

BIN DAWOOD HOLDING COMPANY
(A JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2020**

**BIN DAWOOD HOLDING COMPANY
(A JOINT STOCK COMPANY)**

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF BIN DAWOOD HOLDING COMPANY (A JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bin Dawood Holding Company (A Joint Stock Company) (the "Company" or "the Parent Company") and its subsidiaries (the "Group") as at 30 September 2020, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, for the three-month and nine-month periods ended 30 September 2020, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other matter

The comparative information in the interim condensed consolidated statement of profit or loss and other comprehensive income and related notes for the three-month period ended 30 September 2019 is unreviewed by us and is presented for comparative purposes only.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

9 November 2020
23 Rabi' I 1442H

Jeddah



Bin Dawood Holding Company (A Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2020

	Note	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2020 SR</i>	<i>2019 SR (Unreviewed) (note 2.1)</i>	<i>2020 SR</i>	<i>2019 SR</i>
Revenue	10	1,082,478,937	1,196,409,986	4,043,285,271	3,623,502,354
Cost of revenue		(726,207,686)	(749,126,235)	(2,730,447,614)	(2,400,806,108)
GROSS PROFIT		356,271,251	447,283,751	1,312,837,657	1,222,696,246
Selling and distribution expenses		(233,789,890)	(258,591,748)	(749,168,186)	(765,771,944)
General and administration expenses		(38,375,781)	(41,861,891)	(120,621,051)	(95,480,078)
Other operating income		2,743,009	3,060,460	8,288,220	9,292,122
OPERATING PROFIT		86,848,589	149,890,572	451,336,640	370,736,346
Other income		5,065,574	1,696,042	7,008,129	4,388,792
Finance cost on lease liabilities		(10,129,798)	(23,934,810)	(56,889,596)	(72,295,789)
PROFIT FOR THE PERIOD BEFORE ZAKAT		81,784,365	127,651,804	401,455,173	302,829,349
Zakat	8	(3,133,311)	(3,177,731)	(11,126,042)	(7,566,575)
PROFIT FOR THE PERIOD		78,651,054	124,474,073	390,329,131	295,262,774
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		78,651,054	124,474,073	390,329,131	295,262,774
EARNINGS PER SHARE (“EPS”)					
Earnings per share attributable to ordinary equity holders of the Parent Company (basic and diluted)	9	0.69	1.09	3.42	2.58

The accompanying notes 1 to 14 form an integral part of these unaudited interim condensed consolidated financial statements.

Bin Dawood Holding Company (A Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		<i>30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
	<i>Note</i>		
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		850,458,038	940,398,846
Intangible assets		196,995	193,133
Right-of-use assets	5	2,306,570,562	2,356,831,705
TOTAL NON-CURRENT ASSETS		3,157,225,595	3,297,423,684
CURRENT ASSETS			
Inventories		851,293,521	918,983,808
Trade and other receivables		265,394,576	227,966,901
Prepayments and advances		84,650,488	84,249,194
Due from related parties	6	1,591,111	-
Cash and bank balances		508,219,566	214,950,268
TOTAL CURRENT ASSETS		1,711,149,262	1,446,150,171
TOTAL ASSETS		4,868,374,857	4,743,573,855
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	1,143,000,000	1,143,000,000
Statutory reserve	7	42,487,003	42,487,003
Retained earnings		301,195,369	866,238
TOTAL EQUITY		1,486,682,372	1,186,353,241
NON-CURRENT LIABILITIES			
Employees' terminal benefits		101,436,060	91,886,141
Lease liabilities	5	2,231,492,168	2,297,444,070
TOTAL NON-CURRENT LIABILITIES		2,332,928,228	2,389,330,211
CURRENT LIABILITIES			
Due to related parties	6	18,058,530	12,386,752
Accounts payable, accruals and other financial liabilities		722,797,781	883,624,722
Unearned income and other payable		18,039,649	35,319,190
Lease liabilities – current portion	5	276,551,705	220,994,425
Zakat payable	8	13,316,592	15,565,314
TOTAL CURRENT LIABILITIES		1,048,764,257	1,167,890,403
TOTAL LIABILITIES		3,381,692,485	3,557,220,614
TOTAL EQUITY AND LIABILITIES		4,868,374,857	4,743,573,855

The accompanying notes 1 to 14 form an integral part of these unaudited interim condensed consolidated financial statements.

