

**BIN DAWOOD HOLDING COMPANY**  
**(A CLOSED SAUDI JOINT STOCK COMPANY)**  
**(FORMERLY A LIMITED LIABILITY COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**

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

**Opinion**

We have audited the consolidated financial statements of Bin Dawood Holding Company (the "Group" or "the Parent Company") - a Closed Saudi Joint Stock Company (formerly a Limited Liability Company), and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

**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.

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

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

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

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 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.

for Ernst & Young

Ahmed I. Reda  
Certified Public Accountant  
License No. 356

25 Dhul Qadah 1440 H  
28 July 2019

Jeddah  
20/04/AIR



Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME

For the year ended 31 December 2018

		<i>31 December 2018 SR</i>	<i>31 December 2017 SR (Note 5)</i>
Revenue		<b>4,554,153,793</b>	4,766,276,071
Cost of revenue		<b>(3,668,491,994)</b>	(3,762,658,920)
<b>GROSS PROFIT</b>		<b>885,661,799</b>	1,003,617,151
Selling and distribution expenses	6	<b>(1,047,184,392)</b>	(996,036,914)
General and administration expenses	7	<b>(127,019,163)</b>	(150,488,736)
Gandola income		<b>668,995,748</b>	545,610,156
<b>OPERATING PROFIT</b>		<b>380,453,992</b>	402,701,657
Other income		<b>17,805,944</b>	14,403,418
<b>PROFIT FOR THE YEAR BEFORE ZAKAT</b>		<b>398,259,936</b>	417,105,075
Zakat charge	16	<b>(423,790)</b>	(2,761,868)
<b>NET PROFIT FOR THE YEAR</b>		<b>397,836,146</b>	414,343,207
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>			
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:</i>			
Re-measurement gain / (loss) on defined benefit plans	14	<b>3,348,301</b>	(4,589,382)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>401,184,447</b>	409,753,825

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Note</i>	<b>31 December 2018 SR</b>	<b>31 December 2017 SR (Note 5)</b>	<b>1 January 2017 SR (Note 5)</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	8	<b>1,065,125,463</b>	1,077,954,879	877,093,135
Intangible asset		<b>572,269</b>	433,451	100,289
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,065,697,732</b>	1,078,388,330	877,193,424
<b>CURRENT ASSETS</b>				
Inventories	9	<b>805,628,568</b>	759,664,759	649,941,714
Accounts receivables and prepayments	10	<b>208,294,841</b>	145,479,551	133,176,716
Due from related parties	12	<b>1,685,390</b>	-	92,000
Cash and cash equivalents	11	<b>122,886,866</b>	94,656,298	88,640,692
<b>TOTAL CURRENT ASSETS</b>		<b>1,138,495,665</b>	999,800,608	871,851,122
<b>TOTAL ASSETS</b>		<b>2,204,193,397</b>	2,078,188,938	1,749,044,546
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Capital	13	<b>530,000,000</b>	530,000,000	530,000,000
Statutory reserve	13	<b>129,693,833</b>	89,575,388	48,600,005
Retained earnings		<b>354,750,911</b>	203,684,909	88,358,622
<b>TOTAL EQUITY</b>		<b>1,014,444,744</b>	823,260,297	666,958,627
<b>NON-CURRENT LIABILITY</b>				
Employees' terminal benefits	14	<b>80,227,125</b>	75,647,337	63,910,061
<b>TOTAL NON-CURRENT LIABILITY</b>		<b>80,227,125</b>	75,647,337	63,910,061
<b>CURRENT LIABILITIES</b>				
Due to related parties	12	<b>8,905,893</b>	9,917,777	19,215,698
Accounts payable, accruals and other liabilities	15	<b>1,094,043,888</b>	1,152,473,521	951,099,653
Zakat payable	16	<b>6,571,747</b>	16,890,006	14,415,306
Dividend payable		-	-	33,445,201
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,109,521,528</b>	1,179,281,304	1,018,175,858
<b>TOTAL LIABILITIES</b>		<b>1,189,748,653</b>	1,254,928,641	1,082,085,919
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,204,193,397</b>	2,078,188,938	1,749,044,546

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 1 January 2017 (note 5)	530,000,000	48,600,005	88,358,622	666,958,627
Net profit for the year	-	-	414,343,207	414,343,207
Other comprehensive loss for the year	-	-	(4,589,382)	(4,589,382)
Total comprehensive income for the year	-	-	409,753,825	409,753,825
Transfer to statutory reserve	-	40,975,383	(40,975,383)	-
Dividend	-	-	(253,452,155)	(253,452,155)
Balance at 31 December 2017 (note 5)	530,000,000	89,575,388	203,684,909	823,260,297
Net profit for the year	-	-	397,836,146	397,836,146
Other comprehensive income for the year	-	-	3,348,301	3,348,301
Total comprehensive income for the year	-	-	401,184,447	401,184,447
Transfer to statutory reserve	-	40,118,445	(40,118,445)	-
Dividend	-	-	(210,000,000)	(210,000,000)
<b>Balance at 31 December 2018</b>	<b>530,000,000</b>	<b>129,693,833</b>	<b>354,750,911</b>	<b>1,014,444,744</b>

