

SAUDI COMPANY FOR HARDWARE
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED) FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2017 AND
INDEPENDENT AUDITORS' REVIEW REPORT**

**SAUDI COMPANY FOR HARDWARE
(A Saudi Joint Stock Company)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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Interim report to be read in conjunction with annual report



INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders of Saudi Company for Hardware:
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Company for Hardware (the "Company") and its subsidiary (collectively referred to as the "Group") as of June 30, 2017 and the related condensed consolidated interim statements of comprehensive income for the three and six-month periods ended June 30, 2017, changes in shareholders' equity, cash flows for the six-month period ended June 30, 2017, and the notes comprising of a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

By: _____
Khalid A. Mahdhar
License Number 368

July 27, 2017

SAUDI COMPANY FOR HARDWARE
(A Saudi Joint Stock Company)

Condensed consolidated Interim financial position
(All amounts in Saudi Riyals unless otherwise stated)

		June 30, 2017	December 31, 2016	January 1, 2016
	Note	(unaudited)	(unaudited)	(unaudited)
Assets				
Current assets				
Cash and cash equivalents		21,326,410	54,535,375	24,418,192
Accounts receivable, net		17,473,932	20,382,130	17,464,270
Inventories, net		577,039,861	513,283,736	577,810,448
Prepayments and other receivables		65,929,527	56,644,760	65,230,553
		<u>681,769,730</u>	<u>644,846,001</u>	<u>684,923,463</u>
Non-current assets				
Available for sale investment	4.2	9,662,153	9,662,153	9,662,153
Property and equipment		220,044,734	190,084,651	146,948,606
Intangible assets	1	46,706,886	46,605,594	23,100,916
		<u>276,413,773</u>	<u>246,352,398</u>	<u>179,711,675</u>
Total assets		<u>958,183,503</u>	<u>891,198,399</u>	<u>864,635,138</u>
Liabilities				
Current liabilities				
Short-term borrowings and bank overdrafts	5	31,006,681	10,211,807	120,194,796
Current maturity of medium-term borrowings	5	20,292,126	15,946,194	63,738,135
Accounts payable		157,962,634	124,516,009	90,819,337
Accrued and other liabilities		94,607,815	103,214,562	88,549,921
Dividends payable		90,613	36,062,314	-
Accrued zakat		5,433,055	10,956,342	9,481,187
		<u>309,392,924</u>	<u>300,907,228</u>	<u>372,783,376</u>
Non-current liabilities				
Medium-term borrowings	5	34,843,751	49,662,779	12,858,973
Employee termination benefits	6,4.1	36,225,755	34,027,749	29,362,816
		<u>71,069,506</u>	<u>83,690,528</u>	<u>42,221,789</u>
Total liabilities		<u>380,462,430</u>	<u>384,597,756</u>	<u>415,005,165</u>
Shareholders' equity				
Share capital		240,000,000	240,000,000	240,000,000
Statutory reserve	7	51,323,562	44,211,519	31,612,067
Retained earnings	4	284,995,811	220,987,424	176,616,206
Fair value reserve	4.2	1,401,700	1,401,700	1,401,700
Total shareholders' equity		<u>577,721,073</u>	<u>506,600,643</u>	<u>449,629,973</u>
Total liabilities and shareholders' equity		<u>958,183,503</u>	<u>891,198,399</u>	<u>864,635,138</u>

The notes on pages 6 to 24 form an integral part of these condensed consolidated interim financial information.