Bin Dawood Holding Company (A Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine-month period ended 30 September 2020

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 1 January 2019 (audited)	530,000,000	129,693,833	354,750,911	1,014,444,744
Profit for the period	-	-	295,262,774	295,262,774
Other comprehensive income	-	-	-	-
<i>Total comprehensive income for the period</i>	-	-	295,262,774	295,262,774
Dividend (note 7(c))	-	-	(200,000,000)	(200,000,000)
Balance as at 30 September 2019 (unaudited)	<u>530,000,000</u>	<u>129,693,833</u>	<u>450,013,685</u>	<u>1,109,707,518</u>
Balance at 1 January 2020 (audited)	1,143,000,000	42,487,003	866,238	1,186,353,241
Profit for the period	-	-	390,329,131	390,329,131
Other comprehensive income	-	-	-	-
<i>Total comprehensive income for the period</i>	-	-	390,329,131	390,329,131
Dividend (note 7(c))	-	-	(90,000,000)	(90,000,000)
Balance as at 30 September 2020 (unaudited)	<u>1,143,000,000</u>	<u>42,487,003</u>	<u>301,195,369</u>	<u>1,486,682,372</u>

The accompanying notes 1 to 14 form an integral part of these unaudited interim condensed consolidated financial statements.

Bin Dawood Holding Company (A Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2020

	Note	<i>For nine-month period ended 30</i>	
		<i>September</i>	
		<i>2020</i>	<i>2019</i>
		<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES			
Profit for the period before zakat		401,455,173	302,829,349
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>			
Depreciation on property and equipment		124,451,005	120,466,722
Depreciation - right-of-use assets, net		197,724,212	194,696,020
Amortization of intangible assets		164,628	273,771
Finance cost on lease liabilities	5	71,835,650	72,295,789
Covid-19 related rent concessions	5	(14,904,051)	-
Loss / (gain) on disposal of property and equipment		26,172	(295,839)
Provision for employees' terminal benefits		15,187,300	15,353,811
Gain on termination of lease liability – net		(4,662,237)	-
		791,277,852	705,619,623
<i>Working capital adjustments:</i>			
Trade and other receivables, prepayments and advances		(37,828,969)	(82,126,136)
Inventories		67,690,287	43,317,878
Accounts payable, accruals and other liabilities		(178,106,482)	(112,134,918)
Due from related parties		(1,591,111)	(3,217,997)
Due to related parties		5,671,778	18,870,203
Cash from operations		647,113,355	570,328,653
Zakat paid	8	(13,374,764)	(423,790)
Employees' terminal benefits paid		(5,637,381)	(3,739,843)
Net cash from operating activities		628,101,210	566,165,020
INVESTING ACTIVITIES			
Purchase of property and equipment		(33,098,704)	(27,616,264)
Purchase of intangible assets		(168,490)	-
Proceeds from disposal of property and equipment		125,808	5,732,857
Net cash used in investing activities		(33,141,386)	(21,883,407)
FINANCING ACTIVITIES			
Dividend paid		(90,000,000)	(200,000,000)
Payment of lease liabilities (including prepayments)		(211,690,526)	(250,809,802)
Net cash used in financing activities		(301,690,526)	(450,809,802)
Net increase in cash and bank balances		293,269,298	93,471,811
Cash and bank balances at the beginning of the period		214,950,268	122,886,866
Cash and bank balances at the end of the period		508,219,566	216,358,677
SUPPLEMENTARY NON-CASH INFORMATION			
Right-of-use assets	5	220,017,495	2,616,426,545
Lease liabilities	5	212,385,409	2,728,001,330
Depreciation on right-of use assets capitalized		1,563,473	-

The accompanying notes 1 to 14 form an integral part of these unaudited interim condensed consolidated financial statements.