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	<i>Note</i>	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the year before zakat		<b>398,259,936</b>	417,105,075
<b>Adjustments to reconcile profit before zakat to net cash flows:</b>			
Depreciation	8	<b>155,523,434</b>	149,159,840
Amortization of intangible assets		<b>16,987</b>	561,716
Loss on disposal of property and equipment		<b>272,728</b>	1,090,529
Provision for employees' end of service benefits		<b>15,075,165</b>	11,250,528
		<b>569,148,250</b>	579,167,688
<i>Working capital adjustments:</i>			
Accounts receivables and prepayments		<b>(62,815,290)</b>	(12,302,835)
Inventories		<b>(45,963,809)</b>	(109,723,045)
Accounts payables, accruals and other liabilities		<b>(58,429,633)</b>	201,373,868
Due from related parties		<b>(1,685,390)</b>	92,000
Due to related parties		<b>(1,011,884)</b>	(9,297,921)
Cash from operating activities		<b>399,242,244</b>	649,309,755
Zakat paid	16	<b>(10,742,049)</b>	(287,168)
Employees' terminal benefits paid	14	<b>(7,147,076)</b>	(4,102,634)
Net cash from operating activities		<b>381,353,119</b>	644,919,953
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	8	<b>(144,031,971)</b>	(352,423,619)
Purchase of intangible		<b>(155,805)</b>	(894,878)
Proceeds from disposal of property and equipment		<b>1,065,225</b>	1,311,506
Net cash used in investing activities		<b>(143,122,551)</b>	(352,006,991)
<b>FINANCING ACTIVITY</b>			
Dividend paid		<b>(210,000,000)</b>	(286,897,356)
Cash flows used in financing activity		<b>(210,000,000)</b>	(286,897,356)
<b>Net increase in cash and cash equivalents</b>		<b>28,230,568</b>	6,015,606
Cash and cash equivalents at the beginning of the year		<b>94,656,298</b>	88,640,692
<b>Cash and cash equivalents at the end of the year</b>		<b>122,886,866</b>	94,656,298

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

# Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

### 1. CORPORATE INFORMATION

Bin Dawood Holding Company. (the "Company" or the "Parent Company") is a Closed Saudi Joint Stock Company (formerly a Limited Liability Company) registered in the Kingdom of Saudi Arabia under Commercial Registration number 4031063470 dated 16/08/1432H corresponding to 17 July 2011. The Parent Company is fully owned by GCC nationals.

The Parent Company's objective is to manage its subsidiaries and joint ventures and to provide required support to such subsidiaries and joint ventures. The Parent Company objective also includes to acquire properties and moveable assets required for its activities and acquire, lease and utilize equity rights of industrial and commercial patents, brands, franchise and other abstract rights for its subsidiaries and joint ventures.

The registered office of the Company is located in Makkah, Kingdom of Saudi Arabia.

### 2. BASIS OF PREPARATION

#### 2.1. Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Parent Company and its subsidiaries (the "Group") has prepared on 31 December 2018 its first annual consolidated financial statements in accordance with "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA. Refer to note 5 for information on the first-time adoption of IFRS that are endorsed in KSA, by the Group.

During the year 2017, the partners resolved to convert the Company from a Limited Liability Company ("LLC") to a Closed Saudi Joint Stock Company ("CJSC"). The Company obtained initial revised commercial registration as CJSC on 16 July 2017 and revised updated during 2019, considering that the company obtained revised by-laws and that the Ministry of Commerce and Industry ("MOCI") has issued opinion on the transformation into CJSC, the Company's management has concluded that the change in legal term did not result in creating a new accounting unit and therefore, these financial statements are prepared for the full year ended 31 December 2018 for the Company as CJSC.

#### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2018. 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

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 rights

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 year are included in the 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 consolidated statement of profit or loss. Any investment retained is recognised at fair value.

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
At 31 December 2018

**2. BASIS OF PREPARATION AND CONSOLIDATION (continued)**

**2.2 Basis of consolidation (continued)**

These consolidated financial statements include the financial statements 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 &amp; indirectly)</i>	
			2018	2017
Bin Dawood Superstores 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 Limited	Jeddah, Saudi Arabia	Engaged in operating bakeries and restaurant for foodstuff	100%	100%

**2.3 Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting and going concern concept.

**2.4 Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals (SR), which is the functional and presentation currency of the Group.

**2.5 Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

***Operating lease commitments – Group as lessee***

The Group has entered into operating leases of retail outlets with lease terms between one and twenty years. The Group has determined, based on the evaluation of the terms and conditions of the agreement that it does not retain all the significant risks and rewards of ownership of the shops and accounts for the agreement as an operating lease.

***Going concern***

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Groups's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
At 31 December 2018

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**2. BASIS OF PREPARATION AND CONSOLIDATION (continued)**

**2.5 Significant accounting judgements, estimates and assumptions (continued)**

***Useful lives of property and equipment***

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets and their physical wear and tear. The management reviews the residual value and useful lives annually and future depreciation charges are adjusted where the management believes the useful lives differ from previous estimates.

***Useful lives of intangibles***

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

***Impairment of inventories***

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

***Provision for stock losses***

The Group's management determines the percentage of provision for stock losses for calculating the required provision for stock losses at year end. This estimate is determined from the actual result of stock takes and the rate is computed based on actual sales between stock takes. This percentage is applied against the stock balance at year end. The Group's management reviews and evaluates the percentage used and is adjusted accordingly based on the result of the recent stock takes.

***Defined benefit plans***

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each year end. The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee benefits obligations are provided in note 14.

***Progressive rebate incentives***

The Group may receive additional incentives from suppliers according to the volume of purchases during the year. The Group recognises these incentives upon realisation in accordance with the contracts signed with suppliers. The Group management relies on the exercise of professional judgment in examining marketing variables and consumer behavior when estimating the recognition of the incentives.

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
At 31 December 2018

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position as at 1 January 2017 for the purposes of the transition to IFRSs that are endorsed in KSA.

**3.1 Current versus non-current classification**

***Assets***

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

***Liabilities***

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

**3.2 Property and equipment**

***Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other operating income in the consolidated statement of profit or loss and other comprehensive income.

