Co.	45,000,000	100,0%

**Bawan Metal Industries Company (Limited Liability Company):**

A limited liability company registered in the commercial registration issued on 08/12/1416 in Dammam, Kingdom of Saudi Arabia, with capital amounting of fifty million (50,000,000) Saudi Riyals. The main activities and business of the company is Iron cables, sheet cutting, flat bar rolls, epoxy reinforcement, wheelbarrows, steel doors and aluminum products, the main markets of the company's activity are located in the Kingdom of Saudi Arabia.

The company owns several factories spread in the main regions of the Kingdom of Saudi Arabia, which are Riyadh, Jeddah and Dammam.

**Bawan Engineering Industries Co. LLC**

A limited liability company registered under the commercial register issued on 08/29/1431H in Riyadh, Kingdom of Saudi Arabia/ with a capital amounting of fifty million (50,000,000) Saudi Riyals, and its main activity consists of manufacturing and developing transformers, stations and electrical circuit breakers, marketing and distributing these products inside and outside the Kingdom of Saudi Arabia. , The main markets for the company's activity are located in the Kingdom of Saudi Arabia, and through its subsidiaries, the company exports some of its products to the Middle East and Africa.

**Bawan Engineering Industries owns the following companies:**

1. The United Electrical Transformers Company - Saudi Arabia ("Utech - Saudi Arabia"), the company owns 85.5% of its capital shares, in which this company is specializing in the manufacture and production of oil-submerged distribution transformers with a capacity of 3150 KVA and a high voltage of up to 36 KV. Also Utech - Saudi Arabia owns United Electrical Transformers Company - Algeria ("Utech - Algeria"), with ownership percentage of 49%, which is still in the process of establishment and it is a company specializing in the manufacture of electrical transformers of various types and energies, electrical distribution stations and distribution panels of low, medium and high voltage. On January 31, 2021, Bawan announced that Saudi Utech had signed a sale of shares with Industry Technology Electric Company, in order to sell its entire stake in Utech Algeria at a value of 8 million US dollars (the equivalent of approximately 30 million Saudi Riyals).

2. United Transformers Electric Company ("USSG"), with a ownership percentage of 85.5%, where this company is specializing in the manufacture and production of electrical distribution stations, low voltage distribution panels and medium voltage circuit breakers.

3. Bawan Electrical Company Ltd. - Saudi Arabia, 100% owned by the company, where it is specialized in the manufacture and production of electrical panels, circuit breakers, wires and cables.

**Bawan Wood Industries Company (LLC):**

A limited liability company registered under the commercial registration issued in Dammam on 06/25/1413 in the Kingdom of Saudi Arabia with a capital amounting of fifty million (50,000,000) Saudi Riyals, and its primary activity consists of the production of wooden pallets, wooden boxes, plywood panels, medium and high density panels Clad with decorative paper, wooden floors, wooden spools, and wooden decorations, the main markets of the company's activity are located in the Kingdom of Saudi Arabia, and some of its subsidiary companies operate in both the United Arab Emirates and the State of Kuwait.

Bawan Wood Industries Company spreads inside and outside the Kingdom to serve its customers as it owns factories distributed over various areas, including Riyadh, Dammam, Jeddah, Jubail, Yanbu and Rabigh. Bawan Wood Industries also owns the following subsidiaries:

1. Inma Pallets Company Limited ("Inma Pallets"), a limited liability company located in Jubail - Kingdom of Saudi Arabia, 100% owned by the company, where it is specializing in the manufacture and production of wooden pallets.
2. Al-Raya Wood Works Establishment, a sole proprietorship located in the United Arab Emirates, 100% owned by the company where it is focusing on the manufacture of wooden pallets and the manufacture of wooden boxes and containers.
3. Al-Raya Company for Wood Works, a limited liability company headquartered in the State of Kuwait, 100% share capital owned by the company where it is specializing in the manufacture of wooden pallets and the manufacture of wooden boxes and containers.
4. United Lines Logistics Services Company Limited ("ULLS"), a limited liability company, headquartered in Dammam - Kingdom of Saudi Arabia, with 100% ownership owned by the company where

it is specializing in support services, supply and catering, storage, cooling, loading, unloading, receiving and delivering goods.

**United Wooden and Metal Products Company (LLC):**

A limited liability company registered under the commercial issued in Riyadh on 05/02/1409 in the Kingdom of Saudi Arabia with a capital amounts to twenty-five million six hundred and eighty thousand (25,680,000) Saudi Riyals, where the company's activities consists of the production of wooden packaging materials and wooden products covered with Formica, plywood coated with a thin layer, the panels covered with decoration and melamine. These products are marketed and distributed inside and outside the Kingdom of Saudi Arabia, where the main markets of the company's activity are located in the Kingdom of Saudi Arabia.

**Bina Holding for Industrial Investments ("Bina Holding")**

A limited liability company registered under the commercial registration issued in Khobar, Kingdom of Saudi Arabia, on 11/26/1430. Where its capital amounts to five million (5,000,000) Saudi Riyals, and its main activity consists of developing prefabricated products that are used in buildings and ready-mixed concrete. The company is located in the Kingdom of Saudi Arabia.

**Bina Holding owns the following subsidiaries:**

1. Bina Advanced Concrete Products Company ("Bina Precast"), a limited liability company, headquartered in Khobar - Kingdom of Saudi Arabia, owned by the company with ownership percentage of 93.2%, where this company is specialized in manufacturing precast concrete products.
2. Bina Ready-Mix Concrete Products Company ("Bina Ready-Mix"), a limited liability company, headquartered in Khobar - Kingdom of Saudi Arabia, 100% owned by a company where it is specialized in manufacturing and producing ready-mixed concrete.
3. Al-Ahliyah Transport Company Limited., a limited liability company, headquartered in Khobar - Kingdom of Saudi Arabia, 100% owned by the company, where It is specialized in the business of transportation and transport trucks.

4. Total Building Company, a limited liability company, headquartered in Khobar - Kingdom of Saudi Arabia, 100% owned by the company where it is specialized in general contracting works for buildings.

**Arnon Plastic Industries Limited One-Person Company (Limited Liability):**

A limited liability company registered under the commercial registration issued in Dammam, Kingdom of Saudi Arabia on 1/01/1420 with capital amounting of forty-five million (45,000,000) Saudi Riyals, and its primary activity consists of selling tools and plastic materials, and producing foils for packaging and insulation of polyethylene foam and bottles Polyethylene and transparent packages of PET, polyethylene, production of polyethylene bottles. These products are marketed and distributed inside and outside the Kingdom of Saudi Arabia and the main markets for the company's activities are located in the Kingdom of Saudi Arabia, and the company also exports some of its products to the Middle East region.

**Important Events in 2020:**

The most important material developments and events that took place during the year 2020 for Bawan Co. and its subsidiaries are summarized as follows:

**Bawan Company:**

- On 04/08/2020, the company announced the material development pursuant to the precautionary directive issued by the Government to contain spread of coronavirus by the precautionary measures and preventive measures taken to confront the Coronavirus, as precautionary measures and preventive measures taken by the competent authorities in the Kingdom of Saudi Arabia to limit the spread of the new Corona virus (COVID- 19), Bawan announces that all its sectors are still operating, but the complete curfew in some cities of the Kingdom has affected the distribution and supply of products in some sectors. Given the difficulty of determining the duration of these precautionary measures and preventive measures by the competent authorities, the company is currently unable to determine the size of the resulting financial impact.

Due to the difficulty in determining the duration of these temporary precautionary and preventive measures, it is currently not possible for the company to accurately determine the financial impact expected in light of this period.



- On 10/25/2020, the company announced the distribution of cash dividends to shareholders for the first half year 2020, with a total amount of 24 million Saudi Riyals, with dividends distribution per share amounted to 0.40 which represent a percentage of 4% from the total company's shares, and to be eligible for 60 million shares, provided that the eligibility of dividends shall be for the shareholders whose owns shares on maturity Tuesday, November 10, 2020, and registered with the Securities Depository Center Company (Depository Center) at the end of the second trading day, and the distribution to be on 25th November 2020.

- On 10/25/2020, the company announced the Board of Directors' recommendation to the company's general assembly regarding the company's desire to buy its shares in order to keep them as treasury shares, with a maximum number of 3 million shares, in which does not exceed 5% of the total company's shares. The company explained that the purpose of the purchase of this shares is to keep them as treasury shares for future use for any acquisition of shares or to purchase of any asset. It was also clarified that the number of shares to be purchased is 3 million as a common Stock, and that the purchase will be funded from the company's own resources.

It also stated that it is necessary to obtain the approval of the extraordinary general assembly on the procurement process, after fulfilling with the conditions of clause number 3 of Article 12 of the regulatory controls and procedures issued in implementation of the Companies Law, provided that a report issued by the company's certified accountant is submitted according to the requirements of this clause.

#### Plastic industries sector:

On 02/11/202, Bawan Company announced that one of Arnon Plastic Industries Co. factories, located in in Dammam, was exposed to a fire where it was controlled without any injuries among the workers of the factory. It has been also stated that the company has an insurance coverage for such disaster, in addition to a compensation for any failure of operation. Also it has been stated that the company will announce later on the financial impact of this incident after the determination fire effects and after the date of reopening.

#### Engineering industries sector:

- On 06/19/2020, Bawan Company announced the latest update on the signing contracts dated on 19 June 2019, with regards to an acquisition contracts related to two of the company's subsidiaries, namely the United Transformers Electric Co. Ltd., which is indirectly owned by Bawan with ownership percentage amounted to %85.5, and United Transformers Electric Company ("the merging company") indirectly owned by Bawan with ownership percentage amounted to %85.5, it was stated that the feasibility of the merger is still under review, and the company does not expect any material financial impact on this, and furthermore the company will announce any material developments regarding this merger deal in a timely manner.

Later on 02/03/2021, the company announced that the management, in coordination with the partners in the companies involved in the merger agreement, had re-evaluated the feasibility of the merger deal and the appropriateness of withdrawing it, and the company's management considered the futility of the deal. As a result, the partners in the companies, parties to the merger agreement, issued the necessary decisions to abandon the deal, and the necessary approvals were obtained from the Ministry of Commerce.

- On 11/16/2020, Bawan Company announced that United Transformers Electric Company, one of Bawan's subsidiary owned by 85.5%, has signed an agreement to supply electrical unit substations with Saudi Electricity Company, where the contract value amounted to 115.0 million Saudi Riyals. It also expected that the signed agreement will have a positive impact on the company's financial results during the year 2021 and the first quarter of 2022. The company also clarified that the agreement is optional for the Saudi Electricity Company and it is binding on the United Technology of Electric Substation and Switchgears Company.

- On 11/26/2020, Bawan Company announced the signing of contract of United Transformers Electric, one of Bawan's subsidiary owned by 85.5%, to supply electrical distribution transformers with Saudi Electricity Company, where the contract value amounted to 82.4 million Saudi Riyals. Which expectation of a positive impact on the company's financial results during the year 2021 and the first quarter of 2022. The company also clarified that the agreement is optional for the Saudi Electricity Company and it is binding on the United Transformers Electric Company.

- On 01/31/2021, Bawan Company announced to the stakeholders that Utec Saudi (the seller) has signed a shares sale contract with Industry Technology Electric Company (Algerian partner / the buyer) on 28/01/2021, to sell its entire 49% equity stake in Utec Algeria, with a value of USD 8.0 million (equivalent to SAR 30 Million approximately).

The main terms of the deal were as follow:

- 1- The completion of the transaction is conditional upon obtaining all regulatory approvals from the relevant authorities.
- 2- The two parties have agreed that the effective date of the share sale contract is 12/31/2020.

The net book value of Utech Algeria as of December 31, 2020, amounted to 25.8 million Saudi Riyals, including direct loans granted to it by Saudi Utech in the amount of 20.3 million Saudi Riyals. Bawan's share of the net losses of Utec Algeria amounted are as follow:

- 1- 2018: 0.9 million Saudi Riyals.
- 2- 2019: 1.5 million Saudi Riyals.
- 3- 2020: 4.2 million Saudi Riyals.

This sale will generate a capital profit for Saudi Utec, estimated at approximately 4.2 million Saudi Riyals, the share of Bawan Company is approximately 3.6 million Saudi Riyals. The total impact of this sale on Bawan Company is a comprehensive profit of approximately 1.5 million Saudi Riyals, after closing the balance of foreign currency translation differences of approximately 2.1 million Saudi Riyals, and it is expected that the financial impact will appear during the first quarter of the fiscal year 2021. The proceeds of this transaction will be used to enhance the cash flow and support the company's future operations and plans.

It should be noted that the reasons for the deal are in line with the company's strategy to focus on investments that reduce potential risks and maximize shareholder returns.

#### Related parties transactions:

The following table shows a summary of the transactions with the Related Parties:

#### A) Sales during the year 2020 in which Members of the Board have an interest:

#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
1	Bawan Metal Industries Company	Masdar Building Materials	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	80,343.3
		Madar Building Materials	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	66,333.0
		Building & Construction Co	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	Based on purchase order	NA	5,960.6

#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
2	Bawan Wood Industries Company	Madar Building Materials	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	7,688.0
		Madar Hardware Co	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	87.7
		Masdar Building Materials	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	3,737.8

#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
3	United Company for Wood and Metal Products	Masdar Building Materials	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	139.8

#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
4	Bina Holding for Industrial Investments	Projects & Supplies Company Ltd	Mr. Abdullah bin Abdul Latif Al Fozan	Providing concrete products	Based on purchase order	N/A	222.8
		Madar Building Materials	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One Year Autorenewal	4,498.7
		Nassaj Real Estate Development Company	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Providing concrete products	10/16/1436 Corresponding 01/08/2015 Corresponding 01/08/2015	06/11/1441 corresponding to 02/05/2020	30.9
		Thabat Construction Company Ltd.	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Providing concrete products	09/12/1439 Corresponding 08/20/2018	Expires on 02/23/1443, corresponding to 09/30/2021*	10,799.0
		Latifia   Al Latifia Trading & Contracting Co.	Mr. Essam bin Abdulkader AlMuhaidib	Providing Concrete Products	08/12/1436 Corresponding 09/21/2015	expires on 05/16/1442 corresponding to 12/31/2020*	2,237.0

\* The contract has been extended for 9 months to complete the agreed work.

\* The contract has been extended for 9 months to complete the agreed work.