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

1. CORPORATE INFORMATION

Bin Dawood Holding Company (the "Company" or the "Parent Company") is a Joint Stock Company. The Company was initially registered as a Limited Liability Company in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 4031063470 dated 16 Shaban 1432H (corresponding to 17 July 2011). The shareholders of the Company resolved to change the legal status of the Company from "Limited Liability Company" to "Closed Joint Stock Company". The Ministry of Commerce announced the conversion into a Closed Joint Stock company on 16 Ramadan 1438H (corresponding to 11 June 2017). The Parent Company is fully owned by majority Saudi shareholders and minority GCC nationals, as at period end. Subsequent to period end, the Company's shares became listed on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia. The initial public offering consisted of the sale of twenty two million eight hundred and sixty thousand (22,860,000) shares representing twenty percent (20%) of the issued share capital of the Company. The legal formalities of updating the Company By-laws and Commercial Registration Certificate are in progress subsequent to period end.

The registered office of the Company is located at Masjid Al Haram Road, Al Azizia District, P.O.Box 5510, Makkah 21955, Kingdom of Saudi Arabia.

The Parent Company's objective is to manage its subsidiaries and provide required support to them. It also includes acquiring the required properties and movable assets for its activities, acquire, lease and utilize industrial and commercial equity rights, patents and brand names, franchise and other abstract rights for its subsidiaries or others.

The interim condensed consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (see note 2.3), hereinafter referred to as (the "Group").

The Group is engaged in retail trading of foodstuff and household items, operating bakeries and restaurant for foodstuff.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting and going concern concept, except for employees' terminal benefits that have been based on actuarial present value calculations.

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The corresponding numbers in the interim condensed consolidated statement of profit or loss and other comprehensive income and related notes for the three-month period ended 30 September 2019 are presented for comparative purposes only and are unreviewed.

2.2 Statement of compliance

These interim condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These interim condensed consolidated financial statements do not include all the information and disclosures required in full set of annual financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. In addition, results for the interim period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020 (refer to note 2.4 below).

2.3 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 September 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting right

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income and each component of OCI are attributed to the equity holders of the parent of the Group 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 subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in interim condensed consolidated statement of profit or loss. Any investment retained is recognised at fair value.

These interim condensed consolidated financial statements include the financial information of the Parent Company and the following subsidiaries:

<i>Name</i>	<i>City of incorporation</i>	<i>Principle field of activity</i>	<i>% of capital held (directly & indirectly)</i>	
			2020	2019
Bin Dawood Superstores Trading Company (A Limited Liability Company)	Makkah, Saudi Arabia	Engaged in retail trading of foodstuff and household items.	100%	100%
Danube Company for Foodstuffs and Commodities (A Limited Liability Company)	Jeddah, Saudi Arabia	Engaged in retail trading of foodstuff and household items.	100%	100%
Danube Star for Bakeries and Marketing Company (A Limited Liability Company)	Jeddah, Saudi Arabia	Wholesale of bakery and related products to commercial supermarkets.	100%	100%

With effect from 1 January 2020, Danube Star for Bakeries and Marketing Company (A Limited Liability Company) acquired a fruit and vegetable division from a Group's affiliate, namely Jumairah Marketing Establishment (Fruits and Vegetables) - A Branch of Abdul Khaliq Bin Dawood Establishment. The assets and liabilities on the date of acquisition were insignificant to the Group financial statements.

At 30 September 2020

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Significant accounting judgements, estimates and assumptions

Outbreak of novel coronavirus (“COVID-19”)

The preparation of the Group’s interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Group’s management to revisit its significant judgments in applying the Group’s accounting policies and the methods of computation and the key sources of estimation applied to the annual consolidated financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group’s management carried out an impact assessment on the overall Group’s operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, supplier incentives etc. and concluded that, as of the issuance date of these interim condensed consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Progressive rebate incentives

The Group receives incentives from its suppliers based on the volume of the business during the year, that are subject to negotiations. The underlying contracts with the suppliers are negotiated throughout the year and not necessarily be available at the time of interim financial reporting. The management exercises professional judgement to assess and estimate the amount of incentives. Such assessment and judgment involves consideration of factors, including prevailing industry practices, continuing suppliers’ relationships, business performance during the year, historical trends and auto renewal nature of agreements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3. CHANGES TO THE GROUP’S ACCOUNTING POLICIES

The accounting policies and methods of calculation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective except for amendments to IFRS 16 Covid-19 Related Rent Concessions; the impact of which is disclosed in notes 3.5 and 5.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group. As required by IAS 34, the nature and effect of these changes are disclosed below:

3.1 Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

At 30 September 2020

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

3.2 Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

3.3 Amendments to IAS 1 and IAS 8: *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

3.4 Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

3.5 Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Group has early adopted above amendment and applied the practical expedient as a result, elected not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. These amendments have no cumulative effect as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the Group first applies the amendment. The Group has disclosed the impact during the period in note 5 to the interim condensed consolidated financial statements.