SAUDI COMPANY FOR HARDWARE
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of comprehensive income (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2017	2016	2017	2016
Revenue		376,325,175	351,490,621	702,610,569	654,701,307
Cost of revenues	4	(299,676,452)	(279,899,341)	(563,952,285)	(522,362,172)
Gross profit		76,648,723	71,591,280	138,658,284	132,339,135
Operating expenses					
Selling, marketing, general and administrative expenses	4	(33,119,835)	(31,781,223)	(61,749,419)	(60,677,467)
Profit from operations		43,528,888	39,810,057	76,908,865	71,661,668
Other income (expenses)					
Financial charges		(1,528,784)	(1,292,047)	(2,716,602)	(3,132,393)
Other income		1,251,087	622,854	1,396,959	1,624,342
Profit before zakat		43,251,191	39,140,864	75,589,222	70,153,617
Zakat		(2,889,284)	(2,089,567)	(4,468,792)	(4,382,068)
Net profit for the period		40,361,907	37,051,297	71,120,430	65,771,549
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		40,361,907	37,051,297	71,120,430	65,771,549
Basic earnings per share (Saudi Riyals)		1.68	1.54	2.96	2.74
Weighted average number of shares		24,000,000	24,000,000	24,000,000	24,000,000

The notes on pages 6 to 24 form an integral part of these condensed consolidated interim financial information.

SAUDI COMPANY FOR HARDWARE
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Total
January 1, 2016 (unaudited)		240,000,000	31,612,067	176,616,206	1,401,700	449,629,973
Comprehensive income:						
Net profit for the period	4	-	-	65,771,549	-	65,771,549
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	65,771,549	-	65,771,549
Transfer to statutory reserve		-	6,441,780	(6,441,780)	-	-
Dividend Distribution		-	-	(36,000,000)	-	(36,000,000)
June 30, 2016 (unaudited)		240,000,000	38,053,847	199,945,975	1,401,700	479,401,522
January 1, 2017 (unaudited)	4	240,000,000	44,211,519	220,987,424	1,401,700	506,600,643
Comprehensive income:						
Net profit for the period		-	-	71,120,430	-	71,120,430
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	71,120,430	-	71,120,430
Transfer to statutory reserve		-	7,112,043	(7,112,043)	-	-
June 30, 2017 (unaudited)		240,000,000	51,323,562	284,995,811	1,401,700	577,721,073

The notes on pages 6 to 24 form an integral part of these condensed consolidated interim financial information.

SAUDI COMPANY FOR HARDWARE
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of cash flows (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	For the six-month period ended June 30,	
	2017	2016
Cash flow from operating activities		
Net profit for the period	71,120,430	65,771,549
<u>Adjustments for non-cash items</u>		
Depreciation and amortization	17,097,164	14,458,686
(Gain) / loss on disposal of property and equipment	(1,183)	148,338
Loss for slow moving items and inventory shortages	9,198,873	6,361,536
Provision for doubtful debts	108,750	130,140
Zakat provision	4,468,792	4,382,068
Provision for employee termination benefits	4,016,852	3,596,161
<u>Changes in working capital</u>		
Accounts receivable	2,799,448	8,162,550
Inventories	(72,954,998)	44,462,498
Prepayments and other receivables	(9,284,765)	2,334,154
Accounts payable	33,446,625	21,927,426
Accrued and other current liabilities	(8,606,748)	(8,597,787)
Zakat paid	(9,992,078)	(9,036,737)
Employee termination benefits paid	(1,818,846)	(1,588,325)
Net cash generated from operating activities	<u>39,598,316</u>	<u>152,512,257</u>
Cash flow from investing activities		
Purchase of property and equipment	(47,368,406)	(40,648,444)
Proceeds from disposal of property and equipment	211,050	3,270
Net cash utilized in investing activities	<u>(47,157,356)</u>	<u>(40,645,174)</u>
Cash flow from financing activities		
Changes in short-term borrowings and overdraft	20,794,874	(52,207,740)
Proceeds from medium term borrowings	-	9,203,322
Repayments of medium-term borrowings	(10,473,098)	(29,639,747)
Dividends paid	(35,971,701)	(35,935,642)
Net cash utilized in financing activities	<u>(25,649,925)</u>	<u>(108,579,807)</u>
Net change in cash and cash equivalents	(33,208,965)	3,287,276
Cash and cash equivalents at beginning of period	<u>54,535,375</u>	<u>24,419,897</u>
Cash and cash equivalents at end of period	<u>21,326,410</u>	<u>27,707,173</u>

The notes on pages 6 to 24 form an integral part of these condensed consolidated interim financial information.