***Subsequent costs***

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

***Depreciation***

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
At 31 December 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Property and equipment (continued)**

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

▪ Equipments	3 - 10 years
▪ Motor vehicles	5 years
▪ Furniture and fixtures and leasehold improvements	5 - 10 years
▪ Computer	3 years

***Capital work in progress***

Capital work in progress represents assets under construction and improvements to the existing assets, recorded at cost less accumulated impairment losses if any. Such costs include cost of equipment, material and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is not depreciated. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies.

**3.3 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

**3.4 Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

***Group as a lessee***

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Leases (continued)**

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

**3.5 Inventories**

Inventories, which represents goods held for resale, are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs to sell. The cost of inventories comprises all costs of purchase, and other costs incurred in bringing the inventories to their existing location and condition. Cost of inventories is determined using weighted average method.

**3.6 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

**3.7 Financial Instruments**

**Initial recognition – financial assets and financial liabilities**

IFRS 9 – “Financial Instruments” is effective for annual periods commencing on or after 1 January 2018. An entity shall recognize a financial asset or a financial liability in its consolidated statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

**Financial assets**

***Initial recognition and measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through consolidated statement of profit or loss and other comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through consolidated statement of profit or loss and other comprehensive income are expensed in consolidated statement of profit or loss and other comprehensive income.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial Instruments (continued)

**Financial assets (continued)**

***Subsequent measurement (continued)***

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes cash and cash equivalents, due from related parties, staff receivables and other receivables.

***Financial assets at fair value through OCI (debt instruments)***

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. Currently, the Group does not have any debt instrument designated at fair value through OCI.

***Financial assets designated at fair value through OCI (equity instruments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. Currently, the Group does not have any equity instrument designated at fair value through OCI.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. Currently, the Group does not have any financial assets designated at fair value through profit or loss.

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Financial Instruments (continued)**

***Derecognition (continued)***

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include accounts payable, accruals and other liabilities and due to related parties.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as, described below:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

***Financial liabilities at fair value through profit or loss (continued)***

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

***Accounts payable and other liabilities***

This category is relevant to the Group. After initial recognition, account payable and other liabilities are subsequently measured at amortised cost.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Impairment of financial and non-financial assets**

***Financial assets***

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments,

the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

***Non-financial assets***

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. 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.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

**3.9 Employee benefits**

***Short-term employee benefits***

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***Post-employment benefits***

The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the consolidated statement of profit or loss and other comprehensive income.

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**3.11 Cash dividend**

The Group recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Group. As per the articles of association of the Group, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**3.12 Zakat**

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. Provision for zakat is charged to the consolidated statement of profit or loss and other comprehensive income.

**3.13 Revenue recognition**

IFRS 15 Revenue from contracts with customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, which is found currently across several Standards and Interpretations within IFRS's. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group is in business of the retail trading of foodstuff and household items. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Adoption of IFRS 15 did not result in any adjustment to the Group's consolidated financial statement.

The Group has applied the following accounting policy for revenue recognition in the preparation of its consolidated financial statements.

Revenue from contracts with customers for sale of goods

The Group recognises revenue from contract with customers based on a five-step model as set out in IFRS 15:

- Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.
- Step 2: Identify the performance obligation(s) in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price 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 amount collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligation(s) in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue over time, if one of the following criteria is met:

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Revenue recognition (continued)**

1. The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
2. The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group recognizes revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations. The Group considers the below mentioned indicators to assess the transfer of control of the promised asset:

1. The Group has a present right to payment for the asset
2. The Group has legal title to the asset
3. The Group has transferred physical possession of the asset
4. The customer has the significant risks and rewards of ownership of the asset
5. The customer has accepted the asset

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised:

***Sale of goods***

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods (commonly at the store checkout for the sales via the Group's stores). Revenue from sale of goods is recorded at the fair value of consideration received or receivable, net of returns and allowances and trade discounts.

**3.14 Foreign currencies**

Transactions in foreign currencies are initially recorded by the Group in its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

**3.15 Expenses**

***Cost of revenue***

Cost of revenue includes the direct costs incurred to bring the goods in the saleable condition. Rebates, compensation, other incentives and earned benefits from suppliers are recognised on accrual basis as per the contracts signed with suppliers. All these benefits earned are deducted from the cost of goods sold.

***Selling and distribution expenses***

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. For the purpose of presentation, all promotional income which comprises of income earned from promotion of various products within the Group's retail stores are netted off with selling and distribution expenses.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.15 Expenses (continued)**

***General and Administrative expenses***

These pertain to operation expenses which are not directly related to the sale of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses. Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

**3.16 Gandola income**

Gandola income represents:

- Shelf display rentals which comprises of income earned from display of various products by vendors within the Group's retail stores and shop rentals, which is recognised on an accrual basis in accordance with the lease terms; and
- The branch opening fee income which are agreed with the suppliers, which is recognised upon the branch opening as part of Gandola income.

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

**4.1 IFRS 16 Leases**

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – 'Leases'
- IFRS Interpretations Committee 4 – 'Whether an arrangement contains a lease' ("IFRIC 4")
- Standards Interpretation Committee 15 – 'Operating leases – Incentives' ("SIC 15")
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

**4.1 IFRS 16 Leases (continued)**

**Transition to IFRS 16**

The Group plans to adopt IFRS 16 with modified retrospective approach therefore shall not restate comparative information. At the date of initially applying this Standard, the Group shall recognise the right-of-use asset with an equal amount of lease liability.