4. SEGMENT INFORMATION

The Group is solely engaged in retail trading of consumer goods and operates completely within the Kingdom of Saudi Arabia.

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM). The CODM has been identified as the Board of Directors, as this makes the key operating decisions of the Group and is responsible for allocating resources and assessing performance.

Key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Group as a whole. The operations of all elements of the business are driven by the retail sales environment and hence have fundamentally the same economic characteristics. All operational decisions made are focused on the performance and growth of the retail outlets and the ability of the business to meet the supply demands of the stores.

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

4. SEGMENT INFORMATION (continued)

The Group has considered the overriding core principles of IFRS 8 ‘Operating segments’ as well as its internal reporting framework, management and operating structure. The Directors’ conclusion is that the Group has one operating segment, that of retailing.

Performance is measured by the CODM based on profit before zakat as reported in the management accounts. Management believes that this measure is the most relevant in evaluating the results of the Group. In addition, segment assets and segment liabilities are neither included in the internal management reports nor provided regularly to the management.

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below, are the carrying amounts of the Group’s right-of-use assets and lease liabilities and the movements during the period/ year:

	<i>Nine-month period ended</i>		<i>Year ended</i>	
	<i>30 September 2020</i>		<i>31 December 2019</i>	
	<i>Right-of-use assets</i>	<i>Lease liabilities</i>	<i>Right-of-use assets</i>	<i>Lease liabilities</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
At the beginning of the period/ year	2,356,831,705	2,518,438,495	2,588,242,618	2,700,817,403
Addition	220,017,495	212,385,409	28,183,927	27,183,927
Termination	(70,990,953)	(75,653,190)	-	-
Depreciation	(199,287,685)	-	(259,594,840)	-
Finance cost (refer note below)	-	71,835,650	-	95,858,849
Covid-19 related rent concessions (refer note below)	-	(14,904,051)	-	-
Payments	-	(204,058,440)	-	(305,421,684)
	2,306,570,562	2,508,043,873	2,356,831,705	2,518,438,495
Less: current portion of lease liabilities	-	(276,551,705)	-	(220,994,425)
At the end of the period/ year	2,306,570,562	2,231,492,168	2,356,831,705	2,297,444,070

The Group has applied the practical expedient to all rent concessions that meet the conditions prescribed in the amendment to IFRS 16 issued in May 2020 (see note 3.5). The Group has recognised an amount of SR 14.9 million in interim condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2020 as changes in lease payments. This change of lease payment has been accounted for as a negative variable lease expense and netted with finance cost on lease liabilities presented in the interim condensed consolidated statement of profit or loss.

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group. The following are the details of major related party transactions during the period:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Transactions for the three-month period ended 30 September</i>		<i>Transactions for the nine-month period ended 30 September</i>	
		<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
			<i>(Unreviewed)</i>		<i>"Restated"</i>
			<i>"Restated"</i>		
Affiliates	Purchase of goods	8,231,874	35,761,128	32,156,710	66,401,000
	Lease payments (principal and finance cost)	3,730,300	-	69,783,800	68,857,000
	Rent charged to affiliates	322,112	249,203	915,167	977,917
	Goods transferred to affiliates	-	161,237	675,362	2,202,347
	Shared service fee charged to affiliates	500,000	-	1,500,000	-
	Online sales commission charged by affiliates	1,213,361	-	5,727,435	-

As mentioned in note 2, the assets and liabilities of a division of an affiliate were acquired by a subsidiary of the Company with a net book value amounting to nil.

The lease liabilities as disclosed in note 5, as at 30 September 2020, includes an amount of SR 393,237,544 which relates to lease arrangements entered by the Group with its related parties.