#	First Party	Second Party	N/Ame of Board Member, Executive MaN/Agement, or their related party	N/Ature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
5	Arnon Plastic Industries Company	Madar Building Materials	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Sell commercial products	Based on purchase order	N/A	726.2
		Almehbaj Co.	Mr. Essam bin Abdulkader AlMuhaidib	Sell commercial products	Based on purchase order	N/A	305.3
		Panda Retail Company	Mr. Essam bin Abdulkader AlMuhaidib	Sell commercial products	Based on purchase order	N/A	244.7
		Masdar Building Materials	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Sell commercial products	Based on Purchsae Order	N/A	398.5
		Alromansiah Co.	Mr. Essam bin Abdulkader AlMuhaidib	Sell commercial products	Based on Purchsae Order	N/A	261.2
	Al Marai Co.	Mr. Essam bin Abdulkader AlMuhaidib	Sell commercial products	05/17/1442 corresponding to 01/01/2021	06/30/1446 corresponding to 12/31/2024		25193.9
6	United Technology of Electric Substations and Switchgears Company	Madar Building Materials	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Sell commercial products	05/29/1437 corresponding to 03/09/2016	One year autorenewal	427.9

## B) Sales during the year 2020 in which One Member of the Board has no interest

#	First Party	Second Party	Relationship with the company	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
1	Bina Advanced Concrete Products Company	General Manager of Bina Industrial Investments Holding Company	General Manager of Bina Industrial Investments Holding Company	Providing concrete products	12/29/1437 corresponding to 01/05/2016	One year autorenewal	89.7
		Partner in Bina Factory for Advanced Concrete Products	Partner in Bina Factory for Advanced Concrete Products	Providing concrete products	Based on purchase orders	N/A	14.0
2	United Transformers Electric Company	Wilson Transformers Corporation Pty Ltd.	Partner in the United Transformers Electric Company - Saudi Arabia	Selling electrical products	Based on purchase orders	N/A	4,043.4

## C) Procurements made during 2020 in which one of the board members has an interest:

#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
1	Bawan Metal Industries Company	Masdar Building Materials Company	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	4566.2
2	Bawan Wood Industries Company	Madar Building Materials Company	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	268.6
		Masdar Building Materials Company	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	3255.5
3	United Wooden & Metal Products Company Ltd.	Masdar Building Materials Company	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	325.2

#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
4	United Transformers Electric Company	Madar Company for Hardware and Tools	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Based on Purchasing of materials	Based on purchase orders	N/A	195.5
		Madar Building Materials Company Ltd.	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Based on Purchasing of materials	Based on purchase orders	N/A	4459.2
		Masdar Technical Supplies Company Ltd.	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Based on Purchasing of materials	Based on purchase orders	N/A	1087.5
		Madar Electricity Materials Company Ltd.	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Based on Purchasing of materials	Based on purchase orders	N/A	12.3



#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
5	Bena Industrial Investments Holding Company	Madar Building Materials Company	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	03/29/1437 corresponding to 01/09/2016	One year autorenewal	4915.6
		Masdar Building Materials Company	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	02/07/1433 corresponding to 01/01/2012	One year autorenewal	365.5
		Madar Company for Hardware and Tools	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Selling and providing commercial services	3/18/1436 corresponding to 01/09/2015	One year autorenewal	239.9
		Masdar Technical Services Industry Co., Ltd	Mr. Essam bin Abdulkader AlMuhaidib Mr. Raed bin Ibrahim Al Mudaiheem	Selling and providing commercial services	28/01/1440 corresponding to 08/10/2018	One year autorenewal	79.6
	Emdad Human Resources Supply Company for Recruitment	Mr. Essam bin Abdulkader AlMuhaidib	Hiring and recruitment	04/03/1437 corresponding to 12/16/2015	One year autorenewal	3231.0	

#	First Party	Second Party	Name of Board Member, Executive Management, or their related party	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
6	Arnon Plastic Industries Company	Saudi Industrial Machinery Company - SIMCO	Mr. Abdullah bin Abdul Latif Al Fozan	Purchasing of materials	Based on purchase orders	N/A	3.0
		Integrated Distribution Solutions Company	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Purchasing of materials	Based on purchase orders	N/A	25.4
		Gulf Riyadhah .Co	Mr. Abdullah bin Abdul Latif Al Fozan	Purchasing of materials	Based on purchase orders	N/A	23.5
		Spring Water Factory Company Ltd	Essam Al Muhaideb	Purchasing of materials	Based on purchase orders	N/A	30.0
	Madar Electricity Materials .Company Ltd	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Fozan bin Mohammed Al Fozan	Purchasing of materials	Based on purchase orders	N/A	404.8	

**D) Purchases and Royalties fee during the year 2020 in which one of the board members has no interest:**

#	First Party	Second Party	Relationship with the company	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
1	United Transformers Electric Company	Wilson Transformers Company Ltd.	Partner in United Transformers Electric Company	Royalty fees	08/30/1438 corresponding to 05/06/2017	Five years	849.0
				Purchasing of materials	Based on purchase orders	-	152.2
2	Bina Holding for Industrial Investments	Al Faris Group	Partner in Bina Holding for Industrial Investments	Selling and providing commercial services	01/26/1433 corresponding to 01/01/2011	One year autorenewal	351.7

**E) Operating lease expenses, management fees and commission paid:**

#	First Party	Second Party	Relationship with the company	Nature of work or act	Contract date	Duration of work or act	Contract Value (In thousand Saudi Riyals)
1	Bawan	Al Oula Real Estate Development	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Essam bin Abdulkader AlMuhaidib Mr. Fozan bin Mohammed Al Fozan	Leasing agreement of Bawan Head Office	04/25/1440 corresponding to 01/01/2019	One year autorenewal	405.0
		BLOM Invest KSA	Mr. Abdullah bin Abdul Latif Al Fozan Mr. Essam bin Abdulkader AlMuhaidib Mr. Fozan bin Mohammed Al Fozan	Managing an investment portfolio	3/14/1441 corresponding to 11/11/2019	One year autorenewal	200.0

All contracts mentioned above were approved by the general assembly of the company held on 05/13/2020, and the licensing for these transactions for a coming year except for the transactions that follow this date.

Referring to the contracts and agreements mentioned in the tables above, the company's management confirms that these agreements are based on purely commercial bases without any preferential conditions in the interest of the company and shareholders. The company and its board members also confirm their compliance with Articles (71) and (72) of the Companies Law issued by the Ministry of Commerce and Investment and accordance to the Corporate Governance Regulations issued by the Capital Market Authority, and all contracts with related parties shall be endorsed by the company's General Assembly.

**Zakat and income tax:**

The group is subject to both zakat and income tax in accordance with the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia. The company and its 100% owned Saudi subsidiaries file zakat returns on a consolidated basis, where the other subsidiaries file their zakat and income tax returns individually.

Provision for zakat and income tax is made on an accrual basis, where Zakat is calculated on the basis of the Zakat base or the adjusted net profit, whichever is greater, while the income tax is calculated on the basis of the adjusted net profit.

Any differences in the estimate are recorded upon approval of the final assessment and at that time the provision is closed, and the zakat and income tax charged is included in the consolidated statement of profit or loss and other comprehensive income, furthermore zakat and income tax are calculated using ratios in accordance with the applicable laws and regulations.

**The following table shows the amount of zakat and income tax that was paid during the years 2020 and 2019:**

	2020	2019
Zakat paid during the year	(11,521)	(13,258)
Income tax paid during the year	-	(56)

The Company and its 100% effectively owned Saudi Arabian subsidiaries submit zakat returns on a combined basis. Other Group subsidiaries submit their zakat and income tax returns independently.

Zakat returns for the Company have been filed and paid for all years through to 2019 and zakat certificates have been received. In 2018, the Company received the final assessments for the years from 2010 to 2014 claiming additional zakat liability of SR 7.83 million. The Company settled the additional zakat liability for the years from 2011 to 2014 and raised an objection against the 2010 final assessment by SR 2.82 million. During 2019, the Company's objection was accepted and an amount of SR 0.21 million was paid to settle the final assessment for the year 2010.

During 2020, the Company received the final assessments for the years from 2015 to 2018 claiming additional zakat liability of SR 2.15 million. The Company settled part of the additional liability by SR 0.51 million and raised an objection on the remaining balance of zakat liability under the aforementioned assessments.

The status of the final zakat and income tax assessments of the other Group's subsidiaries is disclosed in their respective financial statements.

**Future expectations and risks faced by the company and its subsidiaries:**

**Company's and its subsidiaries future expectations:**

- Improving the efficiency of production lines, which may have positive effects such as reducing costs and increasing production capacity.
- Adding industrial and engineering services in the electrical industries sector and providing services, consultations and related technical installations that would open new markets in addition to increasing the volume of revenues.
- The company continues its plans to search for investment opportunities to acquire sectors and activities in line with its strategy to be able to increase its services at the local and international level, which would achieve the company's goals and develop the rights of its shareholders. In addition, as an extension of the company's expansion plans and increasing its market share, the company acquired, during the year 2019, Arnon Plastic Industries Company, one of the major and important acquisition made by Bawan as one of its strategy to achieve diversification in its commercial business, which will contribute to increasing the segment of its customers and products, and to increase its revenue and cash flow.

**Company's and its subsidiaries risks:**

The company is exposed to some risks related to its business and its subsidiaries, the following table summarize the risks and measurements taken by the company in order to reduce these risks:

Risks	Company procedures to reduce these risks
High energy prices and electricity tariffs	The company continues to implement its strategy, which is to raise the efficiency of its business and rationalize spending to reduce this impact on the company's profitability.
Raw material price fluctuation	The company has set conservative policies to ensure that it is not exposed to risks that may result from sudden changes in the prices of raw materials, as it confirms requests for raw materials as soon as it receives customers' purchase orders, and limits its inventory to conservative purchases as a guarantee of its business.
Fluctuations in currency rates	When the company purchases equipment or materials from outside the Kingdom in foreign currencies, it fixes the exchange rates of these currencies with the Saudi Riyal in the event of an agreement with suppliers to avoid any fluctuations in prices. The company also requires, in the event that any of its products are exported Outside the Kingdom, that the prices shall be in US dollars, in order to avoid any risk of fluctuation in currency rates, as the value of the Saudi Riyal exchange is fixed against the US dollar.
Focusing on the main and major clients	The company is constantly seeking to add local and external clients to expand the customer base and reduce dependence on limited major clients.
Commitment to Saudization	-Follow up, understand and implement the regulations issued by the Ministry of Labor regarding the Saudization and Nitaqat program. - Work to create an attractive work environment for Saudi employees. -Attracting Saudi talent. -Preparing internal training programs to qualify Saudi employees.

Domestic and foreign competition	The company is always working to increase its revenues, rationalize and reduce operating costs and production inputs by continuously qualifying suppliers of raw materials, increasing their production capacities and opening new markets.
Credit risk	The company distributes its use of Islamic credit facilities to many donors for these facilities to ensure the continued provision of the company's credit needs at competitive prices.
Reliance on major suppliers	The company is working to increase the number of its main suppliers of raw materials through the procurement departments and has put in place technical controls that ensure the qualification of additional suppliers while maintaining the high-quality levels in force with the company in terms of material efficiency and commitment to supply dates at competitive prices as it is working on reviewing private contracts to suppliers periodically to ensure that their contractual obligations are met.
Regional situations	The company is working continuously to open new in order to reduce the risks of receding some regional markets as a result of political, economic and security fluctuations.
Production techniques change	The related departments of the company follow the development of production techniques by attending and participating in specialized international exhibitions, in addition to the conclusion of some agreements that include transfer and modernization of technology in the fields in which the company operates.
Disruption of some production lines	The company has appointed maintenance departments qualified with specialized technicians while keeping spare parts for production lines to handle any breakdown or interruption to any of its lines. - The company is working to develop some small surrounding industries through which it conducts some production operations in conformity with the specifications in order to supply the company with these energies when needed. - The company works on producing and stockpiling some of its products with approved specifications and required in its markets, selling them and updating them on an ongoing basis to fulfill any obligations in the event of any breakdown of any of the production lines. The company operates a system of regular maintenance for the main production lines, which helps to avoid some routine faults.
Products transportation to customers	The company owns many transport trucks and conducted many agreements with several transport companies to work on shipping goods to its customers in various regions and with competitive prices.
Adequacy of insurance coverage	The Group continuously reviews its insurance policies to ensure their adequacy and update them on an ongoing basis.

**Dividends distribution policy:**

The Dividends of the company are distributed after deducting all general expenses and other costs as follows:

1- Appropriation of 10% of the net annual profits to form the statutory reserve, and the Ordinary General Assembly may stop this deduction whenever the mentioned reserve reaches 30% of the paid capital.

2- The Ordinary General Assembly, based on the Board's recommendation may allocate a percentage of the net profit to establish a consensual reserve for specific reasons that are determined in the establishment of that reserve's resolution by the General Assembly.

3- The Ordinary General Assembly may establish other reserves to the extent that would accomplish the Company's benefit or ensure the distribution of dividends as stable as possible. That mentioned General Assembly may allocate amounts of the net profit to establish social establishments for the benefit of employees or to assist such existing establishments.

4- Dividends are then distributed to shareholders with a minimum amount that is equal to 5% of the paid-up capital.

5- In accordance to the provisions of Article (Twenty-second) of the company's bylaw, and Article (seventy-six) of the Companies Law, a percentage not exceeding (10%) of the remainder shall be allocated as remuneration to the Board of Directors if the remuneration is a specific percentage of the company's profits, provided that The entitlement to this remuneration is proportional to the number of sessions the member attends.

6- After fulfilling with the relevant regulations, the company may distribute semi-annual or quarterly profits to the shareholders, and the Board of Directors may be authorized to do so.

Each shareholder is entitled to his share in the profits in accordance with the resolution of the General Assembly issued in this regard, and the resolution shall specifies the date of entitlement and the date of distribution, and shall be for the shareholders registered in the shareholders' records at the end of the date specified for entitlement.

During the meeting held on 05/13/2020, Bawan's General assembly approved the authorization of the Board of Directors to distribute interim dividends to shareholders on a semi-annual or quarterly basis for the fiscal year 2020, with the determination of the due date and the date of distribution in accordance with the Regulatory-Rules-and-Procedures-issued-pursuant-to-the-Companies-Law and in proportion to the company's financial position, the Board of Directors of Bawan has approved the distribution of dividends during the year 2020 for the first half as follow:

	25/11/2020	04/04/2021*	Total
Percentage of Dividend to the Share Par Value	4.00%	6%	10%
Distribution percentage of net profit for the related period	78.30%	60.50%	138.80%
Total Dividend for the related period	30.669	59.499	90.168
Total Amount of Dividend Distributed (Saudi Riyals)	24 million Saudi Riyals	36 million Saudi Riyals	60 million Saudi Riyals

(\* On 03/07/2021, the company announced on Tadawul website the the Board of Directors resolution with regard distribution of cash dividends to shareholders for the second half of the year 2020.

**Company's ownership and Board of Directors, and its sub-ordinate committees structure****1) Company ownership**

The following is a list of the substantial shareholders who directly own more than %5 of the company's capital as of 12/31/2020.

SN	Shareholders name	Number of shares as of 01/01/2020	Ownership Percentage on 01/01/2020	Number of shares as of 12/31/2020	Ownership Percentage on 12/31/2020
1	Abdulkadir Al Muhaidib and Sons Company	15,873,200	26.45%	15,873,200	26.45%
2	Al-Fozan Holding Company	15,318,800	25,53%	15,318,800	25,53%
3	Maali Holding Company	3,060,000	05,10%	3,060,000	05,10%



With regards to the direct ownership of shares by Members of the Board and Executive Management on 2020/01/01 and 2020/31/12, the table below shows the number of shares directly owned by Members of the Board, Executives and their spouses and minor children:

Name	Position	Number of shares as of 01/01/2020	Change	Number of shares as of 12/31/2020	Change
Mr. Abdullah bin Abdul Latif Al Fozan	Chairman	1000	261,124	26,112	26,112%
Mr. Essam bin Abdulkader AlMuhaidib	Board Member	1500	-	1500	-
Mr. Fozan bin Mohammed Al Fozan	Executive Board Member	1200	-	1200	-
Mr. Raed bin Ibrahim Al Mudaiheem	Non-Executive Board Member	1200	-	1200	-
Mr. Basel bin Mohammed Al Gadhib	Non-Executive Board Member	-	-	-	-
Mr. Raed Bin Ahmed Al-Mazrou	Independent Board Member	1200	-	1200	-
Mr. Khalid bin Abdulrahman Al Gowaiz	Non-Executive Board Member	-	-	-	-
Mr. Abdul Karim bin Ibrahim Al Nafea	Independent Board Member	-	-	-	-
Mr. Abdullah Bin Abdulrahman Al Rowais	Independent Board Member	-	-	-	-

Furthermore, the above, there is no ownership of shares in the company belonging to other senior executives and their spouses and minor children in the company's debt instruments or any of its subsidiaries.

- The company also acknowledges that it has no treasury shares until this report is issued.

## 2) Board of Directors and Committees Formation

Based on the Company's bylaws, the Board of Directors of Bawan Company is currently formed of nine members nominated in the General Assembly meeting held on 09/25/2019 for a term of three Gregorian years commencing on 09/26/2019 and ending on 09/26/2022. classified According to the definitions contained in the Corporate Governance Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Audit Committee was also formed during the Ordinary General Assembly meeting held on 09/25/2019 and defining its responsibilities and remuneration for its members for the new session starting from 09/26/2019 and ending on 09/25/2022.