SAUDI COMPANY FOR HARDWARE
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Notes to the condensed consolidated interim financial statements
For the six-month period ended June 30, 2017
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Company for Hardware (the "Company") is a joint stock company registered in the Kingdom of Saudi Arabia under commercial registration number 1010056595 issued in Riyadh on Safar 26, 1405H (November 19, 1984). The registered address of the Company is P.O. Box 86387, Riyadh 11622, Kingdom of Saudi Arabia.

The Capital Market Authority ("Authority") announced on Jumada II 5, 1436H (corresponding to March 25, 2015) the Authority board decision to approve the launch of 7,200,000 shares in the Company initial public offering which represents 30% of the total shares of the Company's 24,000,000 shares in which it was allocated to investment funds individual licensed to the Company's shares listed in the Saudi Stock Market ("Tadawul") on Shabaan 23, 1436H (corresponding to May 12, 2015).

The Company is principally engaged in retailing and wholesaling of household and office supplies and appliances, construction tools and equipment, and electrical tools and hardware.

The accompanying condensed consolidated interim financial information include the accounts of the Company, its subsidiary and its stores, operating under separate commercial registrations:

<u>Subsidiary name</u>	<u>Country</u>	<u>Effective ownership percentage</u>	<u>Activities</u>
Medscan Terminal Company	Saudi Arabia	100%	Transportation and logistic services

<u>Stores</u>	<u>Location</u>	<u>Commercial registration No.</u>
Takhassusi	Riyadh	1010056595
Hamra	Riyadh	1010154852
Badiaa	Riyadh	1010276497
Rimal	Riyadh	1010289426
Khurais	Riyadh	1010144072
Al Qasr	Riyadh	1010322479
Northern Ring Road	Riyadh	1010201062
Alia Plaza	Riyadh	1010409935
Al Thaagar Plaza	Riyadh	1010430261
King Abdullah Branch (new)	Riyadh	1010065245
Buraydah	Qassim	1131020838
Anadlus	Jeddah	4030104324
Tahlia	Jeddah	4030061896
Prince Sultan Road	Jeddah	4030198058
Al Sawary Mall	Jeddah	4030268514
Medina Almonawara Branch	Medina Almonawara	4650039295
Yanbu Branch	Yanbu	4700012605
Dammam Branch	Dammam	2050030529
Dhahran Branch	Dhahran	2052000780
Jubail Branch	Jubail	2055004380
Al Ahsa Branch	Al Ahsa	2252026146
Jazan Branch	Jazan	5900031715
Hail Branch	Hail	3350043304
Unaizah Branch	Qassim	1128019513
Al Kharj Branch (new)	Al Kharj	1011024139
Woroud (closed)	Riyadh	1010065245
Workshop		
Workshop Center	Riyadh	1010293034

On 23 Safar 1438H (corresponding to November 23, 2016), the Company has signed an agreement ("Agreement") to purchase the whole partners' shares in Medscan Terminal Company Ltd. ("Medscan"), which represent all the assets and liabilities of Medscan as well as transforming the brand name, logo and other intellectual property elements belonging to Medscan as of the agreement date, which is the date of the transfer of effective control to the Company ("Acquisition Date"), in exchange for consideration of Saudi Riyals 37 million. The Company has paid the full amount on the agreement date. The legal procedures related to the acquisition have been completed during the quarter ended December 31, 2016.

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The Company has initially registered Medscan assets and liabilities at book value as of November 23, 2016 which resulted in a goodwill of Saudi Riyals 25.4 million, representing the excess of purchase consideration over the initial book value of the acquired net assets, amounting to Saudi Riyals 11.6 million. The Company will have to make a valuation of the fair values of the assets and liabilities transferred within one year from the Acquisition Date but no later than November 23, 2017 and will adjust the initial values of assets, liabilities and goodwill recognized in the consolidated financial statements retroactively to reflect the new information that will be obtained upon the completion of the valuation process in light of the facts and circumstances that existed at the Acquisition Date. This process was not completed as of June 30, 2017. According to the terms of the agreement, the Company bears the costs related to the acquisition process.

