Annual Report 2023

بوان
Bawan

In the ever-evolving landscape of the industrial sector, Bawan's Expansion Quest is a testament to its unwavering ambition and determination. With a distinguished team of experts leading the way, Bawan is carving a path toward a brighter future, one marked by remarkable achievements and transformative contributions.

Explore the annual report on our website

Opinions and comments

We consistently value and incorporate opinions in an effort to improve the quality of the reports we publish. Kindly feel at liberty to reach out to us via any of the following communication channels:

info@bawan.com.sa

www.bawan.com.sa

The Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al-Saud
May Allah Protect Him

His Royal Highness
Prince Mohammad bin Salman bin Abdulaziz Al-Saud
Crown Prince, Prime Minister, May Allah Protect Him

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Company Profile

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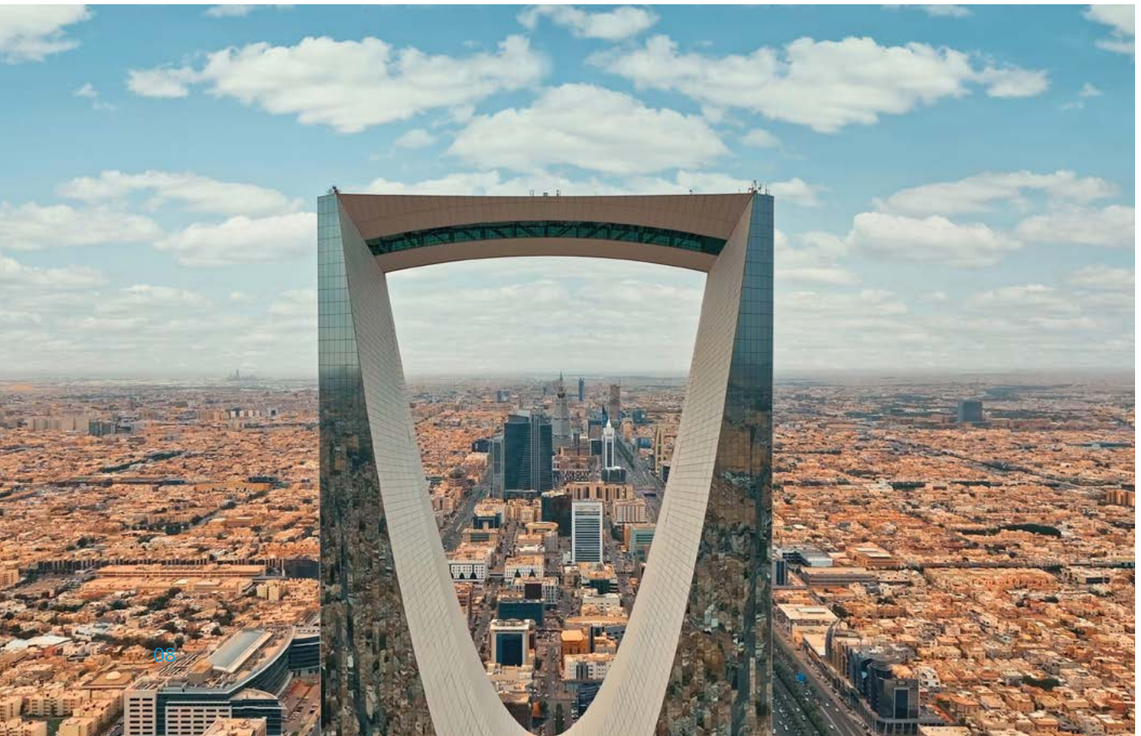
Building on Solid Foundations

Since its founding, Bawan has made significant investments in the industrial sector. As a result, it has quickly emerged as one of the most significant local and regional industrial groups. Through its successful expansion plans, Bawan hopes to further diversify and widen its investment base.

The company is led by a distinguished team of senior specialists and experts in a variety of fields. They have applied their extensive knowledge and leadership in the industrial sector to develop a wide range of exceptional services and cutting-edge products that meet the highest international quality standards in support of infrastructure development projects in all commercial, residential, and industrial sectors both inside and outside the Kingdom.



1980

Establishment

- Bawan was established as a limited liability entity on Shawwal 09, 1400 corresponding to August 20, 1980.
- Merger of Abdullatif & Mohammad Alfozan Co. and Abdulkader Al Muhaidib & Sons General Trading Co.
- Operations span a diverse range of capital goods sectors.

2011

Conversion to Joint-Stock Company

- Bawan converted to a Saudi joint-stock company.
- Formation in accordance with Ministerial resolution 420/Q on 20 November 2011.

2013

Listing on Saudi Stock Exchange

- Bawan is listed on the Saudi Stock Exchange (Tadawul) on 24 December 2013.
- Ticker No: 1302.

2015

Increase in Capital

- As of 10 November 2015, Bawan General Assembly approved an increase in capital from 500 million SAR to 600 million SAR through the distribution of 20% bonus shares.

2023

Capital and Shares

- As of December 31, 2023, Bawan's paid-up capital amounts to SAR 600 million.
- Paid-up capital consists of 60 million 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 adding new sectors in the future.

2022	3.364 SAR BN
2023	3.351 SAR BN

SAR BN

3.351 0.4% ▼

Sales / Revenue

2022	207.3 SAR MN
2023	177.1 SAR MN

SAR MN

177.1 14.6% ▼

Operational Profit

2022	162.8 SAR MN
2023	136 SAR MN

SAR MN

136 16.4% ▼

Net Profit

2022	929.6 SAR MN
2023	960.8 SAR MN

SAR MN

960.8 3.35% ▲

Total Equity

2022	2.71 SAR
2023	2.27 SAR

SAR

2.27 16.23% ▼

Profit Per Share

28.3%

Saudization Rate

2338

Number of Employees

26

Factories Locations

Achieving qualitative transformation

We take great pride in our significant contribution to the industrial sector's revitalization and expansion in the Kingdom of Saudi Arabia during the last forty years. This was accomplished by ensuring the successful implementation of industry modernization and development initiatives, which served as the foundation for qualitative transformation.

Bawan Company has remained committed to the guiding principle of building on solid foundations. This principle has served as a compass, allowing Bawan to overcome obstacles and challenges in the midst of a challenging economic climate.

Bawan was not spared from the consequences of the Russian-Ukrainian crisis, which included the closure of Black Sea ports, an increase of prices of numerous goods, a shortage of shipping containers, a surge in energy expenses, and an escalation of global interest rates.

However, thanks to God and the decisions of our wise leadership represented by the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and his faithful Crown Prince - may God protect them - we have overcome these obstacles to successfully achieve growth in 2023.

Bawan continues to strengthen its leading position in the Saudi market. While upholding our commitment to sustainability and governance regulations, we maintain our high-quality standards. This enables us to attract new partners while sustaining the confidence of current ones. In addition, we introduced many new products to stay ahead of the curve with local and regional markets, while continually monitoring new investment opportunities for our stakeholders.

Bawan is equally committed to fostering a more promising future and upholding its national obligation to assist in the realization of the Kingdom's Vision 2030. This initiative aims to stimulate economic expansion and harness the untapped capabilities and energies of the nation. We are excited to increase our percentage of Saudi employees, utilizing our extensive expertise to instruct and equip young individuals who are inventive, productive, and eager to learn.

I extend my gratitude to all individuals who supported our endeavors in 2023, including our cadres, customers, shareholders, and all other stakeholders. Furthermore, I am thankful to our national leadership that embraced this solid edifice and made our Kingdom a fertile soil that produces creativity with the hands of its loyal sons.

Mr. Abdullah bin Abdullatif Al-Fozan
Chairman of the Board of Directors

Dedicated to Quality Standards

Bawan maintained its leading position in the industry despite challenges due to its commitment to invest in our human capital and align with the Kingdom's Vision 2030.

We take great pride in announcing the start of a new year, filled with enthusiasm and hope for a brighter future. Bawan Company has successfully completed many major projects and established solid foundations in various sectors, thanks to its administrative and field competencies and strict adherence to the highest quality standards. To continue its success, built on the solid foundation of forty years of accumulated experience, Bawan is committed to using governance strategies that focus on enhancing group performance to achieve our objectives. Bawan has updated its policies, established performance standards, measurement tools, and activated feedback mechanisms to ensure quality work, identify strengths, and areas for improvement.

This report highlights Bawan's achievements during the year, including an increase in total equity of 3.35%. These accomplishments were possible thanks to the company's continuous efforts to open new production lines, attract successful partners, and strengthen existing partnerships.

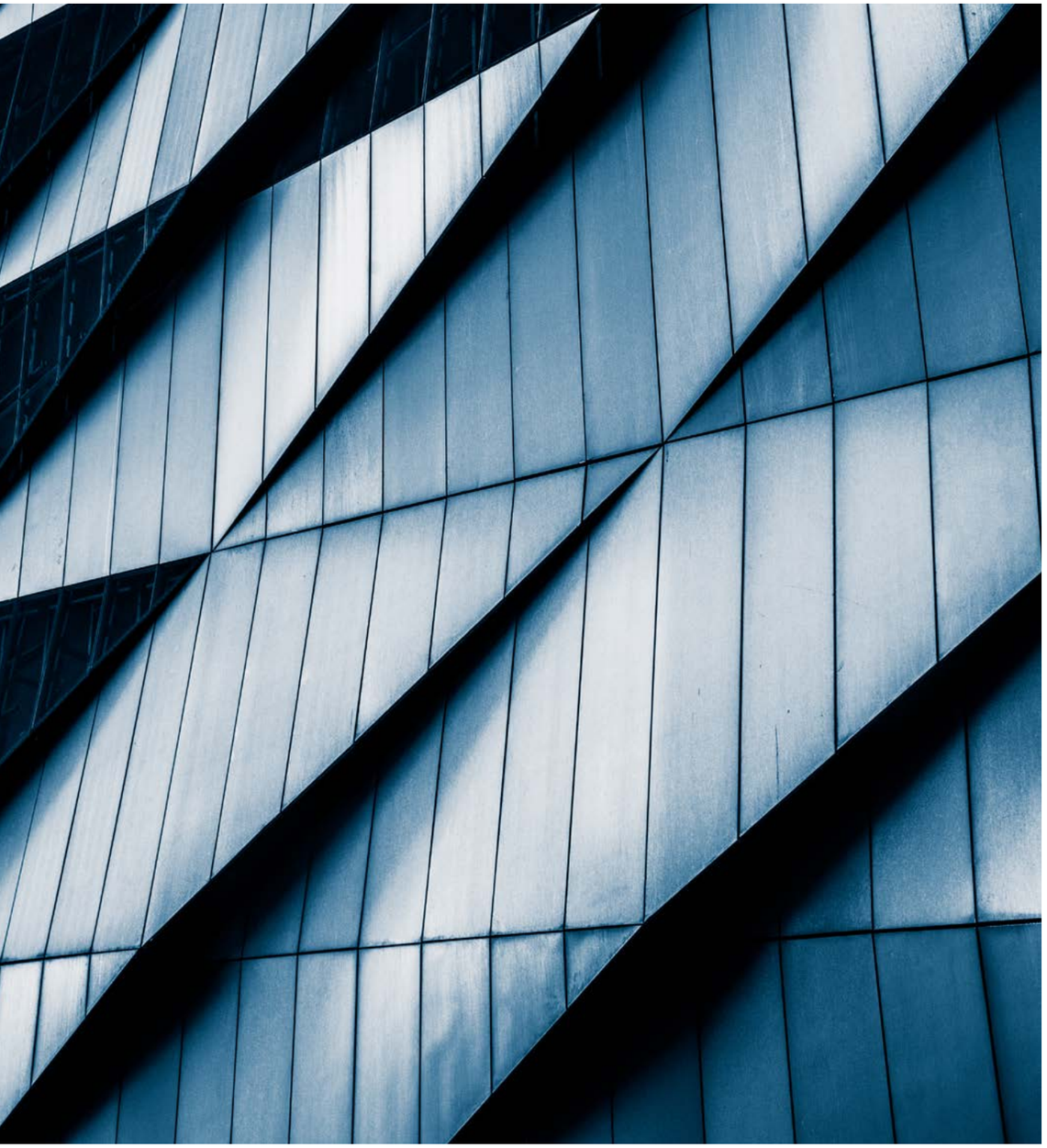
At Bawan, we believe that obstacles are meant to be overcome. Despite the challenges posed by the global rise in interest rates as a result of increasing inflation in many of our main markets, the Company effectively addressed the associated risks in the business environment.

Bawan owes its success to its qualified cadres. The company invests in its employees by creating a vibrant and flexible work environment that provides all necessary amenities and fosters a positive work culture. This environment reflects the company's vision and direction towards opening horizons of creativity and innovation to motivate employees to provide high-quality work.

The company is committed to advancing development in line with the Kingdom's 2030 strategy and achieving greater success. This is Bawan's national responsibility, and the company strives to maintain the confidence of its customers and shareholders, to whom it extends sincere thanks and gratitude.

Mr. Mohammad Ahmed Al-Balawi
Chief Executive Officer

Promoting the company's success through guidance and supervision of its affairs



Abdullah bin Abdul Latif Al Fozan

Current Positions
- Chairman of the Board of Bawan Co.
- Chairman of the Board of Al Fozan Holding Co.

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

Experience
Over 25 years of experience in management, economics, investment and planning. Mr Al Fozan also carries out other duties, including serving as a Chairman and Board Member for several listed and unlisted joint-stock companies.

Raed bin Ibrahim Al Mudaiheem

Current Positions
- Vice Chairman of the Board of Bawan Co.
- Vice Chairman of Masdar Building Materials

Committees Membership
Nomination and Remuneration Committee member

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

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

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

Fozan bin Mohammed Al Fozan

Current Positions
- Managing Director of Bawan Co.
- Vice Chairman of Al Fozan Holding Co.

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 several listed and unlisted joint-stock companies. Mr. Al Fozan is highly experienced in the field of business administration and planning.

Raed bin Ahmad Al Mazrou

Current Positions
- Board Member of Bawan Co.
- Chairman of Adwan Chemical Industries Co.

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 Abdul Rahman Al Gowaiz

Current Positions
- Board Member of Bawan Co.

Committees Membership
Chairman of the Nomination and Remuneration Committee

Previous Positions
- Chief Executive Officer of Bin Ladin Group Global Holding Company
- 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

Current Positions
- 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

Current Positions
- Board Member of Bawan Co.
- Chairman of the Audit Committee at Bawan Co.
- Chief Audit Executive of Internal Audit at Mobily Company

Committees Membership
Chairman of 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
Mr. Al Rowais 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.

Mohammad bin Abdulaziz Al Ageel

Current Positions
- Board Member of Bawan Co.

Committees Membership
Nomination and Remuneration Committee member

Previous Positions
- COO of Al-Fozan Holding
- VP Investments of Alfozan Holding
- Saudi Industrial Development Fund - Senior credit consultant

Qualifications
Bachelor's Degree in science in System Engineering – King Fahd University of Petroleum and Minerals – 1992

Experience
With a considerable senior management experience, significantly in the investment management and strategic planning fields. He has also served as a Chairman and Board Member for a number of companies.

Faisal Majid Al Muhaidib

Current Positions
- Board Member of Bawan Co.
- CEO Masdar Building Materials

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

Previous Positions
- Al Muhaidib Group, Portfolio Manager – Levant
- General Manager, Masdar Technical Supplies & Masdar Hardware
- General Manager, Masdar Technical Supplies

Qualifications
Bachelor's Degree in Economic & Finance – Tennessee State University – 2001

Master's Degree in Business Administration – INSEAD Business School – 2017

Experience
Considerable experience in executive management positions for a number of companies.
He also serves as Board Member for several companies. Mr. Al Muhaidib also has extensive experience in the field of business administration and building and construction.

Fozan Mohammad Al-Fozan

Previously introduced in the members of the Board of Directors

Mohammad Ahmed Al-Balawi

Current Positions
Chief Executive Officer of Bawan Company

Previous Positions
- Chief Financial Officer of Bawan Company
- 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.

Master's Degree in Business Administration – University of London – 2017

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

Abdullah Abduaziz Al-Rabiah

Current Positions
MD and CEO of Metal and Wood Sector

Previous Positions
- Accounts analyst, Saudi Development Fund, Riyadh
- AMAREC budget Sr. Coordinator, Eastern Region

Qualifications
Bachelor Degree in Accounting, King Saud University, Riyadh

Post study Pro certificate, Citibank, NY

Pro seminars & Training courses

Experience
Extensive executive and board management experience with numerous companies. He is highly experienced in the field of business administration, strategic and financial planning.

Majed Mohammad Al-Solaim

Current Positions
MD and CEO of Plastic Sector

Previous Positions
- Managing Director, Building Construction Co.
- Managing Director of RETAL Co.
- Vice President (Business Dev.) of Al Fozan Holding Co.
- CEO of Corrosion Prevention Industry Co.
- Deputy GM of Rashed Al Rashed Co.
- Sales Manager of Aluminium Products Co.

Qualifications
Masters of Business Administration (MBA) – 2003

Bachelor's Degree in Business Administration – 1997

Experience
CEO & Managing Director with over 15 years of experience in providing strategic, financial and operational leadership primarily in the manufacturing arena.

He develops and implements business plans that incorporate overall strategies to achieve organizational goals and sustainability.

Wael Ahmad Gad

Current Positions
Chief Executive Officer of Electric Sector

Previous Positions
- Group Chief Executive Officer Philips Lighting Saudi
- General Manager Microsoft MMDS Saudi & Yemen
- EMEA Business Development Director Electrolux

Qualifications
Bachelor's Degree in Electrical Engineering – Alexandria University – 1992

Postgraduate Diploma in Marketing – AUC

MBA in Management – Central Michigan University - 2007

Experience
Experienced Turnaround CEO with track record in Business Development, Change Management & Family Business Governance. Also, a Broad member in several companies.

Strategy and Business

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Integrated plans to achieve excellence and growth

Bawan's strategy is based on rigorously defined and approved standards that incorporate fundamental values within the group and account for the swift expansion and development that characterizes the Saudi market. Recognizing the pivotal role of a robust strategy as the foundation and guidepost for future endeavors, Bawan leverages its four decades of experience to augment its market eminence, strengthen its local and regional market standing, and contribute to the effective and distinctive implementation of the pillars of the Kingdom's Vision 2030.

Bawan's strategy is predicated on precise plans for business governance and direction, encompassing policy updates, performance standard implementation, result measurement tools, and quality feedback mechanisms, which serve to identify areas for improvement in the group's operations.

Strategic Goals

Perpetual operations refinement through a cost optimization budget and increased efficiency.

Robust client relationships that cultivate new partnerships and satisfy clients' needs while adhering to exacting quality standards.

Product enhancement, with a focus on raising quality standards for existing offerings.

Expansion of the product portfolio through the addition of contemporary items that cater to the demands of new target markets.

Strategic investment in novel products that leverage Bawan's potential and add diversity to the product range.

Ongoing exploration of investment opportunities in the market, including sectors that are dissimilar to those in which the company currently operates.

Selective acquisition pursuit to augment the company's growth trajectory.

Market Overview and Vision 2030

Saudi Arabia's economy is transforming as a result of changes being put in place to lessen reliance on oil, diversify sources of income, and boost competitiveness. This year is significant because it is the halfway point in Saudi Arabia's far-reaching Vision 2030 initiative.

In consideration of this economic proficiency, Bawan Company has made noteworthy advancements, strengthened by God's help, in its operations. In accordance with the directives of His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince, and Prime Minister (may God protect him), to be a key player in the Kingdom's national transformation plan and to launch the Kingdom's Vision 2030.

Macroeconomic Report

The Saudi economy has demonstrated slower progress in the growth rate of its real GDP. As per data from the General Authority for Statistics in the Kingdom of Saudi Arabia, the GDP shrank 3.7% YoY in the fourth quarter of 2023. Oil activities were down 16.4% in the fourth quarter versus the previous year, estimates from the General Authority for Statistics showed, while non-oil GDP grew 4.3% year on year, and government activities increased 3.1%.

The World Bank ranked the Kingdom's economy as the fastest growing in the world. In spite of global events such as the coronavirus pandemic and the Ukrainian-Russian war, the Saudi economy is steadily progressing and expanding under the guidance of its shrewd leadership (may God bless it) and the structural reforms implemented within the framework of Vision 2030.

The International Monetary Fund estimated Saudi Arabia's economy contracted by 1.1% in 2023, adding this would result in a slower rebound this year.

This is in sharp contrast to 2022, when Saudi Arabia was the G20 group's best-performing economy, boosted by an oil price windfall, which allowed it to achieve growth of 8.7% and swing to its first fiscal surplus in almost a decade.

Regarding 2023 oil prices, the OPEC reference basket experienced an average annual price decrease of $82.95 per barrel. This trend can be attributed to numerous geopolitical and economic developments worldwide, as well as OPEC's policies. Bawan maintained the policy of reducing production by two million barrels per day, as outlined in OPEC+, in light of the uncertain circumstances.

Saudi Arabia's economy is transforming as a result of changes being put in place to lessen reliance on oil, diversify sources of income, and boost competitiveness. This year is significant because it is the halfway point in Saudi Arabia's far-reaching Vision 2030 initiative. The increase in non-oil has been the most notable indicator of improvement; it has surged since 2021 and averaged 4.8 percent in 2022. In 2023, non-oil growth rose to 5% despite reduced overall growth due to further reductions in oil production, driven by robust domestic demand.

By adhering to the National Investment Strategy, Saudi Arabia can prevent its inflation rate from relapsing into the cyclical patterns that have accompanied previous oil-related recessions and recovery cycles. In 2023, the country experienced a decrease in inflation rates at 2.6%, down from 3.3%, in 2022. Inflation has remained relatively low in Saudi Arabia this year in comparison to global inflation levels that averaged 6.6% in 2023.

By providing support for significant projects associated with the Kingdom's Vision 2030, the construction industry in the Kingdom has experienced substantial growth, accounting for 4.5% of its annual economic contribution. Over the remainder of the forecast period, between 2024 and 2027, the Saudi Arabian construction industry is projected to register an annual average growth rate of 5% in real terms, supported by investments and megaprojects under the framework of Saudi Vision 2030.

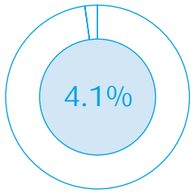
In line with the decision of the US Federal Reserve, the interest rate implemented by the Saudi Central Bank escalated to unprecedented levels in 2023. It peaked at 6% by the end of the same year, up from 1% in 2022. The rationale behind this interest rate increase in the Kingdom was to guarantee the fulfillment of the Saudi Central Bank's goal of preserving monetary and financial stability. In the Kingdom, these policies have an impact on limiting borrowing activities and decreasing the market's liquidity ratio, ultimately resulting in a reduction in inflation. This is consistent with worldwide trends, which indicate that Saudi banks stand to gain from anticipated interest rate hikes: according to S&P Global, net profit increases by 13%, and return on equity rises by 1.5 points for each $100 increase in interest rates. Strong capitalization of the banking sector, reinforced by the anticipated slowdown in lending growth, will safeguard creditworthiness over the next 12 to 24 months, according to estimates by S&P.

According to the General Authority for Statistics (GASTAT) the unemployment rate among Saudis rose to 8.6 % in 2023. However, the participation of Saudi women increased to 35.9%.

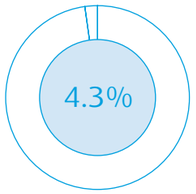
The World Bank forecasts a turbulent period in 2024. Global growth is projected to remain subdued, given tight monetary policy and more restrictive credit, and downside risks abound—from escalating conflict in the Middle East to financial stress, a weakening Chinese economy, and climate-related disasters. There are bright spots, however. Inflation is expected to continue declining, and most forecasters see stronger global growth in 2025 if monetary policy loosens in advanced economies. Given the forecasts issued by the World Bank for the growth of the Kingdom's GDP to 4.1% in 2024, we see a positive outlook for the coming year. Thanks to the strong performance of the Kingdom's economy, structural reforms, the implementation of plans to diversify the economy, the contribution of the non-oil sector, and the increase in the value of oil revenues, the Kingdom is likely to record a surplus in its budget of GDP in 2024. In addition, the kingdom's government is expected to maintain large fiscal buffers, including deposits at the central bank of more than 10 percent of GDP.

In line with Bawan Group's vision to become a leading capital industries group in Saudi Arabia, and in the context of the Kingdom's Vision 2030, Bawan Group continues to support and cooperate with various government and private sectors in the Kingdom. Bawan contributes to the Kingdom's infrastructure and the sustainable development processes across the Group's various sectors while emphasizing our strategy to provide high-level products to serve the local market and other key export markets.

Growth rate of the Kingdom's economy forecast by the World Bank.



Saudi Arabia's economy is transforming with an expansion and growth of non-oil GDP.



Mitigating risk with strategic preparedness and planning

Bawan acknowledges the existence of obstacles and endeavors to overcome them. The company has implemented strategic plans to anticipate potential risks, establish clear mechanisms for addressing them, and ensure the continuity of its diverse range of businesses and products in various markets, thus mitigating the impact of market fluctuations and challenges. Bawan remains committed to pursuing investment opportunities in the industrial and construction sectors to enhance its existing products, increase economic diversification, and reduce exposure to risk. As a company operating in a highly competitive environment and challenging economic climate, Bawan has prioritized efficient risk management throughout the year.

Business Risk

Business risk refers to any factor that can hinder a company's ability to achieve its goals and reduce its profits or cause failure. To mitigate these risks, companies need to have a clear strategy in place that focuses on improving efficiency, reducing costs, and minimizing the impact of external factors such as fluctuating energy prices and volatile raw material costs.

To manage raw material costs, the company has implemented policies to ensure that all applications for raw materials are properly documented and only submitted with the necessary forms. This guarantees that the company can purchase the required materials efficiently and maintain a more conservative inventory. This, in turn, ensures the company's efficient operation while minimizing risks.