### Name of Companies inside and outside the Kingdom in which a Board Member is a member of their current, or previous Board or Management

#### Member Name

#### Abdullah bin Abdul Latif Al Fozan

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ limited liability)
Retal Urban Development Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Al Oula Real Estate Development	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Abdullatif & Mohamed Al Fozan Holding Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	United Transformers Electric Company-Saudi	Inside the Kingdom of Saudi Arabia	Mixed limited liability
Maali Holding Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	United Transformers Electric Company	Inside the Kingdom of Saudi Arabia	Mixed limited liability
Al Fozan Holding Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Digital and electronic solutions development Company	Inside the Kingdom of Saudi Arabia	Limited liability
United Electronics Co "extra"	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Nesaj Toun Company	Inside the Kingdom of Saudi Arabia	Limited liability
Dhahran expo Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Nesaj Toun Company	Inside the Kingdom of Saudi Arabia	One-person Company
Ajwad Holding Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	NICE Company	Inside the Kingdom of Saudi Arabia	Limited liability
Shumoul Holding Co.	Inside the Kingdom of Saudi Arabia	Limited with Gulf money	Aram Alehsan Holding Ltd	Inside the Kingdom of Saudi Arabia	Limited liability
Rafah Al Khaleej Company	Inside the Kingdom of Saudi Arabia	Limited liability	Arab Paper Manufacturing Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Trabut for investment & Development	Inside the Kingdom of Saudi Arabia	Limited liability	Bloom Investment Saudi Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Ezdan East trading Co	Inside the Kingdom of Saudi Arabia	One-person Company	Ezdan East trading Co	Inside the Kingdom of Saudi Arabia	Limited liability
Midad Co. LTD.	Inside the Kingdom of Saudi Arabia	Limited liability	Bawan Engineering Industrial Company	Inside the Kingdom of Saudi Arabia	Limited liability
Amjal Property Development Co.	Inside the Kingdom of Saudi Arabia	One-person Company	Bawan Wood Industries Company	Inside the Kingdom of Saudi Arabia	Limited liability
Arnon Plastic Industries Co.	Inside the Kingdom of Saudi Arabia	One-person Company	Construction and Development Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability
Atlala Al Arabia Trading Company Ltd.	Inside the Kingdom of Saudi Arabia	One-person Company	Madar Building Materials Co.	Inside the Kingdom of Saudi Arabia	Mixed limited liability

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Arnon Plastic Industries Co.	Inside the Kingdom of Saudi Arabia	Limited liability	Madar Electricity Materials Company	Inside the Kingdom of Saudi Arabia	Limited liability
Gulf Riyadh Co. Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	Injaz Co,	Under liquidation	Limited liability
Projects & Supplies Co.	Inside the Kingdom of Saudi Arabia	Limited liability	Amwal AlKhaleej Co.	Under liquidation	Limited liability
Atheel Holding Co.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Madar Building Materials Co.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Atheel Arabia Services Co.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Gulf Elixir Contracting Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Sumu Arabia International Trading Co. LTD	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Al Fozan Investment Company	Inside the Kingdom of Saudi Arabia	One-person Company	-	-	-
Ajdan Real Estate Development Co.	Inside the Kingdom of Saudi Arabia	One-person Company	-	-	-
Aloula Bana Real Estate Development Co	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Aloula Mwarded Real Estate Co	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Maali Al Khaleej Trading Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Masarat Investment Co.	Inside the Kingdom of Saudi Arabia	One-person Company	-	-	-
Madar Holding	Outside the Kingdom of Saudi Arabia (Dubai)	One-person Company	-	-	-

## Member Name

## Essam bin Abdulkader AlMuhaidib

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Savola Group	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Wathrah Real Estate Development and Investment Company	Inside the Kingdom of Saudi Arabia	Limited liability
Herfy Food Services Company	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Emaar Middle East Company	Inside the Kingdom of Saudi Arabia	Limited liability
Bawan Holding Co.	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Zohoor Al-Reef Trading Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company
Panda Retail Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company	Ares Arabia Company	Inside the Kingdom of Saudi Arabia	Limited liability
Abdul Qadir Al Muhaidib and Sons Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company	Al Yamamah Steel Industries Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company
Al Muhaidib Holding Company	Inside the Kingdom of Saudi Arabia	Limited liability	Thabat Construction Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability
Al-Muhaidib Development Company	Inside the Kingdom of Saudi Arabia	Solidarity	Middle East Paper Manufacturing Company (MEPCO)	Inside the Kingdom of Saudi Arabia	joint stock listed Company
Adar Real Estate Investments Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	Human Resources Supply Company for Recruitment	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company
Castle Trading and Contracting Company	Inside the Kingdom of Saudi Arabia	Limited liability	Al Salam Bank Bahrain	Outside the Kingdom of Saudi Arabia	joint stock listed Company
Mayar Food Company	Inside the Kingdom of Saudi Arabia	Limited liability	Nasaj Residential Complex Real Estate Company	Inside the Kingdom of Saudi Arabia	Limited liability
Masdar Building Materials Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company	Al-Latifia Company for Trade and Contracting	Inside the Kingdom of Saudi Arabia	Limited liability
Khobar Lakes Real Estate Development Company	Inside the Kingdom of Saudi Arabia	Limited liability	Amwal Al Khaleej Commercial Investment Company	Inside the Kingdom of Saudi Arabia	Limited liability
Rafal Real Estate Development Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company	Al Balad Al Ameen Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company
The National Housing Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company	Durar Logistics	Inside the Kingdom of Saudi Arabia	Limited liability
Elite Cadre Company	Inside the Kingdom of Saudi Arabia	Limited liability	Muheel Facilities Management	Inside the Kingdom of Saudi Arabia	Limited liability
Ajdan Real Estate Development Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company	Al Oula Real Estate Development	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company
Saudi Sarwa Company	Inside the Kingdom of Saudi Arabia	Limited liability	Saudi Bloom Invest Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Sarwa City Real Estate Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company	ACWA Power Co.	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company
United Feed Industry Company	Inside the Kingdom of Saudi Arabia	Limited liability	Saudi Tabreed Company	Inside the Kingdom of Saudi Arabia	joint stock Not listed Company
Ajyal Amwal Holding Company	Inside the Kingdom of Saudi Arabia	Limited liability	Mayar Transport and Storage Company	Inside the Kingdom of Saudi Arabia	Limited liability
Essam Abdul Qadir Al Muhaidib and Partners Company	Inside the Kingdom of Saudi Arabia	Limited liability	IMAARCO	Inside the Kingdom of Saudi Arabia	Limited liability
Al-Sawary Company	Inside the Kingdom of Saudi Arabia	Limited liability	Masdar Commercial Carpentry Material Company	Inside the Kingdom of Saudi Arabia	Limited liability
Al Romansiah Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	World Wood Co.	Inside the Kingdom of Saudi Arabia	Limited liability
Dreams Development Contracting Company	Inside the Kingdom of Saudi Arabia	Limited liability	Ajdan Real Estate Development Company	Inside the Kingdom of Saudi Arabia	Limited liability
Atheel Arabian Services Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	United Company for Feed Industry	Inside the Kingdom of Saudi Arabia	Limited liability
Atheel Holding Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Taj Al Awfiyaa Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
El Himma Logistics Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Nestle Water Factory Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Al Manhal Water Factory Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Spring Water Factory Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Shas Water Services Company Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Shas Water Service Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Pure Water Factory Co., Ltd.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Safnat Al Arabia Contracting Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-

## Member Name

## Fozan bin Mohammed Al Fozan

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
ALFOZAN HOLDING CO.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Al Oula Real Estate Development	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Abdullatif & Mohammed Alfozan Co	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Nice Home Co.	Inside the Kingdom of Saudi Arabia	Limited liability
/ AL YAMAMAH CO. FOR REINFORCING STEEL BARS	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Madar Electrical Materials	Inside the Kingdom of Saudi Arabia	Limited Liability
AMJAL PROPERTY DEVELOPMENT	Inside the Kingdom of Saudi Arabia	One-person Company	Madar Hardware Company	Inside the Kingdom of Saudi Arabia	Limited Liability
AGWAD HOLDING CO.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-
United Electronics Co - EXTRA	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
BAWAN C.	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
Nawat Holding Co.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Almada holding co	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-

Kayan international co.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
United steel industries Company unisteel	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
united glass industries Company UNIGLASS	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Madar building materials	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Injaz Com.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
United Company for financial services	Inside the Kingdom of Saudi Arabia	One-person Company	-	-	-
Rawabi Alriydh co	Inside the Kingdom of Saudi Arabia	One-person Company	-	-	-
BLOMINVEST	Inside the Kingdom of Saudi Arabia	Closed joint stock Company	-	-	-
Maali Al Khaleej Trading Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-



## Member Name

## Raed bin Ibrahim Al Mudaiheem

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ limited liability)
MASDAR BUILDING MATERIALS	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Arabian Pipes Co.	Inside the Kingdom of Saudi Arabia	A joint stock listed Company
UNITED MINING INDUSTRIES COMPANY	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-
NORTHERN REGION CEMENT CO	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
NORTHERN CEMENT CO	Outside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
AL BADIA CEMENT	Outside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-
SUEZ CEMENT COMPANIE	Outside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
SAUDI AIRLINES CATERING COMPANY	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
THABAT CONSTRUCTION COMPANY	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
AL YAMAMAH STEEL INDUSTRIES CO.	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
RIYADH CABLES GROUP COMPANY	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-

## Member Name

## Basel bin Mohammed Al Gadhib

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Al Fozan Holding Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Saudi Airlines Catering Co.	Inside the Kingdom of Saudi Arabia	Listed joint stock Company
Basmah Commercial Investment Co.	Inside the Kingdom of Saudi Arabia	Limited liability	United Electronics Co.	Inside the Kingdom of Saudi Arabia	Listed joint stock Company
Arabian Distribution Centers Co.	Inside the Kingdom of Saudi Arabia	Limited liability	Abdulkadir Al Muhaidib and Sons Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Shomoul Holding Co.	Inside the Kingdom of Saudi Arabia	Limited liability	Al Faisaliah Group	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Ahmed Yousef Al Sager and Partner Co.	Inside the Kingdom of Saudi Arabia	Limited liability	Al Oula Real Estate Development Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Alyasra Food Co.	Outside the Kingdom of Saudi Arabia	A closed joint stock Company	Abdullatif Alissa Group Holding Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Bawan Engineering Industries Co.	Inside the Kingdom of Saudi Arabia	Limited liability	Thabat Real Estate Development Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
-	-	-	Al Yusr Installment Co.	Inside the Kingdom of Saudi Arabia	Limited liability
-	-	-	Midad Holding Co.	Inside the Kingdom of Saudi Arabia	Limited liability
-	-	-	Injaz Projects Co.	Inside the Kingdom of Saudi Arabia	Limited liability
-	-	-	Strategic Catering Co.	Inside the Kingdom of Saudi Arabia	Limited liability
-	-	-	Areez Arabia Co.	Inside the Kingdom of Saudi Arabia	Limited liability

## Member Name

## Raed bin Ahmad Al Mazrou

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Adwan chemical industries Co.	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Adwan Chemicals SPA Co.	Outside the Kingdom of Saudi Arabia (Algeria)	Limited liability	-	-	-

## Member Name

## Khalid bin Abdulrahman Al Gowaiz

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Al Rajhi Bank	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Aqua Holding Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
Riyadh Cables Group	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	Astra Industrial Group	Inside the Kingdom of Saudi Arabia	Listed joint stock Company
Pharmaceutical Company (SPIMACO)	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Swicorp Corporation	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
EMCOR Facilities Management Company	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Distinguished Solutions Company for Chemical Industries	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Bin Laden International Holding Group	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-
Watan Vision Holding Company (a subsidiary of Bin Laden Group)	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-
Rua'a Development Holding Company (a subsidiary of Bin Laden Group)	Inside the Kingdom of Saudi Arabia	Limited liability	-	-	-

## Member Name

## Abdul Karim bin Ibrahim Al Nafea

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Saudi Ceramic Company	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Saudi Industrial Development Fund	Inside the Kingdom of Saudi Arabia	Government Entity
Ceramic Pipes Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	National Shipping Company of Saudi Arabia	Inside the Kingdom of Saudi Arabia	Listed joint stock Company
National Gas Distribution Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-
United Cement Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-
Astra Industrial Company	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
Naseej International Trading Co.	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-

## Member Name

## Abdullah bin Abdulrahman Al Rowais

Names of Companies where the Board Member is a member of its current Boards or one of its Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)	Names of Companies where the Board Member is a member of its previous Boards or one of its previous Directors	Inside/Outside Kingdom	Legal Entity (listed joint stock Company/ unlisted joint stock Company/ (limited liability)
Samba Financial Group	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	Manafea Co.	Inside the Kingdom of Saudi Arabia	A closed joint stock Company
ACWA Power Company	Inside the Kingdom of Saudi Arabia	A closed joint stock Company	-	-	-
Ethad Etisalat (Mobily)	Inside the Kingdom of Saudi Arabia	Listed joint stock Company	-	-	-
Saudi tourism authority	Inside the Kingdom of Saudi Arabia	Government Entity	-	-	-

**Composition of the Board of Directors, Nature and Classification of their Membership:**

#	Member Name	Membership Nature	Membership Classification
1	Mr. Abdullah bin Abdul Latif Al Fozan	Chairman of Board of Directors	Non-executive member
2	Mr. Essam bin Abdulkader AlMuhaidib	Deputy Chairman of the Board	Non-executive member
3	Mr. Fozan bin Mohammed Al Fozan	Member of the Board of Directors and Managing Director of Bawan Company	Executive member
4	Mr. Raed bin Ibrahim Al Mudaiheem	Member of the Board of Directors	Non-executive member
5	Mr. Basel bin Mohammed Al Gadhib	Member of the Board of Directors	Non-executive member
6	Mr. Raed Bin Ahmed Al-Mazrou	Member of the Board of Directors	Independent member
7	Mr. Khalid bin Abdulrahman Al Gowaiz	Member of the Board of Directors	Independent member
8	Mr. Abdul Karim bin Ibrahim Al Nafea	Member of the Board of Directors	Independent member
9	Mr. Abdullah Bin Abdulrahman Al Rowais	Member of the Board of Directors	Independent member

**Procedure taken by the Board to inform its members of the shareholders' suggestions and remarks on the Company and its performance:**

In the first meeting of the Board at the beginning of the fiscal year, the Chairman of the Board of Directors informs all the members of shareholders' suggestions and observations about the Company, its performance, and other related issues, if any.

During the year ending 31/12/2020, the Company did not receive any written proposals or notes from any of the shareholders.

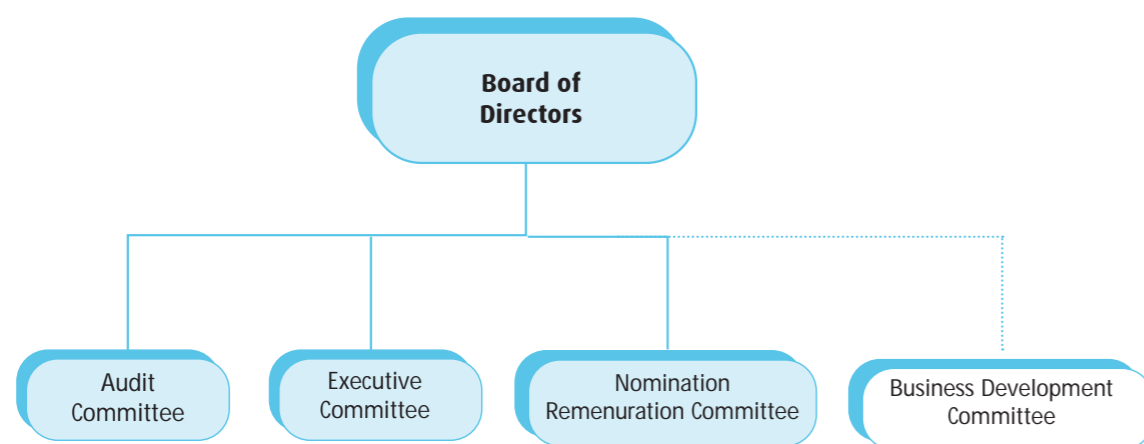
**Board of Directors meetings and the attendance record of each meeting held during 2020:**

Board Member Name	The first meeting 03/01/2020	The second meeting 05/13/2020	The third meeting 10/25/2020	Fourth meeting 12/23/2020	Total
Mr. Abdullah bin Abdul Latif AlFozan	✓	✓	✓	✓	4
Mr. Essam Abdul Qadir Al Muhaidib	✓	✓	✓	✓	4
Mr. Fozan Mohammed Al Fozan	✓	✓	✓	✓	4
Mr. Raed Ibrahim Al-Modaiheem	✓	✓	✓	✓	4
Mr. Basil Mohammed Al-Quadheeb	✓	✓	✓	✓	4
Mr. Raed Ahmed Al-Mazrou	✓	✓	✓	✓	4
Mr. Khalid Abdulrahman Al Gowaiz	✓	✓	✓	✓	4
Mr. Abdul Karim Ibrahim Al-Nafea	✓	✓	✓	✓	4
Mr. Abdullah bin Abdulrahman Al Rowais	✓	✓	✓	✓	4

Date of the latest General Assembly Meeting for the Company was 05/13/2020.