The following is a summary of the values that were initially recognized for the acquired Company on November 23, 2016 (date of acquisition) for each major category of assets and liabilities:

	<u>Saudi Riyals</u>
Current assets:	
Cash and cash equivalents	5,586,939
Accounts receivable, net	4,301,472
Prepayments and other assets	627,929
	<u>10,516,340</u>
Non-current assets:	
Property and equipment, net	3,289,981
Total assets	<u>13,806,321</u>
Current liabilities:	
Accounts payable	516,165
Due expenses and other liabilities	530,067
Provision for employee termination benefits	1,161,453
Total liabilities	<u>2,207,685</u>
Acquired net assets	<u>11,598,636</u>
Investment consideration	37,000,000
Goodwill	<u>25,401,364</u>

The Board of Directors approved the issuance of the condensed consolidated interim financial information on 4 Dhul Al Qa'dah 1438H (corresponding to July 27, 2017).

2 Significant changes in the current reporting period

On April 20, 2017 the Company moved to the new Headquarter Building which is located in Riyadh City. No other major events noted since December 31, 2016 beside the opening of two new branches in AlKharj and Riyadh (King Abdullah) and closing one branch in Riyadh (Woroud) (See Note 1).

At June 30, 2017, the total number of stores operated by the Company in the Kingdom of Saudi Arabia were 25 leased stores and 2 franchise stores, (December 31, 2016: 24 leased stores and 2 franchise stores).

2.1 Basis of preparation

i. Statement of compliance and consolidation of interim financial statements

This condensed consolidated interim financial statements of the Company has been prepared in accordance with IAS 34 "Interim Financial Reporting" and IFRS 1 "First time adoption of International Financial Reporting Standards" as endorsed in the Kingdom of Saudi Arabia.

For all periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with Saudi generally accepted accounting standards as issued by the Saudi Organization of Certified Public Accountants ("SOCPA") ("previous GAAP"). The Group will prepare its first annual consolidated financial statements for the year ending December 31, 2017 in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. These condensed consolidated interim financial statements for the six-month period ended June 30, 2017 and the condensed consolidated interim financial statements for the three-month period ended March 31, 2017 are the first general purpose condensed consolidated interim financial statements the Group has prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements.

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Notes to the condensed consolidated interim financial statements

For the six-month period ended June 30, 2017

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IAS 34 states that the condensed interim financial statements are intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in the interim financial statements than IFRSs requires in annual financial statements. However, since the Group's latest annual financial statements were prepared using previous GAAP, these (first) condensed consolidated interim financial statements includes some additional disclosures to enable the users to understand how the transition to IFRSs have affected previously reported amounts (see Note 4).

The condensed consolidated interim financial statements have been prepared under historical cost convention as modified for the available for sale investment at fair value and by using the actuarial basis for end of service benefits, on the accrual basis of accounting.

ii. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory as of December 31, 2017 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 Financial instruments - IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory for the periods beginning on or after 1 January 2018. The Group does not expect the new guidance to have a significant impact on the classification and measurement or any other impact for impairment or hedging of its financial assets.

IFRS 15 Revenue from contracts with customers - The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

IFRS 16 Leases - IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As of the reporting date, the Group has non-cancellable operating lease commitments of SR 705 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

iii. Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests, if any, in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, and balance sheet, respectively.

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When the Group ceases to consolidate because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit and loss.

3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its condensed consolidated interim financial statements:

3.1 Foreign currency translation

(a) Reporting currency

The condensed consolidated interim financial statements of the Group are presented in Saudi Riyals ("SR") which is the reporting currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the six-month period ended June 30, 2017 and 2016, are recognized in the profit and loss.