Currency Risk

Currency risk refers to the possibility of a fluctuation in exchange rates, which could affect a company's profitability when dealing with foreign currencies. To manage this risk, it is recommended that a fixed exchange rate be agreed upon with suppliers before importing goods. Additionally, when exporting goods, the company should require customers to purchase products in US dollars to minimize the impact of exchange rate fluctuations. It is worth noting that the Saudi riyal is pegged to the US dollar, which further reinforces the importance of this approach.

Strategic Risks

Strategic risks refer to risks arising from faulty decisions in managing a company's business. To mitigate these risks, the company has been diversifying its customer base by continuously adding new customers at local and international levels. The aim of this diversification is to reduce the company's reliance on a few major customers and spread the revenue stream across a wider range of customers. The company also seeks to expand into new markets to further diversify its customer base and generate additional sources of income, thereby reducing the impact of market decline resulting from political, economic, and security turmoil to a minimum.

Inventory Risk

Inventory risk refers to the potential for a company to face difficulties in selling its products or experiencing a decrease in the value of its inventory.

To mitigate the inventory risk, Bawan has implemented various measures to ensure the efficient management of its raw materials and products. The company has increased the number of major suppliers of raw materials through effective materials management and procurement, thereby reducing the possibility of production stoppages or slowdowns, over-reliance on a single source, or inefficient spending. To ensure the quality of the materials, new suppliers are pre-qualified using technical controls, and the company maintains high standards for timely delivery, competitive prices, and business continuity.

Bawan strives to enhance income by determining raw material requirements, minimizing operating expenses, and production inputs. This method has enabled the company to grow production and expand into new markets while reducing inventory risk.

Compliance Risks

In the realm of compliance risks, companies are exposed to potential legal penalties, financial confiscation, and material losses when they fail to comply with relevant laws and regulations. To mitigate these risks, the company places a continued focus on building the compliance team and provide them with all assistance needed to build and operate a compliance framework that can mitigate the risk of non-compliance.

Credit Risk

Credit risk refers to the possibility of debt defaults occurring when the borrower fails to make the necessary payments. To ensure the best possible rates and minimize the mandatory repayment installments for the debt, the company engages multiple banking institutions in selecting various Islamic financing options and utilizes all available sources. This approach helps to reduce credit risk for the company.

Insurance Risks

Insurance risk refers to the potential for an insurance company to suffer financial losses, material damage, or physical harm as a result of events covered by its insurance policies. Bawan is aware of this risk and regularly reviews and updates its insurance agreements to make sure they still fit its needs and reduce any risks to the business and its stakeholders. This proactive approach helps to safeguard the company's property and interests against unforeseen events.

Operational Risks

Operational risk refers to the potential loss resulting from inadequate or failed internal processes, systems or personnel. In order to minimize these risks, the organization prioritizes ongoing training and development for its technical division via active engagement in international seminars and exhibitions, which guarantees the implementation of cutting-edge and most effective technologies and facilitates the exchange of knowledge.

The company has also established fully qualified maintenance departments staffed with highly skilled and specialized technicians, who store important spare parts for production lines to ensure minimum disruption in the event of a malfunction.

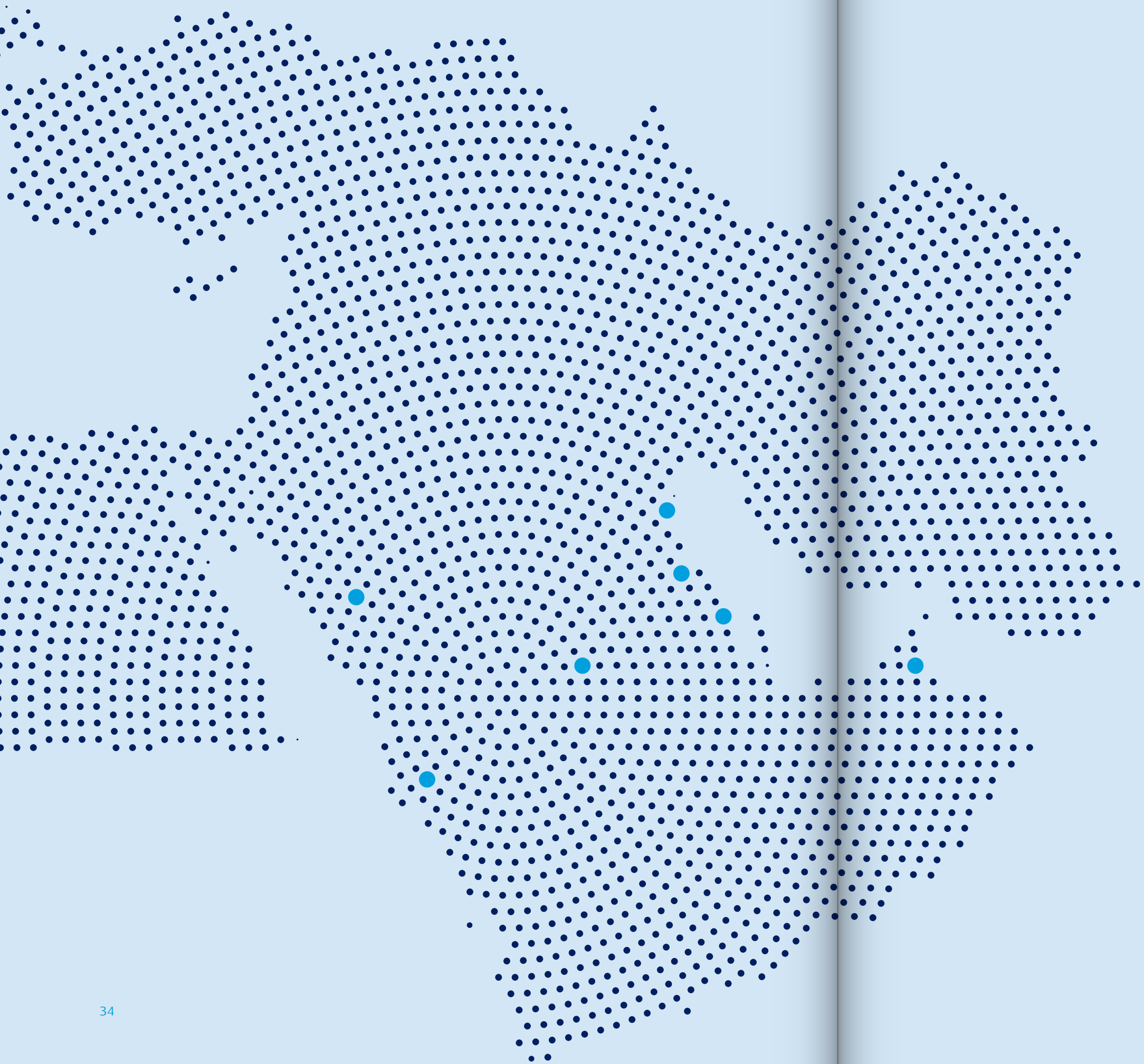
Additionally, the company has developed adjoining small businesses to meet additional capacity requirements as needed, all done according to company specifications.

To ensure continuity in production, the company produces, stores, sells, and develops its most popular main products as required, to fulfill its obligations in the event of any unexpected breakdown in its production lines. Scheduled and preventive maintenance is performed on a regular basis on the main production lines in compliance with the directives of the machinery manufacturers to minimize the risk of future failures and take early preventive action.

To avoid risks arising from delays in delivery to customers, the company uses its own fleet of delivery trucks and has entered into agreements with external logistics companies to ensure prompt delivery of goods if the company's vehicles are not available.

Risk Management Practices - Future Outlook

The company plans to continue this positive trend by generating profitable income and expanding the production of various products. In addition, the company aims to enhance the efficiency of its production lines, decrease costs, and boost production capacity. The industrial and engineering services offered in the electrical industries sector have provided consultations, support, and diversification, which have resulted in the opening of new markets and increased revenues.



Our Operations Across Multiple Locations

Riyadh
Dammam
Jeddah
Yanbu
Jubail
Rabigh
Kamis Mushait
Ras Al Khaimah
Kuwait

Metal Industries

Bawan Metal Industries in Saudi Arabia overcame 2023 challenges. In 2024, they aim for sustainable growth and Saudi Arabian market dominance, in line with Vision 2030.

One of the biggest and most significant businesses in the Kingdom of Saudi Arabia and the Arabian Gulf region overall, Bawan Metal Industries Company is entirely owned by the Bawan Group. The company operates out of its headquarters in Riyadh and has four factories located in Dammam, Jeddah, Abha, and Riyadh. These factories produce a variety of highly competitive and high-quality metal industries through the following sections:

- Rebar Section.
- Epoxy Coating.
- Drawn Bars
- Wiremish.
- Metalwork (cut & bend).

To give its products a competitive edge and the ability to secure the largest market share, Bawan Metal Industries has adhered to a strict quality management policy. As a result, the company has been able to obtain several international certificates in quality management, including UL certification, ISO BSI, and an Exova Warrington Fire certification.

The success of Bawan Metal Industries Company can be attributed to its emphasis on performance-oriented management that encourages and develops talented people throughout the company. Bawan Metal Industries Company employs 350 qualified people, all of whom are highly competent in operating advanced devices and implementing such strategies.

In order to fulfill the Kingdom's Vision 2030, Bawan Metal Industries aims to continue the environmental governance and sustainable development strategies established by Bawan Group. The company has been successful in encouraging its staff to adopt official company ethics policies, move toward sustainable practices, lessen corruption, and respect data privacy in accordance with the laws.

A review of Bawan Company's metal industries sector revenues reveals a notable increase in sales volume, but a decrease in the sector's profits value due to a number of factors, the most significant of which is the severe fluctuation in the raw material prices during the year 2023 and the escalation of challenges in 2023 including two wars and disruption of global supply chains. Regardless, the company solidified its leadership position in the industry, both regionally and locally.

In general, 2023 was a good year for Bawan Metal Industries Company compared to the metal sector. The company made significant strides toward growth, including growing its customer base and market share. Additionally, the company expanded into the southern region of the Kingdom as it operated a new factory in the city of Khamis Mushait.

In light of Vision 2030, Bawan Metal Industries looks forward to continued success in 2024 with its well-crafted strategies that aim to achieve sustainable development and social responsibility within the context of its operations. The company also aspires to become the largest producer of drawn wires and related products in the Middle East and is prepared for any challenges that may arise.

Wood Industries

Bawan Group's wood sector in Saudi Arabia, UAE, and Kuwait focuses on quality wood products. In 2023, they aimed for innovation and market growth, expecting positive results in 2024.

In the wood industry sector, Bawan Group includes the following companies:

- Bawan Wood Industries Co., to which Al-Raya Wood Works Companies and Inma Pallets Co. are affiliated
- United Wood & Metal Products Co.
- United Lines Logistics Services Co.

The factories are located in Kuwait, the United Arab Emirates, and the Kingdom of Saudi Arabia. They are among the most significant and prominent businesses in the wood industries sector locally and regionally. they produce the following goods:

- Decorative panels (MDF/Chipboard/Plywood)
- Wooden boxes
- Wooden pallets
- Cable Drums
- Woodworks (Doors/Windows/Cabinets/ Flooring, etc.)
- Melamine-coated wood panels
- Fire-rated wooden products (Panels/Doors)

The companies are dedicated to develop and attract highly qualified employees with distinguished competencies. In addition, the factories are committed to a strict quality management system, identifying effective strategies, and applications capable of meeting and exceeding the requirements of target markets to increase their market share in the wood industries sector.

Furthermore, by giving factories access to the most up-to-date facilities, the companies have been awarded with several prestigious certificates that attest to the high caliber of their output.

These certificates include:

- ISO Certificate (BSI)
- SABIC Certificate of Excellence in Performance.
- Award of His Highness the Amir of Kuwait for distinguished companies at the state level
- BS Certificate (IFC)
- Warrington certificate

In 2023, the company focused on attracting innovation, expanding its customer base, improving the effectiveness of marketing teams, and improving the caliber of its supply chains and production processes.

The outlook for 2024 is optimistic despite the slow movement of the global economy, and in this context, Bawan Wood Industries seeks to meet these challenges in the coming year, while studying and analyzing potential risks and attempting to maintain the company's gains and competitive position.

Electrical Industries

UTEC, part of Bawan Group, manufactures electrical distribution products, seeing revenue and profit growth in 2023. They prioritize sustainability and expect more growth in 2024.

The Electrical Industries Sector in Bawan Group incorporates two companies, United Transformers Electric Company and United Technology of Electric Substations & Switchgears Company, which are leading companies in the Kingdom of Saudi Arabia's with their products installed on the grids of more than 20 countries worldwide.

The sector has a manufacturing footprint of more than 120,000 square meters across several factories, producing Medium Power Oil Transformers, Dry Type Distribution Transformers, Unit, Package, Prefabricated and Mobile Substations, Medium Voltage Switchgears, Low Voltage Switchgears, all types of Panels and Modular Prefabricated Data Centers.

UTEC Quality solutions are serving all Saudi Market Segments; such as Utility, Mega constructions & infrastructure, Oil & Gas, Water, Industry, Transportation, Data Center, and Urban developments.

In addition to products, UTEC's Services arm offers its customers a wide range of services including Testing, Commissioning, Installation, Preventive Maintenance, Engineering & Design, Modifications, Upgradation, Retrofit, Partial Discharge monitoring, Thermal Monitoring, Control and much more.

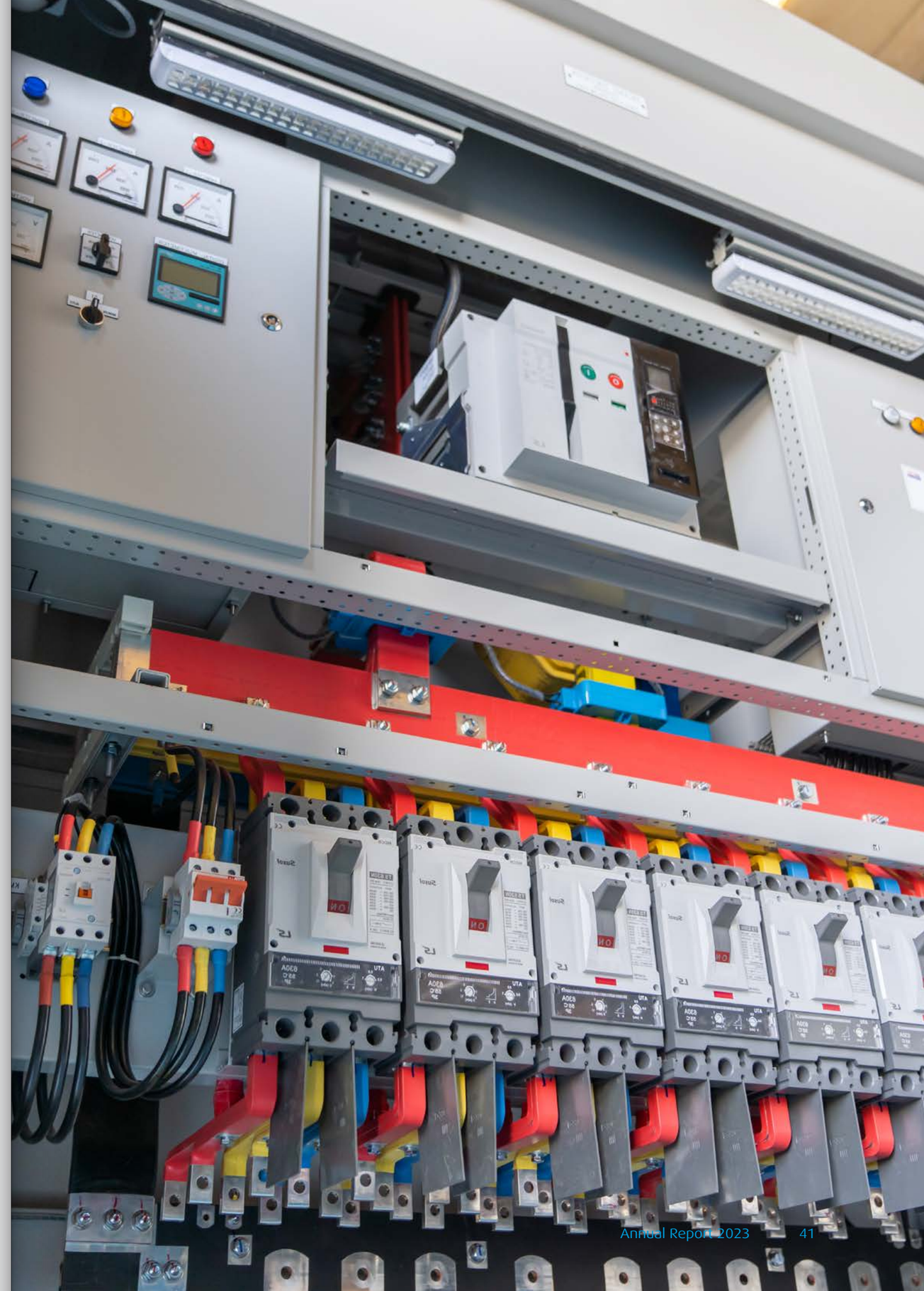
The main products manufactured and sold by Bawan's Electrical sector include:

- Distribution Transformers up to 10 MVA - 36 kV
- Smart Transformers (Control & Condition-Based Actions)
- Special Application Transformers (Green, Solar, Earthing, Seismic-rated, etc.)
- MV Switchgear up to 17.5KV/4000 A, 24 kV/ 2500 A
- RMUs and Smart RMUs up to 24 kV
- LV Switchgear and Motor control centres (Schnieder Blokset) up to 100 kA/6300 A
- All types of LV Pannel Boards
- Package & Unit Substations up to 3150 kVA/36 kV
- Mobile Substations up to 36 kV
- Prefabricated modular Data Centres (All in one) up to 2 MVA (scalable type)

During 2023, Bawan's electrical industries were the largest contributor to company growth with an increase in profit of 111.46% from 2022.

One of the primary tenets of Bawan's values is sustainability, which the company continuously strives to uphold through waste management, recycling, and energy-saving initiatives that comply with national and international regulations. Bawan Electrical Industries also continuously develops and implements trends related to breaking into new markets.

In terms of projections for 2024, the electrical industries sector is anticipated to expand and increase net profits due to the growing customer base, as well as the potential for growth in the targeted sectors and the introduction of new products to the local and regional markets. This is based on analyzing and assessing the opportunities and potential risks that will impact the company's performance in 2024.



Plastic Industries

Arnon Plastic Industries, part of Bawan Group, produces foam and plastic products in Saudi Arabia. They prioritize quality and aim for sales growth in 2024 through innovation and efficiency.

With its headquarters located in Dammam, Arnon Plastic Industries Co. Ltd. is a member of the Bawan Group. Its six state-of-the-art, specialized factories are spread throughout the Eastern Province, Central Region, and Western Region of the Kingdom of Saudi Arabia. These factories are outfitted with the newest, most sophisticated production technologies and tools, as well as a workforce with the skills necessary to deliver services that prioritize the needs of the customer. The products of the plastic industries sector are as follows:

- Polyethylene Foam (PE Foam): Rolls and Sheet are produced in Dammam and Jeddah to serve the industrial, construction, and building materials sectors.
- Polystyrene Foam (PS Foam): Packaging materials produced in Dammam and Jeddah to serve the restaurants, agricultural establishments, bakeries, supermarkets, and poultry sectors.
- Polyethylene terephthalate (PET), polypropylene (PP), high-impact polystyrene (HIPS): packaging solutions produced in Dammam and Riyadh to serve the dairy industry, potable water bottling and food packaging industries such as restaurants, agricultural establishments, bakeries, supermarkets, and poultry.
- High-Density Polyethylene (HDPE): Inflatable packaging produced in Riyadh to serve the dairy industry.
- Extruded polystyrene (XPS) (foam insulation): Thermal insulation panels produced in Jeddah to serve the building sector.
- Paper Products, Cups, Bowls & Bags in Riyadh, to serve food and beverage solutions, shopping bags across restaurants, coffee shops , supermarkets and traders.
- Crosslink, Closed cell polyethylene (XLPE) produced in Dammam under thermos Ban® to serve HAVC and building segments.

Bawan, in pursuit of enhancing its performance, is enthusiastic about fostering innovation among its workforce and developing its personnel through the implementation of human resources strategies that align with the organization's overarching strategy. These strategies encompass ongoing training initiatives for staff across all hierarchical levels and a performance evaluation policy predicated on employee growth and efficiency improvement.

The company is committed to delivering products that go above and beyond what customers expect by closely examining their requirements, upholding a culture of continuous development, localizing values that reinforce the concept that "quality is everyone's responsibility," and complying with ISO 9001: 2008 requirements for quality management. In this regard, the company has made impressive strides and obtained several significant quality management certificates, including:

- ISO 9001 Llyods 2008:2008
- SASO Achievement: SASO Quality Mark Certification for XPS Products by Scale (ASTM57-2014 8)
- UL Investigation: Certificate for XPS Thermal Insulation Products According to UL 723 Concerning Surface Combustion of Insulation Plates
- ISO 22000 : 2008 Food Safety management system.

According to the company's 2024 forecast, sales volume and profit margin should rise. This is especially likely given the company's ongoing efforts to improve its capacity utilization, launch new products that will help it gain market share, run customer retention and expansion campaigns, and create new business strategies.

Metal and Wood Industries
Solid Successes

Bawan's metal and wood industries sector secured the leading positions in the market share thanks to God and the efforts of our hardworking teams. We are committed to developing products designed with cutting-edge technology to meet the needs of our customers and move us into the future, capturing the largest possible market share.

In terms of the sector's financial orientation, it prioritizes increasing investment in line with each sector's requirements while maintaining a balance between cutting costs and boosting productivity. This lessens the need for bank borrowing and involves a carefully considered level of working capital, especially for inventory and customer balances.

The metal and wood industries sector are poised to maintain a surplus operating capacity of (20–30%) to meet the market's emergency needs and invest it when needed. It also aims to raise operational capacity through continuous monitoring of productivity ratios. Utilizing factories' operational capabilities helps companies maximize productivity and efficiency to save costs while increasing revenues and raising competitiveness.

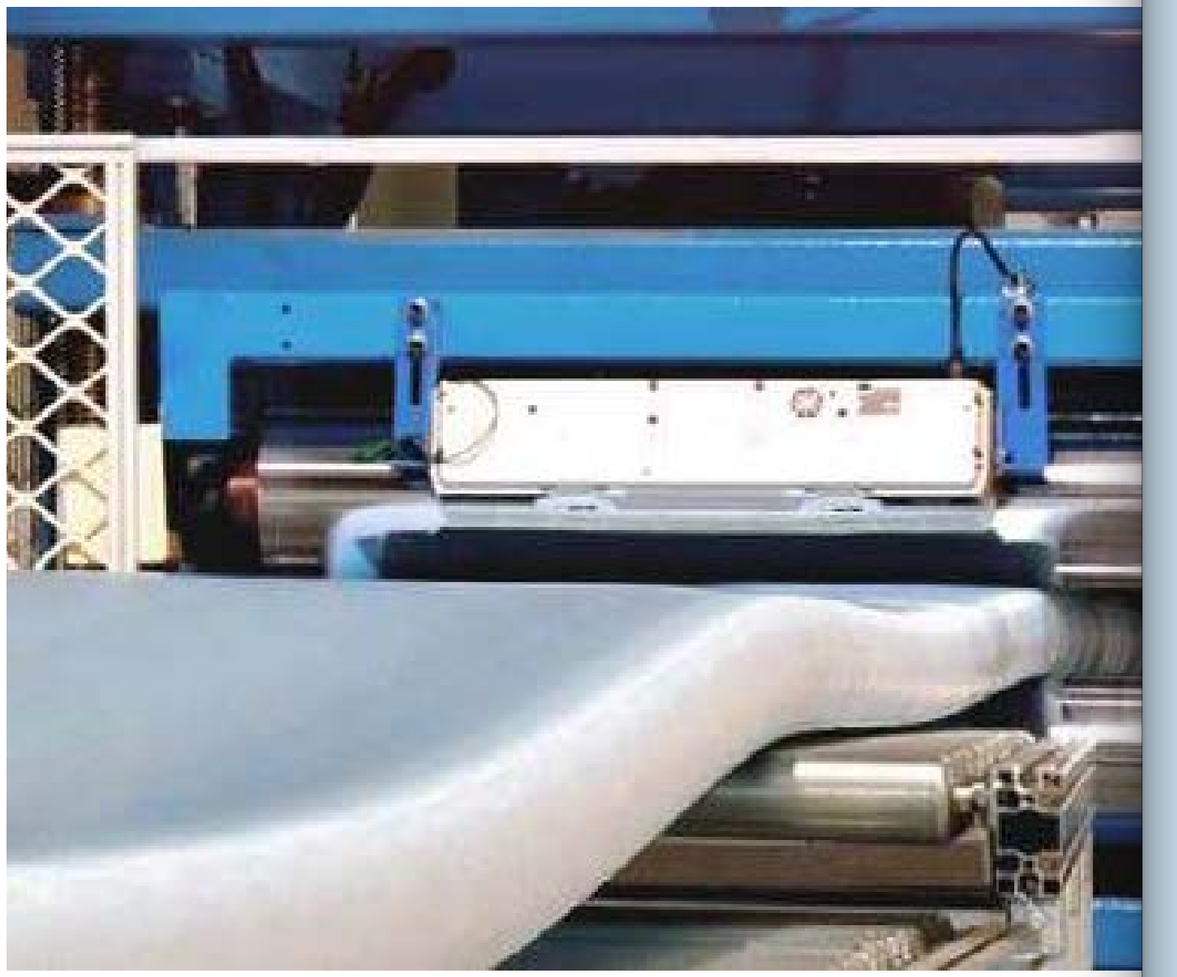
Engineering Industries
Aspirations at the Speed of Light

The market share of products within the engineering industries sector in Saudi Arabia has fluctuated between 20-30%. The sector is modernizing manufacturing methods using the ideas of the Fourth Industrial Revolution, including automation, artificial intelligence, and the integration of modern technologies such as the Internet of Things.

In terms of investment, the sector intends to expand and update some production lines in order to keep up with the growth of the engineering industries sector, while also ensuring the addition of new products and continuing to automate the industry. Bawan's strategic initiatives are poised to increase sales and profits moving forward.