**3) Board Committees:**

In accordance with the Corporate Governance Regulations issued by the Capital Market Authority and the Companies Law, the company has prepared a charter for the Audit Committee, the Nomination and Remuneration Committee, the Executive Committee and for the Business Development Committee, as shown in the following organization chart, as these charters include the rules for the members of the committee appointment, their term of membership, and their duties. All those charters and regulations were approved by the Board of Directors and the General Assembly of shareholders, as per the company's bylaw, the Board currently has three main subcommittees as follow:

**Audit committee**

The Audit Committee was also formed during the Ordinary General Assembly meeting held on 09/25/2019 and defining its responsibilities and remuneration for its members for the new session starting from 09/26/2019 and ending on 09/25/2022.

The duties and responsibilities of this Committee include the oversight of the internal audit tasks and reports, following up the implementation of corrective measures for the observations contained therein, and recommending to the Board of Directors the appointment of Company's External Auditor and his scope of work and annual fees, and reviewing the Company's interim and annual financial statements before submitting them to the Board of Directors. The committee's responsibilities also include evaluating and ensuring that an effective internal control system is in place and prepared on sound basis.

During the year 2020, the audit committee reviewed the quarterly financial statements and the annual financial statements and recommended the board of directors to approve them, The committee met with the External Auditor to ensure that the financial statements have been prepared in accordance with the accounting standards and that there are no important or material observations on the financial statements. The Audit Committee also discussed the internal auditors' report, which did not contain material observations.

**Audit Committee Members from outside the Board of Directors, their current and previous positions, qualifications and experience.**

#	Name	Current position	Previous position	Qualifications	Experiences
1	Mr. Kenneth Charles Ibrahim	Chief Financial Officer - Tilad Investment Company	Group Financial Controller - Ethyl Holding Company. - Financial Controller - The General Trading Company. - Principal Manager - Deloitte & Touche Company.	BA in Economics from Mumbai University - India - 1988.	Holds several professional certificates in the field of accounting, economics and internal audit. He has also extensive experience in the field of internal and external audit.
2	Mr. Abdel-Mo'ti Wasfi Abdel-Hadi	Chief Executive Officer - Baker Tilly and Partners CPA.	- Internal Audit Advisor - Al Fozan Holding Company - Senior Manager - Deloitte & Touche Company.	Bachelor degree in Economic and Administrative Sciences from Yarmouk University - Jordan - 1984.	Holds several professional certificates in the field of accounting, economics and internal audit. He has also extensive experience in the field of internal and external audit. He has experience in Saudi local standards and other local regulations, in addition to International Financial Reporting Standards.

The committee is composed of three members and held six meetings during the year 2020, as shown in the following table:

NAME	Membership Nature	The first meeting 03/16/2020	The second meeting 05/12/2020	The third meeting 06/09/2020	Fourth meeting 08/17/2020	The fifth meeting 10/27/2020	Sixth meeting 11/03/2020	Total
Mr. Abdullah Al-Rowais	Chairman	✓	✓	✓	✓	✓	✓	6
Mr. Kenneth Ibrahim	Member	✓	✓	✓	✓	✓	✓	6
Mr. Abdel Muti Wasfi Abdel Hadi	Member	✓	✓	✓	✓	✓	✓	6



**Nomination and Remuneration Committee:**

The main purpose of this committee is to make recommendations to the Board of Directors with regard to nominations to the membership of the Board, its sub-committees and Executive Management in accordance with the approved policies and standards, provided that no person may be nominated if previously convicted of a felony involving moral turpitude; undertaking the annual review of the skill requirements for the Board of Directors; preparing the description of skills and qualifications required for Board membership including determination of the time that the Board member should dedicate to the business of the Board; and determination of the compensation and remuneration of Board members, its sub-committees and Executive Management.

The Committee also reviews the structure and formation of the Board, makes recommendations concerning changes that can be made and identifies the weaknesses and strengths of the Board with recommendations on how to address them to serve the interests of the Company. On an annual basis, the Committee ensures the independence of the independent members and that there are no conflicts of interest if the member holds membership to the Board of Directors of another Company. It develops clear policies for the compensation and remuneration of Board members and senior executives, taking into consideration performance-related standards.

Lastly, the Committee prepares periodic and annual reports on the Committee's activities and the annual disclosure report according to the by-laws. These reports are presented to the Board of Directors.

The committee's responsibilities and roles include recommending nominations for membership of the Board of Directors and its committees in accordance with the approved policies and standards,, review requirements for the Board of Directors preparing the description of skills and qualifications required for Board membership. The Committee also reviews the structure and formation of the Board, makes recommendations concerning changes that can be made and identifies the weaknesses and strengths of the Board with recommendations on how to address them to serve the interests of the Company. On an annual basis, the Committee ensures the independence of the independent members and that there are no conflicts of interest if the member holds membership of the Board of Directors of another Company. It develops clear policies for the compensation and remuneration of Board members and senior executives, taking into consideration performance-related standards. The committee is also responsible for assisting the Board of Directors in developing and reviewing the organizational structure of the Company and the operating model that organizes the relationship between the Company and its subsidiaries.

The Committee is composed of three members and held two meetings during the year 2020 as follow:

Member Name	Membership Nature	The first meeting 02/13/2020	The second meeting 10/14/2020	Total
Mr. Raed Al-Mazrou	Chairman	✓	✓	2
Mr. Abdullah Al Fozan	Member	✓	✓	2
Mr. Essam Al Muhaidib	Member	✓	✓	2

**Executive Committee:**

The Company's Executive Committee was appointed by the Board of Directors to assist the Board in determining the strategic and investment goals of the Company; assist in determining the vision and duties of the Board; determining main and strategic goals to assist the Company in achieving the required results; assisting the Board in the periodic strategic evaluation of the Company's performance, in addition to assisting the Board in performing its supervisory tasks efficiently and effectively, especially with regard to defining the Company's strategic objectives and its financial and operational priorities, in addition to the assessment of the long-term productivity of the Company. The committee's duties include reviewing the performance of the Company's Executive Management on a quarterly basis and comparing it with the set goals.

The committee also submits the Company's annual management report to the Board of Directors, reviews proposed investments, determines their priorities, and approves the investments made in accordance with the powers of the committee and recommends the board of directors for investments that exceed their authority. The committee also reviews the Company's annual strategic plan proposed by the Executive Management before submitting it to the Board of Directors for approval, as well as reviewing the Company's proposed annual budget by the Executive Management and the head of financial affairs before submitting it to the Board of Directors.

The Committee is composed of three members and held four meetings during the year 2020 as follows:

	Membership Nature	The first meeting 24/02/2020	The second meeting 07/05/2020	Third meeting 19/10/2020	Fourth meeting 08/12/2020	Total
Mr. Raed Al-Modaiheem	Chairman	✓	✓	✓	✓	4
Mr. Fozan Al Fozan	Member	✓	✓	✓	✓	4
Mr. Raed Al-Mazrou	Member	X	✓	✓	✓	3

**Business Development Committee:**

The Company's Business Development Committee is appointed by the Board of Directors for the purpose of establishing guidelines for the Company's investment and acquisition strategy. In addition to specifying the metrics that will be used as part of the guidelines that define the desired goals of the committee.

The committee is responsible for overseeing the Company's investment transactions, including reviewing the Company's business development performance, selecting opportunities, setting investment standards and reviewing investment performance.

Investments aim to increase the competitive position of one or more of the Company's current business sectors through increasing profits and increasing value as well as achieving expansion in the Company's sectors.

On 13/05/2020, the Board of Directors issued a decision to cancel the committee and assign all its duties to the Executive Committee. The committee did not hold any meeting prior to its cancellation date during 2020.

**4) Disclosure of the remuneration policy for members of the board of directors, members of committees and the executive management:****Board Directors Members Remuneration:**

Pursuant to the Company's Law and the Company's bylaws, the Board of Directors shall be entitled to remuneration stated at the amount of SR 200,000 to each Board member. The Board of Directors shall be also entitled to other allowances and compensations such as transportation and accommodation fees. However, those fees shall not exceed SR 500,000 annually for each member (excluding other allowances such as transportation and accommodation). As stated in the Compensation Policy of the Board of Directors:

- Each member shall be entitled to transportation allowances equivalent to the value of a first-class ticket on Saudi Airlines in addition to accommodation allowances amounting to 2,000 Saudi Riyals for each day of the meeting if his permanent residence is outside the city in which the Board of Directors meetings are held.

A lump sum amount is disbursed as compensation for the expenses of housing, food, transportation, etc. when attending a board meeting outside the city of Riyadh (the Company's headquarters) and in any other city within the Kingdom, a lump sum of three thousand 3,000 Saudi Riyals for each member attending the meeting in addition to a first-class travel ticket (Round trip) from the city of Riyadh to the city in which the meeting will be held, or its equivalent value.

A lump sum amount is disbursed as compensation for housing, food, transportation and other expenses for each member while attending the board meeting

outside the kingdom, with a lump sum of 3,000 in addition to a first-class travel ticket (one-way return) from Riyadh to the city in which the meeting will be held or equivalent to its value.

If the Chairman of the Board of Directors requests any of the committees to hold a committee meeting outside the city of Riyadh or the participation of any or all of the committee members in the board meeting, the attending members shall be compensated for the expenses similar to the members of the board of directors.

If more than one meeting is held on the same day and place, the compensation for the above-mentioned expenses is paid only once for each member. Annual fixed bonuses are disbursed on the basis of the member's attendance rate at meetings, and allowances for attending meetings are disbursed after the meeting.

**Remuneration of committees members:**

1- A fixed annual Remuneration of 100,000 Saudi Riyals for members of the Audit Committee and the Business Development Committee, according to the controls set by the competent authorities, according to the remuneration policy above.

2- An allowance for attending committee meetings sessions of 3,000 Saudi Riyals for each member of the Board of Directors for each session.

3- Each member shall be entitled to transportation allowance equivalent to the value of a first-class ticket on Saudi Airlines in addition to accommodation allowances amounted to 2,000 Saudi Riyals for each day of the meeting if his permanent residence is outside the city in which the Board of Directors meetings are held.

4- A lump sum amount is disbursed as compensation for the expenses of housing, food, transportation, etc. when attending a board meeting outside the city of Riyadh (the Company's headquarters) and in any other city within the Kingdom, a lump sum of three thousand 3,000 Saudi Riyals for each member attending the meeting in addition to a first-class travel ticket (Round trip) from the city of Riyadh to the city in which the meeting will be held, or its equivalent value.

5- A lump sum amount is disbursed as compensation for housing, food, transportation and other expenses for each member while attending the board meeting outside the kingdom, with a lump sum of SAR3,000 in addition to a first-class travel ticket (one-way return) from Riyadh to the city in which the meeting will be held or equivalent to its value.

If more than one meeting is held on the same day and place, the compensation for the above-mentioned expenses is paid only once for each member.

**Executive Management Remuneration Policy:**

1- The Board of Directors determines the types of remunerations that are granted to the employees of the Company - based on the recommendation of the executive management, such as fixed remuneration, performance related bonuses, and bonuses in the form of shares, in a manner that does not conflict with the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies.

2- The Remuneration and Nominations Committee reviews the salary scale set for all employees and senior executives and the incentive program and plans on an ongoing basis and approves them based on the recommendation of the executive management.

3- At the beginning of the year, the annual goals of the Company and the goals of its senior executives and employees are approved, and at the end of the year the general performance of the Company and the goals achieved are evaluated.

4- The key performance criteria at the Company level include a set of short-term and long-term goals and include indicators of profitability, solvency, liquidity and growth. The performance management process ensures that all objectives are properly sequenced at all levels of the Company down to the business units and employees involved.

5- Rewards aim is to provide a state of competitiveness required to attract and retain qualified and competent employees and to maintain the high level of skills that the Company needs. The following tables show the remuneration of board members, committee members and senior executives paid during the year 2020:

**A. Board of Directors remuneration:**

Board Directors	Fixed Remuneration	Total Remuneration & Attendance Allowances of the Committees except the Audit Committee		Total (In SAR)
		Remuneration	Attendance Allowance	
<b>Independent Members</b>				
Mr. Raed bin Ahmed Al-Mazrou	200,000	100,000	18,000	318,000
Mr. Khalid bin Abdulrahman Al Gowaiz	200,000			200,000
Mr. Abdul Karim bin Ibrahim Al-Nafea	200,000	100,000		300,000
Mr. Abdullah bin Abdulrahman Al-Rowais	50,000			50,000
Mr. Mazen bin Ahmed Al-Jubeir	150,000			150,000
Total	800,000	200,000	18,000	1,018,000
<b>Non-Executive Members</b>				
Mr. Abdullah bin Abdul Latif Al Fozan	200,000		6,000	206,000
Mr. Essam bin Abdul Qadir Al Muhaidib	150,000		6,000	156,000
Mr. Raed bin Ibrahim Al-Modaiheem	200,000		12,000	212,000
Mr. Basil bin Mohammed Al-Qathib	200,000			200,000
Total	750,000		24,000	774,000
<b>Executive Member</b>				
Mr. Fozan bin Mohammed Al Fozan	200,000		12,000	212,000
Total	200,000		12,000	212,000

**B. Executives Management remuneration:**

Item	Fixed Remuneration			Variable Remuneration	Total
	Salaries	Allowances	Total	Annual Remuneration	Grand Total
Remuneration of senior executives, including the Chief Financial Officer	840,000	288,000	1,128,000	350,000	1,478,000

The Company complied with the disclosure of components of the senior executives remuneration on aggregate, in line with the requirements of sub-paragraph (b) of paragraph (4) of article (93) of the Corporate Governance Regulations issued by the Capital Market Authority. But to protect the interests of the Company, its Shareholders and employees, and to avoid any damage that may occur as a result of disclosing the detailed Senior Executives Remuneration by position, the Company did not disclose the details as per Appendix (1) of the Corporate Governance regulations.

**C. Remuneration of the Audit Committee members:**

Audit Committee members	Fixed Remuneration	Attendance Allowance	Total (In SAR)
Mr. Abdullah bin Abdulrahman Al-Rowais	20,000	3,000	23,000
Mr. Kenneth Charles Ibrahim	100,000	-	100,000
Mr. Abdel-Mo'ti Wasfi Abdel-Hadi	100,000	-	100,000
Mr. Mazen Ahmed Al-Jubeir	80,000	12,000	92,000
Total	300,000	15,000	315,000

**D. Remuneration of Business Development Committee members who are outside the Board of Directors:**

Committee members	Fixed Remuneration	Total (In SAR)
Mr. Firas Samir Al-Bayat	100,000	100,000
Mr. Abdul Latif Ali Al Fozan	66,667	66,667
Total	166,667	166,667

**5) Compliance with Corporate governance Regulations:**

The company applies all provisions of the Corporate Governance Regulation issued by the Capital Market Authority. The following highlights are the articles of the Corporate Governance Regulations that have not been implemented, and the reasons:

Article / Paragraph number	The text of the article / paragraph	Reasons for not applying
Article 39	Training	This is an optional article
Article forty-one / paragraph e	Evaluation	This is an optional article
Article seventy	Formation of the Risk Management Committee	This is an optional article
Article 71	Terms of reference of the Risk Management Committee	This is an optional article
Article 72	Risk Management Committee meetings	This is an optional article
Article eighty-five	Motivate employees	This is an optional article
Article eighty-seven	Social Responsibility	This is an optional article
Article eighty-eight	Social work initiatives	This is an optional article
Article Ninety-five	The formation of the Corporate Governance Committee	This is an optional article

**6) Internal audit and annual audit results of internal control systems**

The internal control system vision is to ensure that the company's goals are effectively and efficiently achieved and includes the issuance of reliable financial reports, compliance with laws, regulations and policies, as well as the management of potential risks to reduce the effects of risks on achieving the company's goals, and the control system plays an important role in detecting and preventing fraud and protecting the company's resources, The management of the company is responsible for preparing a comprehensive and effective control system commensurate with the level of risks that the company may be exposed to and with a reasonable cost.

The internal control system also gives acceptable assurances to avoid fundamental errors and losses that may result from them, and the committee continuously reviews the periodic reports prepared by the internal and external auditors and the various departments of the company related to internal control, and based on what the results of the annual reviews have shown. The audit committee did not discover any fundamental weakness in the applicable internal control procedures.

**7) Fines Imposed on the Company:**

There is no penalty, penalty or precautionary restriction imposed on the Company by the Capital Market Authority or from any supervisory, regulatory or judicial authority.

**8) General Assemblies meetings held during the fiscal year ending on 12/31/2020 and the names of the members of the board of directors attending these meetings:**

The company held one general assembly meetings during the year 2020 in the presence of the following members.