3.2 Significant accounting judgements, estimates and assumptions

The preparation of the condensed consolidated interim statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical estimates are disclosed below:

(a) Slow moving inventory items and shortages

Losses for inventory items is determined and guided by the Group's policy and other factors affecting the obsolescence of inventory items. An evaluation of inventories, designed to identify potential losses, is performed by the management on regular intervals. Management uses estimates based on the best available facts and circumstances including, but not limited to, evaluation of individual inventory items' age and obsolescence and its expected utilization and consumption in future. The amount and timing of recorded expenses for any period would therefore differ based on the estimates made.

(b) Expected decline in the value of intangible assets

Annually, the Group evaluate whether there is a decline in the value of the intangible assets in accordance with the accounting policies of the Group. The recoverable amounts are updated from cash-generating units based on the value in use for the purpose of this calculation, the use of estimates is required.

(c) Loyalty program for customers

The Group offers loyalty program for the customers which offers advantages to the customers in the form of reward points that can be used during a period of one year from the date when they are earned against future purchases. The Group calculates the earned rewards balance as part of the sales process throughout which these reward points have been earned and account for their fair value under accrued and other current liabilities in the interim consolidated balance sheet.

The fair value of the balance of reward point is determined using estimation methods that take into account the fair value of the benefits that would be received from utilizing the reward points minus the reward points balance that are expected to expire. The fair value adjustments to this provision are recorded under revenues in the profit or loss.

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**Notes to the condensed consolidated interim financial statements
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(All amounts in Saudi Riyals unless otherwise stated)**

The critical judgments are disclosed below:

The Group management uses judgement in determining the fair value of its available for sale investment based on the best available facts and circumstances.

3.3 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief executive officer of the Group, being the chief operating decision-maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete condensed consolidated interim financial statements are available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer of the Company (Note 10).

3.4 Fair value measurement

The Group measures available for sales investment, at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial statements are categorized within the fair value hierarchy which is described in Note 9.

3.5 Revenue recognition

Revenue is recognised for the major business activities using the methods outlined below:

Sale of goods

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 received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group provides normal warranty provisions for general repairs for two years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold.

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Notes to the condensed consolidated interim financial statements

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The Group operates a loyalty points program, "My Rewards" which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for free products, subject to a minimum number of points being obtained. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 12 months after the initial sale.

Rendering of services

Revenue from the installation and service are recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

3.6 Available for sale investment

Available for sale ("AFS") financial investments include equity and debt securities. Equity investments classified as available-for-sale are those neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI in the fair value reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in the profit and loss, or the investment is determined to be impaired, at which time, the cumulative loss is reclassified to the profit and loss and removed from the fair value reserve. Interest income, if any, on available-for-sale debt securities is calculated using the effective interest rate and is recognised in profit and loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

For a financial asset reclassified out of the AFS category, if any, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in shareholders' equity is amortised to the profit and loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in the shareholders' equity is reclassified to the statement of profit or loss.

3.7 Leases

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

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the 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 a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the profit and loss.

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

3.8 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business

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- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the profit and loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the profit and loss.

3.9 Impairment of assets

Intangible assets (including goodwill) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.10 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

3.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- loans and receivables,
- available-for-sale financial assets.

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The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the profit and loss as gains and losses from investment securities.

Dividends on available-for-sale equity instruments are recognised in the profit and loss when the Group's right to receive payments is established.

(iii) Measurement

Available-for-sale investment are carried at fair value. Gains or losses arising from changes in the fair value are recognized in other comprehensive income.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss.

Assets classified as available-for-sale

If there is an objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss – is removed from shareholders' equity and recognised in the profit and loss.

Impairment losses on equity instruments that were recognised in the profit and loss are not reversed through the profit and loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss, the impairment loss is reversed through the profit and loss.

(vi) Revenue recognition

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

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3.12 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, if any, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

3.13 Accounts receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the profit and loss and reported under "general and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "general and administrative expenses" in the profit and loss.