In general, engineering factories allocate between 89 and 94% of their investments towards enhancing their operational capacity. As a result, the sector intends to expand the manufacturing power of existing factories by modernizing production lines through industrial automation within the next years.

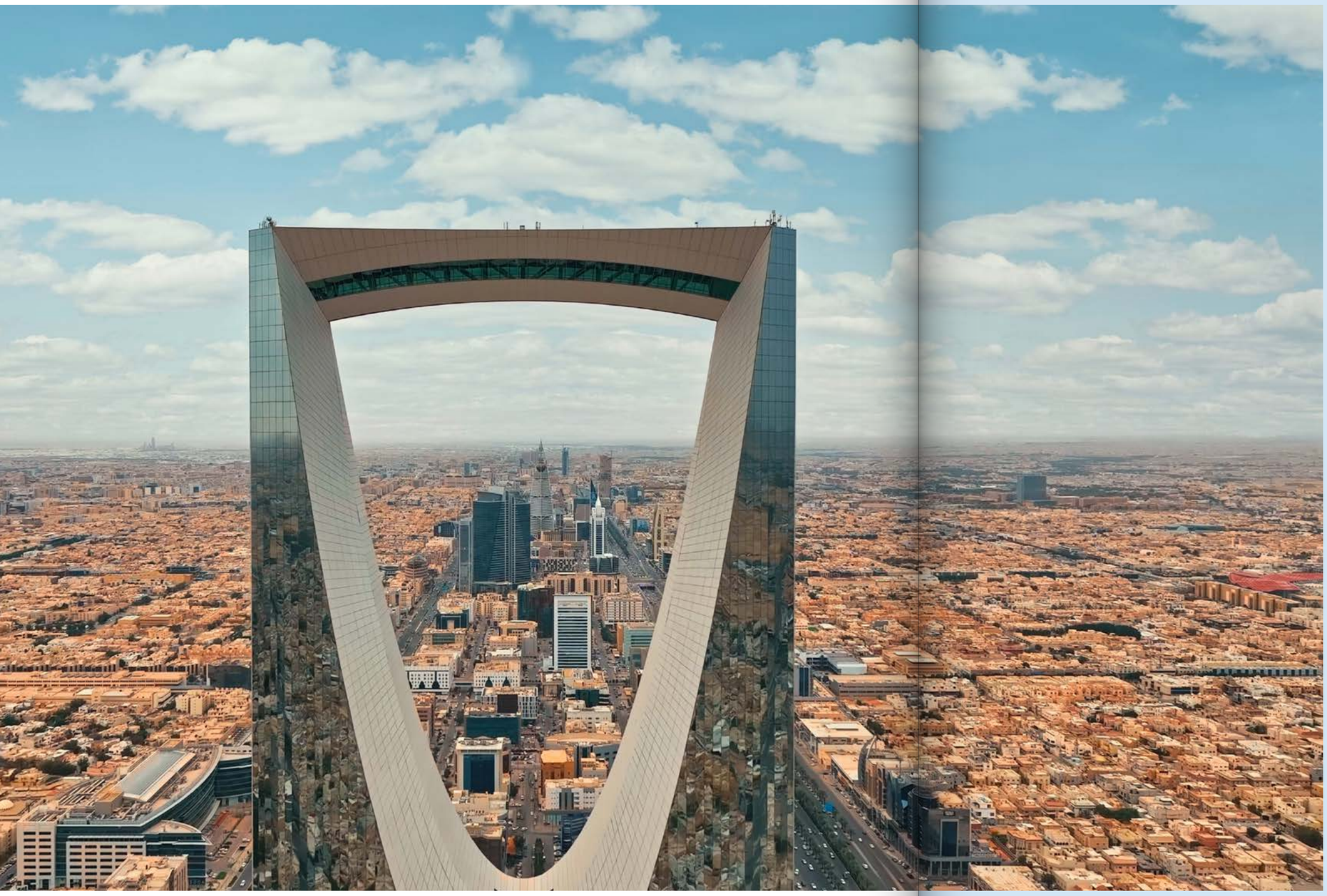
Plastics Industries
Overcoming Challenges with Strength



The company’s strategy of offering the best products that integrate with the developed marketing strategies has allowed the plastics sector to witness continuous growth in market share and an increase in production capacity by (5%) compared to 2022, despite the challenges posed by the fluctuation in raw material prices and higher interest rates globally.

In light of Bawan’s ambitious goals, Arnon Plastic Industries intends to increase its capacity by 12% in 2024. Arnon will continue its expansion in the existing markets and penetrate new ones. Overall, Arnon’s sales are expected to increase by about (5500) tons with production growth by 18% from (2023).

Achieving Remarkable Success and Expanding Horizons



With the blessings and gratitude towards God, Bawan has achieved remarkable success across its diverse industrial sectors. Despite encountering challenges related to fluctuating prices of raw materials, the group remained committed to its expansion strategy, growth, and acquisition of a larger market share in both local and foreign markets. As a result, the group has achieved added value for its shareholders. The group's manufacturing sectors have witnessed substantial success, and the continuous development in production operations highlights the group's commitment to enhancing all its assets, including production lines and human resources. The company remains steadfast in pursuing its ambition and vision while recognizing the importance of supporting the 2030 vision of our beloved Kingdom.

Our Environmental Obligation to Future Generations

The right of future generations to enjoy life and benefit from our natural resources is preserved by protecting the diversity and life that surrounds us. With respect to His Highness Crown Prince Mohammed bin Salman's 2030 vision for the Kingdom of Saudi Arabia, we are inspired by his vision for the Kingdom's future.

Through our policies, strategies, and governance, we at Bawan are committed to creating positive and long-term value for all of our stakeholders as well as the planet. We also strive to integrate a culture of excellence in a way that aligns with the Kingdom of Saudi Arabia's vision, placing a strong emphasis on the balanced achievement of social, economic, and environmental goals.

How Bawan Achieves Sustainability

Bawan's commitment to sustainability practices can be seen through various practices throughout the company. First, Bawan has integrated environment, sustainability, and corporate governance (ESG) goals into our decision-making process. This includes risk management and opportunity assessments, which help us build a clear and succinct sustainability roadmap for the company. Second, communication and dialogues with key stakeholders, including employees, shareholders, and business partners take place regularly to ensure the establishment and maintenance of sustainability practices. Finally, Bawan has developed a dynamic framework to prioritize the sustainability practices that have the greatest impact.

Materiality Assessment in Bawan

By prioritizing sustainability topics according to their significance to our stakeholders and their impact on our business, our ESG materiality assessment identifies those that require the most strategic attention from decision-makers.

After completion of the full review process, eighteen ESG issues were identified as the most important to Bawan and its stakeholders. These priorities are divided into four main axes and form the framework for action toward sustainability at Bawan. The axes include governance practices, societal impacts, environmental management, and innovative and safe products.

Bawan recognizes its role in the transformation process for a more sustainable future for all, and as a result, we are committed to promoting broader commitments, frameworks, and agendas towards sustainability, such as Kingdom Vision 2030 and the United Nations Sustainable Development Goals, to help make the environment and society better for all.

Framework 01

Governance Practices

Note: This section provides a brief overview of the company's governance practices. For more details, see the "Corporate Governance" chapter of this annual report.

The company is committed to using effective governance policies to drive its performance and productivity, with the goal of guaranteeing the use of best practices in corporate governance.

The governance framework for the Board consists of two Board committees: the Nomination and Remuneration Committee and the Audit Committee. These committees are regulated through a rigorous governance policy, which defines the responsibilies of committee members and establishes a code of good governance.

Priorities of Bawan's Governance Practices

1. Governance, Ethics, and Compliance

Bawan has established a set of formally adhered-to policies and procedures to guarantee the utmost levels of transparency and ethical conduct in our business operations. These include the Ethics Policy, Conflict of Interest Policy, Transparency and Disclosure Policy, Related Party Transactions Policy, and Remuneration Policy.

2. Managing Organized Risks

Proactively identifying critical risks is crucial for ensuring business continuity and mitigating disruptions. As such, numerous controls and thresholds have been established to minimize the impacts of these risks.

3. Data Privacy and Cybersecurity

It is essential that we safeguard our clients, contractors, and employees of our joint ventures against critical security hazards in order to maintain business continuity and success.

Framework 02

Societal Impact

Bawan's commitment to fostering an inclusive culture and maintaining a diverse workforce contributes significantly to our overall performance, ensures our sustained success, enhances our capacity for ongoing innovation, and facilitates the attraction, development, and retention of exceptional personnel. These factors enable Bawan to provide competitive quality and returns to our stakeholders, including customers.

Keeping in mind the needs of the community, we can build a better future together by conquering global and local challenges as we are guided by Vision 2030's clear interest in facilitating business' social responsibility and the advancement of human capital.

Impact Priorities for the Bawan Community

1. Attracting, Retaining and Developing Talent

Bawan's competitive edge is in treating our workers with respect, paying close attention to their opinions and concerns, and offering the finest employee experiences, perks, rewards programs, and chances for learning and development. All of these things help us attract the best people.

In addition, by offering a unique work environment and equitable employee pay, we also make sure that talent retention rates stay high, and our workers believe that Bawan is the ideal place to work.

Our HR department works with executive staff to create training and development opportunities that meet the specific needs of our employees.

Furthermore, ongoing communication, open-door policies, and professionalism are continuous practices at Bawan to encourage a positive work environment for everyone.

2. Saudization

By following the directives of His Highness Prince Mohammed bin Salman, numerous companies in the Kingdom have been able to recognize the remarkable potential of young Saudi minds and invest in them in order to strengthen the economy and ensure a prosperous future. As part of its ongoing efforts to align its operations with Saudi Vision 2030, Bawan is dedicated to offering excellent operational opportunities to Saudi nationals.

3. Diversity and Inclusion

Bawan believes that diverse ideas, backgrounds, and aspirations boost productivity and help us deliver the best results, so we strive for inclusion in all aspects of our business, encouraging clear and respectful communication processes between employees and the communities in which Bawan operates.

4. Employee Health and Well-Being

Ensuring the physical security and health of our employees, contractors, and joint venture partners are of the utmost importance, particularly given the demanding nature of our work that involves heavy machinery. In order to sustain our operations, there is a growing emphasis and imperative to execute projects in a secure manner, free of any incidents that result in harm to individuals. Bawan's unwavering commitment to establishing a secure working environment is the foundation of the company's status as a world-class reliable company, which secures access to the right projects and profitable growth in the long run.

5. Responsible Customer Relations and Satisfaction

Bawan has made a commitment to consistently enhance the client experience, which is demonstrated by our dedication to professionalism and high standards of customer satisfaction.

Our knowledge system is simple to use and comprehend, which helps clients identify their requirements and provide clear information to staff members. This helps staff members assist clients in making the best decisions for themselves.

6. Corporate Social Responsibility

As part of its corporate responsibility, Bawan continues to support a number of initiatives that benefit Saudi society. Our work also benefits from these community investments, as we raise the bar for all of our subsidiaries and give our employees innovative and profitable opportunities. Finally, we want to use community investment as a tool to help achieve Saudi Vision 2030 and the Sustainable Development Goals of the United Nations.

7. Responsible Supply Chain Management and Procurement

One of the core principles of social responsibility is Bawan's unwavering commitment to giving opportunities to underserved companies and local suppliers when we are able to do so while respecting and upholding human rights standards. We also do not tolerate any form of harassment, discrimination, or human rights violations at any point in our supply chains. In return, we expect our suppliers to treat us with the greatest respect and to minimize their environmental impact, as well as to respond promptly when necessary. Opportunities to improve our internal standards focused on safeguarding our workers and forming reliable alliances and partnerships throughout our value chain are ethical and have no negative social effects.

Framework 03

Environmental Management

As part of the company's commitment to Saudi Vision 2030 for a more developed and sustainable environment, Bawan aims to reduce the environmental impact of its operations, thereby protecting the planet for a better future by reducing its carbon footprint. ISO 14001

Bawan's Priorities for Environmental Management

1. Energy Management and Greenhouse Gas Emissions

Bawan intends to keep its business as low-impact and as low-carbon as possible by reducing emissions, working more efficiently in terms of energy consumption, implementing new solutions, and creating collaborations to increase our impact in this field. Bawan supports the implementation of energy efficiency metrics, the establishment of alternative energy substations, the transition to LED lighting systems, and the use of modern and innovative manufacturing machinery that produces lower emissions.

2. Air Quality

Bawan seeks to reduce the environmental impact of our operations by investing in less polluting methods and by developing new mechanisms of action, such as the use of less impactful vehicles, to improve air quality and promote sustainable urbanization. This is significant because it has a direct impact on the communities in which we operate as well as many others around the globe, and our goal is to measure air quality emissions data by Bawan and make the data available to the public by 2023.

3. Water and Waste Management

Bawan is actively seeking methods to mitigate its water footprint by implementing water-saving technologies, implementing effective new measures, and increasing public awareness regarding water conservation. Despite experiencing an increase in activity in previous years, Bawan has managed to sustain its water consumption at its current level since 2019.

We prioritize the environmental consequences of waste in the same way that we are concerned about water usage and resource overconsumption. We are dedicated to improving waste management systems, consistently seek opportunities for recycling and reuse, and aim to extend these waste reduction practices to our customers by incorporating renewable materials into our products to further minimize their ecological footprint.

4. Biodiversity

Bawan recognizes the critical nature of the situation and the close connection between climate change and the need for global action on biodiversity. In pursuit of this objective, we are presently engaged in efforts to enhance environmental preservation and mitigate its detrimental effects.

Framework 04

Innovative and Safe Products

Not only do emerging challenges necessitate new solutions, but the course of human evolution has been characterized solely by the development of fresh approaches to old problems. At Bawan, our incessant pursuit of innovation stems from our capacity to discern inventive resolutions to established challenges. Since its inception, Bawan has consistently generated fresh insights for innovative solutions while devising new strategies to enhance our competitive edge. We provide quality services through the implementation of a forward-thinking investment strategy, a commitment to globalization and diversity, and the manufacturing of secure, high-quality products that meet the evolving needs of our customers.

Bawan's Priorities for Innovative and Safe Products

1. Product Quality and Safety

Bawan's subsidiaries have created quality assurance and product safety rules, as well as regulatory frameworks that assist us in fully complying with those policies, in order to accomplish our goal of upholding the values of "High-Quality First" and "Customer First."

2. Research & Development, Technology, and Innovation

At Bawan, we build solid and seamless communication channels with the creation of high-level R&D within various departments. This accelerates our response to the labor market's rapid development, stimulates the development of innovation-centric product development in all industries, and assists us in responding quickly to changing business conditions. This is based on the company's broader approach, which places economic performance and sustainability at the heart of its work.

3. Product Design and Lifecycle Management

Environmentally conscious product design is a crucial instrument for optimizing the utilization of our finite resources. Bawan considers the entire product life cycle, beginning with the design and development phase and continuing through the product's collection and recycling at the end.

The design process for our products is executed with a number of considerations in mind, including eco-labeling standards, laws, regulations, and procurement standards applicable to the countries and territories where our products are sold. Additionally, during this phase, explicit protocols are established pertaining to various facets of the product lifecycle. These encompass ensuring product longevity, manufacturing maintenance-friendly products, disassembling and categorizing constituent materials, and enhancing information disclosure.

Corporate Governance

03

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Company Performance During 2023

Bawan successfully achieved favorable results in 2023 that were consistent with its overarching strategy, which included successfully adapting to changing conditions, improving operational efficiency, expanding production capacity, and increasing revenues. Despite the challenges posed by the global rise in interest rates as a result of increasing inflation in many of our main markets, the Company effectively addressed the associated risks in the business environment.

We achieved a revenue income of 3,351,813 million Saudi riyal in the year ended December 31, 2023. The earnings per share decreased to 2.27 Saudi riyals in 2023 compared to 2.71 Saudi riyals in 2022. The profit for the year attributable to the shareholders declined from 162,850 million Saudi riyal in 2022 to 136,040 million Saudi riyals in 2023.

Description	2023	2022	2021	2020	2019
Non-current assets	726,475	754,823	741,357	766,864	869,73
Current assets	1,437,535	1,528,223	1,461,395	1,461,468	1,383,174
Total assets	2,164,010	2,283,046	2,202,752	2,228,332	2,252,904
Equity attributable to owners of the Company	919,928	863,489	739.513	692,519	626,174
Non-controlling interests	40,890	66,143	50.389	62,900	70,63
Total equity	960,818	929,632	789.902	755,419	696,804
Non-current liabilities	200,671	185,901	183.425	243,174	391,923
Current liabilities	1,002,521	1,167,513	1,229,425	1,229,739	1,164,177
Total liabilities	**1,203,192**	**1,353,414**	**1,412,850**	**1,472,913**	**1,556,100**

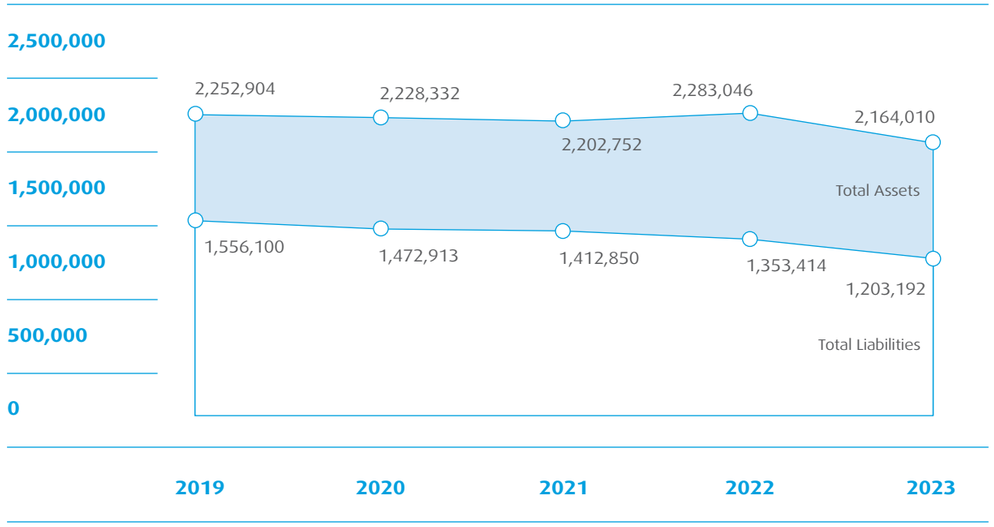
Non-current assets decreased by 5.93% in 2023 compared to 2022, attributed mainly to selling the company full shares in concrete sector effective June 30, 2023, despite an increase in right of use assets by 15.6%.

Meanwhile current assets also decreased 5.94% in 2023 compared to 2022 due to selling the company full shares in concrete sector effective June 30, 2023 despite a rise in Inventory by 11.14% as a result of the company increased activity and expansion of production volume.

The equity attributable to owners increased by 6.53% in 2023, while non-controlling interests decreased by 38.18%, resulting in a YoY increase in total equity of about 3.35% due to net profit growth.

In 2023, an increase in leases and long-term loans contributed to a 7.95% rise in non-current liabilities. In contrast, a reduction in current liabilities of 14.13%, attributed to a decrease in short-term loans and current portion of long-term loans by 38.52% despite an increase in trade and other payable by 6.74%, leading to a decrease in total liability by 11.10% in 2023 compared to 2022.

The following chart compares total assets to total liabilities for the last five years (Saudi riyals, in thousands).



The net book value per share over the past five years is detailed in the table below: (Saudi riyals, in thousands)

Year	Total equity attributable to owners	Net book value per share	YoY change	Change (%)	Status of change
2023	919,928	15.33	0.94	6.5%	Increase
2022	863,489	14.39	2.07	11.1%	Increase
2021	739.513	12.32	0.78	6.8%	Increase
2020	692,519	11.54	1.1	10.6%	Increase
2019	626,174	10.44	0.33	3.20%	Increase

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

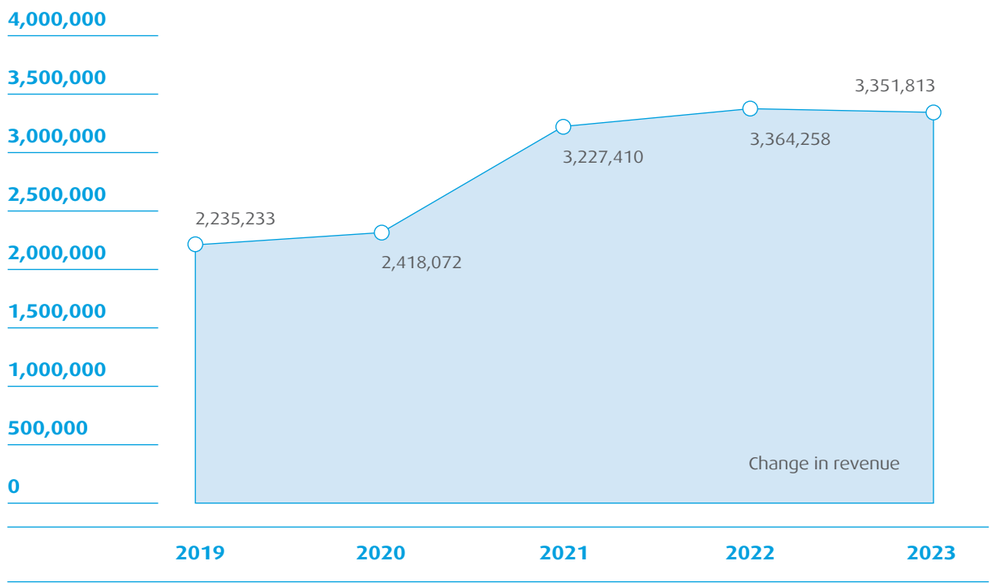
Description	2023	2022	2021	2020	2019
Revenue	3,351,813	3,364,258	3,227,410	2,418,072	2,235,233
Cost of revenue	(2,966,079)	(2,960,151)	(2,801,938)	2,081,420	(1,986,037)
Gross profit	385,734	404,107	425,472	336,652	249,196
Selling and distribution expenses	(99,041)	(89,528)	(86,429)	(75.552)	(81,427)
General and administrative expenses	(104,917)	(94,406)	(128,585)	(106,735)	(105,971)
Allowance for expected credit loss on trade receivables	(4,646)	(12,813)	(16,560)	(31,203)	(9,099)

Description	2023	2022	2021	2020	2019
Gain on disposal of an investment in financial assets at fair value through profit or loss	10,396	5,724	4,063	2,041	8,621
Fair value (loss)/Gain on an investment in financial assets at fair value through profit or loss	44	(2,266)	-	(182)	4,497
Other income	11,715	335	12,166	13,418	11,408
Profit (loss) before financing costs, Zakat and income tax	199,285	211,153	210,127	138,862	77,225
Financing costs	(38,903)	(29,371)	(18,840)	(29,859)	(45,164)
Profit (loss) before Zakat and income tax	160,382	181,782	191,287	109,003	32,061
Zakat	(12,807)	(19,864)	(19,111)	(16,003)	(6,806)
Income tax	-	-	-	-	-
Profit (loss) from continuing operations	147,575	161,918	172,176	93,000	25,255
Profit (loss) from discontinued operations	(2,485)	16,194	(2,112)	(8,256)	(3,512)
Profit for the year	145,090	178,112	170,064	84,744	21,743
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement Gain / (Loss) of employee defined benefit liabilities	(1,725)	16,480	(1,476)	838	(8,125)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from converting the currencies of discontinued operations	-	-	-	(1,947)	(105)
Total comprehensive income for the year	143,365	194,530	170,755	83,635	13,513
Profit / (loss) for the year attributable to:					
Company owners	136,040	162,850	170,342	90,168	26,632
Non-controlling interest	9,050	15,262	278	(5,424)	(4.889)
	145,090	178,112	170,064	84,744	21,743
Total comprehensive income / (comprehensive loss) for the year attributable to:					
Company owners	134,439	161,967	172,994	90,345	19,542
Non-controlling interest	8,926	13,009	(2,239)	(6,710)	(6.029)
	143,365	194,530	170,755	83,635	13,513
Total comprehensive income / (comprehensive loss) for the year attributable to the owners arising from:					
Continuing operations	134,591	161,967	175,106	94,620	21,644
Discontinued operations	(152)	13,009	(2,112)	(4.275)	(2.102)
	134,439	174,976	172,994	90,345	19,542
Earnings per share for the profit attributable to the common stockholders:					
Basic and diluted earnings	2.27	2.71	2.84	1.5	0.44

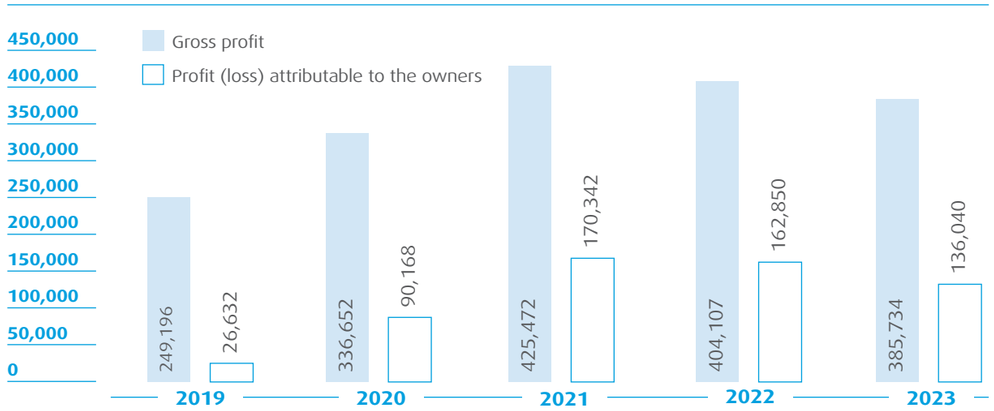
The following table reflects the change in revenues over the last five years: (Saudi riyals, in thousands)

Year	Revenue	YoY change	Change (%)	Status of change
2023	3,351,813	12,445	-0.4%	Decrease
2022	3,364,258	136,848	4.2%	Increase
2021	3,227,410	809,338	33.5%	Increase
2020	2,418,072	182,839	8.2%	Increase
2019	2,235,233	281,778	14.40%	Increase

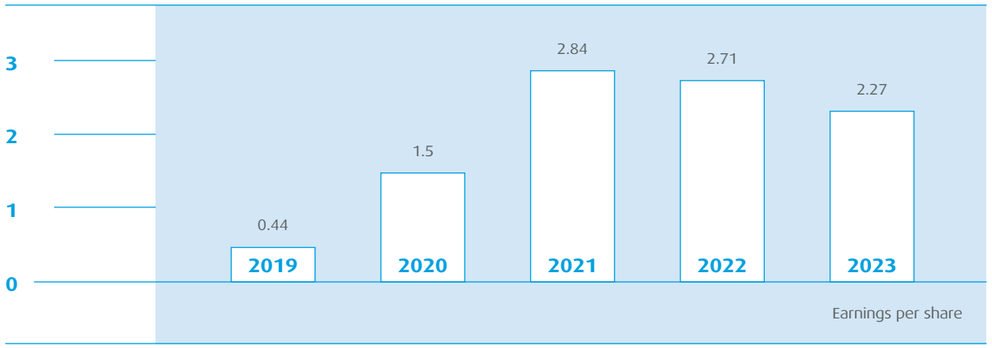
The following chart reflects the change in revenues over the last five years: (Saudi riyals, in thousands)



The following chart shows the change in the profit (loss) attributable to the owners and the total profit for the last five years: (Saudi riyals, in thousands)



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



The decline in profit attributable to the company's owners in 2023 compared to 2022 is due to decrease in net profit of the metal and wood industries sector mainly due to a drop in the average selling prices and an increase in borrowing costs by amount SAR 9.5 million in 2023 as compared to 2022 and increase in operational expenses associated with the increase in the volume of activity.