SN	Board Director Name	Attendance record The General Assembly held on 05/13/2020
1	Mr. Abdullah bin Abdul Latif Al Fozan	
2	Mr. Essam bin Abdulkadir Al Muhaidib	
3	Mr. Fozan bin Mohammed Al Fozan	
4	Mr. Raed bin Ibrahim Al Mudaiheem	
5	Mr. Basel bin Mohammed Al Gadhib	
6	Mr. Raed bin Ahmed Al-Mazrou	
7	Mr. Khalid bin Abdulrahman Al Gowaiz	
8	Mr. Abdul Karim bin Ibrahim Al-Nafea	
9	Mr. Abdullah bin Abdulrahman Al Rowais	



## 9) Requests to obtain Shareholder records:

Number	Request date	Request reasons
1	12/31/2019	Company procedures
2	5/13/2020	General Assembly
3	8/1/2020	Company procedures
4	7/1/2020	Company procedures
5	10/20/2020	Company procedures
6	10/22/2020	Company procedures
7	10/26/2020	Company procedures
8	11/5/2020	Company procedures
9	11/19/2020	Company procedures
10	12/1/2020	Company procedures

## 10) The Board of Directors declarations:

The accounting records were properly and correctly prepared.

The internal control system was properly designed and effectively implemented.

There was no doubt about the Company's ability to continue the business.

## 11) Bawan management clarifications during the year 2020:

- There is no penalty, sanction or precautionary restriction imposed on the Company by the Capital Market Authority or other authority.
- There are no debt instruments issued by the Company
- There are no debt instruments for the Company, and no interests, contractual documents or subscription rights owned by Board Directors, Executive Management or their relatives in its shares or any of its subsidiaries.
- The Company did not issue or grant any debt instruments convertible to shares, contractual based securities, option rights, subscription right notes or similar rights.
- The Company did not issue any bonds, and therefore the Company did not redeem, buy or cancel any recoverable debt instruments.
- There is no arrangement or agreement under which one of the shareholders of the Company waived any rights in profits.
- Consolidated financial statements were prepared in accordance with international financial standards, and in accordance with the Company's bylaws and Articles of Association with respect to the preparation and publishing of financial statements.
- The Company does not have any conversion or subscription rights under any convertible debt instrument, contractually based securities, warrants, or similar rights; both issued or granted.
- There are no differences from the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), which are the IFRS Standards.
- There were no comments received by the shareholders regarding the Company and its performance.
- The external Auditor's Report doesn't contain any reservations on the relevant annual financial statements.
- There are no arrangement or recommendation by the Board to change the Company's external auditor.
- There was no recommendation to appoint an Internal Auditor for the Company, as it already has an Internal Audit Division.
- There are no recommendations of the Audit Committee that conflict with the Board's decisions, nor did the Board refuse to take any of the Audit Committee's recommendation into consideration regarding the appointment, dismissal, assessment, or determining the remuneration of the external auditor.
- There is no contradiction between the audit committee and the resolutions of the board of directors, or the board's refusal to take them into account regarding the appointment and dismissal of the Company's auditor,

determining his fees and evaluating his performance or appointing the internal auditor.

## Conclusion

According to the results included in this annual report, and in accordance to financial results for the year 2020, Bawan Company has continued achieving a grow and development in all sectors that it operates. The Board of Director by this opportunity would express its thanks and appreciation to the Company's employees, shareholders, customers, suppliers and government agencies for their support, trust and cooperation, which have had a significant impact on continued progress and prosperity of the Company.

# 05

## CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT

AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 2020 ,31



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# Independent auditor's report to the shareholders of Bawan Company

## Report on the audit of the consolidated financial statements

### Our opinion

*In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bawan Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).*

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach:

#### Overview

Key audit matter	Expected credit losses for trade receivables
------------------	--

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
As at December 31, 2020, the gross carrying amount of trade receivables amounted to Saudi Riyals 634 million against which the Group recognized ECL allowance amounting to Saudi Riyals 84 million in accordance with the requirements of IFRS 9, "Financial Instruments".	<p><b>We performed the following procedures:</b></p> <ul style="list-style-type: none"> <li>• developed an understanding of relevant business process and assessed the design and implementation of controls over the determination of the ECL allowance;</li> </ul>
Management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment.	<ul style="list-style-type: none"> <li>• verified the consistency of the ECL model developed by the management with the requirements of IFRS 9, "Financial Instruments", and reviewed the reasonableness of the methodology;</li> </ul>
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.	<ul style="list-style-type: none"> <li>• tested the completeness and accuracy of underlying information used in the ECL model and re-performed the arithmetical accuracy of the computation of ECL;</li> <li>• considered the appropriateness of forward-looking factors to reflect the impact of future events on expected credit losses;</li> </ul>
We considered this to be a key audit matter due to the level of judgment applied and estimates made in calculating the ECL loss.	<ul style="list-style-type: none"> <li>• performed the sensitivity analysis of key assumptions i.e. historical loss rates and future economic factor; and</li> </ul>
<i>Refer to Note 2.17, Note 4.1 and Note 19 to the consolidated financial statements for further information.</i>	<ul style="list-style-type: none"> <li>• considered the adequacy and appropriateness of the related accounting policies and disclosures in the consolidated financial statements.</li> </ul>

### Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2020 annual report, (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Audit Committee, are responsible for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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### PricewaterhouseCoopers

Bader I. Benmohareb  
License Number 471

March 8, 2021



**Consolidated statement of profit or loss and other comprehensive income**

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

		For the year ended December 31,	
	Note	2020	2019
Continuing operations			
Revenue	5, 29	2,418,072	2,235,233
Cost of revenue	37	-2,081,420	-1,986,037
Gross profit		336,652	249,196
Selling and distribution expenses	6	-75,525	-81,427
General and administrative expenses	7, 37	-106,735	-105,971
Expected credit loss (ECL) allowance on trade receivables	19, 37	-31,203	-9,099
Gain on disposal of investment in financial assets at fair value through profit or loss (FVTPL)	18, 37	2,041	8,621
Fair value (loss) / gain on investment in financial assets at FVTPL	18, 37	-182	4,497
Other income	8, 37	13,814	11,408
Profit before finance costs and zakat		138,862	77,225
Finance costs	9, 37	-29,859	-45,164
Profit before zakat		109,003	32,061
Zakat	10	-16,003	-6,806
Profit from continuing operations		93,000	25,255
Loss from discontinued operation	31.1	-8,256	-3,512
Profit for the year		84,744	21,743
Other comprehensive loss			

Item that will not be reclassified subsequently to profit or loss

Remeasurement gain / (loss) on employee defined benefit liabilities	25.2	838	-8,125
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of discontinued operation	31.1	-1,947	-105
Other comprehensive loss for the year		-1,109	-8,230
Total comprehensive income for the year		83,635	13,513
:Profit / (loss) for the year attributable to			
Owners of the Company		90,168	26,632
Non-controlling interests	30	-5,424	-4,889
		84,744	21,743
Total comprehensive income / (loss) for the year attributable to			
Owners of the Company		90,345	19,542
Non-controlling interests		-6,710	-6,029
		83,635	13,513
Total comprehensive income / (loss) for the year attributable to the owners of the Company arises from			
Continuing operations		94,620	21,644
Discontinued operations		-4,275	-2,102
		90,345	19,542
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic and diluted	12	1.56	0.48
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic and diluted	12	1.5	0.44

**Consolidated statement of financial position**

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

As at December 31,			
	Note	2020	2019
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	13	730,759	827,763
Right-of-use assets	14	19,967	21,857
Goodwill	15	4,397	4,397
Intangible assets	16	8,401	11,483
Other assets		3,340	4,230
Total non-current assets		766,864	869,730
Current assets			
Inventories	17	609,864	526,663
Spare parts		28,081	27,282
Financial assets at FVTPL	18	25,491	48,775
Trade and other receivables	19	644,850	699,896
Contract assets	20	22,161	34,659
Cash and cash equivalents	21	47,012	45,899
		1,377,459	1,383,174
Assets relating to disposal group classified as held for sale	31.2	84,009	-
Total current assets		1,461,468	1,383,174
Total assets		2,228,332	2,252,904
<b>Equity and liabilities</b>			
Equity			
Share capital	22	600,000	600,000
Statutory reserve	23	19,602	10,585
Foreign currency translation reserve		-2,167	-1,351
Retained earnings		75,084	16,940
Equity attributable to the owners of the Company		692,519	626,174
Non-controlling interests	30	62,900	70,630
Total equity		755,419	696,804

<b>Liabilities</b>			
Non-current liabilities			
Long-term borrowings	37,24	138,539	290,861
Lease liabilities	14	19,547	21,282
Employee defined benefit liabilities	25	85,088	79,780
Total non-current liabilities		243,174	391,923
Current liabilities			
Trade and other payables	37,26	464,841	428,751
Short-term borrowings	37,24	518,646	663,301
Current portion of long-term borrowings	37,24	117,891	19,300
Contract liabilities	20	56,019	33,673
Current portion of lease liabilities	14	2,434	2,660
Zakat payable	10	18,605	14,123
Dividends payable		359	2,369
		1,178,795	1,164,177
Liabilities relating to disposal group classified as held for sale	31.2	50,944	-
Total current liabilities		1,229,739	1,164,177
Total liabilities		1,472,913	1,556,100
Total equity and liabilities		2,228,332	2,252,904

The accompanying notes on pages from 9 to 51 form an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity**

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

	Note	Share capital	Statutory reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2020		600,000	10,585	-1,351	16,940	626,174	70,630	696,804
Profit / (loss) for the year		-	-	-	90,168	90,168	-5,424	84,744
Other comprehensive (loss) / income for the year		-	-	-816	993	177	-1,286	-1,109
Total comprehensive income for the year		-	-	-816	91,161	90,345	-6,710	83,635
Transfer to statutory reserve	23	-	9,017	-	-9,017	-	-	-
Dividends	39	-	-	-	-24,000	-24,000	-1,020	-25,020
December 31, 2020		600,000	19,602	-2,167	75,084	692,519	62,900	755,419
January 1, 2019		600,000	88,927	-1,307	-81,005	606,615	89,483	696,098
Impact of adoption of IFRS 16		-	-	-	17	17	-	17
(January 1, 2019 (adjusted)		600,000	88,927	-1,307	-80,988	606,632	89,483	696,115
Profit / (loss) for the year		-	-	-	26,632	26,632	-4,889	21,743
Other comprehensive loss for the year		-	-	-44	-7,046	-7,090	-1,140	-8,230
Total comprehensive income for the year		-	-	-44	19,586	19,542	-6,029	13,513
Transfer to statutory reserve	23	-	2,663	-	-2,663	-	-	-
Absorption of accumulated losses	23	-	-81,005	-	81,005	-	-	-
Dividends		-	-	-	-	-	-12,824	-12,824
December 31, 2019		600,000	10,585	-1,351	16,940	626,174	70,630	696,804

The accompanying notes on pages from 9 to 51 form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**

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

<b>For the year ended December 31,</b>			
	Note	2020	2019
<b>Cash flows from operating activities</b>			
:Profit before zakat			
Continuing operations		109,003	32,061
Discontinued operations		-8,256	-3,512
Profit before zakat including discontinued operations		100,747	28,549
:Adjustments for			
Depreciation and amortization	16 , 14 , 13	78,476	71,755
Expected credit loss (ECL) allowance	19	31,203	9,099
Net realizable value adjustment for inventories	17	8,450	985
Employees' end of service benefits cost	37 , 25	10,010	8,534
Finance costs	37 , 31 , 9	30,731	45,540
Fair value loss / (gain) on financial assets at FVTPL	18	182	-4,497
Gain on disposal of financial assets at FVTPL	18	-2,041	-8,621
Loss / (gain) on derecognition of lease liabilities		303	-323
Gain on disposal of property, plant and equipment	8	-2,189	-810
Operating cash flows before movements in working capital		255,872	150,211
<b>Changes in working capital</b>			
Inventories		-113,509	163,758
Spare parts		-799	-3,889
Trade and other receivables		39,261	1,742
Contract assets		12,498	-7,763
Trade and other payables		38,673	60,556
Contract liabilities		22,347	-6,199
Cash generated from operations		254,343	358,416
Finance charges paid		-28,463	-43,596

Zakat paid	10	-11,521	-13,258
Employee defined benefit liabilities paid	25	-6,383	-8,356
Income tax paid	10	-	-56
Net cash generated from operating activities		207,976	293,150
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	-51,798	-99,392
Purchase of intangible assets	16	-6	-7
Purchase of financial assets at FVTPL	18	-4,938	-88,556
Proceeds from disposal of financial assets at FVTPL		30,081	52,899
Proceeds from disposal of property, plant and equipment		4,267	1,118
Net cash outflow on acquisition of subsidiary, net of cash acquired	35	-	-188,252
Net cash used in investing activities		-22,394	-322,190
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	24.2	1,026,153	2,648,337
Repayment of borrowings	24.2	-1,176,140	-2,593,858
Repayment of lease liabilities		-3,366	-3,929
Dividends paid		-23,999	-
Dividends paid to non-controlling interests		-3,031	-18,218
Net cash (used in) / generated from financing activities		-180,383	32,332
Net increase in cash and cash equivalents		5,199	3,292
Net foreign exchange loss		-	-30
Cash and cash equivalents at the beginning of the year		45,899	42,637
Cash and cash equivalents at the end of the year	31 , 21	51,098	45,899

The accompanying notes on pages from 9 to 51 form an integral part of these consolidated financial statements.



**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**1. GENERAL INFORMATION**

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

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.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at December 31, 2020.

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

Subsidiary	Principal activity	Location	Percentage of ownership (direct or indirect)	
			2020	2019
Bawan Engineering Industries Company ("Bawan Engineering")	Intermediate holding company	KSA	100	100
Subsidiaries of Bawan Engineering along with its ownership are as follows:				
United Transformers Electric Company-Saudi ("Utec-Saudi")	Manufacturing of electrical products	KSA	85.5	85.5
United Transformers Electric Company-Algeria ("Utec-Algeria") *	----do----	Algeria	49	49
United Transformers Electric Company ("USSG")	----do----	KSA	85.5	85.5
- Bawan Electric Company Limited ("Bawan Electric")	----do----	KSA	100	100
Bawan Mechanical Works Company Limited ("Bawan Mechanical")	----do----	KSA	-	100
Bawan Wood Industries Company ("Bawan Wood")	Manufacturing of wood products	KSA	95	95
Subsidiaries of Bawan Wood along with its ownership are as follows:				
- Al-Raya Wood Works Establishment-UAE	----do----	UAE	100	100
Al-Raya Company for Wood Works-Kuwait	----do----	Kuwait	100	100

Inma Pallets Company Limited ("Inma Pallets")	----do----	KSA	100	100
- United Lines Logistics Services Company Limited ("ULLS")	Logistic services	KSA	100	100
Bina Holding for Industrial Investments ("Bina Holding")	Intermediate holding company	KSA	56.75	56.75
Subsidiaries of Bina Holding along with its ownership are as follows:				
Bina Ready-Mix Concrete Products Company ("Bina Ready-Mix")	Manufacturing of concrete products	KSA	100	100
Bina Advanced Concrete Products Company ("Bina Precast")	----do----	KSA	93.2	93.2
Al-Ahlah Transport Company Limited	Dormant	KSA	100	100
Total Building Company	----do----	KSA	100	100
Bawan Metal Industries Company ("Bawan Metal")	Manufacturing of metal products	KSA	100	100
Arnon Plastic Industries Company ("Arnon")	Manufacturing of plastic packaging and insulation products	KSA	100	100
United Company for Wood and Metal Products ("United Wood and Metal")	Manufacturing of wood/metal products	KSA	95	95

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in KSA and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

These consolidated financial statements have been prepared on a historical cost convention, except for the following:

- Certain financial instruments measured at fair value; and,
- Employee defined benefit liability, which is recognized at the present value of future obligations using the Projected Unit Credit Method.

These consolidated financial statements are presented in SAR which is both the functional and reporting currency of the Group.

**2.2 Fair value measurement**

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets', where applicable.

**Valuation techniques**

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for assets or liability that are not based on observable market data (unobservable inputs).

**2.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous

stakeholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. These interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRS).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 and, when applicable, the cost on initial recognition of an investment in an associate.