During the three-month period ended 30 September 2020, the Parent Company (directly and through its subsidiaries) advanced funds of SR 283.4 million to related parties to assist them mainly to repay a short term loan used to finance the acquisition of the land and building of the subsidiary's Heraa branch and assist with debt servicing of other outstanding loans of related parties. All amounts were repaid to the Group before period end.

Key management compensation

Compensation for key management is as follows:

		<i>Transactions for the three-month period ended 30 September</i>		<i>Transactions for the nine-month period ended 30 September</i>	
		<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
			<i>(Unreviewed)</i>		
Directors	Board of Directors remuneration	589,850	375,000	1,452,459	1,125,000
Management personnel	Salaries and other benefits	21,335,899	7,334,927	41,452,382	21,371,943
	End of service benefits	427,509	303,040	3,861,623	884,976

As at 30 September 2020, the outstanding amount due to key management personnel was SR 10.84 million (31 December 2019: SR 1 million).

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

6. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
<i>Due from related parties</i>		
Etre Trading Establishment - A Branch of Abdul Khaliq Bin Dawood Establishment	1,591,111	-
	<u><u>1,591,111</u></u>	<u><u>-</u></u>
	<i>30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
<i>Due to related parties</i>		
Safa Company Limited for Household Ware	15,245,143	8,874,780
Jumairah Marketing Establishment (Fruits and Vegetables) - A Branch of Abdul Khaliq Bin Dawood Establishment	-	562,114
Jumairah Marketing Establishment (Delsey) - A Branch of Abdul Khaliq Bin Dawood Establishment	594,519	1,613,639
Jumairah Marketing Establishment (Toys) - A Branch of Abdul Khaliq Bin Dawood Establishment	1,958,713	1,065,324
Etre Trading Establishment - A Branch of Abdul Khaliq Bin Dawood Establishment	-	270,895
International Application Company Limited	260,155	-
	<u><u>18,058,530</u></u>	<u><u>12,386,752</u></u>

The Company has restated its disclosure of related party transactions and balances with respect to lease liabilities with related parties and included the following as part of its related party disclosure:

The lease liabilities as disclosed in note 5, as at 31 December 2019, includes an amount of SR 399,785,758 which relates to lease arrangements entered by the Group with its related parties. The rent charged by affiliates of SR 68,857,000 for the year ended 31 December 2019 represents lease payments (principal and finance cost) during the year.

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

7. EQUITY

(a) Share capital

As at 30 September 2020 and 31 December 2019, the share capital of the Parent Company is divided into 114,300,000 shares of SR 10 each (see note 1).

(b) Statutory reserve

In accordance with the Companies' Regulation, the Parent Company must set aside 10% of its net income in each year to a statutory reserve until the reserve equals 30% of the share capital. The reserve is not available for distribution.

(c) Dividends

The Board of Directors of the Company have approved an interim dividend of SR 90 million (SR 0.79 per share with total number of 114,300,000 shares) (30 September 2019: SR 200 million (SR 3.77 per share with total number of 53,000,000 shares) which has been paid in cash during the period.

Subsequent to period end, on 9 November 2020 (corresponding to 23 Rabi' I 1442H), the Board of Directors of the Company have approved an interim dividend of SR 228.6 million (SR 2 per share with total number of 114,300,000 shares).

8. ZAKAT

The Parent Company has obtained an approval from GAZT for the consolidated filing of zakat return from the year ended 2016 onwards. Accordingly, zakat is assessed on consolidated basis effective 2016.

The movement in the zakat provision during the period / year is as follows:

	<i>Nine-month period ended 30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
Balance at the beginning of the period / year	15,565,314	6,571,747
Charge for the period / year	11,126,042	11,192,342
Payments during the period / year	(13,374,764)	(2,198,775)
At the end of the period / year	13,316,592	15,565,314

The subsidiaries along with the parent company have filed its zakat declaration on a standalone basis until the year ended 31 December 2015. From 2016 onwards, the Parent Company started filing the consolidated zakat declarations for all wholly owned subsidiaries. Consolidated zakat declaration together with the information declarations for wholly owned subsidiaries for the years ended 31 December 2016 through 2019 has already been submitted. The Parent Company has obtained the zakat certificate until 31 December 2019.