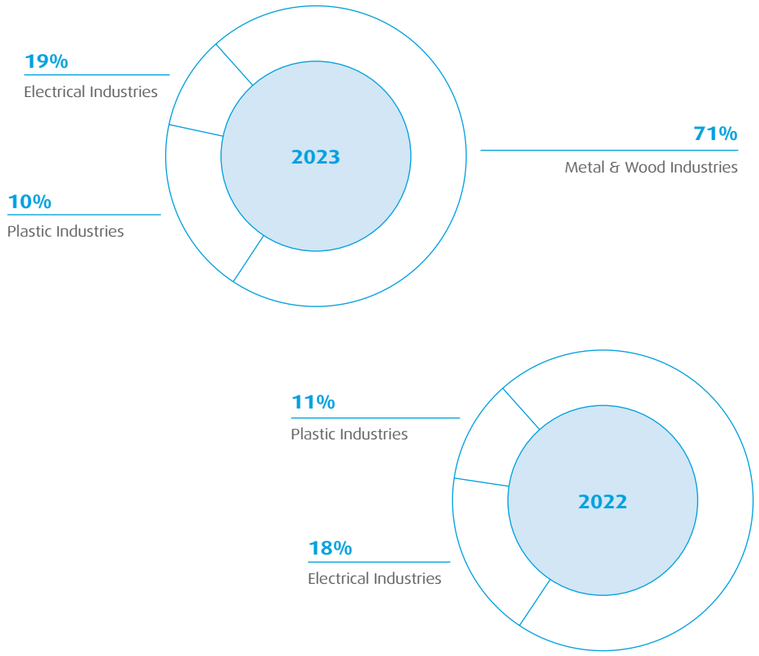
This decline occurred despite an increase in product sales in electric industries sector by amount SAR 30.6 million as the sector achieved a net profit of SAR 58 million mainly due to the increase in sales affected by the increase in quantities sold and average selling prices. Noting that an increase in Plastic industries sector mainly due to the increase in gross profit effected by decrease in cost of sales.

Analysis of revenue by sector in 2023 and 2022:

	2023		2022	
Sector	**Revenue**	**Revenue (%)**	**Revenue**	**Revenue (%)**
Metal and wood industries	2,367,349	71%	2,389,482	71%
Plastic industries	346,709	10%	366,134	11%
Electrical industries	637,755	19%	608,642	18%
Total	**3,351,813**	**100%**	**3,364,258**	**100%**

The following graph shows the proportion of each business sector's contribution to the Group's revenues for 2022 and 2023.

Each business sector's contribution to total Revenue%



The following table shows revenue by market area (domestic, global) for 2023 and 2022:

	Revenue from domestic markets		Revenue from global markets	
	Revenue (SAR, in thousands)	**Revenue (%)**	**Revenue (SAR, in thousands)**	**Revenue (%)**
2023	3,189,088	95.1%	162,725	4.9%
2022	3,250,004	96.6%	114,254	3.4%

The table below shows the revenue by geographical location of incorporation of the subsidiaries for 2023 and 2022:

	2023		2022	
	Revenue (SAR, in thousands)	**(%)**	**Revenue (SAR, in thousands)**	**(%)**
KSA	3,320,324	99.0%	3,328,012	99.0%
UAE	10,595	0.3%	17,797	0.5%
Kuwait	20,894	0.7%	18,449	0.5%
Total	**3,351,813**	**100.0%**	**3,364,258**	**100.0%**

The table below shows sectors' assets, liabilities, and operating results for 2023 and 2022: (Saudi riyals, in thousands)

Description	Metal and wood	Plastic	Electrical
2023			
Assets	1,004,802	611,068	460,967
Liabilities	512,406	384,646	289,129
Revenue	2,367,349	346,709	637,755
Profit (loss)	75,012	21,532	58,047
2022			
Assets	934,539	568,840	480,057
Liabilities	447,339	348,177	359,223
Revenue	2,389,482	366,134	608,642
Profit (loss)	135,035	20,434	27,432

YoY differences in operating results

The table below shows sectors' assets, liabilities, and operating results for 2023 and 2022: (Saudi riyals, in thousands)

Description	2023	2022	Change	%
Revenue	3,351,813	3,364,258	12,445	-0.4%
Cost of revenue	(2,966,079)	(2,960,151)	5,928	0.2%
Gross profit	385,734	404,107	(18,373)	-4.5%
Operational expenses	(203,958)	(183,934)	(20,024)	10.89%
Allowance for expected credit loss on trade receivables	(4,646)	(12,813)	(8,167)	-64%
Operating profit (loss)	**177,130**	**207,359**	**30,229**	**-15%**

The following table presents the key financial indicators for 2023 and 2022..

Financial Indicator	2023	2022
Return on assets	6.1%	7.3%
Return on revenue	4.1%	4.8%
Return on shareholders' equity	15.3%	20.3%
Net profit growth rate	(16%)	(4%)
Earnings per share (in Saudi riyals)	2.27	2.71

The table below shows a summary of the consolidated statement of cash flows for 2023 and 2022: (Saudi riyals, in thousands)

Description	2023	2022
Cash flows from (used in) operations	288,934	299,977
Net cash used in investing activities	(78,088)	(92,176)
Net cash flows from financing activities	(211,579)	(209,705)
Net increase (decrease) in cash and cash equivalents	(733)	(1,904)
Cash and cash equivalents related to discontinued operations	(6,080)	-
Cash and cash equivalents, as of the beginning of the year	38,401	40,305
Cash and cash equivalents, at year-end	31,588	38,401

Statutory payments

The following table presents the statutory payments made and due for 2023: (Saudi riyals, in thousands)

Regulatory Body	Amount paid	Amount due until the end of the year and not paid	Brief description
Zakat	16,504	22,397	Zakat is calculated on the Zakat base
Income tax	598	1,205	
General Organization for Social Insurance	9,556	885	Insurance for the Company's workers
Costs of visas, passport and labor office fees	2,004	-	Work permit renewal fees, residency renewal fees for workers, and fees for transfer of sponsorships, and recruitment visas
Value added tax	134,935	5,090	Calculated based on taxable sales

Investments and Reserves for the Employees

The Company did not make any investments for the benefit of its employees in 2023.

The following table shows the reserves that were established for the benefit of the employees for 2022 and 2023: (Saudi riyals, in thousands)

Description	2023	2022
End of service benefits provision	2,307	1,943
Annual incentive provision	2,321	1,377

Total Debt

The following table outlines the total debt used by the Group as current and non-current installments for 2023: (Saudi riyals, in thousands)

Type of financing	Current installments	Non-current installments	Total
Short term loans	289,016	-	289,016
Long term loans	22,673	107,728	130,401
Total debts	**311,689**	**107,728**	**419,417**

It is noteworthy that the financing facilities agreements entered into by the Group meet the Islamic financing requirements.

Below is an analysis of the change in the amounts due to banks and loans for the year ending 31 December 2023: (Saudi riyals, in thousands)

Description	Short term loans	Loans	Total
Balance at the beginning of the year	468,200	126,209	591,409
Amounts used	1,053,292	132,000	1,185,292
Repayments	(1,189,806)	(127,886)	(1,317,692)
Derecognition on disposal of a subsidiary	(44,705)	-	(44,705)
Costs of arranging SIDF loans	-	-	-
Borrowings of disposal group classified as held for sale	-	-	-
Accrued financing cost	2,035	78	2,113
Balance at year-end	**289,016**	**130,401**	**419,417**

(*) Include bank loans and Saudi Industrial Development Fund (SIDF) loans.

The following table details the total debt used by the Group for 2022 and 2023: (Saudi riyals, in thousands)

Type of financing	2023	2022
Short term loans	289,016	468,200
Long term loans	82,078	116,368
SIDF loans	48,323	9,841
Other loans	-	-
Deduct: the costs of arranging the SIDF loans	-	-
Total debts	**419,417**	**594,409**

The following table shows the total used debt by each business sector for 2023: (Saudi riyals, in thousands)

Sector	Short term loans	Long term loans	Saudi Industrial (Net) Development Fund loans	Total
Metal and wood industries	-	-	-	-
Electrical industries	129,935	-	-	129,935
Plastic industries	157,046	82,000	48,323	287,369
Headquarters	-	-	-	-
Accrued financing cost	2,035	78	-	2,113
Total	**289,016**	**82,078**	**48,323**	**419,417**

A. Short Term Loans

The Group has secured bank facilities (“facilities”) in the form of short-term loans, Islamic Murabaha, forward exchange contracts, letters of credit and guarantees. These facilities bear interest at the prevailing market rates and are guaranteed by promissory notes and guarantees from the Group’s companies.

The following table shows the movement of amounts due to banks and lenders for 2023: (Saudi riyals, in thousands)

Lender	Alawal Saudi Bank, Banque Saudi Fransi, Bank Albilad, Riyad Bank, Gulf International Bank, Arab Bank, Saudi National bank
Type of financing	Sale on credit, Islamic Tayseer facilities, Islamic Tawarruq, and Murabaha
Amount due as of 31/12/2022	468,200
Borrowings of disposal group classified as held for sale	-
Financing used	1,053,292
Reclassified to long-term loans	-
Accrued financing cost	2,035
Paid	(1,189,806)
Balance as of 31/12/2023	**289,016**

B. Bank Loans

The Group has secured bank loans from domestic banks, repayable through quarterly or semi-annual installments. These loans bear interest at the prevailing market rates and are guaranteed by promissory notes and guarantees from the Group’s companies.

The following table shows the company's lenders for the year 2023: (in Saudi riyals, in thousands)

Lender	Type of financing	Financing original amount	Financing term	Paid as of 31/12/2023	Balance due as of 31/12/2023
Saudi National Bank	Islamic Tawarruq	82,000	Five years & 7 months	-	82,000
British Saudi Bank	Islamic Tawarruq	20,786	Two years & six months	20,786	-
Saudi National Bank	Islamic Tawarruq	100,000	Four years	100,000	-
British Saudi Bank	Islamic Tawarruq	95,000	Four years & 9 months	95,000	-
Total					**82,000**

The table below shows the repayment schedule of the used portion of bank loans for 2022 and 2023: (Saudi riyals, in thousands)

Year	2023	2022
2023	-	28,314
2024	10,933	28,314
2025	10,933	24,157
2026	10,933	20,000
2027	16,400	15,000
2028	16,400	-
2029	16,400	-
Total	82,000	115,785

C. SIDF Loans

The following table details the SIDF loans for 2022 and 2023: (Saudi riyals, in thousands)

Lender	Financing type	Financing original amount	Financing term	Balance due as of 31/12/2022	Paid as of 31/12/2023	Balance due as of 31/12/2023
SIDF	Government Financing		One year	-	-	50,000
SIDF	Government Financing		Six years & four months	10,220	10,220	-
Total	**-**	**-**	**-**	**10,220**		**50,000**
Deduct: costs for arranging SIDF loans	-	-	-	(853)		(1,750)
Total	**-**		**-**	**9,367**		**48,250**

The table below illustrates the repayment schedule of the used portion of the SIDF loans for 2022 and 2023: (Saudi riyals, in thousands)

Year	2023	2022
2023	-	10,220
2024	48,250	-
Total	**48,250**	**10,220**

Approved Accounting Standards

Bawan's financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the Kingdom of Saudi Arabia and other relevant issuances adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Activities of Stocks and Debt Instruments

There are no convertible debt instruments, contractual securities, subscription warrants, or similar rights issued or granted by the Company or any of its subsidiaries or any of the subsidiaries of its subsidiaries during 2023, nor is there redemption, purchase, or cancellation by the Company of any redeemable debt instruments, and there are no conversion or subscription rights under convertible debt instruments, contractual securities, subscription warrants, or similar rights issued or granted by the Company or any of its subsidiaries.

1. Details of Shares and Debt Instruments Issued to Subsidiaries

Bawan Metal Industries Company, One-Person Company (Limited liability): The capital of Bawan Metal consists of 50,000,000 cash shares; each share's value is worth 100.00 Saudi riyals. Bawan Company owns the entirety of shares, which represents 100% of Bawan Metal's capital of 50,000,000 Saudi riyals, and no debt instruments are issued by it.

Bawan Engineering Industries Company (Limited Liability): The capital of Bawan Engineering Industries consists of 500,000 cash shares; each share's value is worth 100.00 Saudi riyals. Bawan Company owns the entirety of shares, which represents 100% of Bawan Engineering's capital of 50,000,000 Saudi riyals, and no debt instruments are issued by it.

Bawan Wood Industries Company (Limited liability): The capital of Bawan Wood Industries consists of 500,000 cash shares; each share's value is worth 100.00 Saudi riyals. Bawan Company owns 475,000 shares, which represent 95% of Bawan Wood's capital of 50,000,000 Saudi riyals, and no debt instruments are issued by it.

United Wood and Metal Products Co. Ltd. (Limited Liability): The capital of United Wood and Metal Products Co. Ltd. consists of 25,680 cash shares; each share's value is worth 1000.00 Saudi riyals. Bawan Company owns 24,396 shares, which represent 95% of United Wood and Metal Products Company's capital of 25,680,000 Saudi riyals, and no debt instruments are issued by it.

Arnon Plastic Industries Company, One-Person Company (Limited Liability): The capital of Arnon Plastic Industries consists of 450,000 cash shares; each share's value is worth 100.00 Saudi riyals. Bawan Company owns the entire shares, which represent 100% of Arnon's capital of 45,000,000 Saudi riyals, and no debt instruments are issued by it.

2. Bawan's Activities and Strategy

Bawan Group is a public joint-stock company registered in the Kingdom of Saudi Arabia on 9 Shawwal, 1400 A.H., corresponding to 20 August 1980 A.D., under Commercial Registration No. 1010033032. Bawan has a capital of 600 million Saudi riyals, divided into 60 million shares, and each share is worth 10.00 Saudi riyals.

Bawan has diversified its business through its various industrial sectors (metal, electrical, wood, and plastic industries), which enables it to generate a continuous cash flow. This diversity in Bawan's business, products, and markets has helped it reduce the negative impacts and effects of economic fluctuations. Bawan will carry on with its continuous efforts to invest in other industrial activities to support the industrial and construction sectors and complement its current activities to attain the optimal level of economic and investment diversification and risk distribution.

Bawan is implementing an integrated strategy aimed primarily at consolidating its leading position in domestic and regional markets and strengthening relationships with its partners and customers by upgrading its services and products, launching new and innovative products that meet the highest international quality standards and best practices, and expanding its production capacity to meet growing demand from domestic and international customers.

In pursuit of increasing its investment returns, Bawan Group is boosting its existing strategic partnerships and investing in additional factories, companies, and projects.

Bawan Group is seeking to accomplish its plans, moving forward towards expanding its geographical footprint in targeted markets and investing in industrial businesses that have high growth potential and strong capabilities to generate high returns with minimum risks. The Group builds on diversification in both operations and investment activities in an integrated and interrelated manner by organizing business into four strategic operating categories: wood, metals, electricity, and plastics industries. Bawan operates a wide range of state-of-the-art manufacturing plants in several locations, including Riyadh, Jeddah, Dammam, Jubail, Yanbu, Rabigh, Khamis Mushait, Kuwait, and the UAE, where top-quality products are furnished to serve local markets and other major export markets.

Bawan's strategy is geared to achieve the following objectives:

- Boost the Group's breadth of products by focusing on upgrading and ensuring the quality of its products.
- Augment relationships with current customers through satisfactorily meeting their needs while maintaining the highest quality standards.
- Add new products and work to engage in new selected markets across the KSA and the Middle East region.
- Continue improving operations by optimizing costs and operational efficiency.
- Invest in new products to maximize the Group's business value and leverage its competitive advantages to complement its product offerings.
- Keep on exploring investment opportunities in sectors similar to or different from the Group's sectors.

3. Subsidiaries

Bawan owns a number of subsidiaries with different proportions. The table below lists the Company's subsidiaries, as well as their ownership percentages and principal businesses:

Company Name	Capital	(%) Bawan's actual ownership
Bawan Metal Industries Company, One-Person Company (Limited Liability)	50,000,000	100,0%
Bawan Engineering Industries Company (Limited Liability)	50,000,000	100,0%
Bawan Wood Industries Company (Limited Liability)	50,000,000	95,0%
United Wood and Metal Products Co. Ltd. (Limited Liability)	25,680,000	95,0%
Arnon Plastic Industries Company, One-Person Company (Limited Liability)	45,000,000	100,0%

Bawan Metal Industries Company, One-Person Company (Limited Liability)

A limited liability company registered in the Commercial Register in the city of Dammam, Kingdom of Saudi Arabia, on 12/08//1416 A.H., with a capital of fifty million (50,000,000) Saudi riyals. Bawan Metal Industries' main business ranges from rebar manufacturing, bending, and shaping to rebar roll cutting, rebar grids and iron cable ducts production, metal sheet roll, and flat bar roll cutting; rebar epoxy-coating, as well as manufacturing wheelbarrows, steel doors, and aluminum products. Bawan Metal Industries' main markets are located within the KSA.

The Company has several factories across major regions of the KSA, including Riyadh, Jeddah, and Dammam.

Bawan Engineering Industries Company (Limited Liability)

A limited liability company registered in the Commercial Register in the city of Riyadh, Kingdom of Saudi Arabia, on 29/08/1431 A.H., with a capital of fifty million (50,000,000) Saudi riyals. Bawan Engineering's major business is to manufacture and develop electric transformers, substations, and switchgear, as well as to market and distribute these goods both inside and outside of Saudi Arabia. The company's main markets are in the Kingdom of Saudi Arabia. In addition, Bawan Engineering's companies export some of its products to the Middle East and Africa.

Bawan Engineering Industries owns the following companies:

1. United Transformers Electric Company - KSA (Utech - KSA). Bawan Engineering owns 85.5% of Utec. Utec specializes in the manufacturing and production of oil-filled electrical distribution transformers with a capacity of 3150 KVA and a high voltage of up to 36 KV and pole-mounted distribution transformers with a capacity of up to 500 KVA.

2. United Technology of Electric Substations & Switchgears Company (USSG). Bawan Engineering owns 85.5% of USSG, which specializes in the manufacturing and production of electrical distribution substations, low voltage distribution panels, and medium voltage switchgears.

Bawan Wood Industries Company (LLC)

A limited liability company registered in the Commercial Register in the city of Dammam, Kingdom of Saudi Arabia, on 25/06/1413 A.H., with a capital of fifty million (50,000,000) Saudi riyals. Bawan Wood's major products include wooden pallets, wooden boxes, plywood sheets, decorative-paper-coated medium and high-density boards, wooden flooring, wooden spools, and wooden ornaments. Bawan Wood's major markets are in Saudi Arabia, however some of its subsidiaries operate in the United Arab Emirates and Kuwait.

Bawan Wood Industries has a vast presence in different markets inside and outside of the KSA, serving its customers with factories distributed across various geographical areas, including Riyadh, Dammam, Jeddah, Jubail, Yanbu and Rabigh.
Bawan Wood Industries also owns the following subsidiaries:

1. Inma Pallets Company Limited (Inma Pallets) is a limited liability company located in Jubail, Kingdom of Saudi Arabia. Bawan Wood Industries owns 100% of Inma Pallets, which specializes in manufacturing and production of wooden pallets.

2. Al-Raya Wood Works Establishment, a sole proprietorship, located in the UAE. Bawan Wood owns 100% of Al-Raya Wood Works Est whose main business is manufacturing wooden pallets, boxes and containers.

3. Al-Raya Company for Wood Works, a limited liability company headquartered in Kuwait, and 100% owned by Bawan Wood. It specializes in manufacturing wooden pallets, boxes, and containers.

4. United Lines Logistics Services Company Limited, a limited liability company, based in Dammam, KSA, and is 100% owned by Bawan Wood. It provides support services, supply, logistics, storage, refrigeration, loading and unloading services, and goods delivery services..

United Wood and Metal Products Co. Ltd. (Limited Liability)

A limited liability company registered in the Commercial Register in the city of Riyadh, Kingdom of Saudi Arabia, on 02/05/1409 A.H., with a capital of twenty-five million, six hundred and eighty thousand (25,680,000) Saudi riyals. It produces wooden packaging materials, Formica-laminated wooden products, plywood coated with thin layers, and panels covered with decoration and melamine, in addition to marketing and distributing these products inside and outside of the KSA, with its main markets located within the Kingdom.

Arnon Plastic Industries Limited, One-Person Company (Limited Liability)

A limited liability company registered in the Commercial Register in the city of Dammam, Kingdom of Saudi Arabia, on 01/01/1420 A.H., with a capital of forty-five million (45,000,000) Saudi riyals. Arnon's primary business includes selling plastic tools and materials, producing packaging and insulation foil from polyethylene foam, PET polyethylene bottles, and transparent containers, and producing polyethylene bottles. In addition to marketing and distributing these items both within and outside of the Kingdom of Saudi Arabia, the company exports some of its products to Middle Eastern countries.

4. Key developments in 2023:

Below is a summary of the most important developments in 2023 for Bawan and its subsidiaries:

- On 05/03/2023, Bawan Co. announced its Annual Financial Results for the Period Ending on 2022-12-31.
- On 05/03/2023, Bawan Co. announced the distribution of cash dividends for the second half of 2022.
- On 05/03/2023, Bawan Company announced that it had conducted an Earnings Call to discuss the financial results of the year 2022 with investors and financial analysts.
- On 17/04/2023, Bawan Co. announced invitations to its shareholders to attend the first Ordinary General Assembly Meeting.
- On 08/05/2023, Bawan Co. announced its Interim Financial Results for the period ending on 31/03/2023.
- On 11/05/2023, Bawan Co. announced the results of the first Ordinary General Assembly Meeting.
- On 11/05/2023, Bawan Company announces that it has conducted an Earnings Call to discuss its Q1 2023 financial results with investors and financial analysts.
- On 13/06/2023, Bawan Co. announced the signing of a licensed contract to manufacture Low Voltage Switchgears between one of its subsidiaries, United Technology for Electric Substations & Switchgears (UTEC), and Schneider Electric, the global leader in Energy Solutions & Sustainability.
- On 13/06/2023, Bawan Co. announced the signing of an MOU to manufacture Medium Voltage Switchgears between one of its subsidiaries, United Technology for Electric Substations & Switchgears (UTEC), and Schneider Electric, the global leader in Energy Solutions & Sustainability.
- On 13/06/2023, Bawan Co. announced the signing of an MOU to manufacture Data Centers between one of its subsidiaries, United Technology for Electric Substations & Switchgears (UTEC), and Schneider Electric, the global leader in Energy Solutions & Sustainability.
- On 25/07/2023, Bawan Co. announced the signing of a binding memorandum of understanding to sell its entire share in Bina Industrial Investment Holding Company ("the Concrete Industries Sector" or "the company") to Mr. Ahmad Mohammad Al-Osaimi.
- On 03/08/2023, Bawan Co. announced its Interim Financial Results for the Period Ending on 30/06/2023.
- On 03/08/2023 Bawan Co. announced the distribution of cash dividends for the first half of the year 2023.
- On 03/08/2023, Bawan Co. announced that it has conducted an Earnings Call to discuss its Q2 2023 financial results with investors and financial analysts.
- On 25/09/2023, Bawan Co. announced the signing of an agreement to sell its entire share in Bina Industrial Investment Holding Company ("the Concrete Industries Sector" or "the company") for a total value of SAR (76,700,000).
- On 01/11/2023 Bawan Co. announced its Interim Financial Results for the Period Ending on 30/09/2023.
- On 01/11/2023 Bawan Co. announced that it has conducted an Earnings Call to discuss its Q3 2023 financial results with investors and financial analysts.

5. Transactions with the Related Parties

During the fiscal year 2023, some contracts, to which Bawan or its subsidiaries were a party, and in which there has been an interest for a related party, have continued. Some of these contracts were entered into in previous years and have been ongoing relationships that began before the fiscal year 2023.