**2.4 Goodwill**

Goodwill arising on an acquisition of a business (being the excess of the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree over the fair values of net assets acquired) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

If the fair values of net assets acquired exceed the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree, the resulting gain is recognized in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**2.5 Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 Employee Benefits.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

**2.6 Foreign currency translation****(i) Functional and presentation currency**

The Group's consolidated financial statements are presented in Saudi Riyals (SR), which is also the Company's functional and Group presentation currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

For each entity, the Group determines the functional currency and items included in the financial statements of

each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss and other comprehensive income reflects the amount that arises from using this method.

**(ii) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss and other comprehensive income. Repayment of intercompany loans are considered as disposal or partial disposal. Tax charges and credits, if any, attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

**(iii) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at the average exchange rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss account in the consolidated statement of profit or loss and other comprehensive income.

**2.7 Revenue recognition****The Group recognises revenue from the following major sources:**

- Sale of various manufactured goods; and
- Construction of various bespoke items for customers

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognizes revenue when it transfers control of a product or provide service to a customer.

Sales of various manufactured goods  
Revenue on the sale of goods is recognized when the contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer. Revenue is recognized at point in time of shipment, at the receipt of the goods by the customers.

A receivable is recognized by the Group when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales related warranties associated with goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group has not raised a refund liability given the historically low level of returns in the past. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low level of returns over previous years.

Construction of various bespoke items for customers

The Group constructs various bespoke items under contracts with its customers. Such contracts are entered into before construction of the items begins. Under the terms of the contracts, the Group is and has an enforceable right to payment for work done. The Group is unable to use the items for any other purpose.

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

Revenue from construction of these items is therefore recognized over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15 Revenue from Contracts with Customers.

Contract assets comprise the value of work performed in excess of the amount billed as at the period end. Contract liabilities comprise, in addition to advances from customers, the excess amount billed over the value of work performed at the period end.

**2.8 Costs and expenses****(i) Costs of revenue**

The costs incurred during the year, to produce the inventories that are sold, render the services and perform the contracts which includes direct and indirect cost of production, including direct labor, direct materials, depreciation and overheads are classified as cost of revenue.

**(ii) Selling and distribution expenses**

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products.

**(iii) General and administrative expenses**

General and administrative expenses include costs not specifically part of selling and distribution expenses, cost of revenue, finance charges or Zakat and income tax expense. Allocations between general and administrative expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

**2.9 Employee benefits**

The Company recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Company consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

**Short-term employee benefits**

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

**Employee defined benefit liabilities**

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- re-measurements

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items.

**Retirement benefits**

Retirement benefits made to funded defined contribution plans in respect of Saudi employees are expensed when incurred.

**2.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**2.11 Zakat and taxes****(i) Zakat and income tax****Companies with only Saudi shareholders**

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). A provision for zakat for the Company and zakat related to the Group's wholly owned subsidiaries is estimated at the end of each reporting period and charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

**Mix companies with foreign shareholders**

The subsidiaries incorporated in KSA with foreign shareholders are subject to zakat for their Saudi shareholders and income tax for their foreign shareholders in accordance with the regulations of the GAZT. A provision for zakat and income tax for the mix companies is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final foreign income tax assessments are recorded in the period in which such assessments are made.

Zakat and income tax related to the minority shareholders in certain subsidiaries is included in their share of non-controlling interest in the consolidated statement of profit or loss and other comprehensive income.

The tax expense includes the current tax and deferred tax charge recognized in the consolidated statement of profit or loss and other comprehensive income. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense, if any, includes the current tax and deferred tax charge, if any, recognized in the consolidated statement of profit or loss and other comprehensive income.

Current tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.



**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the consolidated statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

**(ii) Withholding tax**

The Company and its local subsidiaries withhold taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

**(iii) Value added tax**

Expenses and assets are recognized net of the amount of value added tax, except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

**2.12 Property, plant and equipment**

Property, plant and equipment, except land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. Land and capital work-in-progress are stated at cost less impairment in value.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Group applies the annual depreciation rates in the following ranges to its property, plant and equipment:

	Percentage (%)
Buildings and leasehold improvement	20 - 3
Plant and machinery	25 - 5
Vehicles	25 - 20
Furniture, fixtures and office equipment	25 - 20
Tools	33.3 - 20

**Land and capital work-in-progress are not depreciated.**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**2.13 Leases**

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

**i) Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

**Lease payments included in the measurement of the lease liability comprise:**

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating

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interest rate, in which case a revised discount rate is used).

• a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

## ii) Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of profit or loss and other comprehensive income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

## Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

**2.14 Other intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

The Group applies the following annual rates of amortization to its intangible assets:

	(%) Percentage
Software	20
Customer relationships	29 – 20

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

**2.15 Impairment of non-financial assets**

The Group assesses at the end of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, if any, is tested for impairment annually. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income in the period it has occurred.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income. Impairment losses on goodwill, if any, are not reversible.

**2.16 Inventories and spare parts**

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of raw materials and consumable stores is determined on the weighted average basis. The cost of goods in transit is determined based on the invoice value plus other charges incurred in getting this inventory to its location at the reporting date. The cost of work-in-process and finished goods is determined on the weighted average basis which includes, inter alia, an allocation of labor and manufacturing overheads.

Spare parts which are consumable inventory are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost method. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date. Net realizable value is the 'estimated selling price' less 'cost to sell'.

Spare parts may represent items that might result in fixed capital expenditure but are not distinguishable from consumables spare parts, hence these are classified under spare parts as current assets.

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

**2.17 Financial instruments****a) Initial recognition and measurement of financial instruments**

The Group initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Where the trade receivables do not have a significant financing component, initial measurement is at their transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Except for trade receivables that do not have a significant financing component, initial measurement of the financial instrument is at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

**b) Financial assets - subsequent classification and measurement**

Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. There are two criteria used to determine how financial assets should be classified and measured:

- (i) the Group's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect cash flows.

A financial asset is measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at fair value through profit or loss (FVTPL).

Investments in equity instruments are measured at fair value, and the Group did not elect to present in other comprehensive income subsequent changes in the fair value of such investment in an equity instrument.

Financial assets are only reclassified between measurement categories, when and only when, the Group's business model for managing them changes, which is expected to be uncommon.

The Group derecognizes a financial asset when the rights to the cash flows from the financial asset have expired or where the Group has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

**c) Impairment of financial assets**

The Group assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost.

As required by IFRS 9, the Group applies the simplified approach for trade receivables and contract assets. The Group uses a provision matrix in the calculation of the expected credit losses on trade receivables and contract assets to estimate the lifetime expected credit losses, applying certain provision rates to respective aging buckets.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe

financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**d) Financial liabilities - subsequent classification and measurement**

Financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

**e) Cash and cash equivalents**

For the purposes of the consolidated statements of financial positions and cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of change in values.

**f) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.18 Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are extinguished from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss and other comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**2.19 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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**Warranties**

Provisions for the expected cost of warranty obligations under applicable sale of goods legislation are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

**2.20 Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated statement of financial position under trade and other payables. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

**2.21 Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividends are recorded in the consolidated financial statements in the year in which they are declared and approved by the shareholders of the Company.

**2.22 Segmental reporting**

A business segment is a group of assets, operations or entities:

- i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- ii) the results of its operations are continuously analyzed by the group controller in order to make decisions related to resource allocation and performance assessment; and
- iii) for which financial information is discretely available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in Note 29 to these consolidated financial statements.

**2.23 Non-current assets (or disposal group) held for sale and discontinued operation**

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, if any.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

**3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS****3.1 Revised standards, amendments to standards and interpretations effective at the reporting date**

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

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for 31 December 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.

New and amended IFRS standards adopted by the Group

The Group has applied the following amendments to the existing standards in these consolidated 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.

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 consolidated statement of profit or loss and other comprehensive income.

**3.2 New IFRS standards, amendments to standards and interpretations not yet effective at the reporting date**

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 ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

In the application of the Group's accounting policies, which are described in Note 2, the management of the



**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**4.1 Impairment of trade and other receivables**

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis. (Note 19)

**4.2 Employee defined benefit liabilities**

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs such as discount rates, rate of salary increase, mortality rates and employment turnover. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit liabilities and/or periodic employee defined benefit costs incurred. (Note 25)

**5 REVENUE**

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 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 29 for disclosure of the revenue earned for each reportable segment.

	2020	2019
Revenue	2,418,072	2,235,233
Timing of revenue recognition:		
- At a point in time	2,320,371	2,113,662
- Over time	97,701	121,571
	2,418,072	2,235,233

**6 SELLING AND DISTRIBUTION EXPENSES**

	Note	2020	2019
Employees' salaries and related costs	11	29,930	34,344
Transportation and shipping		24,305	24,803
Sales commission		4,296	5,466
Delivery and insurance		1,598	2,576
Repairs and maintenance		2,897	2,433
Depreciation and amortization		3,036	2,369
Advertising		1,275	1,935
Royalties	27	849	526
Other		7,339	6,975
		75,525	81,427



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**7 GENERAL AND ADMINISTRATIVE EXPENSES**

	Note	2020	2019
Employees' salaries and related costs	11	76,186	73,400
Depreciation and amortization		9,981	9,998
Short-term lease charges		1,588	2,681
Board and committee members' compensation		2,114	2,387
Communication and utilities		1,328	2,149
Insurance		2,675	2,249
Travel		522	1,227
Repairs and maintenance		1,498	1,789
Other		10,843	10,091
		106,735	105,971

**8 OTHER INCOME**

	2020	2019
Scrap and material sales	5,213	5,714
Gain on disposals of property, plant and equipment	2,189	810
Reversal of excess provisions	-	1,019
Other	6,412	3,865
	13,814	11,408

**9 FINANCE COSTS**

	Note	2020	2019
Finance costs on short-term borrowings		11,215	26,522
Finance cost on employees' defined benefits liabilities	37,25.2	2,564	3,136
Finance costs on long-term borrowings		6,584	8,108
Accretion of finance cost under lease liabilities		879	901
Other		8,617	6,497
		29,859	45,164

Finance costs amounting to SR 1.21 million (2019: SR 3.13 million) were capitalized during the year ended December 31, 2020. 'Other' mainly represents charges relating to issuing letters of credit and guarantee.

**10 ZAKAT AND INCOME TAX****10.1 Zakat expense for the year.**

	2020	2019
Zakat	16,003	6,806

Income tax is applicable on local subsidiaries wherein the shareholders are foreigners (i.e. non-Saudi nationals). Since

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there is no taxable income during the current and comparative years, therefore no income tax provision (i.e. current and deferred tax) is recognized.

**10.2 Movement in zakat and income tax payable is as follows:**

	Note	Zakat payable	Income tax payable	Total
<b>2020</b>				
Jan-01		14,123	-	14,123
Current year		14,365	-	14,365
Prior year under provision		1,638	-	1,638
Provision for the year		16,003	-	16,003
Payments		-11,521	-	-11,521
Dec-31		18,605	-	18,605
<b>2019</b>				
Jan-01		19,187	56	19,243
Acquisition of subsidiary	35	1,400	-	1,400
Current year		9,687	-	9,687
Prior year over provision		-2,881	-	-2,881
Provision for the year		6,806	-	6,806
Other adjustments		-12	-	-12
Payments		-13,258	-56	-13,314
Dec-31		14,123	-	14,123

**10.3 Status of assessments**

The Company and its 100% effectively owned Saudi Arabian subsidiaries submit zakat returns on a combined basis. Other Group subsidiaries submit their zakat and income tax returns independently.

Zakat returns for the Company have been filed and paid for all years through to 2019 and zakat certificates have been received. In 2018, the Company received the final assessments for the years from 2010 to 2014 claiming additional zakat liability of SR 7.83 million. The Company settled the additional zakat liability for the years from 2011 to 2014 and raised an objection against the 2010 final assessment by SR 2.82 million. During 2019, the Company's objection was accepted and an amount of SR 0.21 million was paid to settle the final assessment for the year 2010.

During 2020, the Company received the final assessments for the years from 2015 to 2018 claiming additional zakat liability of SR 2.15 million. The Company settled part of the additional liability by SR 0.51 million and raised an objection on the remaining balance of zakat liability under the aforementioned assessments.

The status of the final zakat and income tax assessments of the other Group's subsidiaries is disclosed in their respective financial statements.

**11 EMPLOYEE SALARIES AND STAFF RELATED BENEFITS**

	Note	2020	2019
<b>Salaries and staff related benefits charged to</b>			
Cost of revenue		140,694	136,028
Selling and distribution	6	29,930	34,344
General and administrative	7	76,186	73,400
		246,810	243,772

These salaries and staff related benefits includes current service cost related to end of service benefits obligations amounting to SR 10.01 million (2019: SR 8.53 million). (Note 25.2)

**12 EARNINGS PER SHARE**

The Company presents basic and diluted earnings per shares (EPS) for its ordinary shares. Basic EPS is calculated by dividing profit for the year attributable to the ordinary equity holders of the Company separately from each of the continuing and discontinued operations by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding during the year 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:

	2020	2019
<b>Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share</b>		
From continuing operations-	93,627	28,673
From discontinued operation-	-3,459	-2,041
	90,168	26,632
<b>Weighted average number of ordinary shares outstanding during the year</b>		
	60,000	60,000
<b>Basic and diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the - Company	1.56	0.48
From discontinued operation attributable to the ordinary equity holders of the - Company	-0.06	-0.04
<b>Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company</b>	<b>1.5</b>	<b>0.44</b>

## Notes to the consolidated financial statements for the year ended 31 December 2020

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## 13 PROPERTY, PLANT AND EQUIPMENT

	Note	Building and leasehold improvement		Plant and machinery		Furniture, fixture and office equipment		Capital work- in progress (CWIP)*		Total
		Land			Vehicles		Tools			
Cost										
January 1, 2020		71,506	382,592	740,727	98,746	46,555	16,914	139,809		1,496,849
Additions during the year		-	5,834	8,560	6,846	1,565	234	28,759		51,798
*Transfers from CWIP		-	28,200	43,701	159	1,151	-	-76,468		-3,257
Disposals		-	-1,852	-6,891	-3,683	-616	-49	-385		-13,476
Written off	36	-	-7,548	-17,764	-	-205	-	-		-25,517
Foreign exchange differences		-	-103	-1,846	-102	-13	-	-		-2,064
Assets of disposal group classified as held for sale	31	-	-4,952	-20,112	-1,509	-344	-	-28,571		-55,488
December 31, 2020		71,506	402,171	746,375	100,457	48,093	17,099	63,144		1,448,845
Accumulated depreciation and impairment										
January 1, 2020		9,574	179,849	358,130	67,234	40,942	13,357	-		669,086
Charge for the year		-	20,421	42,438	6,294	2,788	461	-		72,402
Disposals		-	-1,603	-6,880	-2,254	-612	-49	-		-11,398
Written off	36	-	-1,740	-7,083	-	-197	-	-		-9,020
Assets of disposal group classified as held for sale	31	-	-363	-2,095	-431	-76	-19	-		-2,984
December 31, 2020		9,574	196,564	384,510	70,843	42,845	13,750	-		718,086
Net book value										
December 31, 2020		61,932	205,607	361,865	29,614	5,248	3,349	63,144		730,759

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

Certain items of property, plant and equipment amounting to SR 404.80 million as at December 31, 2020 (2019: SR 414.72 million) are mortgaged to secure the Saudi Industrial Development Fund ("SIDF") loans. (Note 24)

\*Capital work-in-progress mainly comprises building and leasehold improvement and items of plant and machinery in the course of construction and installation for certain Group's subsidiaries. 'Transfers from CWIP' amounting to SR 3.26 million during the current year mainly relate to inventories which were capitalized in the prior years. The impact on cashflows from investing activities relating to these additions was accounted for in the prior years. Therefore, these are considered as non-cash items in cash flows information. (Note 36.3)

	Note	Building and leasehold improvement		Plant and machinery		Furniture, fixture and office equipment		Capital work- in progress		Total
		Land			Vehicles		Tools			
<b>Cost</b>										
January 1, 2019		47,399	266,129	418,394	90,638	35,829	15,651	60,934	934,974	
Acquisition of subsidiary	35	24,107	104,167	267,735	2,711	8,804	-	61,232	468,756	
Additions during the year		-	1,698	6,176	10,486	1,286	754	78,992	99,392	
Disposals		-	-459	-436	-5,087	-10	-4	-	-5,996	
Transferred to other intangible assets	16	-	-	-	-	-	-	-213	-213	
Transfers from CWIP		-	11,062	48,915	-	646	513	-61,136	-	
Foreign exchange differences		-	-5	-57	-2	-	-	-	-64	
December 31, 2019		71,506	382,592	740,727	98,746	46,555	16,914	139,809	1,496,849	
<b>Accumulated depreciation and impairment</b>										
January 1, 2019		9,574	136,481	251,213	61,816	31,676	12,568	-	503,328	
Acquisition of subsidiary	35	-	28,924	70,312	1,214	6,748	-	-	107,198	
Charge for the year		-	14,653	37,039	9,236	2,527	793	-	64,248	
Disposals		-	-209	-434	-5,032	-9	-4	-	-5,688	
December 31, 2019		9,574	179,849	358,130	67,234	40,942	13,357	-	669,086	
<b>Net book value</b>										
December 31, 2019		61,932	202,743	382,597	31,512	5,613	3,557	139,809	827,763	

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

Depreciation charge on property, plant and equipment for the year has been allocated as follows:

	2020	2019
Costs of revenue	59,618	55,725
Selling and distribution expenses	3,036	2,369
General and administrative expenses	7,174	5,899
General and administrative expenses associated to discontinued operations	2,574	255
	72,402	64,248

**14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Group leases certain of its premises. The lease term on the various leases is between 3 years and 25 years.

