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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BIN DAWOOD HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bin Dawood Holding Company - A Saudi Joint Stock Company - (the "Company" or the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BIN DAWOOD HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of suppliers' support incentives</p> <p>The Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts (collectively "supplier support incentives") are recognised in connection with the purchase of goods from suppliers and are recorded as reduction from cost of goods sold based on the estimated value of the supplier support incentives.</p> <p>We deemed the recognition of suppliers' support incentives to be a key audit matter given:</p> <ul style="list-style-type: none"> • exercise of professional judgment in determining whether such incentives are considered part of the purchase price of the product in estimating the recognition of such incentives; • large number of suppliers with varying contractual relationships where significant judgement is required to estimate the incentives which are dependent on the Group's eligibility subject to the achievement of certain contractual conditions and a number of other factors that includes prevailing industry practices, certain promotional activities, continuing supplier relationship, as well as the Group's business performance during the year in terms of annual sales; • the materiality of annual incentives recognized in the consolidated financial statements; and • the complexity involved in assumptions used for estimating these amounts for the year ended. <p>Refer to note 3 to the consolidated financial statements for the significant accounting policy, note 2.4 for the significant accounting estimates and judgements.</p>	<p>Our audit procedures include the following, among others:</p> <ul style="list-style-type: none"> • gaining thorough understanding of the management's process in estimating and recording each material type of suppliers' support incentives; • on a sample basis, evaluating whether amounts recognised are reasonable and recorded in the correct period in reference to the contractual performance obligations per the supplier agreements; • verifying that supplier support incentives that are related to the inventory balance as of yearend, as well as the related supplier balances are appropriately reduced; • reviewing the accuracy and completeness of key inputs and system reports used by management against underlying supports; and • assessing the adequacy of related disclosure within the Group's consolidated financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BIN DAWOOD HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Existence of inventories</p> <p>Inventories as at 31 December 2020 amounted to SR 1,000.3 million representing 61% of current assets of the Group.</p> <p>The cost of inventory is reduced by provisions including those relating to estimated losses due to shrinkage (Note 2.4).</p> <p>We deemed it to be a key audit matter given:</p> <ul style="list-style-type: none"> • the Group deals with large number of inventory items at multiple locations with high volume of transactions daily which increases the risk of inventory shrinkage; and • significant judgements made by the management in assessing the level of provisions required as of yearend which includes assessment of inventory levels in relation to revenue for the period in consideration. <p>Refer to note 3 to the consolidated financial statements for the significant accounting policy, note 2.4 for the significant accounting estimates and note 12 which details the inventories.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> • attended stock counts and performed sample counts at a number of the Group's stores; • obtained understanding of the stock take and provisioning processes and performed walkthrough and test of key controls. When reviewing management's inventory count processes and controls, we also considered the process for controlling or managing stock movements during the count; • performed roll forward / roll back procedures including transactions testing on sample basis; • assessed reasonableness of the assumptions used in estimating the shrinkage provision including reviewing of accuracy and completeness of the key inputs with the underlying supports. We reviewed recent count results, for a sample of Group's stores, to ensure that the year-end shrinkage provision adequately reflected the levels of stock loss experienced during the year; and • assessed the adequacy of related disclosure (notes 2.4, 3 and 12) included in the consolidated financial statements of the Group.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The Group's 2020 annual report is expected to be made available to us after the date of this auditors' 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 Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BIN DAWOOD HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Parent 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 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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.
- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BIN DAWOOD HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

28 March 2021G
15 Sha'aban 1442 H

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