The Group plans to elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group is in the process of assessing the potential effect of IFRS 16 on its consolidated financial statements.

**4.2 Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

**4.3 Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
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**5. FIRST-TIME ADOPTION OF IFRS**

These consolidated financial statements for the year ended 31 December 2018, are the first annual consolidated financial statements of the Group prepared in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia together with other standards and pronouncements that are endorsed by SOCPA. For all periods up to and including the year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia ("SOCPA GAAP").

Accordingly, the Group has prepared consolidated financial statements that comply with IFRS that are endorsed in KSA applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017. In preparing the consolidated financial statements, the Group's opening consolidated statement of financial position was prepared as at 1 January 2017, being the Group's date of transition to IFRS that are endorsed in KSA.

In preparing its opening IFRS consolidated statement of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017, the Group has analysed the impact and has made following adjustments to the amounts reported previously in the consolidated financial statements prepared in accordance with SOCPA GAAP.

**Estimates**

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies).

The estimates used by the Group to present these amounts in accordance with IFRS that are endorsed in KSA reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.

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5. FIRST-TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS at the transition date 1 January 2017:

	Note	<i><b>SOCPA GAAP as at 1 January 2017 SR</b></i>	<i><b>Re- measurements / reclassification SR</b></i>	<i><b>IFRS as at 1 January 2017 SR</b></i>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	5.1	877,193,424	(100,289)	877,093,135
Intangible asset	5.1	-	100,289	100,289
<b>TOTAL NON-CURRENT ASSETS</b>		<b>877,193,424</b>	<b>-</b>	<b>877,193,424</b>
<b>CURRENT ASSETS</b>				
Inventories		649,941,714	-	649,941,714
Accounts receivables and prepayments	5.2	159,460,040	(26,283,324)	133,176,716
Due from related parties		92,000	-	92,000
Cash and cash equivalents		88,640,692	-	88,640,692
<b>TOTAL CURRENT ASSETS</b>		<b>898,134,446</b>	<b>(26,283,324)</b>	<b>871,851,122</b>
<b>TOTAL ASSETS</b>		<b>1,775,327,870</b>	<b>(26,283,324)</b>	<b>1,749,044,546</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Capital		530,000,000	-	530,000,000
Statutory reserve		48,600,005	-	48,600,005
Retained earnings	5.2 & 5.3	204,002,217	(115,643,595)	88,358,622
<b>TOTAL EQUITY</b>		<b>782,602,222</b>	<b>(115,643,595)</b>	<b>666,958,627</b>
<b>NON-CURRENT LIABILITY</b>				
Employees' terminal benefits	5.3	61,908,141	2,001,920	63,910,061
<b>TOTAL NON-CURRENT LIABILITY</b>		<b>61,908,141</b>	<b>2,001,920</b>	<b>63,910,061</b>
<b>CURRENT LIABILITIES</b>				
Due to related parties		19,215,698	-	19,215,698
Accounts payable, accruals and other liabilities	5.2	863,741,302	87,358,351	951,099,653
Dividend payable		33,445,201	-	33,445,201
Zakat payable		14,415,306	-	14,415,306
<b>TOTAL CURRENT LIABILITIES</b>		<b>930,817,507</b>	<b>87,358,351</b>	<b>1,018,175,858</b>
<b>TOTAL LIABILITIES</b>		<b>992,725,648</b>	<b>89,360,271</b>	<b>1,082,085,919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,775,327,870</b>	<b>(26,283,324)</b>	<b>1,749,044,546</b>

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**5. FIRST-TIME ADOPTION OF IFRS (continued)**

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS at 31 December 2017:

	<i>Note</i>	<i>SOCPA GAAP as at 31 December 2017 SR</i>	<i>Re- measurements / reclassification SR</i>	<i>IFRS as at 31 December 2017 SR</i>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	5.1	1,078,388,330	(433,451)	1,077,954,879
Intangible asset	5.1	-	433,451	433,451
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,078,388,330</b>	<b>-</b>	<b>1,078,388,330</b>
<b>CURRENT ASSETS</b>				
Inventories		759,664,759	-	759,664,759
Accounts receivables and prepayments	5.2	163,599,801	(18,120,250)	145,479,551
Due from related parties		-	-	-
Cash and cash equivalents		94,656,298	-	94,656,298
<b>TOTAL CURRENT ASSETS</b>		<b>1,017,920,858</b>	<b>(18,120,250)</b>	<b>999,800,608</b>
<b>TOTAL ASSETS</b>		<b>2,096,309,188</b>	<b>(18,120,250)</b>	<b>2,078,188,938</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Capital		530,000,000	-	530,000,000
Statutory reserve	5.2 & 5.3	91,930,696	(2,355,308)	89,575,388
Retained earnings		340,526,281	(136,841,372)	203,684,909
<b>TOTAL EQUITY</b>		<b>962,456,977</b>	<b>(139,196,680)</b>	<b>823,260,297</b>
<b>NON-CURRENT LIABILITY</b>				
Employees' terminal benefits	5.3	74,367,903	1,279,434	75,647,337
<b>TOTAL NON-CURRENT LIABILITY</b>		<b>74,367,903</b>	<b>1,279,434</b>	<b>75,647,337</b>
<b>CURRENT LIABILITIES</b>				
Due to related parties		9,917,777	-	9,917,777
Accounts payable, accruals and other liabilities	5.2	1,032,676,525	119,796,996	1,152,473,521
Zakat payable		16,890,006	-	16,890,006
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,059,484,308</b>	<b>119,796,996</b>	<b>1,179,281,304</b>
<b>TOTAL LIABILITIES</b>		<b>1,133,852,211</b>	<b>121,076,430</b>	<b>1,254,928,641</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,096,309,188</b>	<b>(18,120,250)</b>	<b>2,078,188,938</b>