3.14 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

3.15 Property and equipment

Property and equipment are carried at cost less accumulated depreciation except projects in progress which are carried at cost. Depreciation is charged to the statement of comprehensive income, using straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Buildings	20
• Furniture and fixtures	2.5 - 20
• Computer hardware	2 - 4
• Vehicles	4
• Tools and equipment	4 - 7

Leasehold improvements are being amortized on the straight-line basis over the shorter of useful life or lease period.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit and loss.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the profit and loss as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

3.16 Intangible assets

(i) Goodwill

Goodwill is measured on acquisitions of subsidiaries, and is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 2).

(ii) Licences

Separately acquired software licences are shown at historical cost., licenses acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses, amortization is charged to the statement of

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comprehensive income, using straight-line method, to allocate the costs of the related assets to their residual values using estimated useful lives from 2 to 7 years.

3.17 Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.19 Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat is calculated based on higher of approximate zakat base and adjusted profit and is charged to profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Zakat expense is recognized in each interim period based on the best estimate of the annual zakat charge expected for the full financial year. Amounts accrued for zakat expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual charge changes.

3.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.21 Employee benefits

(a) Provision for end-of-service benefit

The level of benefit provided is based on the length of service and earnings of the person entitled, and computed in accordance with the rules stated under the Saudi Arabian Labor and Workmen Law.

The liability for of end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuations being conducted at end of annual reporting periods. The related liability recognized in the condensed consolidated interim statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

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The discount rate applied in arriving at the present value of the end of service benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits costs are categorized as follows:

- (i) current service cost (increase in the present value of end of service benefits obligation resulting from employee service in the current period)
- (ii) interest expense (calculated by applying the discount rate at the beginning of the period to the end of service benefits liability); and
- (iii) remeasurement.

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the profit and loss as the related compensation cost.

Remeasurement, comprising actuarial gains and losses, is recognized in full in the period in which they occur, in other comprehensive income without recycling to the profit and loss in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in retained earnings.

(b) Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus 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.

3.22 Earnings per share

The Group presents basic, and diluted (if any), earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing net income of the Group by the weighted average number of common shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS, if any, is determined by adjusting the net income and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

3.23 Cost and Expenses

3.23.1 Cost of revenues

Represents the cost of sales incurred during the year and include the costs of goods ready for sale, direct labor and other overheads related to the sales and other revenues recognized.

3.23.2 Selling and marketing expenses

Represent expenses resulting from the Group's management efforts with regard to the marketing function or the selling and marketing function. Selling and marketing expenses include direct and indirect costs not specifically part of the cost of revenue. Allocations between selling and marketing expenses and cost of revenue, when required, are made on a consistent basis.

3.23.3 General and administrative expenses

Represent expenses relating to the administration and not to the selling or marketing and distribution functions. General and administrative expenses include direct and indirect costs not specifically part of cost of revenues, Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

3.24 Dividends

Dividends are recorded in the condensed consolidated interim financial statements in the period in which they are approved.

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4 First-time adoption of IFRS

These financial statements, for the six-month period ended June 30, 2017 were prepared in accordance with IFRS and the first annual IFRS financial statements for the Group will be at December 31, 2017. For periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with generally accepted accounting standards issued by SOCPA. Accordingly, the Group has prepared financial statements that comply with IFRS applicable as of June 30, 2017, together with the comparative periods for the year ended December 31, 2016, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was also prepared as of January 1, 2016, the Group's date of transition to IFRS.

This note explains the principal adjustments made by the Group in restating its Saudi GAAP consolidated statement of financial position as at December 31, 2016, June 30, 2016 and January 1, 2016 and the consolidated statements of comprehensive income for the year ended December 31, 2016 and six-month period ended June 30, 2016.

IFRS 1 allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under IFRS. The Group has not applied any of those optional exemptions.

Estimates

The estimates at January 1, 2016 and at December 31, 2016 are consistent with those made for the same dates in accordance with Saudi GAAP (after adjustments to reflect any differences in accounting policies).