**14.1 Movement of right-of-use assets is as follows:**

	2020	2019
Jan-01	21,857	23,622
Add: Additions during the year	1,405	1,978
Less: termination due to remeasurement of lease liabilities, net	-303	-335
Less: depreciation on right-of-use assets	-2,992	-3,408
Dec-31	19,967	21,857

**14.2 The consolidated statement of profit or loss and other comprehensive income included the following amounts related to leases:**

	2020	2019
Depreciation on right-of-use assets	2,992	3,408
Accretion of finance costs under lease liabilities	809	901
	3,801	4,309

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Group does not have any leases which contain variable lease payment terms.

**14.3 Lease liabilities classified in the consolidated statement of financial position as at December 31 are as below:**

	2020	2019
Non-current portion of lease liabilities	19,547	21,282
Current portion of lease liabilities	2,434	2,660
	21,981	23,942

The future minimum lease payments have been discounted, using an effective interest rate of approximately 4% per annum, to their present values.

The Group's remaining contractual maturity for its lease liabilities have been disclosed in Note 33.4.

The Group does not face a significant liquidity risk with regard to its lease liabilities, which are monitored to determine that these are settled in accordance with the relevant lease agreements.

**15 GOODWILL**

The carrying amount of goodwill has been allocated to the following cash generating units:

	2020	2019
Arnon – note 15.1	4,066	4,066
Inma Pallets	331	331
	4,397	4,397

**15.1 The Company acquired 100% of the shares of Arnon and goodwill of SR 4.07 million was recognized with effect from January 1, 2019 (Note 35).**

The Group performed its annual impairment tests as at December 31, 2020. The recoverable amounts of the above cash generating units were determined using a value-in-use calculation which incorporates cash flow projections for a five-year period based on budgets approved by the management. A discount rate of 10% per annum is used to discount the future cash flows to present value.



**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**16 INTANGIBLE ASSETS**

Cost	Note	Software	Customer relationships	Trade name	Total
January 1, 2020		11,430	11,727	6,190	29,347
Additions		6	-	-	6
Assets of disposal group classified as held for sale	31	-6	-	-	-6
December 31, 2020		11,430	11,727	6,190	29,347
<b>Accumulated amortization</b>					
January 1, 2020		11,176	5,450	1,238	17,864
Amortization		254	1,569	1,259	3,082
December 31, 2020		11,430	7,019	2,497	20,946
<b>Net book value</b>					
December 31, 2020		-	4,708	3,693	8,401
January 1, 2019		11,210	3,881	-	15,091
Acquisition of subsidiary	35	-	7,846	6,190	14,036
Transferred from property, plant and equipment	13	213	-	-	213
Additions		7	-	-	7
December 31, 2019		11,430	11,727	6,190	29,347
<b>Accumulated amortization</b>					
January 1, 2019		9,884	3,881	-	13,765
Amortization		1,292	1,569	1,238	4,099
December 31, 2019		11,176	5,450	1,238	17,864
<b>Net book value</b>					
December 31, 2019		254	6,277	4,952	11,483

**17 INVENTORIES**

	2020	2019
Raw materials	419,694	348,309
Finished goods	128,295	114,923
Work-in-process	32,422	39,100
Goods in transit	25,304	19,153
Consumables	4,149	5,178
	609,864	526,663
<b>2020</b>		
Cost of inventories recognized as expense during the year	1,847,136	1,672,321
Carrying value of inventories held at net realizable value	17,796	8,740
Inventory written down during the year	8,450	985

**18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The movement in financial assets at FVTPL is set out below:

	2020	2019
Jan-01	48,775	-
Additions	4,938	88,556
Changes in fair value	-182	4,497
Disposals	-28,040	-44,278
Dec-31	25,491	48,775

Fair values of these equity investments are determined based on the quoted market price available on the Saudi Stock Exchange, which is a Level 1 input in terms of IFRS 13 Fair Value Measurement.

Amounts recognized in consolidated statement of profit or loss and other comprehensive income for the year are as follows:

	2020	2019
Gains on disposal of financial assets at FVTPL	2,041	8,621
Fair value (loss) / gain on financial assets at FVTPL	-182	4,497
	1,859	13,118

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**19 TRADE AND OTHER RECEIVABLES**

	Note	2020	2019
Trade receivables			
Third parties		541,931	563,018
Retention receivables		17,765	19,913
Related parties	27	74,480	74,146
		634,176	657,077
Less: allowance for expected credit loss		-83,764	-67,141
		550,412	589,936
Prepayments		17,779	32,577
Due from related parties	27	5,171	30,357
Advances to suppliers		38,811	27,189
Refundable value added tax		1,010	7,880
Cash margins for letters of credit		814	4,229
Amounts due from employees		5,596	3,989
Other receivables	36.1	25,257	3,739
	33.2	644,850	699,896

The Group's average credit period on sales of goods is 90 days. No interest is charged on outstanding trade receivables.

The Group considers that default can occur when a financial asset or debtor is past due by more than the average credit limit of 90 days and in this case, debtors are segregated into various categories keeping in view the nature of debtors, their past track records and any other relevant and applicable information. Accordingly, the Group defines the default for each category of debtor based on delay in payment beyond the allowed average credit limit unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

However, based on the historical collection pattern, the management considers that a customer will fall in default category after one year of past due balance. Accordingly, the management believes that the balances within one year of past due will result not in material amount of credit loss.

The following table shows the lifetime ECL allowance that has been recognized against gross trade receivables representing each segment in accordance with the simplified approach set out in IFRS 9: -

	Metal and Wood	Plastic	Electrical	Concrete	Total
December 31, 2020					
Gross trade receivables	322,953	83,783	66,130	69,065	541,931
Less: ECL allowance	-38,843	-9,094	-25,327	-10,500	-83,764
Net trade receivables	284,110	74,689	40,803	58,565	458,167
December 31, 2019					
Gross trade receivables	310,003	92,892	94,971	65,152	563,018
Less: ECL allowance	-37,142	-9,094	-10,405	-10,500	-67,141
Net trade receivables	272,861	83,798	84,566	54,652	495,877

The following table shows the movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9: -

	Note	2020	2019
Jan-01		67,141	59,766
Acquisition of subsidiary	35	-	11,094
ECL allowance		31,203	9,099
Written-off		-14,580	-12,818
Dec-31		83,764	67,141

The change in the loss allowance during the year was mainly due to change in credit risks as the receivable balances progressed through successive stages of delinquency to write off.

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

The following table shows the ECL calculated on a collective basis:

		Days past due						
		Not past due						
		01-180	181-360	361-720	721-1080	1080	Total	
2020								
Gross trade receivables	313,556	85,123	19,601	11,623	5,867	20,174	455,944	
Less: ECL allowance	-	-	-	-4,441	-4,520	-20,174	-29,135	
Net trade receivables	313,556	85,123	19,601	7,182	1,347	-	426,809	
(%) Average loss rates	-	-	-	38.21	77.04	100	6.39	
		Days past due						
		Not past due						
		01-180	181-360	361-720	721-1080	1080	Total	
2019								
Gross trade receivables	277,536	115,848	38,761	27,291	13,621	8,482	481,539	
Less: ECL allowance	-	-	-	-2,258	-6,892	-8,482	-17,632	
Net trade receivables	277,536	115,848	38,761	25,033	6,729	-	463,907	
(%) Average loss rates	-	-	-	8.27	50.6	100	3.66	

As of December 31, 2020, there were several other customers' balances amounting to SR 85.99 million (2019: SR 81.48 million) which include balances amounting to SR 65.29 million (2019: SR 62.95 million) outstanding for more than 2 years. Therefore, the management assessed the recoverability of these customers individually on a case by case basis. Accordingly, the management, based on their judgment and best estimate, recognized an expected credit loss amounting to SR 54.63 million (2019: SR 49.51 million). The average loss rates on these balances are within the range of 50% to 100% against the respective balances. The maximum remaining exposure as of the year date was SR 31.36 million, however management believes that an adequate level of provision has been recognised to cover the expected credit losses.

**20 CONTRACT ASSETS AND CONTRACT LIABILITIES****20.1 Contract assets**

Contract assets comprise the value of work performed in excess of the amount billed as at the period end arising entirely from construction contracts for sale of various bespoke items to customers. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Movement in contract assets is as follows:

	2020	2019
Jan-01	34,659	26,896
Unbilled revenue recognised during the year	95,321	121,918
Revenue billed during the year	-107,819	-114,155
Dec-31	22,161	34,659

All the contracts asset balances are of current nature and classified as not-past-due. ECL against these balances is not significant for the consolidated financial statements.

**20.2 Contract liabilities**

	2020	2019
Advances from customers	55,018	30,186
Billings in excess of revenue recognized	1,001	3,487
	56,019	33,673

The transaction price allocated to unsatisfied performance obligations at December 31, 2020 amounted to SR 56.02 million (December 31, 2019: SR 33.67 million) which comprise mostly from sales of goods.

Management expects that a significant portion of the contract liabilities of SR 56.02 million (December 31, 2019: SR 33.67 million) will be recognized as revenue in the next financial year.

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**21 CASH AND CASH EQUIVALENTS**

Note	2020	2019
Cash at bank	50,238	44,903
Cash in hand	860	996
	51,098	45,899
Cash and cash equivalents of disposal group classified as held for sale	31	-
	47,012	45,899

For the purpose of consolidated statement of cash flow for the years ended 31 December 2020, cash and cash equivalents at the end of the year also include cash and cash equivalents of 'disposal group classified as held for sale'. (Note 31)

**22 SHARE CAPITAL**

The Company had 60 million authorized, issued and fully paid Ordinary shares with a nominal value of SR 10 per share as at December 31, 2020 and 2019 amounting to total share capital of SR 600 million as at December 31, 2020 and 2019.

**23 STATUTORY RESERVE**

In accordance with Saudi Arabian Regulations for Companies and the Company By-Laws, the Company has established a statutory reserve by the appropriation of 10% of its annual net profit, after absorption of accumulated losses, until such reserve equals 30% of the share capital. The reserve is not available for dividend distribution.

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

**24 BORROWINGS**

24.1 Borrowings consist of the following:

2020	Current	Non-current	Total
Short-term borrowings	518,646	-	518,646
Long-term borrowings			
Term loans payable to banks	54,171	118,085	172,256
SIDF loans	63,720	20,454	84,174
	117,891	138,539	256,430
	636,537	138,539	775,076
2019			
Short-term borrowings	663,301	-	663,301
Long-term borrowings			
Term loans payable to banks	12,931	197,000	209,931
SIDF loans	6,369	77,479	83,848
Other	-	16,382	16,382
	19,300	290,861	310,161
	682,601	290,861	973,462

The financing facilities agreements obtained by the Group are in accordance with the terms of Islamic financing.

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**24.2 Movement of borrowings for the current year is as follows:**

	Note	Short-term borrowings	Long-term borrowings	Total
January 1, 2020		658,275	310,161	968,436
Receipts		1,011,690	14,463	1,026,153
Repayments		-1,103,408	-72,732	-1,176,140
Reclassified to long-term borrowings		-35,055	35,055	-
Debt arrangement costs		-	328	328
Borrowings of disposal group classified as held-for-sale	31	-17,586	-30,845	-48,431
		513,916	256,430	770,346
Add: Accrued finance cost		4,730	-	4,730
December 31, 2020		518,646	256,430	775,076
January 1, 2019		528,288	38,168	566,456
Receipts		2,396,706	251,631	2,648,337
Repayments		-2,491,739	-102,119	-2,593,858
Acquisition of subsidiary	35	225,020	122,025	347,045
Effect of exchange rate changes		-	80	80
Debt arrangement costs		-	376	376
		658,275	310,161	968,436
Add: Accrued finance cost	37	5,026	-	5,026
December 31, 2019		663,301	310,161	973,462

**24.3 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.

**24.4 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.

**24.5 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 403.90 million as at December 31, 2020 (2019: SR 414.72 million). (Note 13)

All of the above borrowings require the maintenance of certain debt covenants. As at December 31, 2020 and 2019, none of the conditions require to cause the loans to be payable on demand by the loan agreements.

**25 EMPLOYEE DEFINED BENEFIT LIABILITIES****25.1 Defined contribution plan**

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 5.16 million (December 31, 2019: SR 6.44 million).

**25.2 Defined benefit obligation – employees' end of service termination benefits obligation**

The Group operates a termination benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia for each of the respective subsidiary entities. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia.

Employees' end of service termination benefits obligation are unfunded plans and the benefit payment obligations are met when they are due.

	Note	2020	2019
Jan-01		79,780	61,001
Acquisition of subsidiary	35	-	7,340
Current service cost	11	10,010	8,534
Interest cost	9	2,564	3,136
Total amount recognised in profit or loss		12,574	11,670
Payments		-6,383	-8,356
Benefits payable at the year end		-45	-
Gain) / loss attributable to the re-measurements) of actuarial assumptions		-838	8,125
Financial assumptions		-547	8,350
Experience adjustments		-291	-225
Dec-31		85,088	79,780



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

Actuarial valuations were performed by an independent qualified actuary using the projected unit credit method.

Movements in the employee defined benefit obligations arising from current service cost and interest cost are recognized in profit or loss. However, re-measurement gains or losses arising from changes in actuarial assumptions are recognized as other comprehensive income / (loss). The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2020	2019
Discount rate	2.30%	3.15%
Average rate of salary increases	2.25%	3.00%
Rate of employee turnover	Moderate	Moderate
(Mortality rates (WHO	SA16-75%	SA16-75%

The weighted average duration of the defined benefit obligation of the Group is 11.42 years (2019: 10.20 years).

The actuary decreased the discount rate in 2020 to reflect the changes in applicable market yields.

**Sensitivity analysis**

The sensitivity analysis presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2020	2019
Increase in discount rate by 0.5%	-4,284	-4,009
Decrease in discount rate by 0.5%	4,684	4,383
Increase in rate of salary increase by 0.5%	4,064	4,163
Decrease in rate of salary increase by 0.5%	-3,766	-3,847

**26 TRADE AND OTHER PAYABLES**

	Note	2020	2019
Trade payables			
Third parties		390,436	360,260
Related parties	27	5,174	16,529
		395,610	376,789
Employee related accruals		33,240	18,440
Due to related parties	27	175	6,060
Accrued commission		2,703	2,143
Accrued directors' compensation		2,169	2,141
Warranty provisions	26.1	2,622	1,019
Other payables and accruals		28,322	22,159
		464,841	428,751

Trade and other payables are unsecured and are usually paid within 30 to 90 days of recognition.

**26.1 The movement in the warranty provision is as follows:**

	2020	2019
Jan-01	1,019	1,193
Raised during the year	1,775	227
Utilized during the year	-172	-401
Dec-31	2,622	1,019

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**27 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties mainly represent shareholders, affiliates, subsidiary companies, key personnel and entities controlled or significantly influenced by such parties. During the year, the Group mainly had transactions with the following related parties:

Name	Relationship
Al Fozan Group of Companies	Shareholder/ Affiliate
Al Muhaidib Group of Companies	Shareholder/ Affiliate

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its other related parties are disclosed below:

Nature of transactions	Note	2020	2019
Revenue		213,783	248,626
Acquisition of a subsidiary	35	-	191,000
Compensation against provision for inventories	35	-	27,955
Purchases		23,992	19,581
Royalties	6	849	526
Short-term lease charges		405	790
Management fee and commission paid		200	286

	Note	2020	2019
Trade receivables	19	74,480	74,146
Non-trade receivables	19	5,171	30,357
Trade payables	26	5,174	16,529
Non-trade payables	26	175	6,060

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given to the related parties and no ECL allowance has been provided for in the current year in respect of amounts due from related parties since no such balance has been past due.