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
At 31 December 2018

**5. FIRST-TIME ADOPTION OF IFRS (continued)**

Group's reconciliation of consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017:

	<i>Note</i>	<i>SOCPA GAAP for the year ended 31 December 2017 SR</i>	<i>Re- measurements / reclassification SR</i>	<i>IFRS for the year ended 31 December 2017 SR</i>
Revenue		4,766,276,071	-	4,766,276,071
Cost of revenue		(3,762,658,920)	-	(3,762,658,920)
<b>GROSS PROFIT</b>		<b>1,003,617,151</b>	<b>-</b>	<b>1,003,617,151</b>
Selling and distribution expenses	5.2, 5.3 & 5.4	(975,826,347)	(20,210,567)	(996,036,914)
General and administration expenses		(151,735,600)	1,246,864	(150,488,736)
Gandola income		545,610,156	-	545,610,156
<b>OPERATING PROFIT</b>		<b>421,665,360</b>	<b>(18,963,703)</b>	<b>402,701,657</b>
Other income		14,403,418	-	14,403,418
<b>PROFIT FOR THE YEAR BEFORE ZAKAT</b>		<b>436,068,778</b>	<b>(18,963,703)</b>	<b>417,105,075</b>
Zakat charge		(2,761,868)	-	(2,761,868)
<b>NET PROFIT FOR THE YEAR</b>		<b>433,306,910</b>	<b>(18,963,703)</b>	<b>414,343,207</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:</i>				
Re-measurement losses on defined benefit plans	5.4	-	(4,589,382)	(4,589,382)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>433,306,910</b>	<b>(23,553,085)</b>	<b>409,753,825</b>

**5.1 Intangible assets**

Under IFRS as endorsed in KSA, the Group has reclassified certain items of property and equipment to intangible assets (software) to depict a more accurate presentation in its consolidated financial statements. The effect was increase in intangible assets and decrease in property and equipment. There has been no effect on retained earnings as on transition date or subsequently on profit for the year before zakat as the useful life of the reclassified assets remain unchanged. These are accounted as part of reclassification adjustment.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**5. FIRST-TIME ADOPTION OF IFRS (continued)**

**5.2 Straight lining of leases**

Under IFRS as endorsed in KSA, the expense on account of lease transactions entered by the Group are to be accounted for on a straight line basis over the tenure of lease including the rent free period and for lease escalations irrespective of the timing of payment, if any. Accordingly, the Group has accounted for the lease expense on a straight line basis over the tenure of the lease. This has resulted in creation of lease equalization liability on account of additional expense booked as a result of straight lining. This effect as on IFRS transition date has resulted in decrease of prepaid balances by SR 26.28 million and recognition of lease equalization net liability of SR 87.36 million with cumulative impact resulting in decrease of retained earnings by SR 113.66 million. The adjustment resulted in decrease of profit for the year before zakat amounting to SR 24.27 million for the year ended 31 December 2017. The impact has been accounted as part of transition adjustment.

**5.3 Employees' terminal benefits**

Under IFRS that are endorsed in KSA, end of service benefits ("EOSB") are required to be calculated using actuarial valuations. Historically, the Group has calculated these obligations based on the local regulations at the reporting date without considering expected future service periods of employees, salary increments and discount rates. This change resulted in an increase in the employee benefits liability balances and decrease in retained earnings as at 1 January 2017 SR 2.01 million and 31 December 2017 SR 1.279 million and increased income for the year ended 31 December 2017 SR 0.723 million.

**5.4 Re-measurement losses on defined benefit plans**

Under IFRS as endorsed in KSA, employees' terminal benefits are required to be calculated using actuarial valuations. Net other comprehensive loss of SR 4.58 million during the year 31 December 2017 represents the re-measurement loss arising from experience adjustments and changes in actuarial assumptions occurred during the year.

**5.5 Cashflow**

The impact on net revenue and cash flows were:

	<i><b>SOCPA GAAP for the year ended 31 December 2017 SR</b></i>	<i><b>IFRS for the year ended 31 December 2017 SR</b></i>	<i><b>Difference SR</b></i>
Net revenue	4,766,276,071	4,766,276,071	-
Net cash from operating activities	644,919,953	644,919,953	-
Net cash used in investing activities	(352,006,991)	(352,006,991)	-
Net cash used in financing activities	(286,897,356)	(286,897,356)	-

**6. SELLING AND DISTRIBUTION EXPENSES**

	<i><b>31 December 2018 SR</b></i>	<i><b>31 December 2017 SR</b></i>
Employee costs	<b>358,781,145</b>	330,384,293
Rent	<b>305,147,725</b>	302,319,925
Depreciation (note 8)	<b>151,720,002</b>	142,165,765
Utilities	<b>110,458,996</b>	96,269,105
Other	<b>53,079,569</b>	52,257,018
Packaging cost	<b>44,271,267</b>	44,066,829
Repairs and maintenance	<b>19,911,047</b>	19,577,678
Advertising cost	<b>3,814,641</b>	8,996,301
	<b><u>1,047,184,392</u></b>	<b><u>996,036,914</u></b>

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

7. GENERAL AND ADMINISTRATION EXPENSES

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Employee costs	70,458,099	84,847,140
Management remuneration (note 12)	29,600,000	27,810,000
Depreciation (note 8)	3,803,432	6,994,075
Rents	4,996,236	4,905,524
Insurance	1,779,032	1,693,501
Repairs and maintenance	3,285,702	2,751,857
Utilities	1,281,648	1,256,624
Directors' remuneration (note 12)	400,000	400,000
Other	11,415,014	19,830,015
	<u>127,019,163</u>	<u>150,488,736</u>

