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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Al-Baha Investment and Development Company (the "Company") and its subsidiaries (collectively the "Group"),** which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 of the Group in accordance with the professional code of conduct and ethics that are 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.

Emphasis of Matter

We draw attention to Note (17) to the accompanying consolidated financial statements, which describes the legal case on exchanging assets with Al-Sata'ah Modern Contracting Company. As detailed in the note, the Group created an allowance to compensate for losses resulting from the asset exchange contract with Al-Sata'ah Modern Company amounting to SAR 84,003,717, since the previously issued ruling instructing Al-Baha Investment and Development Company to implement the terms of the contract with Al-Sata'ah Modern Company was upheld. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters *(Continued)*

<table>
<tr><th colspan="2">Carrying value of goodwill</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2020, the Group had goodwill of SAR 23.1 million which arose on past business combination (2019: SAR 28.4 million).

In accordance with IAS 36 "Impairment of assets" an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). An impairment exercise was carried out in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model. This test resulted in an impairment loss of SAR 5.3 million that was recognized in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (31 December 2019: nil).

We considered impairment testing of goodwill as a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were:
• Assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;
• Assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and
• Discount rate used in the value-in-use cash flow model.</td><td>We assessed management's impairment assessment of goodwill by performing the following procedures:

• Assessed the methodology used by management to determine a recoverable amount based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used;
• Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;
• Engaged our valuation experts to assist in the review of the methodology of value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates; and
• Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes.

We also reviewed the adequacy of the Group's disclosure included in the consolidated financial statements.</td></tr>
<tr><td colspan="2">Refer to note (4) for the accounting policy and note (12) for related disclosures.</td></tr>
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INDEPENDENT AUDITOR'S REPORT ***(Continued)***
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters ***(Continued)***

Recoverable amount of project under construction	
Key audit matter	**How the matter was addressed in our audit**
The property, plant and equipment included an amount of SR 15.1 million as at 31 December 2020 (31 December 2019: SR 15.2 million) representing projects under construction. At each reporting date, the Group assesses whether there is any indication of impairment. If any indication exists, the recoverable amount is estimated. The recoverable amount of an asset is the value in use or the fair value less costs to sell, whichever is higher. The recovery amount of projects under construction is considered a key audit matter, since assessing the recoverable amount of projects under construction requires significant judgment by management and also includes key estimates.	Our procedures included the following: • Considering the suitability of the group's policies related to projects under construction and assessing compliance with the applied accounting standards. • Evaluating management procedures in identifying indicators of impairment in value, testing for impairment in value, and evaluating the design and implementation of the main controls over these procedures. • Evaluating the reasonableness of the model used by management in estimating the recoverable amount. • Evaluating the management assumptions used in the model, in addition to comparing the indicators used by the management with the relevant market data as well as with the group data related to its current operations. We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements.
Refer to note (4) for the accounting policy and note (13) for related disclosures.	

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters *(Continued)*

<table>
<tr><th>Valuation of investment property</th><th></th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2020, the Group's investment properties book value was SR 122 million (2019: SR 126.6 million).

Investment in properties are stated at cost after accumulated depreciation and impairment in value (if any). The fair value of investment properties is also disclosed in the notes to the consolidated financial statements.

The Group uses valuation reports from independent valuers appointed by management to estimate the fair value of the properties as at 31 December 2020.

This was considered a key audit matter as estimating fair value for the purposes of disclosures in the consolidated financial statements requires significant assumptions and judgments that may lead to material misstatements in the consolidated financial statements disclosures.</td><td>We performed the following procedures in relation to valuation of inventory:

- Understanding the valuation methods, interviewing the independent valuators to understand the assumptions and methodologies used in valuing investment properties and the market evidence used by the independent evaluators to support their assumptions. We also gained an understanding of the company's management involvement in the evaluation processes in order to assess whether appropriate oversight has taken place.

- Evaluating valuators' certificates and licenses, assessing the extent of the valuers' independence from the group, their professional qualifications, specializations and experiences, and making sure that the valuers is accredited by the Saudi Authority for Accredited Valuers;

- To seek the assistance of our specialist in the field of real estate valuation to review the evaluation of the assumptions used in the evaluation of investment properties.

- Evaluate the inputs and match the observable inputs used in the valuations, such as income from lease contracts, occupancy rates, item details, and the length of the lease term by reference to the lease agreements for a sample of real estate

We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements.</td></tr>
<tr><td colspan="2">Refer to note (4) for the accounting policy and note (15) for related disclosures.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT ***(Continued)***
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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 and 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 the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, Board of Director, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism 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.

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

Abdullah M. Al Azem
License No. 335

10 Ramadan 1442H (April 22, 2021)
Riyadh, Kingdom of Saudi Arabia

Dear shareholders of Al Baha Investment and Development, Greetings

Subject: Report of the Audit Committee to the Ordinary General Assembly for the fiscal year ending on December 31, 2020

The most prominent activities of the Audit Committee during the year 2020 AD:

During the year 2020, the Audit Committee of Al Baha Investment and Development Company carried out works that fall within the scope of its competencies, the most important of which are:

-Supervising and following up the internal audit work in the company.

Studying reports, following up their implementation, and correcting the notes contained therein.

-Recommending the Board of Directors to appoint an external auditor for the fiscal year ending on December 31, 2020 and the first quarter of the year 2021.

-Supervising the work of the external auditor and verifying that he did not submit technical or administrative works outside the scope of the audit work, and meeting with him to review and discuss important topics.

-Reviewing the quarterly and annual financial statements and submitting the necessary recommendations to the Board of Directors, if any.

-Continuous and continuous communication with the company's board of directors to raise the developments and recommendations of the committee, if any.

:Results of the annual review of the effectiveness of the company's internal control system

The company's internal control system aims to ensure the achievement of the company's objectives, compliance with regulations, regulations and policies, as well as managing potential risks.

The company's management is responsible for preparing a comprehensive and effective control system commensurate with the level of risks that the company may be exposed to.

The Audit Committee continuously reviews the reports prepared by the internal or external auditor or otherwise.

Based on what was shown by the results of the annual audit, the audit committee wishes that it did not find the existence of substantive issues that can be mentioned in the report, and there is continuous communication between the audit committee and the executive management to follow up, evaluate and review the control system to ensure the achievement of objectives, improve the efficiency of operations and raise their effectiveness while adhering to relevant regulations. Relationship.

Audit Committee of Al Baha Investment and Development Company