The following tables list these contracts:

#	Parties to Agreement/transaction		Nature of Agreement/ transaction	Transaction value in 2023	Duration of agreement	Agreement/ transaction conditions	Name of related party
1	Bawan Metal Industries Company	Masdar Building Materials	Selling & providing commercial services	119,038,491	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaiheem Abdul Qader Al-Muhaidib and Sons Co.
			Purchases of materials and commercial services	2,085,409			
		Madar Building Materials	Selling & providing commercial services	99,516,899	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
		Building and Construction Co. Ltd	Selling & providing commercial services	12,751,330	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan
		Madar Building Materials - Bahrain	Selling & providing commercial services	3,240,079	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
2	Bawan Wood Industries Company	Madar Building Materials	Selling & providing commercial services	2,711,178	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
			Purchases of materials and commercial services	10,200			
		Masdar Building Materials	Selling & providing commercial services	2,625,860	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaiheem Abdul Qader Al-Muhaidib and Sons Co.
			Purchases of materials and commercial services	1,236,943			
		Madar Building Materials - Bahrain	Selling & providing commercial services	3,588,875	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
3	United Company for Wood and Metal Products Ltd.	Madar Building Materials	Selling & providing commercial services	641,030	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
			Purchases of materials and commercial services	122,756			
		Masdar Building Materials	Purchases of materials and commercial services	1,159,990	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaiheem Abdul Qader Al-Muhaidib and Sons Co.
4	Arnon Plastic Industries Company	Masdar Building Materials	Selling & providing commercial services	1,192,313	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaiheem Abdul Qader Al-Muhaidib and Sons Co.
		Madar Building Materials	Selling & providing commercial services	1,385,172	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
		Madar Building Materials - Bahrain	Selling & providing commercial services	117,407	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
		Al-Romansiah Co. Ltd.	Selling & providing commercial services	215,860	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Abdul Qader Al-Muhaidib and Sons Co.

#	Parties to Agreement/transaction		Nature of Agreement/ transaction	Transaction value in 2023	Duration of agreement	Agreement/ transaction conditions	Name of related party
5	United Transformers Electric Company	Thabat Construction Company Ltd.	Selling commercial products	30,100	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaiheem
		Adwan Chemical Industries	Selling commercial products	233,369	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Raed Al-Mazrou
		Wilson Transformer Company Pty. Ltd.	Selling electrical products	19,359,719	N/A Transaction under purchase orders	No special/ preferential conditions	(Purchaser) Partner in the United Transformers Electric Company - KSA
			Purchases of materials and commercial services	427,980			
			Royalty fee	1,484,501	Two years, subject to renewal		
		Madar Building Materials	Purchases of materials and commercial services	2,382,051	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan Al-Fozan Holding Company
		Masdar Building Materials	Purchases of materials and commercial services	3,948,782	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Abdul Qader Al-Muhaidib and Sons Co. Mr. Raed Al-Modaiheem
		Madar Hardware Company	Purchases of materials and commercial services	54,801	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Abdullah Al-Fozan Mr. Fozan Al-Fozan
		Masdar Technical Services for Industry Co. Ltd.	Purchases of materials and commercial services	665,567	N/A Transaction under purchase orders	No special/ preferential conditions	Mr. Faisal Al-Muhaidib Mr. Raed Al-Modaiheem Abdul Qader Al-Muhaidib and Sons Co.
6	Bawan Company	Ajdan Real Estate Development Company	Lease for Bawan's Head Office	435,445	One year – automatically renewed	No special/ preferential conditions	Mr. Abdullah Al-Fozan Al-Fozan Holding Mr. Fozan Al-Fozan Abdul Qader Al-Muhaidib and Sons Co.
		BLOMINVEST - Saudi Arabia	Managing an investment portfolio	148,915	One year – automatically renewed	No special/ preferential conditions	Mr. Abdullah Al-Fozan Al-Fozan Holding Mr. Fozan Al-Fozan
		Saudi National Bank	Banking facilities	* 795,000,000	One year, subject to renewal, by mutual agreement	No special/ preferential conditions	Mr. Abdullah Al-Rowais

* The transaction limit in the current contract.

The Company's Management confirms that all the contracts and agreements mentioned in the tables above are executed on purely commercial bases, without any preferential treatment, and made in the best interest of the Company and its shareholders. The Company and its Board members also confirm their compliance with Article (71) of the Companies Law promulgated by the Ministry of Commerce and Investment, and their adherence to the Corporate Governance Regulations issued by the Capital Market Authority, and that all agreements entered into by related parties are voted on in the General Assembly.

Competitive Business

No.	Member Name	Competing Entity	Company Description	Member Position
1	Abdullah Abdul Latif Al-Fawzan	Madar Building Materials Company.	The company operates in several sectors of building materials: timber, rebar and metals.	The member serves on the board of directors of companies in which he owns influential shares.
2	Faisal Majid Al Muhaidib	Masdar Building Materials Company.	The company operates in several sectors, including rebar and all kinds of steel. It also includes a wide variety of wood, hardware, fasteners, and others.	The member holds a membership in the Board of Directors of this company.
3	Fawzan Muhammad Al-Fawzan	• Madar Building Materials Company. • Al Yamamah Reinforcing Steel Company Limited.	• The company operates in several sectors of building materials: timber, rebar and metals. • The company works in the production, wholesale and retail trade in rebar.	The member holds a membership in the board of directors of these companies.
4	Raed Ibrahim Al-Mudahim	• Masdar Building Materials Company. • Al Yamamah Reinforcing Steel Company Limited. • Al Yamamah Steel Industries Company.	• The company operates in several sectors, including rebar and all kinds of steel. It also includes a wide variety of wood, hardware, fasteners, and others. • The company works in the production, wholesale and retail trade in rebar • The company is engaged in the production and sale of iron products.	• The member holds a membership in the Board of Directors of this company. • The member serves on the board of directors of companies in which he owns influential shares. • The member holds a membership in the Board of Directors of this company.

Zakat and Income Tax

The Group is subject to both Zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia. The Company and its 100% owned Saudi subsidiaries file Zakat returns on a consolidated basis, while the Group's other subsidiaries file their Zakat and income tax returns individually. Provision for Zakat and income tax is made on an accrual basis.

Zakat is calculated on 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 estimates are recorded upon approval of the final assessment, at which time the provision is closed.

Zakat and income tax charged are included in the consolidated statement of profit or loss and other comprehensive income.

Zakat and income tax are calculated at the rates provided for by the applicable laws and regulations. Zakat represents the amounts related to the Company and its subsidiaries, while income tax represents the amounts related to foreign partners.

The following table presents the amounts of Zakat and income tax paid during 2022 and 2023:

	2023	2022
Zakat paid during the year	(15,735)	(13,147)
Income tax paid during the year	(1,108)	(115)

6. Prospects and Risks

Future prospects for the Company and its subsidiaries:

- Improving the capacity of production lines, which may have positive effects such as reducing costs and increasing production capacity.
- Expanding the industrial and engineering services in the electrical industry sector and providing related services, consultations, and technical installations, which would create new growth opportunities and boost the volume of revenue.
- The company is still looking for fresh investment possibilities to expand its services locally and internationally, which will help it reach its objectives and build shareholder equity.
- Introducing new products in the electrical industry sector, which will lead to an increase in revenue and an increase in its market share and profit.

For more details about future prospects, please refer to the "Future Outlook of the Company and Sector's Strategy" Section.

Risks facing the Company and its subsidiaries:

The Company is exposed to certain risks related to its business and subsidiaries. The following table summarizes those risks and the measures taken by the Company to reduce such risks:

Risk	Measures taken by the Company to reduce the risk
High energy prices and electricity tariffs	The Company continues to implement its strategy, which includes raising the efficiency of its business and rationalizing expenditure to mitigate this impact on the Company's profitability.
Fluctuation in raw material prices	The Company has developed conservative policies to ensure that it is NOT exposed to risks that may result from sudden changes in raw material prices, as it secures orders for raw materials as soon as it receives customer purchase orders, and it limits its inventory to conservative procurements to ensure the continuation of its business.
Fluctuations in currency exchange rates	When the Company purchases equipment or materials from outside of the KSA in foreign currencies, it fixes the exchange rates of these currencies against the Saudi riyal at the time of executing agreements with suppliers to avoid impact by any prices fluctuations. In the event of exporting any of its products to the outside of the KSA, the Company also requires that the prices be in US dollar, to avoid any risk of fluctuation in currency rates, as the Saudi riyal to the US dollar exchange rate is fixed.
Focusing on the main and major clients	The Company is constantly seeking to add new domestic and international clients to expand the customer base and scale down the dependence on limited major clients.
Commitment to Saudization	Following up, understanding and applying the regulations issued by the Ministry of Labor regarding the Saudization and Nitaqat program. Working to create an attractive work environment for Saudi employees. Attracting Saudi talent. Developing internal training programs to qualify Saudi workers.
Domestic and international competition	The Company always works to increase its revenue, 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 diversifies its Islamic credit facility uses from various lenders, to ensure continued provision of its credit needs and secure the facilities at competitive prices.
Reliance on key suppliers	The Company is working to increase the number of its main suppliers of raw materials through the department of materials and department of procurement. It has put in place technical controls that secure more qualified suppliers while maintaining the Company's high levels of material efficiency, commitment to supply deadlines, and competitive prices. In addition, the Company periodically reviews its supplier contracts to ensure that their contractual obligations are met.
Regional conditions	The relevant departments of the Company continuously follow up on the development of production techniques by attending and participating in specialized international exhibitions, in addition to concluding agreements such as transfer and modernization of technology in the fields of the Company's business.

Risk	Measures taken by the Company to reduce the risk
Changes in production techniques	The relevant departments of the Company continuously follow up on the development of production techniques by attending and participating in specialized international exhibitions, in addition to concluding agreements such as transfer and modernization of technology in the fields of the Company's business.
Disruption of some production lines	The Company has maintenance departments equipped with qualified technicians and a stock of spare parts for production lines to address any malfunction or interruption to any of its lines. The Company is upgrading some of the nearby small-scale businesses, through which it performs some production operations in line with the required specifications, in order to provide the Company with the necessary capacity when needed.
Disruption of some production lines (continued)	The Company produces and stores reserves of some of its in-demand products that conform with the approved specifications, and keeps them up to date, to fulfill any obligations in case of any disruption in production lines. The Company has a system for periodic maintenance for the main production lines, which helps to avoid some routine malfunctions.
Transportation of products to customers	The Company owns many transport trucks and contracts with several transport companies for shipping its goods to its customers in various regions with competitive prices. The Company has highly efficient supply chain management system.
Adequacy of insurance coverage	The Group continuously reviews its insurance policies to ensure their adequacy, and updates them on a regular basis.

7. Profit distribution policy

The Company's net profits shall be distributed after deducting all general expenses and other costs as follows:

1. 10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may cease such appropriation when said reserve reaches 30% of the paid-up capital.

2. Upon the proposal of the Board of Directors, the Ordinary General Assembly may allocate a certain portion of the net profits to form a consensual reserve and allocate it for a specific purpose or purposes. This reserve may not be used except by a resolution of the Extraordinary General Assembly.

3. The Ordinary General Assembly may decide to form other reserves, in a manner that serves the interest of the Company or ensures the distribution of fixed profits to shareholders, where possible. The OGA may also deduct amounts from the net profits to establish social organizations for the Company's employees or to assist existing organizations.

4. The remaining amount shall be distributed thereafter as a first payment to the shareholders, with a percentage of not less than five percent 5% of the paid-up capital.

5. Without prejudice to the provisions of Article 22 of the Company's Articles of Association and Article 76 of the Companies Law, a percentage not exceeding 10% of the remainder shall be allocated as remuneration for the Board of Directors if the remuneration is stipulated as a specific portion of the profits, provided that the entitlement to this remuneration is proportional to the number of sessions attended by the member.

6. The Company may, after fulfilling the requirements set by the relevant authority, distribute semi-annual or quarterly dividends to shareholders. The Board of Directors may be authorized to handle this matter.

Each shareholder shall be entitled to receive his/her share of the profits according to a decision of the General Assembly issued in this regard. The decision shall determine the entitlement date and the distribution date. The right to the profits shall belong to the owners of registered shares in the shareholders' records at the end of the entitlement day.

In the meeting held on May 10, 2023, Bawan's General Assembly authorized the Board of Directors to distribute interim dividends to shareholders on a semi-annual or quarterly basis for FY 2023 and to determine the entitlement dates and distribution dates in accordance with the regulatory rules and procedures issued pursuant to the Companies Law, taking into account the Company's financial position, cash flow, and expansion and investment plans.

Bawan's Board of Directors has approved the distribution of dividends during 2023, as follows:

Item	05/03/2023 * for the second half of 2022	03/08/2023 * for the first half of 2023	03/03/2024 * for the second half of 2023
Distribution percentage of nominal value per share	6.5%	6.5%	8.5%
Distribution percentage of net profit for the period	57.39%	65.47%	66.69%
Total profits for the period (in thousands SAR)	67,946	59,568	76,472
Total distributed profits (in SAR)	39 million Saudi riyals	39 million Saudi riyals	51 million Saudi riyals

* Announcement dates

Structure of the Company's Ownership, Board of Directors, and Board Committees

1. Company Ownership

The table below presents a list of the shareholders who directly own more than 5% of the Company's capital as of December 31, 2023.

#	Shareholder's Name	Number of shares as of 31/12/2022	Direct ownership percentage as of 31/12/2022	Number of shares as of 31/12/2023	Direct ownership percentage as of 31/12/2023
1	Al-Fozan Holding Company	12.518.800	20.86%	12.518.800	20.86%
2	Abdulkadir Al-Muhaidib and Sons Company	12.233.483	20.38%	10.025.923	16.71%

The table below shows the number of shares directly owned by Members of the Board, senior executives, their spouses and minor children as of 01/01/2023 and 31/12/2023:

Name (*)	Position	Number of shares as of 01/01/2023	Change	Number of shares as of 31/12/2023	Change (%)
Mr. Abdullah Bin Abdul Latif Al-Fozan	Chairman	-	-	-	0%
Mr. Fozan Bin Mohammed Al-Fozan	Board Member/ Senior Executive	1200	-	1200	0%
Mr. Raed Bin Ibrahim Al-Modaiheem	Board Member	1200	-	1200	0%
Mr. Raed Bin Ahmed Al-Mazrou	Board Member	1200	-	1200	0%
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Board Member	-	-	-	0%
Mr. Abdul Karim Bin Ibrahim Al-Nafea	Board Member	-	10.000	10.000	100%
Mr. Abdullah Bin Abdulrahman Al-Rowais	Board Member	-	-	-	0%
Mr. Faisal Bin Majid Al-Muhaidib	Board Member	-	-	-	0%
Mr. Mohammad Bin Abdulaziz Al-Aqeel	Board Member	-	-	-	0%

- There is no direct ownership of shares in the Company by other senior executives, their spouses, or their minor children in the Company's debt instruments or any of its subsidiaries.
- The Company also acknowledges that it does not have any treasury shares as of the date of this report.

2. Members of the Board of Directors, the Board Committees, and the Executive Management:

The Company is managed by a Board of Directors consisting of nine members elected in the Extraordinary General Assembly meeting held on September 19, 2022 for a term of three Gregorian years commencing on September 26, 2022 and ending on September 25, 2025. The members of the Board meet the requirements as set forth in the definitions contained in the Corporate Governance Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Audit Committee was formed in the Extraordinary General Assembly meeting held on September 19, 2022, including the stipulation of its responsibilities, regulations and the remuneration for its members, for the new term starting on September 26, 2022 and ending on September 25, 2025.

Companies, inside or outside of the KSA, that a Board member is a current or former member of their Board of Directors or Management:

Member Name
Abdullah Bin Abdul Latif Al-Fozan

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Al-Fozan Holding Company	Inside the KSA	Closed joint-stock company	Amjal Urban Development Company	Inside the KSA	One-person company
Abdul Latif & Mohammed Al-Fozan Holding Company	Inside the KSA	Closed joint-stock company	United Electronics Company (eXtra)	Inside the KSA	Listed joint-stock company
Maali Holding Company	Inside the KSA	Closed joint-stock company	Arnon Plastic Industries	Inside the KSA	One-person company
Retal Urban Development Company	Inside the KSA	Public joint-stock company	United Homeware Company	Inside the KSA	Limited liability company
Ajwad Holding Company	Inside the KSA	Closed joint-stock company	Ascend Healthcare Solutions Company	Inside the KSA	One-person company
Ajdan Real Estate Development Company	Inside the KSA	Closed joint-stock company	Arab Paper Manufacturing Company	Inside the KSA	Closed joint-stock company
Dhahran Expo Company	Inside the KSA	Closed joint-stock company	BLOMINVEST - Saudi Arabia	Inside the KSA	Closed joint-stock company
Maali Al-Khaleej Trading Company	Inside the KSA	Limited liability company	Al Oula Real Estate Development Company	Inside the KSA	Closed joint-stock company
Shomoul Holding Company	Inside the KSA	Limited liability company	Madar Building Materials	Inside the KSA	One-person company
Rafah Al-Khaleej Company Ltd.	Inside the KSA	Limited liability company	Madar Electrical Materials	Inside the KSA	One-person company

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Al-Fozan Investment Company	Inside the KSA	Closed joint-stock company	Madar Hardware	Inside the KSA	One-person company
Atheel Holding Company	Inside the KSA	Limited liability company	Autism Educational Services Endowment Company	Inside the KSA	One-person company
Tarabot Investment & Development	Inside the KSA	Limited liability company	Building and Construction Co. Ltd.	Inside the KSA	Limited liability company
Sumou Arabia Trading Company Ltd	Inside the KSA	Limited liability company	Nesaj Real Estate Residential Compound Company	Inside the KSA	Limited liability company
Abdullah Bin Abdul Latif Al-Fozan Foundation for Education	Inside the KSA	One-person company	Al-Oula Binaa for Real Estate Development Company	Inside the KSA	Limited liability company
Masarat Investment Company	Inside the KSA	One-person company	Bawan Engineering Industries	Inside the KSA	Limited liability company
Midad Company Ltd.	Inside the KSA	Limited liability company	Bawan Wood Industries	Inside the KSA	Limited liability company
Abdul Latif Al-Fozan Award for Mosque Architecture	Inside the KSA	One-person company	Aram Al Ihsan Holding	Inside the KSA	Limited liability company
Remal Al-Khobar Real Estate Co	Inside the KSA	Closed joint-stock company	United Transformers Electric Company	Inside the KSA	Mixed limited liability company
Saudi Tharwa	Inside the KSA	Limited liability company	United Technology of Electric Substations & Switchgears Company (USSG)	Inside the KSA	Mixed limited liability company
National Center for Family Businesses	Inside the KSA	Government agency	Digital and Electronic Solutions Development Company	Inside the KSA	Limited liability company
Bawan Co.	Inside the KSA	Listed joint-stock company	Building and Construction Co. Ltd.	Inside the KSA	Limited liability company
Shomoul Commercial Mall Co.	Inside the KSA	Limited liability company	Nesaj Real Estate Residential Compound Company	Inside the KSA	Limited liability company
Gulf Riyadah Company Ltd.	Inside the KSA	Limited liability company	-	-	-
Projects & Supplies Co.	Inside the KSA	Limited liability company	-	-	-

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Atheel Arabia Services Company LLC.	Inside the KSA	Limited liability company	-	-	-
Iksir Al-Khaleej Contracting Company	Inside the KSA	Limited liability company	-	-	-
Amwal Al-Khaleej Commercial Investment Company	Inside the KSA	Limited liability with Gulf capital (under liquidation)	-	-	-
Madar Building Materials - Bahrain	Outside of the KSA	Closed joint-stock company	-	-	-

Member Name
Fozan Bin Mohammed Al-Fozan

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Al-Fozan Holding Company	Inside the KSA	Closed joint-stock company	Al-Mada Holding Company	Inside the KSA	Limited liability company
Abdul Latif & Mohammed Al-Fozan Holding Company	Inside the KSA	Closed joint-stock company	Kayan International Company	Inside the KSA	Limited liability company
United Electronics Company (eXtra)	Inside the KSA	Listed joint-stock company	United Steel Industries Company	Inside the KSA	Limited liability company
Athman Medical Care Holding	Inside the KSA	Closed joint-stock company	United Glass Industries Company	Inside the KSA	Limited liability company
Retal Urban Development Company	Inside the KSA	Public joint-stock company	Madar Hardware - Bahrain	Outside of the KSA	Limited liability company
Al Yamamah Steel Industries Company	Inside the KSA	Listed joint-stock company	Al Oula Real Estate Development Holding Company	Inside the KSA	Closed joint-stock company
Ascend Healthcare Solutions Company	Inside the KSA	One-person company	United Homeware Company (Nice)	Inside the KSA	Limited liability company

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Bawan Co.	Inside the KSA	Listed joint-stock company	Madar Electrical Materials	Inside the KSA	Limited liability company
Madar Building Materials	Inside the KSA	Limited liability company	Madar Hardware	Inside the KSA	Limited liability company
United Company for Financial Services	Inside the KSA	One-person Closed joint-stock company	Injaz Projects Company Ltd.	Inside the KSA	Limited liability company
Ajwad Holding Company	Inside the KSA	Closed joint-stock company	Etlalah Investment Holding Company	Inside the KSA	One-person limited liability company
BLOMINVEST	Inside the KSA	Closed joint-stock company	Zawaya Holding Company	Inside the KSA	Closed joint-stock company
-	-	-	Amjal Property Development Company	Inside the KSA	One-person limited liability company

Member Name
Raed Bin Ibrahim Al-Modaiheem

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Masdar Building Materials	Inside the KSA	Closed joint-stock company	Northern Region Cement Company	Inside the KSA	Listed joint-stock company
United Mining Industries Company	Inside the KSA	Listed joint-stock company	Suez Cement	Outside of the KSA (Egypt)	Listed joint-stock company
Jeddah Airports Company	Inside the KSA	Limited liability company	ARABIAN PIPES	Inside the KSA	Listed joint-stock company
Catrion Catering Holding Company (CATRION)	Inside the KSA	Listed joint-stock company	-	-	-
Al Yamamah Steel Industries Company	Inside the KSA	Listed joint-stock company	-	-	-

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Riyadh Cables Group Company	Inside the KSA	Listed joint-stock company	-	-	-
Thabat Construction Company Ltd.	Inside the KSA	Limited liability company	-	-	-
Bawan Co.	Inside the KSA	Listed joint-stock company	-	-	-
Al Badia Cement Company	Outside of the KSA (Syria)	Closed joint-stock company	-	-	-
Northern Cement Company	Outside of the KSA (Jordan)	Listed joint-stock company	-	-	-

Member Name
Raed Bin Ahmed Al-Mazrou

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Adwan Chemical Industries Co. Ltd.	Inside the KSA	Limited liability company	-	-	-
Adwan Chemicals CIE	Outside of the KSA (Algeria)	Limited liability company	-	-	-
Adwan Chemicals	Outside of the KSA (Syria)	Limited liability company	-	-	-
Bawan Co.	Inside the KSA	Listed joint-stock company	-	-	-

Member Name
Khalid Bin Abdulrahman Al-Gwaiz

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Al-Rajhi Bank	Inside the KSA	Listed joint-stock company	EMCOR Facilities Management	Inside the KSA	Limited liability company
Riyadh Cables Group Company	Inside the KSA	Listed joint-stock company	-	-	-
SPIMACO ADDWAEIH	Inside the KSA	Listed joint-stock company	ACWA Holding Company	Inside the KSA	Closed joint-stock company
Bawan Co.	Inside the KSA	Listed joint-stock company	Astra Industrial Group	Inside the KSA	Listed joint-stock company
SEDCO Capital	Inside the KSA	Closed joint-stock company	Swicorp	Inside the KSA	Closed joint-stock company
EFS Company	Inside the KSA	Closed joint-stock company	Binladin International Holding Group	Inside the KSA	Closed joint-stock company
Unique Solutions for Chemical Industries	Inside the KSA	Limited liability company	Roayat Watan Holding Company (subsidiary of Binladin Group)	Inside the KSA	Limited liability company
International Construction Consortium Company	Inside the KSA	Limited liability company	Roaa Development Holding Company (subsidiary of Binladin Group)	Inside the KSA	Limited liability company

Member Name
Abdul Karim Bin Ibrahim Al-Nafea

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Etihad Etisalat Company (Mobily)	Inside the KSA	Listed joint-stock company	Saudi Industrial Development Fund	Inside the KSA	Government agency
Astra Industrial Group	Inside the KSA	Listed joint-stock company	National Shipping Company of Saudi Arabia (Bahri)	Inside the KSA	Listed joint-stock company
Al Moammar Information Systems	Inside the KSA	Listed joint-stock company	Saudi Ceramic Company	Inside the KSA	Listed joint-stock company

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
United Cement Industrial Co.	Inside the KSA	Limited liability company	Ceramic Pipes Company	Inside the KSA	Closed joint-stock company
Riyadh Steel Co.	Inside the KSA	Listed joint-stock company	Natural Gas Distribution Company	Inside the KSA	Closed joint-stock company
Maan Aljasser & Co.	Inside the KSA	Limited liability company	Naseej International Trading Co.	Inside the KSA	Listed joint-stock company
Jarir Investment Co.	Inside the KSA	Closed joint-stock company	-	-	-
Jarir Construction Co.	Inside the KSA	Closed joint-stock company	-	-	-
Casa Logistics Co.	Inside the KSA	Limited liability company	-	-	-
Bawan Co.	Inside the KSA	Listed joint-stock company	-	-	-

Member Name
Abdullah Bin Abdulrahman Al-Rowais

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Saudi National Bank	Inside the KSA	Listed joint-stock company	Manafea Holding Company	Inside the KSA	Closed joint-stock company
ACWA Power Company	Inside the KSA	Listed joint-stock company	Samba Financial Group	Inside the KSA	Listed joint-stock company
Saudi Tourism Authority	Inside the KSA	Government agency	-	-	-
Bawan Co.	Inside the KSA	Listed joint-stock company	-	-	-

Member Name
Faisal bin Majid Al Muhaidib

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Masdar Building Materials	Inside the KSA	Closed joint-stock company	United Mining Industries Company	Inside the KSA	Limited liability company
Thabat Real Estate Development Co.	Inside the KSA	Limited liability company	-	-	-
Thabat Al Maskan Real Estate Company	Inside the KSA	Limited liability company	-	-	-
Bawan Co.	Inside the KSA	Listed joint-stock company	-	-	-
RAFAL Real Estate Development Company	Inside the KSA	Limited liability company	-	-	-
BADWA CAPITAL	Outside of the KSA	Limited liability company	-	-	-

Member Name
Mohammad Bin Abdulaziz Al-Aqeel

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Midad Holding	Inside the KSA	Limited liability company	Ajdan Real Estate Development Company	Inside the KSA	Closed liability company
Dar Al Tamleek Co.	Inside the KSA	Closed liability company	Al Oula Real Estate Development Company	Inside the KSA	Closed liability company
Sadeed Company	Inside the KSA	Limited liability company	Al Badia Cement Company	Outside of the KSA (Syria)	Closed liability company
Ertiqa Real Estate Company	Inside the KSA	Limited liability company	-	-	-
Bawan Co.	Inside the KSA	Listed joint-stock company	-	-	-

Companies that the Board member is a current member of their Board of Directors or Management	Location	Legal form	Companies that the Board member is a previous member of their Board of Directors or Management	Location	Legal form
Competitiveness Company	Inside the KSA	Limited liability company	-	-	-

Composition of the Board of Directors

#	Name	Designation	Membership type
1	Mr. Abdullah Bin Abdul Latif Al-Fozan	Chairman	Non-executive member
2	Mr. Raed Bin Ibrahim Al-Modaiheem	Vice Chairman	Non-executive member
3	Mr. Fozan Bin Mohammed Al-Fozan	Board member and the Managing Director of Bawan	Executive member
4	Mr. Raed Bin Ahmed Al-Mazrou	Board member	Non-executive member
5	Mr. Khalid Bin Abdulrahman Al-Gwaiz	Board member	Independent
6	Mr. Abdul Karim Bin Ibrahim Al-Nafea	Board member	Independent
7	Mr. Abdullah Bin Abdulrahman Al-Rowais	Board member	Independent
8	Mr. Mohammad Bin Abdulaziz Al-Aqeel	Board member	Independent
9	Mr. Faisal Bin Majid Al-Muhaidib	Board member	Non-executive member

Actions taken by the Board of Directors to inform its members, especially non-executives, of shareholders' proposals and comments regarding the Company's performance:

In the first Board meeting at the beginning of the fiscal year, the Chairman informs all Board members of any proposals or comments from the shareholders regarding the Company and its performance, as well as other relevant topics, if any.