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2018

**8. PROPERTY AND EQUIPMENT**

	<i>Equipment</i> SR	<i>Motor vehicles</i> SR	<i>Furniture and fixtures and leasehold improvements</i> SR	<i>Computer</i> SR	<i>Capital work in progress</i> SR	<i>Total 31 December 2018</i> SR
<b>Cost:</b>						
At the beginning of the year	766,428,933	54,767,095	691,120,970	55,805,284	158,858,441	1,726,980,723
Additions	18,050,890	1,756,684	15,433,510	888,534	107,902,353	144,031,971
Disposals	(3,080,636)	(1,167,723)	(422,858)	(18,622)	-	(4,689,839)
Written-off	(137,953)	-	-	-	-	(137,953)
Transfers	63,471,696	-	51,094,255	3,927,816	(118,493,767)	-
At the end of the year	<b>844,732,930</b>	<b>55,356,056</b>	<b>757,225,877</b>	<b>60,603,012</b>	<b>148,267,027</b>	<b>1,866,184,902</b>
<b>Depreciation:</b>						
At the beginning of the year	329,089,957	39,235,044	241,455,691	39,245,152	-	649,025,844
Charge for the year	74,546,744	2,172,301	69,370,047	9,434,342	-	155,523,434
Relating to disposals	(2,360,952)	(918,385)	(73,809)	(16,373)	-	(3,369,519)
Relating to written-off	(120,320)	-	-	-	-	(120,320)
At the end of the year	<b>401,155,429</b>	<b>40,488,960</b>	<b>310,751,929</b>	<b>48,663,121</b>	<b>-</b>	<b>801,059,439</b>
<b>Net book value:</b>						
At 31 December 2018	<b>443,577,501</b>	<b>14,867,096</b>	<b>446,473,948</b>	<b>11,939,891</b>	<b>148,267,027</b>	<b>1,065,125,463</b>

# Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) At 31 December 2018

### 8. PROPERTY AND EQUIPMENT (continued)

	Equipment SR	Motor vehicles SR	Furniture, fixtures and leasehold improvements SR	Computers SR	Capital work in progress SR	Total 2017 SR
Cost:						
At the beginning of the year	570,082,020	48,037,465	520,489,001	42,593,203	206,747,862	1,387,949,551
Additions	39,781,703	7,470,691	25,705,694	3,494,355	275,971,176	352,423,619
Disposals	(7,835,986)	(741,061)	(2,901,270)	(21,255)	-	(11,499,572)
Written off	(1,547,718)	-	(293,500)	(51,657)	-	(1,892,875)
Transfer	165,948,914	-	148,121,045	9,790,638	(323,860,597)	-
At the end of the year	766,428,933	54,767,095	691,120,970	55,805,284	158,858,441	1,726,980,723
Depreciation:						
At the beginning of the year	259,291,426	34,361,398	185,275,631	31,927,961	-	510,856,416
Charge for the year	77,865,849	5,490,320	58,428,270	7,375,401	-	149,159,840
Relating to disposals	(6,839,312)	(616,674)	(1,955,909)	(6,896)	-	(9,418,791)
Relating to written-off	(1,228,006)	-	(292,301)	(51,314)	-	(1,571,621)
At the end of the year	329,089,957	39,235,044	241,455,691	39,245,152	-	649,025,844
Net book amounts:						
At 31 December 2017	437,338,976	15,532,051	449,665,279	16,560,132	158,858,441	1,077,954,879
At 1 January 2017	310,790,594	13,676,067	335,213,370	10,665,242	206,747,862	877,093,135

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
At 31 December 2018

**8. PROPERTY AND EQUIPMENT (continued)**

a) Depreciation charge has been allocated as follows:

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Selling and distribution expenses (note 6)	<b>151,720,002</b>	142,165,765
General and administration expenses (note 7)	<b>3,803,432</b>	6,994,075
	<b><u>155,523,434</u></b>	<b><u>149,159,840</u></b>

**9. INVENTORIES**

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Finished goods	<b>789,798,696</b>	734,208,789	640,413,057
Raw materials	<b>7,153,929</b>	16,274,354	4,068,797
Packing material	<b>8,675,943</b>	9,181,616	5,459,860
	<b><u>805,628,568</u></b>	<b><u>759,664,759</u></b>	<b><u>649,941,714</u></b>

During the year, an amount of SR 85.1 million (31 December 2017: SR 58.36 million; 1 January 2017: SR 51.12 million) was recognised as an expense for inventories carried at net realisable value.

**10. ACCOUNTS RECEIVABLES AND PREPAYMENTS**

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Trade accounts receivable	<b>41,354,551</b>	30,449,530	12,429,082
Prepayments	<b>49,319,026</b>	38,058,636	36,592,715
Other receivables	<b>109,668,676</b>	68,684,849	75,514,148
Employee advances	<b>5,538,074</b>	5,155,396	5,224,341
Advances to suppliers	<b>2,414,514</b>	3,131,140	3,386,430
Margin on letters of guarantee	-	-	30,000
	<b><u>208,294,841</u></b>	<b><u>145,479,551</u></b>	<b><u>133,176,716</u></b>

As at 31 December 2018, 31 December 2017 and 1 January 2017, none of the trade receivables of the Group were impaired. Further, none of the receivables of the Group were past due, more than normal collection cycle. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 At 31 December 2018

11. CASH AND CASH EQUIVALENTS

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Cash in hand	10,439,500	18,426,367	10,526,690
Bank balances	112,447,366	76,229,931	78,114,002
	<u>122,886,866</u>	<u>94,656,298</u>	<u>88,640,692</u>

12. 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 Company's management. Following is the list of related party transactions and balances of the Company.