There is no change in status of assessments as disclosed in annual consolidated financial statements for the year ended 31 December 2019.

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

9. EARNINGS PER SHARE

The earnings per share calculation is given below:

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unreviewed)</i>			
Profit for the period	78,651,054	124,474,073	390,329,131	295,262,774
Number of ordinary shares	114,300,000	53,000,000	114,300,000	53,000,000
Effect of capitalisation (refer note (a) below)	-	61,300,000	-	61,300,000
Weighted average number of ordinary shares for basic and diluted EPS	114,300,000	114,300,000	114,300,000	114,300,000
Earnings per share – basic and diluted	0.69	1.09	3.42	2.58

There has been no item of dilution affecting the weighted average number of ordinary shares.

Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company for the year ended 31 December 2019 amounted to SR 3.67 per share (31 December 2018: SR 3.48 per share). The profit for the year ended 31 December 2019 amounted to SR 419,136,319 (31 December 2018: SR 397,836,146) and the weighted average number of ordinary shares for basic and diluted EPS as at 31 December 2019 are 114,300,000 (31 December 2018: 114,300,000).

a) Subsequent to period end 30 September 2019, the shareholders of the Company resolved in Extraordinary General Assembly meeting held on 8 Rabi II 1441 (corresponding to 5 December 2019) to increase the Company's share capital from SR 530,000,000 to SR 1,143,000,000 through the transfer of SR 483,879,538 from the account of "retained earnings" and SR 129,120,462 from the account of "statutory reserve".

10. SIGNIFICANT EVENT DURING THE PERIOD

Due to COVID 19 situation, the industry witnessed bulk buying by consumers during the lock down period. This resulted in significant growth in revenue. In addition, there were four new branches opened during the period under the name of subsidiary.

11. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has outstanding letters of credit to import goods amounting to SR 9.41 million as at 30 September 2020 (31 December 2019: SR 15.92 million) and outstanding letters of guarantee amounting to SR 2.42 million at 30 September 2020 (31 December 2019: SR 2.35 million).

At 30 September 2020, the Group has future capital commitments amounting to nil (31 December 2019: SR 5.22 million). Further the Group has annual cancellable lease commitments totaling SR 5.26 million as at 30 September 2020 (31 December 2019: SR 11.94 million) relating to branch rentals.

The Parent Company and its subsidiaries namely Bin Dawood Superstores Company Limited (A Limited Liability Company), Danube Company for Foodstuffs and Commodities (A Limited Liability Company) and Danube Star for Bakeries and Marketing Company (A Limited Liability Company) have provided corporate guarantees amounting to SR 538.5 million as at 30 September 2020 (31 December 2019: SR 538.5 million) to local banks in respect of banking facilities obtained within the Group.

12. FAIR VALUE OF ASSETS AND LIABILITIES

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 the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Bin Dawood Holding Company (A Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 September 2020

12. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

When measuring the fair value of an asset or 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 (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 30 September 2020 and 31 December 2019, the fair values of the Group's financial instruments are estimated to approximate their carrying values.

There were no movements between the levels during the period.

13. PRESENTATION AND RECLASSIFICATION

- a) An amount of SR 32.3 million have been reclassified from "Trade and other receivables" to "Prepayments and advances" in the prior year's consolidated financial statements to enhance comparability with the current period's interim condensed consolidated financial statements. Such reclassification do not have any impact on profit or total equity.
- b) The Group, in order to record the gandola-related transactions with its suppliers, in line with the requirements of IFRS 15, has adjusted gandola income against cost of revenue by reclassifying it from a separate line item in the interim condensed consolidated statement of profit or loss for the nine-month period ended 30 September 2019. This adjustment has no impact on the net profit, retained earnings and financial position of the Group, as at 30 September 2019 and for the period then ended. As a result of this adjustment, the gross margin of the Group for the prior period was increased from 20.1% to 33.7%.
- c) Certain other immaterial reclassifications have also been made to the prior period's interim condensed consolidated financial statements to enhance comparability with the current period's interim condensed consolidated financial statements.

14. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been approved by the Board of Directors on 9 November 2020, corresponding to 23 Rabi' I 1442H .