The Company did not receive any written proposals or comments from any of the shareholders during the year ended December 31, 2023.

Board meetings held during the fiscal year ended December 31, 2023:

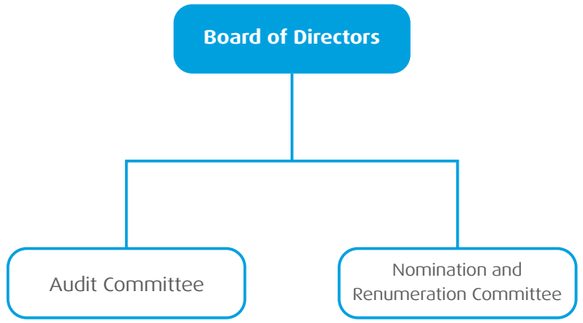
Name	1st meeting 28/03/2023	2nd meeting 04/06/2023	3rd meeting 27/09/2023	4th meeting 24/12/2023	Total
Mr. Abdullah Bin Abdul Latif Al-Fozan	a	a	a	a	4
Mr. Raed Bin Ibrahim Al-Modaiheem	a	a	a	a	4
Mr. Fozan Bin Mohammed Al-Fozan	a	a	a	a	4
Mr. Raed Bin Ahmed Al-Mazrou	a	a	a	a	4

Name	1st meeting 28/03/2023	2nd meeting 04/06/2023	3rd meeting 27/09/2023	4th meeting 24/12/2023	Total
Mr. Khalid Bin Abdulrahman Al-Gwaiz	a	a	×	a	3
Mr. Abdul Karim Bin Ibrahim Al-Nafea	a	a	a	a	4
Mr. Abdullah Bin Abdulrahman Al-Rowais	a	a	a	a	4
Mr. Mohammad Bin Abdulaziz Al-Aqeel	a	a	a	a	4
Mr. Faisal Bin Majid Al-Muhaidib	a	a	a	a	4

3. Board Committees

Pursuant to the requirements of the Corporate Governance Regulations issued by the Capital Market Authority and the Companies Law, the Company has developed the regulations for the Audit Committee, the Nomination and Remuneration Committee, the Executive Committee, and the Business Development Committee, as shown in the figure below. These regulations set out the rules for selecting committee members, the terms of membership, and each committee's method of operation. The regulations for the committees were approved by the Board of Directors and the General Assembly of Shareholders.

The figure below presents the Board committees:



Audit Committee

The Audit Committee's responsibilities include overseeing internal auditing, reviewing auditing reports, monitoring the implementation of corrective measures to address the observations made on such reports, making recommendations for the Board regarding the external auditor's appointment, scope of work, annual fees, and monitoring the auditor's work and reviewing their comments on the financial statements. Furthermore, it is responsible for evaluating and ensuring an effective and strong-founded internal control system in place. The Audit Committee also reviews the Company's interim and annual financial statements before they are submitted to the Board of Directors.

During this year, the Audit Committee reviewed the quarterly and annual financial statements and made recommendations to the Board of Directors for their approval. The Committee met with the external auditor and made sure the financial statements were prepared in accordance with the approved accounting standards and that there were no significant material observations from the auditor on the financial statements.

Further, the Audit Committee reviewed the internal auditor's report and found it did not contain any significant observations, and it reported this review to the Board of Directors.

Audit Committee members who are not Board members:

#	Name	Current position	Previous positions	Qualifications	Experiences
1	Mr. Khenneth Charles Ebrahim	CFO – Tilad Investment Company	Financial Controller - Atheel Holding Company Financial Controller - General Trading Company Senior Manager - Deloitte & Touche	Bachelor degree in Accounting from the University of Mumbai – India - 1988 He holds several professional certificates in accounting and internal audit	He has extensive experience in auditing, accounting and finance.
2	Dr. Abdullah Bin Sagheer Al-Husaini	Professor at the College of Business Administration - Prince Sultan University	Financial Manager, Financial Advisor, Accountant and Auditor at numerous entities	Bachelor degree in Accounting from King Abdulaziz University, KSA - 1990. Master's degree in Accounting from King Saud University, KSA - 1997. PhD in Financial Accounting and Auditing from the University of Kent, United Kingdom - 2005	Member of the Board of Directors, Chairman of the Audit Committee, and member of various committees in a number of listed companies. He has extensive experience in accounting, internal and external audit, and financial management. He is a member of several professional organizations inside and outside of the KSA.

The three-member Audit Committee held six meetings during 2023. The table below shows the attendance record:

Name	Mr. Abdullah Bin Abdulrahman Al-Rowais	Mr. Kenneth Charles Ibrahim	Dr. Abdullah Bin Sagheer Al-Husaini
Designation	Chair	Member	Member
1st meeting, January 26, 2023	a	a	a
2nd meeting, March 2, 2023	a	a	a
3rd meeting, May 7, 2023	a	a	a
4th meeting, May 17, 2023	a	a	a
5th meeting, August 2, 2023	a	a	a
6th meeting, October 31, 2023	a	a	a
Total	**6**	**6**	**6**

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for recommending nominations for the membership of the Board and its committees in accordance with the approved standards, conducting an annual review of the required skills for the Board membership, reviewing the Board's structure, and making recommendations on possible changes. The Committee's duties also include identifying the strengths and weaknesses of the Board and how to address them in the best interest of the Company, assessing the performance of the members of the Board and its committees, and ensuring the independent status of independent members on an annual basis. Moreover, the Committee is mandated with developing policies for compensation and remunerations for the Board members and senior executives.

Further, the Committee is also responsible for assisting the Board of Directors in developing and reviewing the Company's organizational structure and the operating model that regulates the relationship between the Company and its subsidiaries.

The three-member Nomination and Remuneration Committee held four meetings during 2023. The following table shows the attendance record.

Name	Designation	1st meeting 28/03/2023	2nd meeting 04/06/2023	3rd meeting 27/09/2023	4th meeting 24/12/2023	Total
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Chairman	a	a	a	a	4
Mr. Raed Bin Ibrahim Al-Modaiheem	Member	a	a	a	a	4
Mr. Mohammad Bin Abdulaziz Al-Aqeel	Member	a	a	a	a	4

4. Remuneration Disclosures

Remunerations for the Borad of Directors

1. Pursuant to the Companies Law and the Company's Articles of Association. a Board member shall receive a fixed annual remuneration of 200,000 Saudi riyals. The total sum of remunerations and financial or in-kind benefits received by the Board member shall not exceed 500,000 Saudi riyals per annum, according to the regulations set by the relevant authority and as per the remuneration policy above.

2. If a Board member permanently resides outside of the city where the Board meetings are held, he/she shall receive a travel allowance equivalent to a Saudi Airlines first-class ticket amount,in addition to an overnight stay allowance of 2,000 Saudi riyals per meeting day.

3. A lump sum of 3,000 Saudi riyals shall be paid as compensation for accommodation, food and transportation expenses, and other similar expenses, to the member attending a Board meeting outside of Riyadh (where the Company's HQ is based) or any other city inside the KSA, in addition to a first-class ticket (round-trip), or an equivalent amount, for travel between Riyadh and the city where the meeting is held.

4. A lump sum of 3,000 US dollars shall be paid as compensation for accommodation, food and transportation expenses, and other similar expenses, to the member attending a Board meeting outside of the KSA, in addition to a first-class ticket (round-trip) or an equivalent amount, for travel between Riyadh and the city where the meeting is held. If the Board Chairman requests that any committee hold a meeting outside of Riyadh or that any or all committee members participate in a Board meeting, the committee members attending such meetings shall be compensated on an equal footing with the Board members.

If more than one meeting is held on the same day and place, compensation payment for the expenses described above shall be made only once for each member. The annual fixed remuneration shall be paid based on attendance at meetings, and allowances for meeting attendance shall be paid after the meeting.

Remunerations for the Members of Board Committees

1. Members of the Audit Committee and Business Development Committee shall receive a fixed annual remuneration of 100,000 Saudi riyals, according to the regulations set by the relevant authority and as per the remuneration policy above.

2. An attendance allowance of 3,000 Saudi riyals shall be paid to each Board committee member for each committee meeting.

3. If a member permanently resides outside of the city where the committee meetings are held, he/she shall receive a travel allowance equivalent to a Saudi Airlines first-class ticket amount, in addition to an overnight stay allowance of 2,000 Saudi riyals per meeting day.

4. A lump sum of 3,000 Saudi riyals shall be paid as compensation for accommodation, food and transportation expenses, and other similar expenses, to the member attending a committee meeting outside of Riyadh (where the Company's HQ is based) or any other city inside the KSA, in addition to a first-class ticket (round-trip), or an equivalent amount, for travel between Riyadh and the city where the meeting is held.

5. A lump sum of 3,000 US dollars shall be paid as compensation for accommodation, food and transportation expenses, and other similar expenses, to the member attending a committee meeting outside of the KSA, in addition to a first-class ticket (round-trip), or an equivalent amount, for travel between Riyadh and the city where the meeting is held. If more than one meeting is held on the same day and place, compensation payment for the expenses described above shall be made only once for each member.

Remunerations for the Executive Management

1. The Board of Directors shall, based on the recommendation of the Executive Management, determine the types of remuneration paid to the Company's employees, such as fixed remunerations, performance bonuses, and stock bonus plans, in a manner consistent with the regulatory rules and procedures issued pursuant to the Companies Law regarding listed joint-stock companies.

2. The Remuneration and Nomination Committee shall conduct a regular review of the salary scale set up for all employees and senior executives and shall review and approve the incentive programs and plans upon the recommendation of the Executive Management.

3. The annual goals for the Company, senior executives, and employees shall be set at the beginning of the year. An assessment of the Company's overall performance and the achieved goals shall be conducted at the end of the year.

4. Key performance standards at the Company-wide level shall include a set of short-term and long-term goals, profitability indices, solvency, liquidity, and growth. The performance management process shall ensure that all goals are properly aligned at all levels of the Company, including business units and relevant employees.

5. The purpose of remuneration is to create a positive competitive atmosphere to attract and retain qualified and competent employees and maintain the high level of skills the Company needs.

The tables below show the remunerations for the Board members, the members of committees, and senior executives, paid during 2023, for the year 2022, excluding the Audit Committee:

I. Remunerations for the Board of Directors

	Board of Directors' remunerations, and attendance allowances for Board meetings		Total remunerations and attendance allowances for committee meetings (excluding Audit Committee)		
Name	**Fixed annual remuneration**	**Attendance allowances**	**Remuneration**	**Attendance allowance**	**Total**
A. Independent members					
Mr. Khalid Bin Abdulrahman Al-Gwaiz	200,000				200,000
Mr. Abdul Karim Bin Ibrahim Al-Nafea	200,000				200.000
Mr. Abdullah Bin Abdulrahman Al-Rowais	200.000				200.000
Mr. Mohammad Bin Abdulaziz Al-Aqeel	100.000				100.000
Total	**800,000**				**700.000**
B. Non-executive members					
Mr. Abdullah Bin Abdul Latif Al-Fozan	200,000	9.200		6.000	215,200
Mr. Essam bin Abdulkader Al-Muhaidib	100.000			6,000	106.000
Mr. Raed Bin Ibrahim Al-Modaiheem	200,000	12.800		9.000	221.800
Mr. Raed Bin Ahmed Al-Mazrou	200,000			15.000	215.000
Mr. Faisal Bin Majid Al-Muhaidib	100.000				100.000
Mr. Basel bin Mohammed Al-Gadhib	100.000				100.000
Total	**800.000**	**22,000**		**36,000**	**958.000**
C. Executive members					
Mr. Fozan Bin Mohammed Al-Fozan	200,000			9,000	209,000
Total	**200,000**			**9.000**	**209,000**

II. Remunerations for Senior Executives

	Fixed remunerations (SAR)			Variable remunerations (SAR)	Total (SAR)
Description	**Salaries**	**Allowances**	**Total**	**Annual remunerations**	
Remuneration for senior executives, including the CEO	3,866,899	697,370	4,564,269	1,500,000	6,064,269

The Company complied with the requirements for the disclosure of the senior executives' aggregate remuneration in accordance with the provisions of Article 93(4)(b) of Corporate Governance Regulations issued by the Capital Market Authority. However, in order to protect the interests of the Company, its shareholders and staff, 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.

III. Remunerations for the Audit Committee members

Audit Committee member	Fixed annual remuneration	Attendance allowances	Total (SAR)
Mr. Abdullah Bin Abdulrahman Al-Rowais	100,000	15,000	115,000
Mr. Kenneth Charles Ibrahim	100,000	-	100,000
Mr. Abdulmoeti Wasfi Abdulhadi	40,000	-	40,000
Dr. Abdullah Bin Sagheer Al-Husaini	60,000	-	60,000
Total	**300,000**	**15,000**	**315,000**

5. Corporate Governance compliance

The Company applies all the provisions of the Corporate Governance Regulations issued by the Capital Markets Authority, with the exception of the provisions listed below:

Article/ Paragraph No.	Provision	Reason for non-application
Article 39	Training	An evaluation of the performance of the Board and its committees is conducted by an external party every 3 years without a written mechanism or policy, therefore, work is underway to prepare a written policy/mechanism to evaluate the performance of the Board, its committees and the executive management.
Article 67	Formation of Risk Management Committee	Optional article, and its tasks are entrusted to other committees and departments that carry it out.
Article 82	Employee incentives	Optional article, there are incentive programs at Bawan that have already been mentioned in the report.
Article 85	Social Responsibility	Optional article, Bawan undertakes many initiatives (already mentioned in the report) without specific measurement indicators related to the company's performance, noting that work is underway to prepare a social responsibility policy.
Article 92	Formation of Corporate Governance Committee	Optional article, Bawan has its own governance rules that do not conflict with the mandatory provisions issued by the regulatory and supervisory authorities, and the Board is tasked with monitoring their application and verifying their effectiveness.

6. Annual Review of Internal Controls

The internal control system aims to ensure the Company's goals are achieved effectively and efficiently, including reliable financial reporting, compliance with laws, regulations, and policies, as well as managing potential risks to minimize their impact on achieving the goals. The control system plays a vital role in detecting and preventing fraud and protecting the Company's resources.

The Company's management is responsible for preparing a comprehensive and effective control system that is commensurate with the level of risks the Company may face and at a reasonable cost, and that provides acceptable assurances to avoid material errors and, consequently, possible losses.

The Committee conducts regular reviews of the periodic reports prepared by internal and external auditors and various departments of the Company regarding internal controls. Based on the results of the annual reviews, the Committee did not identify any material weaknesses in the existing internal controls.

7. Penalties

No penalty, sanction, or precautionary attachment was imposed on the Company by the Capital Market Authority or any other supervisory, regulatory, or judicial body.

8. General Assembly meetings held during the fiscal year ended December 31, 2023

#	Name	Attendance record for the Ordinary General Assembly held on 10/05/2023
1	Mr. Abdullah Bin Abdul Latif Al-Fozan	a
2	Mr. Raed Bin Ibrahim Al-Modaiheem	a
3	Mr. Fozan Bin Mohammed Al-Fozan	a
4	Mr. Raed Bin Ahmed Al-Mazrou	a
5	Mr. Khalid Bin Abdulrahman Al-Gwaiz	a
6	Mr. Abdul Karim Bin Ibrahim Al-Nafea	a
7	Mr. Abdullah Bin Abdulrahman Al-Rowais	a
8	Mr. Mohammad Bin Abdulaziz Al-Aqeel	a
9	Mr. Faisal Bin Majid Al-Muhaidib	a

9. Requests made by the Company for the Shareholders Register

Number of requests	Request date	Reason for request
1	08/01/2023	Corporate procedure
2	10/04/2023	General Assembly
3	29/11/2023	Corporate procedure

10. Confirmations and Declarations

The Board of Directors and the Management confirm and declare the following:

- The accounting records have been properly prepared.
- The internal control system has been properly established and effectively implemented.
- There is no doubt about the Company's ability to adequately continue its business.

11. Management Comments for the Year 2023

- No penalty, sanction, or precautionary attachment was imposed on the Company by the Capital Market Authority or any other supervisory, regulatory, or judicial body.
- There are no debt instruments issued by the Company.
- There is no interest or subscription rights belonging to the Board members, senior executives, or their family members in the Company's shares, except as stated in this Report.
- The Company has not issued any bonds and hence has not redeemed, purchased, or canceled any redeemable debt instruments.

- There are no conversion or subscription rights under convertible debt instruments, options, subscription warrants, or similar rights issued or granted by the Company.
- There are no arrangements or agreements whereby any shareholders of the Company have waived any profit rights.
- The financial statements have been prepared in accordance with International Accounting Standards and in conformity with the Company's bylaws and Articles of Association regarding the preparation and publication of financial statements.
- The Company has not received any observations or concerns from shareholders regarding the Company or its performance.
- The auditor's report did not contain any reservations on the annual financial statements.
- The Board did not recommend or decide to change the Company's auditors in 2023.
- The Audit Committee did not recommend appointing an internal auditor for the Company as the Company already has an internal audit department.
- There has been no conflict between any recommendations from the Audit Committee and any decisions from the Board, nor has the Board rejected any such recommendations regarding the appointment, removal, fees determination, or performance assessment of the external auditor or regarding the appointment of an internal auditor.
- The Company does not have any treasury shares.
- The Company has not issued any shares or debt instruments for its subsidiaries.
- The financial reports comply with the International Financial Reporting Standards (IFRS) adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

12. Social Responsibility

As a public joint-stock company operating in the Kingdom of Saudi Arabia, Bawan has always pledged to fulfill its social responsibility to community members by serving their interests and raising their awareness, particularly among young people who are seen as the future leaders of our society and who will hopefully take the lead in continuing our path of giving, development, and advancement.

Bawan has managed to attract many Saudi talents to join its staff, as the number of Saudi employees working for the Company reached about 661 employees as of December 31, 2023.

Bawan believes that innovation and development of high-quality products that meet customers' needs are key foundations of business aiming at promoting the quality and standards of Saudi capital industries. Therefore, Bawan pays great attention to research and development and encourages creativity among its staff, seeking to be at the heart of the Kingdom's Vision 2030 National Transformation journey.

In line with its recognition of the importance of safeguarding the environment and supporting the Kingdom's transition to a green economy, Bawan continuously strives to develop strategies, policies, and applications for efficient management of energy, greenhouse gas emissions, water and waste, preservation of air quality and biodiversity, and responsible management of supply chains and procurement operations. For more details about Bawan's social responsibility practices, please refer to our 2022 Sustainability Report, or 2023 Report to be published after the Annual Report is released.

Conclusion

According to the results included in this Report and the attached final statements for 2023, Bawan has demonstrated ongoing progress and growth in all the sectors where it performs its business.

The Board would like to take this opportunity to thank all of the Company's workers, investors, clients, vendors, and government agencies for their support, confidence, and cooperation, all of which have had a significant and positive influence on Bawan's ability to achieve further growth and prosperity.

Financial Statements

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Independent Auditor's Report
To The Shareholders of Bawan Company
(A Saudi Joint-Stock Company)
Report on The Audit of The Consolidated Financial Statements

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bawan Company – a Saudi Joint-Stock Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the group, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of profit or loss and other comprehensive income for the year then ended;
- 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, comprising material accounting policies and other explanatory information.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 are independent from the Group in accordance with the professional code of conduct and ethics as 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key Audit Matter	How our audit addressed the key audit matter
Impairment allowance for trade receivables as per requirements of IFRS 9	
As at December 31, 2023, the gross carrying amount of trade receivables amounted to SR 573.54 million (2022: SR 679.62 million) against which the Group recognized "Expected Credit Loss" ECL allowance amounting to SR 77.61 million (2022: SR 88.99 million) in accordance with the requirements of IFRS 9, "Financial Instruments". IFRS 9 requires ECL model for the calculations of allowance for impairment of financial instruments including trade receivables. Management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. We considered this to be a key audit matter due to the level of significant judgments, estimates and assumptions used by the management in calculations of allowance for impairment of trade receivables. Refer to note 2.17, 4.2(b) and 11 to the consolidated financial statements for further information.	We have performed the following procedures for assessing the impact on the impairment allowance of financial assets as per requirements of IFRS 9: • Evaluated the appropriateness of the application of expected credit loss model prepared by the Management of the Group for the relevant financial assets by understanding the nature of the financial assets and comparing the application to the requirements of the standard; • Verified the data inputs in assessing the reasonableness of the probability of defaults (PDs) against source documents and information; • Tested key assumptions by comparing to the historical data; • Performed our independent assessment of impairment of trade receivables based on simplified approach and engaged our expert to provide further reliance on the assessment performed by us; and • Reviewed the adequacy of the Group's disclosures as presented in the accompanying consolidated financial statements in accordance with the applicable accounting standard.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group 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 do 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 IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and 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 the 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 Board of Directors of the Company are responsible for overseeing the Group 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 ISAs 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 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 the ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 the 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 directing, supervising and performance of the group audit. We remain solely responsible for the 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.

For Al-Bassam & Co.