In the normal course of its activities, the Group transacts business with its related parties. These transactions are entered into on normal commercial terms and on arm's length basis. The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>	
		<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Affiliates	Purchase of goods	103,393,796	73,228,883
	Rent charged by affiliates	67,126,000	64,715,000
	Rent charged by affiliates	1,478,258	1,021,383
	Expenses paid on behalf of affiliates	-	-
	Expenses charged by affiliates	30,457	-
	Goods transferred to affiliates	553,889	2,025,459
Partners	Management remuneration (note 7)	29,600,000	27,810,000
Directors	Board of Directors remuneration (note 7)	400,000	400,000
Management personnel	Remuneration	8,601,007	7,123,026

**Key management compensation**

Compensation for key management is as follows:

		<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Partners	Management remuneration (note 7)	(29,600,000)	(27,810,000)
Directors	Board of Directors remuneration (note 7)	(400,000)	(400,000)
Management personnel	Remuneration	(8,601,007)	(7,123,026)

As at 31 December 2018, the outstanding amount due to key management personnel was SR 0.43 Million (31 December 2017: 1.5 Million, 1 January 2017: Nil)

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
At 31 December 2018

**12. RELATED PARTY TRANSACTIONS AND BALANCES**

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
<b><i>Due from related parties</i></b>			
Jumairah Marketing Establishment (Delsey) - A Branch of Abdul Khaliq Bin Dawood Establishemnt	1,503,655	-	92,000
Jumairah Marketing Establishment (Toys) - A Branch of Abdul Khaliq Bin Dawood Establishemnt	165,482	-	-
Jumairah Marketing Establishment (Fruits and Vegetables) - A Branch of Abdul Khaliq Bin Dawood Establishemnt	16,253	-	-
	<u>1,685,390</u>	<u>-</u>	<u>92,000</u>
<b><i>Due to related parties</i></b>			
Safa Company Limited for Household Ware	8,392,405	2,276,268	4,143,447
Jumairah Marketing Establishment (Fruits and Vegetables) - A Branch of Abdul Khaliq Bin Dawood Establishemnt	513,488	-	-
Jumairah Marketing Establishment (Delsey) - A Branch of Abdul Khaliq Bin Dawood Establishemnt	-	3,985,975	12,808,325
Jumairah Marketing Establishment (Toys) - A Branch of Abdul Khaliq Bin Dawood Establishemnt	-	3,655,534	2,184,961
Etre Trading Establishment - A Branch of Abdul Khaliq Bin Dawood Establishemnt	-	-	78,965
	<u>8,905,893</u>	<u>9,917,777</u>	<u>19,215,698</u>

**13. EQUITY**

**(a) Capital**

As at 31 December 2017 and 31 December 2018, the share capital of the Parent Company is divided into 53,000,000 shares of SR 10 each and distributed among the shareholders as follows:

<i>Name of Shareholders</i>	<i>31 December 2018 and 31 December 2017</i>			
	<i>Nationality</i>	<i>Holding</i>	<i>No. of shares</i>	<i>Amount SR</i>
Akasiya Star Trading Company Limited	Saudi	84.465%	44,766,450	447,664,500
Abdullah Bin Dawood Sons and Company Limited	Saudi	8.535%	4,523,550	45,235,500
Commercial Growth Development Company Limited	Saudi	7%	3,710,000	37,100,000
			<u>100%</u>	<u>530,000,000</u>

**(b) Statutory reserve**

In accordance with the Parent Company's Articles of Association, 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 capital. The reserve is not available for distribution.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 At 31 December 2018

**14. EMPLOYEES' TERMINAL BENEFITS**

**General description of the plan**

The Group operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the year ended is as follows:

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Balance at the beginning of the year	75,647,337	63,910,061
<i>Included in consolidated statement of profit or loss</i>		
Current service cost	12,552,815	9,395,517
Interest cost	2,522,350	1,855,011
	15,075,165	11,250,528
<i>Included in consolidated statement of other comprehensive income</i>		
Actuarial (gain) / loss	(3,348,301)	4,589,382
Benefits paid	(7,147,076)	(4,102,634)
Balance at the end of the year	<u>80,227,125</u>	<u>75,647,337</u>

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The end of service expense (current service cost and finance cost) has been allocated to general and administrative expenses.

**Actuarial assumptions**

The following were the principal actuarial assumptions applied at the reporting date:

	<i>31 December 2018</i>	<i>31 December 2017</i>
Discount rate	3.50%	3.00%
Future salary increases (%)	3.00%	3.00%
Mortality rate	0.75 – 7.52 per Thousand	0.75 – 24.55 per thousand
Retirement age	60 years	60 years

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
At 31 December 2018

**15. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES**

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Trade accounts payable	662,553,675	639,913,115	564,983,534
Accrued and other payables	404,942,932	490,591,302	361,153,838
Unearned income	26,547,281	21,969,104	24,962,281
	<u>1,094,043,888</u>	<u>1,152,473,521</u>	<u>951,099,653</u>

**16. 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 from 2016.

**Charge for the year**

The zakat charge consists of:

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Provision for the year	423,790	11,918,465
Prior year adjustment	-	(9,156,597)
	<u>423,790</u>	<u>2,761,868</u>
The provision is based on the following:		
	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Equity	728,603,999	529,650,051
Opening provision and other adjustments	68,500,261	62,908,142
Book value of non-current assets	(922,575,181)	(1,078,388,330)
	<u>(125,470,921)</u>	<u>(485,830,137)</u>
Zakatable income for the year	16,951,602	476,738,538
Zakat base	<u>16,951,602</u>	<u>476,738,538</u>