During the year, short-term and long-term employment benefits to the Company's key management personnel amounted to SR 4.47 million (December 31, 2019: SR 4.42 million). Key management personnel include directors and key executives at the Group level.

**28 CAPITAL COMMITMENTS AND CONTINGENCIES**

The Group had capital commitments of SR 1.50 million (December 31, 2019: SR 14.81 million) and contingencies in the form of letters of credit and guarantee of SR 693.21 million (December 31, 2019: SR 540.88 million) at the reporting date.

**29 SEGMENT INFORMATION**

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:

<b>Metal and Wood</b>	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.
<b>Plastic</b>	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.
<b>Electrical</b>	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.
<b>Concrete</b>	The segment is engaged in production of concrete products in addition to the repair and maintenance of laboratory tools and equipment, machines, industrial, electrical and non-electrical equipment and desalination and sewage plants. Furthermore, the segment is engaged in oil and gas, marine, industrial, electrical and mechanical works. The segment also carries out painting works and thermal and water insulation.
<b>Other</b>	Other segment is a residual segment and comprises of Bawan Company representing only the holding company (i.e. head office) and associated activities carried out at the head office level.

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

The Group's consolidated balances by business segments were as follows:

	Metal and Wood	Plastic	Electrical	Concrete	Other	Total
December 31, 2020						
Total revenue	1,639,851	262,370	337,990	177,861	-	2,418,072
Profit / (loss) for the year	124,614	15,737	-40,497	369	-15,479	84,744
Total assets	915,618	577,445	401,008	260,577	73,684	2,228,332
Total liabilities	482,046	427,733	335,818	153,755	73,561	1,472,913
December 31, 2019						
Total revenue	1,463,373	310,061	261,029	200,770	-	2,235,233
Profit / (loss) for the year	45,756	24,414	-50,031	3,875	-2,271	21,743
Total assets	833,167	622,096	404,169	293,665	99,807	2,252,904
Total liabilities	488,170	461,425	292,338	190,448	123,719	1,556,100

There were no significant inter-segment revenues during the years 2020 and 2019.

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

The electrical segment also includes the financial and operational results of subsidiary classified as "Disposal group held for sale". Refer to the Note 31 for further details.

No single customer contributed 10 percent or more to the Group's revenue in either 2020 or 2019.

**30 NON-CONTROLLING INTERESTS**

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests as at December 31:

Subsidiary	Percentage of Non-controlling interest	Accumulated non-controlling interests		Profit / (loss) attributable to non-controlling interests	
		2020	2019	2020	2019
Utec-Saudi and its subsidiary	14.5	18,325	28,739	-7,091	-6,197
Bina Holding and its subsidiaries	43.25	33,917	34,555	122	1,938
Others		10,658	7,336	1,545	-630
		62,900	70,630	-5,424	-4,889

The subsidiaries individually detailed above are incorporated and operate in Saudi Arabia, except for Utec-Algeria which is presented as "disposal group classified as held for sale" as disclosed in note 31. Others include subsidiaries wherein non-controlling interest are within the range of 5% to 14.5% and which are not significant to the consolidated financial statements as whole.

Summarized consolidated financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized consolidated financial information below represents amounts before intragroup eliminations.

## Summarized statement of financial position

	Utec-Saudi and its subsidiary		Bina holding and its subsidiaries	
	2020	2019	2020	2019
Non-current assets	45,256	109,283	103,838	115,391
Current assets	369,719	270,427	156,866	178,274
Non-current liabilities	15,652	29,548	20,531	74,139
Current liabilities	299,740	221,071	148,220	127,296

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

## Summarized statement of profit or loss and other comprehensive income

	Note	Utec-Saudi and its Subsidiary		Bina Holding and its Subsidiaries	
		2020	2019	2020	2019
Revenue		256,419	170,430	177,862	200,770
Expenses, net		-271,421	-199,959	-177,498	-196,895
Loss from discontinued operations	31	-8,256	-3,512	-	-
Loss) / profit for the year)		-23,258	-33,041	364	3,875
.Loss) / profit attributable to)					
Owners of the company		-19,047	-31,250	728	3,418
Non-controlling interests		-4,211	-1,791	-364	457
Loss) / profit for the year)		-23,258	-33,041	364	3,875
Other comprehensive (loss) / income attributable to)					
Owners of the company		-2,025	-1,747	191	-1,280
Non-controlling interests		-54	-54	151	-65
Other comprehensive (loss) / gain for the year		-2,079	-1,801	342	-1,345

## Summarized statement of cash flows

	Utec-Saudi and its Subsidiary		Bina holding and its Subsidiaries	
	2020	2019	2020	2019
Cash generated from operating activities	19,661	6,315	15,166	-38,974
Cash used in investing activities	-9,345	-16,962	-3,770	-9,756
Cash generated from / (used in) financing activities	1,758	4,999	-13,076	59,015
Net increase / (decrease) in cash and cash equivalents for the year	12,074	-5,648	-1,680	10,285

**31 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE**

Base on management assessment, United Technology Electric Company (Utec-Algeria) is considered as a major line of business in respect of its electrical products for its customers in North Africa. Towards the end of 2020, the management of the Group initiated a plan to sell Utec-Algeria. To give effect to this plan, an active programme to locate a buyer and complete the aforementioned plan was initiated. On January 31, 2021, the Group announced that one of its subsidiaries (Utec-Saudi) has entered into a contract to sell its entire equity stake in Utec-Algeria for a value of US Dollars 8 million (equivalent to SR 30 million). The sale is subject to all regulatory approvals from the relevant authorities.

Analysis of results of operations of disposal group classified as held for sale during the year ended December 31, 2020 and 2019 is as follows:

**31.1 Financial performance and cash flow information**

	2020	2019
Revenue	7,793	-
Expenses	-16,049	-3,512
Loss before zakat and income tax	-8,256	-3,512
Zakat and income tax expense	-	-
Net loss from discontinued operation	-8,256	-3,512
Exchange differences on translation of discontinued operation	-1,947	-105
Other comprehensive loss from discontinued operation	-1,947	-105
Total comprehensive loss from discontinued operation	-10,203	-3,617
Net cash utilized in operating activities	-15,247	-16,779
Net cash used in investing activities	-6,600	-15,572
Net cash inflow from financing activities	20,657	29,980
Net decrease in cash and cash equivalent from the discontinued operation	-1,190	-2,371

Cash flow information for the years ended 31 December 2020 and 2019 was not significant for separate presentation in the consolidated statement of cash flows.

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**31.2 Assets and liabilities of disposal group classified as held for sale**

The following assets and liabilities are classified as held for sale in relation to the discontinued operation as at December 31, 2020:

	As at December 31, 2020
Assets relating to disposal group classified as held for sale	
Property, plant and equipment	52,504
Intangible assets	6
Trade and other receivables	8,861
Inventories	18,552
Cash and cash equivalents	4,086
<b>Total assets of disposal group classified as held for sale</b>	<b>84,009</b>
Liabilities relating to disposal group classified as held for sale	
Long-term borrowings	30,845
Short-term borrowings	17,586
Trade and other payables	1,471
Due to related parties	1,042
<b>Total liabilities of disposal group classified as held for sale</b>	<b>50,944</b>

**32 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The following table combines information about classes of financial instruments based on their nature and characteristics; and the carrying amounts of financial instruments:

	2020	2019
i) Fair value through profit or loss		
Investment in financial assets	25,491	48,775
ii) Amortized cost		
Cash and cash equivalents	51,098	45,899
Trade and other receivables	597,121	640,130
Contract assets	22,161	34,659
	670,380	720,688
	695,871	769,463

<b>Financial liabilities at amortized cost</b>		
Amortized cost		
Trade and other payables	464,732	427,732
Short-term borrowings	536,232	663,301
Long-term Borrowings	287,276	310,161
Lease liabilities	21,981	23,942
	1,310,221	1,425,136

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 year.

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



**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**33 FINANCIAL RISK AND CAPITAL MANAGEMENT**

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

**33.1 Market risk**

Market risk is the risk from changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

**(i) Foreign currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals and US Dollars, which are currently pegged. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

The Group has investment in Algeria which has been presented as 'disposal group classified as held for sale' (Note 31). The currency of Algeria fluctuates against the Saudi Riyal. Management monitors fluctuations in foreign exchange rates and manages their effect on the consolidated financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

**(ii) Interest rate risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The Group does not hedge its exposure to movements in interest rates.

**Interest rate sensitivity analysis**

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would have decreased or increased by SR 2.94 million (2019: SR 3.62 million). The Group's exposure to interest rates has decreased during the year primarily as a result of decrease in borrowings.

**33.2 Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed are disclosed in Note 19. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating. The Group does not hold any collateral to cover the credit risk associated with its financial assets.

**Trade receivables**

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss ("ECL"). The collective basis ECL on trade receivables are estimated using a provision matrix

by reference to historical loss rates and adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date based on the management best estimate. Accordingly, the ECL primarily based on the historical past due information and related loss rates and no significant assumptions were incorporated in the ECL model used to calculate the collective provision. Further, based on the management assessment, the forward-looking information i.e economic factor also not significantly impacting the ECL loss and therefore the related sensitivities were not disclosed.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There are no customers who comprise more than 10% of the total trade receivables balance in the current and prior years.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in consolidated statement of financial position.

The Group does not hold collaterals as security. However, the Group obtain promissory notes, post-dates cheques and letter of credits as security in certain cases, in totality amounting to SR 207 million, to cover the credit risk.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and the ECL assessment is performed at each subsidiary level.

Refer to the Note 19 for the expected credit loss analysis as of December 31, 2020 and 2019.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with the various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low.

**33.3 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

For maturity profile of the Group's financial liabilities, refer to Note 33.4.

The Group's current liabilities approximate to its current assets. The management believes that this is not expected to significantly impact the Group's ability to meet its obligation as the Group manages its liquidity risk by ensuring that bank borrowing facilities from multiple banks are available throughout the year (Note 24).

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

**33.4 Maturity profile of financial liabilities (undiscounted basis)**

	(%) Interest Rate	Within 1 year	to 5 years 1	Over 5 years	Total
<b>2020</b>					
Lease liabilities	4	3,784	9,579	14,867	28,230
Long-term borrowings	2.17	121,003	142,624		263,627
Short-term borrowings	2.12	518,646	-	-	518,646
Trade and other payables	Interest free	462,219	-	-	462,219
		1,105,652	152,203	14,867	1,272,722
<b>2019</b>					
Lease liabilities	4	3,846	9,814	16,047	29,707
Long-term borrowings	3.77	42,647	283,937	-	326,584
Short-term borrowings	3.6	670,124	-	-	670,124
Trade and other payables	Interest free	427,732	-	-	427,732
		1,144,349	293,751	16,047	1,454,147

**34 CAPITAL MANAGEMENT**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. For capital management purposes, capital was considered as equal to the total equity of the Group.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

**35 ACQUISITION OF SUBSIDIARY****Acquisition of Arnon Plastic Industries Company**

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. Arnon was acquired for growth of the Group's operations. Acquisition-related costs amounted to SR 3.00 million, out of which SR 2.94 million were expensed during the prior year.

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

intangible assets comprise customer relationships and the trade name.

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

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

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

The assets and liabilities recognised as a result of the acquisition were as follows:

	Note	Fair value
Cash and cash equivalents		2,748
Trade and other receivables		103,819
Inventories and spare parts		141,394
Property, plant and equipment	13	361,558
Intangible assets: customer relationships	16	7,846
Intangible assets: trade name	16	6,190
Long-term borrowings	24	-122,025
Short-term borrowings	24	-225,020
Loan from a shareholder		-371
Employee defined benefit liabilities	25	-7,340
Trade and other payables		-80,465
Zakat payable	10	-1,400
<b>Total identifiable assets acquired, and liabilities assumed</b>		<b>186,934</b>
Goodwill	15	4,066
<b>Total consideration</b>		<b>191,000</b>
<b>Net cash outflow arising on acquisition</b>		
Cash consideration	27	191,000
Cash and cash equivalents		(2,748)
<b>Total consideration</b>		<b>188,252</b>

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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

The purchase consideration of SR 191.00 million for the acquisition of Arnon was paid fully in cash.

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

The previous shareholder agreed to compensate the Company by an amount of SR 27.96 million against the provision for inventories recorded in 2019.

**Acquired trade receivables**

The fair value of acquired trade receivables was SR 83.68 million. The gross contractual amount for trade receivables due was SR 94.77 million and the impairment allowance for doubtful trade receivables amounted to SR 11.09 million.

**36 SUPPLEMENTARY INFORMATION****36.1 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 which includes net book value of property, plant and equipment and inventories of SR 16.5 million (Note 13) and SR 1.19 million respectively. The plastic segment has insurance coverage of SR 42.36 million against a loss caused by such an incident and to compensate for losses due to such an interruption of business. The Group has filed an insurance claim and is arranging the required documentation in order to finalize the claim. Insurance claim receivable of SR 17.69 million was recognized and management is certain that this amount is fully collectable from the insurance company. As of the date of the approval of these consolidated financial statements, the settlement of insurance claim was still under process.

**36.2 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.

**36.3 Supplemental cash flow information**

	Note	2020	2019
Supplement schedule of non-cash information			
'Assets relating to 'disposal group classified as held for sale	31.2	84,009	-
'Liabilities relating to 'disposal group classified as held for sale	31.2	50,944	-
Trade receivables written-off	19	14,580	12,818
'Other adjustment in 'zakat payable	10.2	-	12
Right-of-use asset and lease liabilities recognized	14	1,405	1,978
Right-of-use asset' derecognized'	14	303	922
'Transfers from 'Property, plant and equipment' to 'inventories		3,257	-
'Property, plant and equipment' transferred to 'intangible assets'	13	-	213

**Notes to the consolidated financial statements for the year ended 31 December 2020**

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**37 RECLASSIFICATIONS**

The Group has 're-presented' certain disclosures for 2019 in the consolidated financial statements so that the disclosures relate to all operations of disposal group classified as held for sale in the comparative consolidated statement of profit or loss and other comprehensive income. (Note 31)

Furthermore, certain comparative year end balances have been reclassified and re-presented for the purpose of better presentation. However, the effect of those reclassifications was not significant. The key reclassifications were as follows:

Reclassification from	Reclassification to	Amount
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
General and administrative expenses – Re-measurement of loss allowance	Expected credit loss (ECL) allowance on trade receivables' presented on the face of the statement of profit or loss and other comprehensive income	9,099
Other income - Gains on disposal of investment in financial assets	Gain on disposal of investment in financial assets' at FVTPL' presented on the face of the statement of profit or loss and other comprehensive income	8,621
Other income - Fair value gain on financial assets	Fair value gain on investment in financial assets at FVTPL' presented on the face of the statement of profit or loss and other comprehensive income	4,497
Other income - Compensation against provision for inventories	General and administrative expenses' to be adjusted against 'provision for inventories' associated with (acquisition of Arnon (Note 35)	27,955
Cost of revenue – Interest cost on employees' defined benefits liabilities	Finance costs	3,136
<b>Consolidated statement of financial position</b>		
Trade and other payables - accrued finance charges	Short-term borrowings' as accrued finance charges'	5,026
Current portion of loans – representing non-current portion of loan	Long-term borrowings	21,116

These reclassifications were made in the comparative year for improved comparability and did not affect either the net worth, the net profit / (loss) or cashflows of the Group for the previous year.

**38 SUBSEQUENT EVENTS**

There were no significant subsequent events, adjusting or non-adjusting, since December 31, 2020 that would have a material on the financial position or financial performance of the Group as reflected in these consolidated financial statements.

**39 DIVIDENDS**

On October 25, 2020, the Board of Directors of the Company approved the distribution of interim cash dividends of SR 0.40 per share amounting to SR 24.00 million to the shareholders of the Company for the first half of the financial year 2020.

**40 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by the Company's Board of Directors on March 03, 2021.