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

Riyadh: Shaban 22, 1445H
Corresponding to: March 3, 2024

Bawan Company
(A Saudi Joint-Stock Company)
Consolidated Statement of Financial Position
As at Year Ended December 31, 2023

Statement	Note	Dec 31, 2023	Dec 31, 2022
Assets			
Non-current assets			
Property, plant and equipment	5	672,461	719,943
Right-of-use assets	6.1	28,376	24,545
Goodwill	7	4,397	4,397
Intangible assets	8	89	3,451
Other assets	11.1	21,152	2,487
Total non-current assets		**726,475**	**754,823**
Current assets			
Inventories	9	782,434	703,995
Spare parts		29,451	31,287
Financial assets at fair value through profit or loss (FVTPL)	10	633	14,206
Trade and other receivables	11	593,429	664,046
Contract assets	12.1	-	76,288
Cash and cash equivalents	13	31,588	38,401
Total current assets		**1,437,535**	**1,528,223**
TOTAL ASSETS		**2,164,010**	**2,283,046**
Equity and Liabilities			
Equity			
Share capital	14	600,000	600,000
Statutory reserve	15	66,525	52,921
Retained earnings		253,403	210,568
Equity attributable to the owners of the Company		919,928	863489
Non-controlling interests	22	40,890	66,143
Total equity		**960,818**	**929,632**

Statement	Note	Dec 31, 2023	Dec 31, 2022
Liabilities			
Non-current liabilities			
Long-term borrowings	16	107,728	87,430
Lease liabilities	6.3	24,003	23,878
Employee defined benefit liabilities	17	68,940	74,593
Total non-current liabilities		**200,671**	**185,901**
Current liabilities			
Trade and other payables	18	598,732	598,732
Short-term borrowings	16	289,016	289,016
Current portion of long-term borrowings	16	22,673	22,673
Contract liabilities	12.2	61,750	61,750
Current portion of lease liabilities	6.3	3,588	3,588
Zakat and income tax payable	24.2	25,023	25,023
Dividends payable		1,739	1,739
Total current liabilities		**1,002,521**	**1,167,513**
TOTAL LIABILITIES		**1,203,192**	**1,353,414**
TOTAL EQUITY AND LIABILITIES		**2,164,010**	**2,283,046**
Continuing operations			
Revenue	19, 25	3,351,813	3,364,258
Cost of revenue	19, 26	(2,966,079)	(2,960,151)
Gross profit		**385,734**	**404,107**
Selling and distribution expenses	19, 27	(99,041)	(89,528)
General and administrative expenses	28	(104,917)	(94,406)
Expected credit loss (ECL) allowance on trade receivables, net	11	(4,646)	(12,813)

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Statement	Note	Dec 31, 2023	Dec 31, 2022
Gain on disposal of investments in financial assets at FVTPL	10	10,396	5,724
Fair value gain / (loss) on investment in financial assets at FVTPL	10	44	(2,266)
Other income	29	11,715	335
Profit before finance costs, zakat and income tax		**199,285**	**211,153**
Finance costs	30	(38,903)	(29,371)
Profit before zakat and income tax		**160,382**	**181,782**
Zakat and income tax	24.1	(12,807)	(19,864)
Profit from continuing operations		**147,575**	**161,918**
Total (loss) / income from discontinued operations	23.1	(2,485)	16,194
Profit for the year		**145,090**	**178,112**
Other comprehensive income / (loss)			
Item that will not be reclassified to profit or loss:			
Remeasurement gain / (loss) on employee defined benefit liabilities	17.2	(1,725)	16,418
Other comprehensive (loss) / income for the year		**(1,725)**	**16,418**
Total comprehensive income for the year		**143,365**	**194,530**
Profit for the year attributable to:			
Ordinary shareholders of the Company		136,040	162,850
Non-controlling interests	22	9,050	15,262
		145,090	**178,112**

Statement	Note	Dec 31, 2023	Dec 31, 2022
Total comprehensive income for the year attributable to:			
Ordinary shareholders of the Company		134,439	174,976
Non-controlling interests		8,926	19,554
		143,365	**194,530**
Total comprehensive income / (loss) for the year attributable to shareholders of the Company:			
Continuing operations		134,591	161,967
Discontinued operations		(152)	13,009
		134,439	**174,976**
Earnings per share for profit from continuing operations attributable to the ordinary shareholders of the Company:			
Basic and diluted	32	**2.27**	**2.57**
Earnings per share for profit attributable to the ordinary shareholders of the Company:			
Basic and diluted	32	**2.27**	**2.71**

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	Share capital	Statutory reserve	Retained earnings	Equity Attributable to the owners of the Company	Non-controlling interests	Total equity
January 1, 2023	600,000	52,921	210,568	210,568	210,568	929,632
Profit for the year	**-**	**-**	**136,040**	**136,040**	**136,040**	**145,090**
Other comprehensive loss for the year	**-**	**-**	**(1,601)**	**(1,601)**	**(1,601)**	**(1,725)**
Total comprehensive income for the year	**-**	**-**	**134,439**	**134,439**	**134,439**	**143,365**
Transfer to statutory reserve (note 15)	**-**	**13,604**	**(13,604)**	**(13,604)**	**(13,604)**	**-**
Derecognition of non-controlling interest on disposal of a subsidiary (note 23)	**-**	**-**	**-**	**-**	**-**	**(31,329)**
Transactions with current owners in their capacity as owners:						
Dividends (note 38)	**-**	**-**	**(78,000)**	**(78,000)**	**(78,000)**	**(80,850)**
December 31, 2023	**600,000**	**66,525**	**253,403**	**253,403**	**253,403**	**960,818**
January 1, 2022	600,000	36,636	102,877	739,513	50,389	789,902
Profit for the year	-	-	162,850	162,850	15,262	178,112
Other comprehensive income for the year	-	-	12,126	12,126	4,292	16,418
Total comprehensive income for the year	-	-	174,976	174,976	19,554	194,530
Transfer to statutory reserve (note 15)	-	16,285	(16,285)	-	-	-
Transactions with current owners in their capacity as owners:						
Dividends (note 38)	-	-	(51,000)	(51,000)	(3,800)	(54,800)
December 31, 2022	600,000	52,921	210,568	863,489	66,143	929,632

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Statement	2023	2022
Cash flows from operating activities		
Profit / (loss) before zakat and income tax:		(2,266)
Continuing operations	160,382	335
Discontinued operations	(2,325)	
Profit before zakat and income tax including discontinued operations	158,057	199,103
Adjustments for:		
Depreciation and amortization	73,324	77,372
ECL allowance on trade receivables, net	4,646	14,813
Net realizable value adjustment for inventories	2,336	8,003
Employees' end-of-service benefits cost	7,909	10,569
Finance costs	40,098	31,521
Fair value (gain) / loss on financial assets at FVTPL	(44)	2,266
Gain on disposal of financial assets at FVTPL	(10,396)	(5,724)
Gain on disposal of a subsidiary	(2,909)	-
Loss on derecognition of right-of-use assets	149	-
Provision for warranty	1,088	955
Gain on disposal of property, plant and equipment	(385)	(971)
Operating cash flows before movements in working capital	273,873	337,907
Changes in working capital:		
Inventories	(89,380)	(50,493)
Spare parts	(1,346)	(3,420)
Trade and other receivables	7,602	11,281
Contract assets	19,377	(35,356)
Trade and other payables	118,241	77,914
Contract liabilities	22,819	9,272
Cash generated from operations	351,186	347,105

Statement	2023	2022
Finance costs paid	(39,435)	(26,597)
Zakat and income tax paid	(16,843)	(13,262)
Employee defined benefit liabilities paid	(5,974)	(7,269)
Net cash generated from operating activities	288,934	299,977
Cash flows from investing activities		
Purchase of property, plant and equipment	(102,409)	(82,151)
Purchase of intangible assets	(405)	(392)
Purchase of financial assets at FVTPL	(24,688)	(71,541)
Proceeds from disposal of financial assets at FVTPL	48,701	60,793
Proceeds from disposal of property, plant and equipment	713	1,115
Net cash used in investing activities	(78,088)	(92,176)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,053,292	1,459,497
Repayment of short-term borrowings	(1,185,521)	(1,546,730)
Proceeds from long-term borrowings	132,000	115,786
Repayment of long-term borrowings	(127,581)	(135,745)
Repayment of lease liabilities	(4,119)	(2,710)
Dividends paid	(78,000)	(96,003)
Dividends paid to non-controlling interests	(1,650)	(3,800)
Net cash used in financing activities	(211,579)	(209,705)
Net decrease in cash and cash equivalents	(733)	(1,904)
Cash and cash equivalents at the beginning of the year	38,401	40,305
Cash and cash equivalent related to discontinued operations	(6,080)	-
Cash and cash equivalents at the end of the year	31,588	38,401

Supplemental cash flow information (refer note 36.2)

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Bawan Company
(A Saudi Joint-Stock Company)
Notes of the Consolidated Financial Statements
For the Year ended December 31, 2023

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 consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at December 31, 2023.

The Ministry of Commerce and Investment commenced the implementation of the new Companies Law effective from 19 January 2023 (effective date). This Law shall supersede the Companies Law promulgated by Royal Decree No. (M/3), dated 28 Muharram 1437H and the Law of Professional Companies promulgated by Royal Decree No. (M/17), dated 26 Muharram 1441H, and shall repeal any provisions conflicting therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their By-laws to comply with the requirements of the provisions of the new companies' regulations within a period of two years of the effective date of the Companies' Law.

The Company is in process of making necessary amendments to the Company's By Laws and expected to complete within stipulated time as required by the new regulations.

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

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

Subsidiary	Principal Activity	Location	Percentage of ownership (direct or indirect)	
			2023	2022
Bawan Engineering Industries Company ("Bawan Engineering")	Wholesaleand retail of electrical products	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	85.50	85.50
United Technology of Electric Substations & Switchgears Company ("USSG")	-Same as above-	KSA	-	-
Bawan Electric Company Limited ("Bawan Electric") –liquidated*	-Same as above-	KSA	85.50	85.50
Bawan Engineering Industries Company ("Bawan Engineering")		KSA	-	100
Subsidiaries of Bawan Engineering along with its ownership are as follows:	73,324		77,372	
United Transformers Electric Company-Saudi ("Utec-Saudi")	4,646		14,813	
United Technology of Electric Substations & Switchgears Company ("USSG")	2,336		8,003	
United Transformers Electric Company-Saudi ("Utec-Saudi")	7,909		10,569	
United Technology of Electric Substations & Switchgears Company ("USSG")	40,098		31,521	
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
Bina Holding for Industrial Investments ("Bina Holding") **	Intermediate holding company	KSA	-	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
Al-Ahliah Transport Company Limited	Dormant	KSA	-	100
Total Building Company	-Same as above-	KSA	-	100
Bina Advanced Concrete Products Company ("Bina Precast")	Manufacturing of concrete products	KSA	-	93.20
Subsidiary of Bina precast along with its ownership is as follows:	Intermediate holding company			
Saudi Bina Consulting Engineering Company ("Bina engineering")	Engineering and architectural consulting	KSA	-	100

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* On 21 Rabi I, 1443 corresponding to October 27, 2021, the shareholders of Bawan Electric Company (BEC) resolved to voluntarily liquidate BEC and appoint a liquidator to carry out liquidation process. Accordingly, on 21 Rabi I, 1443 corresponding to October 27, 2021, Dr. Abdullah Aljendi Law Firm, having license number 8592, Riyadh, Kingdom of Saudi Arabia, was appointed as liquidator of the BEC. Liquidation process was not completed during the term of contract of the previous liquidator (Dr. Abdullah Aljendi Law Firm). On 03/06/1444AH corresponding to December 27, 2022 partners resolved to extend the liquidation period for a period of one year from its date and appoint Mr. Badr bin Adel Abdullah Al Muhaideb as liquidator of the Company. BEC has been liquidated during 2023.

** During 2023, the group disposed of its shareholding in Bina Holding for Industrial Investments (Bina Holding) (Refer Note 23).

2. Summary of Material 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 issued by the Saudi Organization for Chartered Professional Accountants ("SOCPA").

The consolidated financial statements have been prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the applicable accounting policies in note 2 of these consolidated financial statements. Balances reported in the statement of financial position are not comparable with consolidated financial statements as of December 31, 2022 due to disposal of a subsidiary (refer note 23).

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.

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Valuation techniques

When measuring the fair value of an asset or a liability, the Group 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.

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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.

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.

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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 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.

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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.

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, 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.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

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. On disposal of a foreign operation, any gain or loss that arises is transferred from consolidated statement of financial position to the consolidated statement of profit or loss and other comprehensive income.

(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 the consolidated statement of profit or loss. 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.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in the statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss and other comprehensive income.

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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

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 or 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 has an enforceable right to payment for work done. The Group is unable to use the items for any other purpose.

Revenue from construction of these items is therefore recognized over time on output method as the Group fulfils the criteria under IFRS 15 "Revenue from contracts with customers". Management considers that this output 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.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

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

2.9 Employee benefits

The Group 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 Group 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.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

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 Zakat, Tax and Custom Authority (the "ZATCA"). 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.

Mixed 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 ZATCA. A provision for zakat and income tax for the mixed 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.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

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.

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.

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(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	3 – 20
Plant and machinery	5 – 25
Vehicles	20 – 25
Furniture, fixtures and office equipment	20 – 25
Tools	20 - 33.3

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

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

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- 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 not amortized but are assessed annually for impairment and are stated 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	20 – 29
Trade name	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

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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.

Spares 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.

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.

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Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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.

(b) Financial assets - subsequent classification and measurements

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 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.

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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.

d) 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. 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.

e) Financial liabilities - subsequent classification and measurementy
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.

f) 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

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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.

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.

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.

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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 availables.

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 21 to these consolidated financials.

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

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.

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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 New standards, amendments to standards and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Group's consolidated financial statements, except for where referenced below.

New amendments to standards issued and applied effective in year 2023

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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3.2 New standards, amendments and revised IFRS issued but not yet effective

The Group has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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 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.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements that have the most significant effect on the amounts recorded in the financial statements.

a) Revenue recognition over time
The Group recognizes revenue from construction contracts over time, i.e. before the goods are delivered to the customer's premises. Progress is determined based on output method.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

4.2 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:

a) Useful lives and residual values of property, plant and equipment and intangible assets
The Group's management estimates the useful lives of its property, plant and equipment and intangible assets for the purpose of calculating depreciation and amortization respectively. These estimates are determined after considering the expected usage of the asset or physical wear and tear for useful lives. Residual values are based on experience and observable data where available. These are disclosed in note 2 of these consolidated financial statements.

b) 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 11).

c) 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. Changes in key assumptions can have a significant impact on the projected benefit liabilities and/or periodic employee defined benefit costs incurred (note 17).

d) Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

5. Property, plant and equipment

	Note	Land	Building and leasehold improvement	Plant and machinery	Vehicles	Furniture, fixtures and office equipment	Tools	Capital work-in-progress (CWIP)	Total
Cost									
January 1, 2023		81,152	435,251	807,835	104,973	52,670	17,862	51,413	1,551,156
Additions during the year		**8,974**	**7,163**	**11,984**	**4,824**	**3,748**	**731**	**64,985**	**102,409**
Transfers from CWIP		**-**	**15,259**	**40,409**	**810**	**1,049**	**209**	**(57,736)**	**-**
Disposals		**-**	**(11)**	**(704)**	**(2,645)**	**-**	**(35)**	**-**	**(3,395)**
Derecognised on sale of a subsidiary	**23**	**-**	**(66,953)**	**(101,704)**	**(57,652)**	**(9,734)**	**(5,167)**	**(1,439)**	**(242,649)**
December 31, 2023		**90,126**	**390,709**	**757,820**	**50,310**	**47,733**	**13,600**	**57,223**	**1,407,521**
Accumulated depreciation and impairment									
January 1, 2023		9,574	231,328	451,181	77,396	47,303	14,431	-	831,213
Charge for the year		**-**	**16,272**	**41,986**	**4,758**	**3,355**	**1,068**	**-**	**67,439**
Disposals		**-**	**(11)**	**(703)**	**(2,335)**	**-**	**(18)**	**-**	**(3,067)**
Derecognised on sale of a subsidiary	**23**	**-**	**(38,873)**	**(68,318)**	**(42,099)**	**(6,733)**	**(4,502)**	**-**	**(160,525)**
December 31, 2023		**9,574**	**208,716**	**424,146**	**37,720**	**43,925**	**10,979**	**-**	**735,060**
Net book value									
December 31, 2023		**80,552**	**181,993**	**333,674**	**12,590**	**3,808**	**2,621**	**57,223**	**672,461**
Cost									
January 1, 2022		71,506	407,214	770,463	102,239	49,990	17,322	57,052	1,475,786
Additions during the year		-	3,464	7,479	4,426	2,367	631	63,784	82,151
Transfers from CWIP		9,646	24,573	34,095	-	428	-	(68,742)	-
Transfers to intangible assets	8	-	-	-	-	-	-	(681)	(681)
Disposals		-	-	(4,202)	(1,692)	(115)	(91)	-	(6,100)
December 31, 2022		81,152	435,251	807,835	104,973	52,670	17,862	51,413	1,551,156
Accumulated depreciation and impairment									
January 1, 2022		9,574	213,100	413,248	70,719	45,149	14,156	-	765,946
Charge for the year		-	18,228	42,135	8,240	2,254	366	-	71,223
Disposals		-	-	(4,202)	(1,563)	(100)	(91)	-	(5,956)
December 31, 2022		9,574	231,328	451,181	77,396	47,303	14,431	-	831,213
Net book value									
December 31, 2022		71,578	203,923	356,654	27,577	5,367	3,431	51,413	719,943

Certain items of property, plant and equipment amounting to nil as at December 31, 2023, (2022: SR 44.43 million) are mortgaged to secure the Saudi Industrial Development Fund ("SIDF") loans (note 16.5).

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 subsidiaries.

* 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:

	Note	2023	2022
Cost of revenue	26	52,486	52,486
Selling and distribution expenses	27	2,074	2,074
General and administrative expenses	28	5,611	5,611
Depreciation from discontinued operations	23.2	7,268	7,268
		67,439	67439

6. 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.

6.1 Movement of right-of-use assets is as follows:

	2023	2022
January 1	24,545	18,485
Add: Additions during the year	11,441	8,865
Less: derecognition of right-of-use assets, net	(149)	-
Less: depreciation on right-of-use assets	(2,476)	(2,224)
Less: depreciation from discontinued operations	(305)	(581)
Less: derecognition on disposal of a subsidiary	(4,680)	-
December 31	28,376	24,545

* All amounts are in Saudi Riyals thousands unless otherwise stated.

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

	Note	2023	2022
Depreciation on right-of-use assets	26	2,476	2,224
Accretion of finance costs under lease liabilities	30	868	741
		3,344	2,965

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.

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

	2023	2022
Non-current portion of lease liabilities	24,003	23,878
Current portion of lease liabilities	3,588	2,323
	27,591	26,201

The future minimum lease payments have been discounted, using an effective interest rate ranging from 2.5% to 4.5% per annum (2022: ranging from 2.5% to 4.5%), to their present values.
The Group's remaining contractual maturity for its lease liabilities have been disclosed in note 34.4.
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.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

7. Goodwill

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

	2023	2022
Arnon	4,066	4,066
Inma Pallets	331	331
	4,397	4,397

8. Intangible assets

	Note	Software	Customer relationships	Trade name	Total
Cost					
January 1, 2023		12,691	11,727	6,190	30,608
Additions		**405**	**-**	**-**	**405**
Derecognition on disposal of a subsidiary	23	**(5,796)**	**(5,730)**	**(5,730)**	**(17,256)**
December 31, 2023		**7,300**	**5,997**	**460**	**13,757**
Accumulated ammortization					
January 1, 2023		12,027	10,157	4,973	27,157
Amortization		**297**	**1,569**	**1,238**	**3,104**
Derecognition on disposal of subsidiary	23	**(5,113)**	**(5,729)**	**(5,751)**	**(16,593)**
December 31, 2023		**7,211**	**5,997**	**460**	**13,668**
Net book value					
December 31, 2023		**89**	**-**	**-**	**89**
Cost					
January 1, 2022		11,618	11,727	6,190	29,535
Additions		**392**	**-**	**-**	**392**
Transferred from property, plant and equipment	5	**681**	**-**	**-**	**681**
December 31, 2022		**12,691**	**11,727**	**6,190**	**30,608**

* All amounts are in Saudi Riyals thousands unless otherwise stated.

	Note	Software	Customer relationships	Trade name	Total
Accumulated amortization					
January 1, 2022		11,490	8,588	3,735	23,813
Amortization		**537**	**1,569**	**1,238**	**3,344**
December 31, 2022		**12,027**	**10,157**	**4,973**	**27,157**
Net book value					
December 31, 2022		**664**	**1,570**	**1,217**	**3,451**

9. Inventories

	2023	2022
Raw materials	431,715	456,754
Finished goods	247,175	163,347
Work-in-process	46,362	45,055
Goods in transit	52,974	34,250
Consumables	4,208	4,589
	782,434	703,995

	Note	2023	2022
Cost of inventories recognized as expense during the year	26	2,718,502	2,732,546
Carrying value of inventories held at net realizable value		36,260	141,213
Inventory written down during the year		2,336	8,003

* All amounts are in Saudi Riyals thousands unless otherwise stated.

10. Financial assets at fair value through profit or loss (FVTPL)

	2023	2022
January 1	14,206	-
Additions	24,688	71,541
Changes in fair value	44	(2,266)
Disposals	(38,305)	(55,069)
December 31	633	14,206

These financial instruments are mandatorily measured at fair value through profit or loss in accordance with the requirements of IFRS 9.

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:

	2023	2022
Gain on disposal of financial assets at FVTPL	10,396	5,724
Fair value gain / (loss) on financial assets at FVTPL	44	(2,266)
	10440	3,458

11. Trade and other receivables

	Note	2023	2022
Trade receivables			
Third parties		488,367	594,177
Related parties	19	79,959	73,754
Retention receivables		5,215	11,691
		573,541	679,622
Less: ECL allowance		(77,608)	(88,998)
		495,933	590,624
Consideration receivable on disposal of subsidiary	11.1, 23	38,350	-
Advances to suppliers		27,788	35,940
Refundable value added tax, net		13,896	6,603
Prepaid expenses and other assets		8,507	20,639
Amounts due from employees		5,839	7,235
Due from related parties	19	49	388
Other receivables		3,067	2,617
		593,429	664,046

The Group's average credit period on sales of goods is up to 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 and credit impaired category after one year of past due balance. Accordingly, the management believes that the balances within one year of past due will not result 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, 2023					
Gross trade receivables	400,615	105,687	67,239	67,239	573,541
Less: ECL allowance	(30,538)	(11,513)	(35,557)	(35,557)	(77,608)
Net trade receivables	370,077	94,174	31,682	31,682	495,933
December 31, 2022					
Gross trade receivables	397,801	83,674	126,394	126,394	679,622
Less: ECL allowance	(30,038)	(10,954)	(30,325)	(30,325)	(88,998)
Net trade receivables	367,763	72,720	96,069	96,069	590,624

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

	Note	2023	2022
January 1		88,998	92,080
Charge for the year		4,646	12,813
Charge for the year for discontinued operations	23	-	2,000
ECL allowance		4,646	14,813
Written-off		(355)	(19,295)
Derecognised on disposal of a subsidiary		(15,681)	-
Transfer from other liabilities		-	1,400
December 31		77,608	88,998

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.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

The following table shows the ECL by gross trade receivables aging:

	Current	1-180	181-360	361-720	721-1080	>1080	Total
2023							
Gross trade receivables	429,537	54,194	8,849	8,790	7,172	64,999	573,541
Less: ECL allowance	(2,645)	(374)	(62)	(6,103)	(7,105)	(61,319)	(77,608)
Net trade receivables	426,892	53,820	8,787	2,687	67	3,680	495,933
Average loss rates (%)	0.62	0.69	0.70	69.43	99.07	94.34	13.53
2022							
Gross trade receivables	496,385	64,790	9,557	23,402	14,908	70,580	679,622
Less: ECL allowance	(2,184)	(781)	(3,409)	(5,932)	(11,230)	(65,462)	(88,998)
Net trade receivables	494,201	64,009	6,148	17,470	3,678	5,118	590,624
Average loss rates (%)	0.44	1.21	35.67	25.35	75.33	92.75	13.10

Out of total gross trade receivables, receivables amounting to SR 59.53 million (2022: SR 88.72 million) have been assessed individually on a case-by-case basis which mainly comprised customers under litigation amounting to SR 25.34 million (2022: SR 34.76 million), customers under collection agreements amounting to SR 10.09 million (2022: SR 18.90 million) and customers individually assessed under miscellaneous categories amounting to SR 24.10 million (2022: SR 35.06 million). Accordingly, the management based on their judgement and best estimate, recognized an ECL allowance for customers under litigation, customers under collection agreement and customers individually assessed under miscellaneous categories amounting to SR 25.32 million (2022: SR 32.76 million), SR 5.19 million (2022: SR 5.64 million) and SR 21.88 million (2022: SR 19.45 million) respectively. The overall loss rate on balances against customers under litigation, customers under collection agreement and customers individually assessed under miscellaneous categories is 99.91% (2022: 94.24%), 51.45% (2022: 29.84%) and 90.78% (2022: 55.48%) respectively.

11.1 Receivables as of December 31, 2023 include an amount of SR 57.44 million (current receivable of SR 38.35 million and non-current receivable of SR 19.09 million) which represents receivable from disposal of a subsidiary, Bina Industrial Investment Holding Company ("Bina Holding") (refer note 23). Out of total consideration receivable of SR 76.7 million, the Company has collected SR 19.26 million during the year ended December 31, 2023 and the remaining balance was receivable as of December 31, 2023.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

12. Contract assets and contract liabilities

12.1 Contract assets

Contract assets comprise the value of work performed in excess of the amount billed as at the year end arising entirely from construction contracts for sale of various bespoke items to the 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:

	Note	2023	2022
January 1		76,288	40,932
Unbilled revenue recognised during the year		-	167,254
Revenue billed during the year		(19,377)	(131,898)
Derecognised on disposal of a subsidiary		(56,911)	-
December 31		-	76,288

12.2 Contract liabilities

	Note	2023	2022
Advances from customers		61,750	64,083
Billings in excess of revenue recognized		-	1,398
		61,750	65,481

The transaction price allocated to unsatisfied performance obligations at December 31, 2023 amounted to SR 61.75 million (December 31, 2022: SR 65.48 million) which comprise mostly of sales of goods.

Management expects that a significant portion of the contract liabilities of SR 61.75 million (December 31, 2022: SR 65.48 million) will be recognized as revenue in the next financial year.

Contract liabilities of SR 37.80 million (December 31, 2022: 39.22 million) raised in prior year were recognized as revenue in the current year. All of this amount related to the sale of goods. There was no revenue recognized in the current reporting year that related to performance obligations which were satisfied in prior year.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

13. Cash and cash equivalents

	2023	2022
Cash at bank	30,492	37,600
Cash in hand	1,096	801
	31,588	38,401

14. 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, 2023 and 2022 amounting to total share capital of SR 600 million as at December 31, 2023 and 2022.

15. Statuatory reserve

In accordance with the previously applicable Saudi Arabian Regulations for Companies and the Company By-Laws, the Company had established a statutory reserve by the appropriation of 10% of its annual net profit, until such reserve equals 30% of the share capital. The reserve was not available for dividend distribution. The current regulation for Companies does not require the Company to maintain a separate reserve. During the current year, the Company has continued to allocate 10% of profit as per previous regulation as by-laws of the Company are not updated yet. The company is currently in the process of updating its by-laws.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

16. Borrowings

16.1 Borrowings consist of the following:

	Current	Non-current	Total
2023			
Short-term borrowings	289,016	-	289,016
Long-term borrowings			
Term loans payable to banks	11,011	71,067	82,078
SIDF loans	11,662	36,661	48,323
	22,673	107,728	130,401
	311,689	107,728	419,417
2022			
Short-term borrowings	468,200	-	468,200
Long-term borrowings			
Term loans payable to banks	28,938	87,430	116,368
SIDF loans	9,841	-	9,841
	38,779	87,430	126,209
	506,979	87,430	594,409

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

16.2 Movement of borrowings for the current year is as follows:

	Note	Short term borrowings	Long term borrowings	Total
January 1, 2023		468,200	126,209	594,409
Receipts		1,053,292	132,000	1,185,292
Repayments and others		(1,189,806)	(127,886)	(1,317,692)
Derecognition on disposal of a subsidiary	23	(44,705)	-	(44,705)
		286,981	130,323	417,304
Accrued finance cost		2,035	78	2,113
December 31, 2023		289,016	130,401	419,417

* All amounts are in Saudi Riyals thousands unless otherwise stated.