The movement in the zakat provision for the year is as follows:

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Balance at the beginning of the year	16,890,006	14,415,306
Charge for the year	423,790	2,761,868
Payments during the year	(10,742,049)	(287,168)
At the end of the year	<u>6,571,747</u>	<u>16,890,006</u>

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**16. ZAKAT (continued)**

*c) Status of assessments*

**Parent Company**

Bin Dawood Holding Company — A Closed Saudi Joint Stock Company

The Parent Company has filed zakat declarations with the General Authority for Zakat and Tax (GAZT) for the period ended 31 December 2011 and for the years ended 31 December 2012 through 2017 and obtained zakat certificate. The assessments for the period ended 31 December 2011 and for the years ended 31 December 2012 through 2017 have not yet been raised by GAZT.

**Subsidiaries**

*Bin Dawood Superstores Company — A Limited Liability Company:*

The subsidiary has finalised its zakat assessments with GAZT for all years up to 2011. The subsidiary has filed zakat declarations for the years 2012 through 2015 and obtained zakat certificate. The assessments for the years 2012 through 2015 have not yet been raised by GAZT. The Parent Company has filed its consolidated zakat declaration for the year 2016 and obtained the zakat certificate.

*Danube Company for Foodstuffs and Commodities – A Limited Liability Company:*

The subsidiary has finalized its zakat assessments with the GAZT for all the years up to 2009.

During the year ended 31 December 2017, the GAZT raised an assessment for the years ended 31 December 2010 through 2013 showing an additional liability of SR. 11,980,749 million. The subsidiary's management accepted and settled an amount of SR. 139,607 and filed an appeal against the remaining amount of SR. 11,841,142. During the year ended 31 December 2018, the GAZT issued the revised assessment for the years 2010 through 2013 showing the reduced liability of SR. 2,457,017. The subsidiary's management has already filed an appeal against the revised assessment. The management is confident that their contention will prevail and expects a favourable outcome arising from the appeal. Accordingly, no provision in respect of SR 2.4 million is made in these consolidated financial statements.

The subsidiary has filed zakat declaration for the years 2014 and 2015 and obtained zakat certificate. The assessment for the year 2014 and 2015 has not been raised by GAZT. The Parent Company has filed its consolidated zakat declaration for the year 2017 and obtained the zakat certificate.

*Danube Star for Bakeries and Marketing Company Limited:*

The subsidiary has finalised its zakat assessments with GAZT for all years up to 2009. The subsidiary has filed zakat declarations for the years 2010 through 2015 and obtained zakat certificate. The assessments for the years 2010 through 2015 have not yet been raised by GAZT. The Parent Company has filed its consolidated zakat declaration for the year 2017 and obtained the zakat certificate.

**17. COMMITMENTS**

The Group has outstanding letters of credit to import goods amounting to SR 10.23 million as at 31 December 2018 (31 December 2017: SR 66.93 million) and outstanding letters of guarantee amounting to SR 5.19 million at 31 December 2018 (31 December 2017: SR 6.7 million).

The Group has annual long term cancellable lease commitments totaling SR 303.25 million (31 December 2017: SR 300.9 million) relating to branch rentals for the periods ranging up to 25 years.

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 Limited have provided corporate guarantees amounting to SR 702.6 million (31 December 2017: SR 887.75 million) to local banks in respect of banking facilities obtained by an affiliate of the Group.

Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
At 31 December 2018

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**18. 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 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.

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 31 December 2018, 31 December 2017 and 1 January 2017, the fair values of the Group's financial instruments are estimated to approximate their carrying values.

During the year ended 31 December 2018 and 31 December 2017, there were no movements between the levels.

**19. FINANCIAL INSTRUMENTS RISK MANAGEMENT**

The Group's principal financial liabilities comprise of due to related parties and accounts payable, accruals and other liabilities. The Group has financial assets such as due from related parties, other receivables and cash and cash equivalents. The Group's financial assets and liabilities arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including commission rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

***Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The Group is not exposed to other price risk such as equity risk and commodity risk as the Group is neither involved in investment in trading securities nor the commodities.

***Commission rate risk***

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

There are no borrowings at the reporting date and therefore there is no commission rate sensitivity as at the year end.

**Bin Dawood Holding Company (A Closed Saudi Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**19. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is subject to fluctuation in foreign exchange rates in normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyal, Euros and US Dollar. Accounts payable and accruals include an amount of SR 106.65 million (2017: SR 208.7 million and 2016: SR 184.1 million) due in Euros. As the Saudi Riyal is pegged to the US Dollar, therefore balances in foreign currency are not considered to represent significant foreign currency risk.

***Credit Risk***

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by settling sales transactions in cash or through credit cards

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount as disclosed in the balance sheet.

***Liquidity risk***

Liquidity risk is the risk that an enterprise 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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's financial liabilities primarily consist of accounts payable and other liabilities. All these financial liabilities are expected to be settled within 12 months from the date of the consolidated statement of financial position and the Group expects to have adequate liquid funds to do so.

**20. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize partner's value.

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve and retained earnings attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximize the partner value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to partners, return capital to partners or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018, 31 December 2017 and 1 January 2017. Equity comprises share capital, statutory reserve and retained earnings and is measured at SR 1,014.45 Million (31 December 2017: SR 823.26 Million, 1 January 2017: SR 666.96 Million).

**21. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been approved by the Board of Directors on 28 July 2019, corresponding to 25 Dhul-Qadah 1440 H.