	Note	Short term borrowings	Long term borrowings	Total
January 1, 2022		552,682	145,816	698,498
Receipts		1,459,497	115,786	1,575,283
Repayments and others		(1,548,264)	(136,026)	(1,684,290)
Debt arrangement costs		-	328	328
		463,915	125,904	589,819
Accrued finance cost		4,285	305	4,590
December 31, 2022		468,200	126,209	594,409

16.3 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.

16.4 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.

16.5 SIDF loans

The Group has obtained various loans from SIDF for the construction and expansion of its concrete (former subsidiary) and plastic segment plants. These loans are guaranteed by promissory notes, corporate guarantees of the Group and mortgages of property, plant and equipment with a carrying value of nil as at December 31, 2023 (2022: SR 44.43 million) (note 5).

Certain borrowings require the maintenance of debt covenants. As at December 31, 2023 and 2022, none of the conditions require to cause the loans to be payable on demand by the loan agreements.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

17. Employee defined benefit liabilities

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, 2023 and 2022 amounting to total share capital of SR 600 million as at December 31, 2023 and 2022.

17.1 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 6.57 million (December 31, 2022: SR 8.43 million).

17.2 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	2023	2022
January 1		74,593	85,562
Current service cost	31	7,909	10,569
Interest cost	30	3,140	2,149
Total amount recognised in profit or loss		11,049	12,718
Payments		(5,974)	(7,269)
Financial assumptions		311	(9,636)
Experience adjustments		1,414	(6,782)
Loss / (gain) / attributable to the re-measurements of actuarial assumptions		1,725	(16,418)
Derecognition on disposal of a subsidiary	23	(12,453)	-
December 31		68,940	74,593

* 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 approximately as follows:

	2023	2022
Discount rate	4.60%	4.70%
Average rate of salary increase	2.06%	2.25%
Rate of employee turnover	Moderate	Moderate
Mortality rates (WHO)	SA19-75%	SA19-75%

The weighted average duration of the defined benefit obligation of the Group is 6.24 years (2022: 6.06 years).

The actuary decreased the discount rate in 2023 to reflect the changes in applicable market yields.

17.3 Sensitivity analysis

The sensitivity analysis presented below has 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.

	2023	2022
Increase in discount rate by 0.5%	(1,959)	(2,148)
Decrease in discount rate by 0.5%	2,075	2,278
Increase in rate of salary increase by 0.5%	1,647	1,817
Decrease in rate of salary increase by 0.5%	(1,569)	(1,731)

* All amounts are in Saudi Riyals thousands unless otherwise stated.

18. Trade and other payables

	Note	2023	2022
Trade payables			
Third parties		533,356	461,043
Related parties	19	3,910	11,550
		537,266	472,593
Employee related accruals		31,141	38,283
Due to related parties	19	-	328
Accrued commission		1,674	2,114
Board and committee members compensation	19	2,160	2,169
Value added tax payable, net		8,063	15,794
Warranty provisions	18.1	3,703	3,038
Other payables and accruals		14,725	26,599
		598,732	560,918

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

18.1 The movement in the warranty provision is as follows:

	2023	2022
January 1	3,038	2,270
Raised during the year	1,088	955
Utilized during the year	(423)	(187)
December 31	3,703	3,038

* All amounts are in Saudi Riyals thousands unless otherwise stated.

19. 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:

	Relationship
Al Fozan Group of Companies	Shareholder / Affiliate
Al Muhaidib Group of Companies	Shareholder / Affiliate
WTC Investment Pty. Limited (Australia)	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	2023	2022
Revenue		266,648	310,664
Purchases		12,094	37,824
Royalties	27	1,485	1,479
Short-term lease charges		435	405
Management fee and commission paid		149	281

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

During the year, short-term and long-term employment benefits to the Company's key management personnel amounted to SR 6.09 million (December 31, 2022: SR 5.59 million). Key management personnel include directors and key executives at the Group level.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

20. Capital commitments and contingencies

The Group had capital commitments of SR 8.10 million (December 31, 2022: SR 16.44 million).

The Group had the following contingencies as at December 31:

	2023	2022
Letters of credit	69,521	157,802
Letters of guarantees	561,412	473,368

21. 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:

Metal and Wood	The segment is engaged in the production of wooden pallets, plywood panels and boards, medium and high density coated in decoration paper, platforms, wooden bowls and boxes, premade hangars and steel buildings and forming and bending rebars, general contracting (repair, demolition, rebuilding, construction) of residential, commercial and public buildings, educational recreational and health facilities, maintenance, operation and installation of equipment, devices and electrical and electronic systems, aluminum works, iron and wood doors and their installation, electrical extension works, carpentry, painting, drawing on iron and wood, roads, bridges and street works and all acts of carpentry and decorations.
Plastic	The principal activities of the segment are the production of plates and polystyrene foam, packaging and insulation slices from polyethylene foam, soft colored polyvinyl chloride sheets, rigid colored and non-colored Polyvinyl Chloride sheets, soft and hard Polyvinyl Chloride sheets padded by polystyrene and parts for vacuum fans, transparent containers of PET polyethylene, polyethylene bottles, PET preforms and their covers.
Electrical	The principal activities of the segment are wholesale and retail of electric transformers, voltage stabilizers, battery chargers, welding caustics, electric substations, electric station equipment and voltage transformers, trading and distribution, import and export, testing and inspection services, goods and commodities clearance and double-weight services in addition to acquiring shares in other companies.
Concrete - Discontinued operations (note 23)	The principal activities of the segment are production of ready-mix, concrete products, investing in companies in addition to commercial services of export and marketing for third parties, repair and maintenance of laboratory tools and equipment, machines, industrial, electrical and non-electrical equipment and desalination and sewage plants, electrical and mechanical works.
Other	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.

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

	Metal and Wood	Plastic	Electrical	Concrete	Total
December 31, 2023					
Total revenue	2,367,349	637,755	346,709	-	3,351,813
Depreciation and amortization	20,943	11,124	27,757	5,838	65,662
Finance costs	5,433	14,674	17,608	1,188	38,903
Profit / (loss) for the year	75,012	58,047	21,532	(4,107)	150,484
Total assets	1,004,802	460,967	611,068	87,173	2,164,010
Total liabilities	512,406	289,129	384,646	17,011	1,203,192

* All amounts are in Saudi Riyals thousands unless otherwise stated.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

	Metal and Wood	Plastic	Electrical	Concrete	Total
For the year ended December 31, 2023					
Segment revenues	2,367,349	637,755	346,709	-	3,351,813
Intersegment revenues	-	-	-	-	-
External revenues	2,367,349	637,755	346,709	-	3,351,813
December 31, 2023					
Segment assets	1,004,802	464,121	611,068	116,791	2,196,782
Consolidation adjustments	-	(3,154)	-	(29,618)	(32,772)
Total assets	1,004,802	460,967	611,068	87,173	2,164,010
Segment liabilities	537,329	289,129	389,269	20,165	1,235,892
Consolidation adjustments	(24,923)	-	(4,623)	(3,154)	(32,700)
Total liabilities	512,406	289,129	384,646	17,011	1,203,192

	Metal and Wood	Plastic	Electrical	Concrete	Other	Total
December 31, 2022						
Total revenue	2,389,482	608,642	366,134	-	-	3,364,258
Depreciation and amortization	21,195	9,510	25,410	-	5,930	62,045
Finance costs	8,094	10,273	9,622	-	1,382	29,371
Profit / (loss) for the year	135,035	27,432	20,434	-	(20,983)	161,918
Total assets	934,539	480,057	568,840	260,626	38,984	2,283,046
Total liabilities	447,399	359,223	348,177	153,439	45,176	1,353,414
For the year ended December 31, 2022						
Segment revenues	2,389,482	608,694	367,091	-	-	3,365,267
Intersegment revenues	-	(52)	(957)	-	-	(1,009)
External revenues	2,389,482	608,642	366,134	-	-	3,364,258
December 31, 2022						
Segment assets	934,539	480,615	569,158	260,626	66,642	2,311,580
Consolidation adjustments	-	(558)	(318)	-	(27,658)	(28,534)
Total assets	934,539	480,057	568,840	260,626	38,984	2,283,046

* All amounts are in Saudi Riyals thousands unless otherwise stated.

	Metal and Wood	Plastic	Electrical	Concrete	Other	Total
Segment liabilities	450,748	363,016	348,641	172,026	45,176	1,379,607
Consolidation adjustments	(3,349)	(3,793)	(464)	(18,587)	-	(26,193)
Total liabilities	447,399	359,223	348,177	153,439	45,176	1,353,414

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

Segment revenues reported above represent revenue generated from both external customers and related parties. There were no significant inter-segment revenues during the year ended December 31, 2023 and 2022. One customer contributed 10% or more of the Group's revenue during the year ended December 31, 2023 and 2022.

22. 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	
	2023	2022	2023	2022	2023	2022
UTEC and USSG	14.50	14.50	24,286	16,297	8,084	3,115
Bina Holding and its subsidiaries	-	43.25	-	33,560	(2,231)	7,968
Others			16,604	16,286	3,197	4,179
			40,890	66,143	9,050	15,262

The subsidiaries individually detailed above are incorporated and operate in Saudi Arabia. Others include subsidiaries wherein non-controlling interests are within the range of 5% and which are not significant to the consolidated financial statements as a 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.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

Summarized statement of financial position

	UTEC and USSG		Bina Holding and its subsidiaries	
	2023	2022	2023	2022
Non-current assets	66,492	53,622	-	92,402
Current assets	395,086	426,217	-	170,353
Non-current liabilities	20,329	19,466	-	17,028
Current liabilities	269,361	343,401	-	157,387

Summarized statement of profit or loss and other comprehensive income

	UTEC and USSG		Bina Holding and its subsidiaries	
	2023	2022	2023	2022
Revenue	637,754	608,694	95,189	267,622
Expenses, net	(582,118)	(582,455)	(100,583)	(251,428)
Profit / (loss) for the year	55,636	26,239	(5,394)	16,194
Profit / (loss) attributable to:				
Owners of the company	47,552	23,124	(3,042)	15,684
Non-controlling interests	8,084	3,115	(2,352)	510
Profit / (loss) for the year	55,636	26,239	(5,394)	16,194
Other comprehensive (loss) / income attributable to:				
Owners of the company	(559)	2,874	-	4,336
Non-controlling interests	(95)	487	-	3,676
Other comprehensive (loss) / income for the year	(654)	3,361	-	8,012

* All amounts are in Saudi Riyals thousands unless otherwise stated.

Summarized statement of cash flows

	UTEC and USSG		Bina Holding and its subsidiaries	
	2023	2022	2023	2022
Cash generated from / (used in) operating activities	100,333	5,563	(6,295)	2,739
Cash (used in) / generated from investing activities	(23,994)	(11,340)	(2,133)	(5,598)
Cash generated from / (used in) financing activities	(75,031)	12,757	8,237	1,396
Net increase / (decrease) in cash and cash equivalents for the year	1,308	6,980	(191)	(1,463)

23. Disposal of a subsidiary

On July 25, 2023, Bawan Company announced that it has signed a binding memorandum of understanding (MOU) to sell its entire equity stake in Bina Holding, one of its subsidiaries, for a total value of SR 76.7 million. The parties agreed that the shares shall be sold based on the balances of Bina Holding's reviewed financial statements on June 30, 2023, and that the approved effective date for the sale transaction shall be July 1, 2023. On September 25, 2023, Bawan Company signed a binding agreement for sale of Bina Holding. The agreement stipulates that the full amount shall be paid in twenty four equal monthly installments starting from August 1, 2023. The unpaid amounts of the sale price will be subject to financial interest according to the prevailing commercial rates. The deal has resulted in a capital gain of SR 2.91 million, in addition to the financial interest income calculated during the payment period. The Company has obtained promissory note and a mortgage on the shares sold. Legal formalities related to the sale were completed as of December 31, 2023.

* All amounts are in Saudi Riyals thousands unless otherwise stated.

23.1 Financial performance as at the date of disposal i.e for the six months period ended June 30, 2023 and year ended December 31, 2022 are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022
Revenue	4.60%	4.70%
Cost of revenue	2.06%	2.25%
Gross profit	Moderate	Moderate
Selling and distribution expenses	(2,181)	(3,672)
General and administrative expenses	(9,659)	(19,203)
Expected credit loss (ECL) allowance on trade receivables, net	-	(2,000)
Other income	1,071	1,135
(Loss) / profit before finance costs and zakat	(4,039)	19,471
Finance costs	(1,195)	(2,150)
(Loss) / profit before zakat	(5,234)	17,321
Zakat	(160)	(1,127)
Net (loss) / income from discontinued operations	(5,394)	16,194
Gain on sale of a subsidiary (refer note 23.3)	2,909	-
Total (loss) / income from discontinued operations	(2,485)	16,194
Other comprehensive (loss) / income		
Item that will not be reclassified to profit or loss:		
Re-measurement (loss) / gain on employee defined benefit liabilities	-	8,012
Other comprehensive income for the year	-	8,012
Total comprehensive (loss) / income for the year	(2,485)	24,206

* All amounts are in Saudi Riyals thousands unless otherwise stated.

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

	June 30, 2023 (Unaudited)	December 31, 2022
Cost of revenue	6,743	13,716
Selling and distribution expenses	187	64
General and administrative expenses	338	923
	7,268	14,703

23.3 Sale of a subsidiary

	June 30, 2023 (Unaudited)
Consideration receivable	76,700
Less: receivable from Bina Holding	(21,695)
Net consideration receivable	55,005
Less: Bawan Company share of net assets disposed (refer note 23.5)	(52,096)
Gain on sale of a subsidiary	2,909

23.4 Cash flows for the period ended June 30, 2023 are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022
Net cash (used in) / generated from in operating activities	(6,295)	2,739
Net cash used in investing activities	(2,133)	(5,598)
Net cash generated from financing activities	8,237	1,396
Net decrease in cash and cash equivalents	(191)	(1,463)

* All amounts are in Saudi Riyals thousands unless otherwise stated.

23.5 Carrying amounts of assets and liabilities as on June 30, 2023 were as follows:

Nature of transactions	Note	2023
Assets		
Property, plant and equipment	5	82,124
Right-of-use assets	6	4,680
Intangible assets	8	663
Trade and other receivables		113,863
Inventories		8,605
Spare parts		3,182
Contract assets	12	56,911
Cash and cash equivalents		6,080
Total assets		276,108
Liabilities		
Lease liabilities		5,932
Employee defined benefit liabilities	17	12,453
Short-term borrowings	16.2	44,705
Contract liabilities		26,550
Trade and other payables		81,515
Zakat payable	24.3	1,776
Dividend payable		598
Total liabilities		173,529
Net assets of subsidiary disposed		102,579
Less: receivable from Bina Holding		(21,695)
Less: non-controlling interest		(28,788)
Bawan Company share of net assets disposed		52,096

* All amounts are in Saudi Riyals thousands unless otherwise stated.

24. Zakat and income tax

24.1 Zakat and income tax expense for the year

	Note	2023	2022
Zakat	24.3	11,678	18,308
Income tax	24.4	1,129	1,556
		12,807	19,864

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

24.2 Zakat and income tax payable as at December 31, is as follows:

	Note	2023	2022
Zakat payable	24.3	23,561	29,234
Income tax payable	24.4	1,462	1,441
		25,023	30,675

24.3 Movement in zakat payable is as follows:

	Note	2023	2022
January 1		29,234	22,946
Current year		11,678	18,308
Provision related to discontinued operations		160	1,127
Provision for the year		11,838	19,435
Payments		(15,735)	(13,147)
Derecognised on disposal of a subsidiary	23.5	(1,776)	-
December 31		23,561	29,234

* All amounts are in Saudi Riyals thousands unless otherwise stated.

24.4 Movement in income tax payable is as follows:

	2023	2022
January 1	1,441	-
Provision for the year	1,129	1,556
Payments	(1,108)	(115)
December 31	1,462	1,441

24.5 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 2022 and zakat certificates have been received.

During 2021, the Company received revised assessments for the years from 2015 to 2018 claiming an additional zakat liability of SR 1.52 million and the Company objected and escalated it's objection against these assessments to The Tax Committees for Resolution of Tax Violations and Disputes. During 2022, the company escalation was accepted and the Committee ruled in favor of the Company, however, ZATCA filed an appeal against the resolution to The Appeal Committee for Tax Violations and Disputes.
During 2023, ZATCA appeal was accepted by the Committee. Following this decision, the Company has filed a petition with the Appeal Committee for Zakat and Tax Violations and Disputes, requesting a reconsideration of the ruling. The case is currently under review by the Appeal Committee.

During 2023, the Company received and agreed with final settlement letter for the years 2019 and 2020 claiming SR 3.3 million out of SR 10.7 million, the company settled SR 3.3 million and the assessment was closed accordingly.

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

* All amounts are in Saudi Riyals thousands unless otherwise stated.

25. Revenue

	2023	2022
Revenue	3,351,813	3,364,258
Timing of revenue recognition (continuing operations):		
At a point in time	3,351,813	3,364,258
	3,351,813	3,364,258

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.

26. Cost of revenue

	Note	2023	2022
Material cost	9	2,718,502	2,732,546
Employees' salaries and related costs	31	118,782	105,397
Depreciation of property, plant and equipment	5	52,486	48,017
Depreciation of right-of-use assets	6	2,476	2,224
Manufacturing expenses		24,693	13,498
Utility expenses		18,527	16,388
Repairs and maintenance		13,654	10,449
Transportation		3,240	2,521
Rent		4,107	2,530
Others		9,612	26,581
		2,966,079	2,960,151

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27. Selling and distribution expenses

	Note	2023	2022
Employees' salaries and related costs	31	38,864	34,606
Transportation and shipping		35,650	31,065
Delivery and insurance		3,889	2,255
Sales commission		3,276	4,831
Repairs and maintenance		3,185	3,438
Advertising		2,795	2,309
Depreciation of property, plant and equipment	5	2,074	2,847
Royalties	19	1,485	1,479
Other		7,823	6,698
		99,041	89,528

28. General and administrative expenses

	Note	2023	2022
Employees' salaries and related costs	31	73,874	67,114
Depreciation of property, plant and equipment	5	5,611	5,656
Amortization of intangible assets	8	3,015	3,301
Insurance		2,968	2,674
Board and committee members' compensation		2,160	2,160
Communication and utilities		1,907	1,507
Travel		1,809	1,055
Repairs and maintenance		1,645	1,681
Short-term lease charges		1,128	1,091
Other		10,800	8,167
		104,917	94,406

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29. Other income

	2023	2022
Interest income on consideration receivable	2,106	-
Other income / expenses, net	9,609	335
	11,715	335

30. Finance costs

	Note	2023	2022
Short-term borrowings		24,085	17,700
Long-term borrowings		5,325	3,177
Employees' defined benefits liabilities	17.2	2,861	1,692
Accretion of finance cost under lease liabilities	6.2	868	741
Other		5,764	6,061
		38,903	29,371

Finance costs amounting to SR 2.4 million (2022: SR 1.5 million) were capitalized during the year ended December 31, 2023. 'Other' mainly represents charges relating to issuing letters of credit and guarantee.

31. Employee salaries and staff related benefits

	Note	2023	2022
Salaries and staff related benefits charged to:		24,085	17,700
Cost of revenue	26	118,782	105,397
Selling and distribution expenses	27	38,864	34,606
General and administrative expenses	28	73,874	67,114
		231,520	207,117

These salaries and staff related benefits include the current service cost related to end of service benefits obligations amounting to SR 7.91 million (2022: SR 10.57 million). (Note 17.2)

* All amounts are in Saudi Riyals thousands unless otherwise stated.

32. 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:

	2023	2022
Profit / (loss) for the year attributable to the shareholders of the Company used in calculating basic and diluted earnings per share:	2,106	-
From continuing operations	136,192	154,177
From discontinued operations	(152)	8,673
	136,040	162,850
Weighted average number of ordinary shares outstanding during the year	60,000	60,000
Basic and diluted earnings per share		
From continuing operations attributable to the shareholders of the Company	2.27	2.57
From discontinued operations attributable to the shareholders of the Company	(0.00)	0.14
Total basic and diluted earnings per share attributable to the shareholders of the Company	2.27	2.71

33. 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:

	2023	2022
Financial assets		
i) Fair value through profit or loss		
Investment in financial assets	633	14,206
ii) Amortized cost		
Cash and cash equivalents	31,588	38,401
Trade and other receivables	537,399	593,629
Contract assets	-	76,288
	568,987	708,318
	569,620	722,524
Basic and diluted earnings per share		
Amortized cost		
Trade and other payables	586,966	542,086
Short-term borrowings	289,016	468,200
Long-term borrowings	130,401	126,209
Lease liabilities	27,591	26,201
	1,033,974	1,162,696

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 classified under current assets and current liabilities in the consolidated statement of financial position approximate their fair values due to their short term nature. For the borrowings, the fair values are not materially different from their carrying amounts since interest payable on these borrowings is either close to current market rate or borrowings are of short term nature.

34. Financial risk

The Group's activities are subject to financial risks such as market risk, credit risk and liquidity risk.

34.1 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 during the year to the Group's exposure to market risks or the manner in which these risks are managed and measured.

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(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.

(ii) Interest rate risk
Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft, bank facilities and other borrowings. Management limits the Group's interest rate risk by monitoring changes in interest rates and believes that the cash flow and fair value interest rate risk to the Group is not significant.

The Group's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

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 2.80 million (2022: SR 3.60 million).

34.2 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 fair value investments. Details of how credit risk relating to trade receivables is managed are disclosed in note 11. 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 is 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 does not significantly impact the ECL loss and therefore the related sensitivities are 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 the consolidated statement of financial position.

The Group does not hold collaterals as security. However, the Group has obtained promissory notes, post-dates cheques and letter of credits as security from certain parties 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 subsidiary level.

Refer to note 11 for the expected credit loss analysis as of December 31, 2023 and 2022.

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 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.

34.3 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 34.4.

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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 16).

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.

34.4 Maturity profile of financial liabilities (undiscounted basis)

	Interest Rate (%)	Within 1 year	1 to 5 years	Over 5 years	Total
2023					
Lease liabilities	2.5 to 4.5	5,025	18,151	12,742	35,918
Long-term borrowings	7.10	26,760	122,796	-	149,556
Short-term borrowings	6.92	307,682	-	-	307,682
Trade and other payables	Interest free	586,966	-	-	586,966
		926,433	140,947	12,742	1,080,122
2022					
Lease liabilities	2.5 to 4.5	3,259	12,697	17,738	33,694
Long-term borrowings	6.67	45,475	98,076	-	143,551
Short-term borrowings	6.31	492,470	-	-	492,470
Trade and other payables	Interest free	542,086	-	-	542,086
		1,083,290	110,773	17,738	1,211,801

* All amounts are in Saudi Riyals thousands unless otherwise stated.

35. Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it 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.

Group's gearing ratio as of December 31, 2023, measured as total borrowings less cash and cash equivalents over total capital employed, was 29% (December 31, 2022: 37%). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023 and 2022.

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 included net book value of property, plant and equipment and inventories amounting to SR 16.5 million and SR 1.19 million respectively. During the year 2021, management agreed a final claim settlement with the insurance company at a total amount of SR 33 million bifurcated against loss of assets and business interruption amounting to SR 23 million and 10 million respectively. This resulted in a net gain of SR 15.31 million which was booked in cost of revenue for business interruption and the remaining in other income amounting to SR 10 million and SR 5.31 million respectively in the same year. Partial payments were received in 2021 with final payment received in 2022.

36.2 Supplemental cash flow information

	2023	2022
Supplemental schedule of non-cash information		
Net assets derecognized on disposal of a subsidiary	102,579	-
Right-of-use asset and lease liabilities recognized	11,441	8,865
Loss on derecognition of right of use assets	149	-
'Property, plant and equipment' transferred to 'intangible assets'	-	681
Transfer from other liabilities to trade and other receivables	-	1,400
Debt arrangement cost	-	328

* All amounts are in Saudi Riyals thousands unless otherwise stated.

36.3 Change in liabilities arising from financing activities for the year ended December 31, 2023 can be broken down as follows:

	As at January 1, 2023	Movement during the year	Cash outflows	Other transactions / non cash transactions	As at December 31, 2023
Borrowings	594,409	1,185,292	(1,313,102)	(47,182)	419,417
Lease liabilities	26,201	11,441	(4,119)	(5,932)	27,591
Dividends to shareholders	539	78,000	(78,000)	-	539
Dividends to non-controlling interests	598	2,850	(1,650)	(598)	1,200
	621,747	1,277,583	(1,396,871)	(53,712)	448,747

Change in liabilities arising from financing activities for the year ended December 31, 2022 can be broken down as follows:

	As at January 1, 2022	Movement during the year	Cash outflows	Other transactions / non cash transactions	As at December 31, 2022
Borrowings	698,498	1,575,283	(1,682,475)	3,103	594,409
Lease liabilities	20,046	8,865	(2,710)	-	26,201
Dividends to shareholders	45,542	51,000	(96,003)	-	539
Dividends to non-controlling interests	598	3,800	(3,800)	-	598
	764,684	1,638,948	(1,784,988)	3,103	621,747

37. Subsequent events

On February 12, 2024, the Company announced that its subsidiary, Bawan Engineering would purchase additional shares in both United Transformers Electric Company and United Technology of Electric Substations & Switchgears Company for a total value of SR 20 million.

On March 3, 2024, the Board of Directors of the Company approved the distribution of dividends of SR 0.85 per share amounting to SR 51 million to the shareholders of the Company.

There were no other significant subsequent events, adjusting or non-adjusting, since December 31, 2023
* All amounts are in Saudi Riyals thousands unless otherwise stated.

that would have a material impact on the financial position or financial performance of the Group as reflected in these consolidated financial statements.

38. Dividends

On March 5, 2023, the Company announced and paid final dividends for the year ended December 31, 2022 of SR 39 million. On August 3, 2023, the Company announced and paid interim dividends of SR 39 million.

On August 8, 2022, the Company announced and paid interim dividends of SR 51 million to the shareholders of the Company.

39. Approval of consolidated financial statements

These consolidated financial statements were approved by the Company's Board of Directors on February 29, 2024.