Group reconciliation of shareholders' equity as of January 1, 2016 (date of transition to IFRS)

	Note	Saudi GAAP as at January 1, 2016 (audited)	Remeasurements	IFRS as at January 1, 2016 (unaudited)
Current assets				
Cash and cash equivalents		24,418,192	-	24,418,192
Accounts receivable		17,464,270	-	17,464,270
Inventories, net		577,810,448	-	577,810,448
Prepayments and other receivables		65,230,553	-	65,230,553
		<u>684,923,463</u>	<u>-</u>	<u>684,923,463</u>
Non-current assets				
Available for sale investment	4.2	8,260,453	1,401,700	9,662,153
Property and equipment		146,948,606	-	146,948,606
Intangible assets		23,100,916	-	23,100,916
Pre-operating expenses	4.3	6,995,797	(6,995,797)	-
		<u>185,305,772</u>	<u>(5,594,097)</u>	<u>179,711,675</u>
Total assets		<u>870,229,235</u>	<u>(5,594,097)</u>	<u>864,635,138</u>
Liabilities				
Current liabilities				
Short-term borrowings and bank overdrafts		120,194,796	-	120,194,796
Current maturity of medium-term borrowings		63,738,135	-	63,738,135
Accounts payable		90,819,337	-	90,819,337
Accrued and other liabilities		88,549,921	-	88,549,921
Accrued zakat		9,481,187	-	9,481,187
		<u>372,783,376</u>	<u>-</u>	<u>372,783,376</u>
Non-current liabilities				
Medium-term borrowings		12,858,973	-	12,858,973
Employee termination benefits	4.1	28,153,468	1,209,348	29,362,816
		<u>41,012,441</u>	<u>1,209,348</u>	<u>42,221,789</u>
Total liabilities		<u>413,795,817</u>	<u>1,209,348</u>	<u>415,005,165</u>
Shareholders' equity				
Share capital		240,000,000	-	240,000,000
Statutory reserve		31,612,067	-	31,612,067
Retained earnings	4.5	184,821,351	(8,205,145)	176,616,206
Fair value reserve	4.2	-	1,401,700	1,401,700
Total shareholders' equity		<u>456,433,418</u>	<u>(6,803,445)</u>	<u>449,629,973</u>
Total liabilities and shareholders' equity		<u>870,229,235</u>	<u>(5,594,097)</u>	<u>864,635,138</u>

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Group reconciliation of shareholders equity as at June 30, 2016

	Note	Saudi GAAP as at June 30, 2016 (audited)	Remeasurements	IFRS as at June 30, 2016 (unaudited)
Current assets				
Cash and cash equivalents		27,707,173	-	27,707,173
Accounts receivable		9,171,581	-	9,171,581
Inventories, net		526,986,413	-	526,986,413
Prepayments and other receivables		62,896,399	-	62,896,399
		<u>626,761,566</u>	<u>-</u>	<u>626,761,566</u>
Non-current assets				
Available for sale investment	4.2	8,260,452	1,401,700	9,662,152
Property and equipment*		196,087,670	(22,948,390)	173,139,280
Intangible assets*		-	22,948,390	22,948,390
Pre-operating expenses	4.3	5,507,513	(5,507,513)	-
		<u>209,855,635</u>	<u>(4,105,813)</u>	<u>205,749,822</u>
Total assets		<u>836,617,201</u>	<u>(4,105,813)</u>	<u>832,511,388</u>
Liabilities				
Current liabilities				
Short-term borrowings and bank overdrafts		67,988,762	-	67,988,762
Current maturity of medium-term borrowings		33,008,694	-	33,008,694
Accounts payable		112,746,763	-	112,746,763
Accrued and other liabilities		79,513,185	-	79,513,185
Accrued zakat		5,265,468	-	5,265,468
Dividend payables		64,359	-	64,359
		<u>298,587,231</u>	<u>-</u>	<u>298,587,231</u>
Non-current liabilities				
Medium-term borrowings		23,151,987	-	23,151,987
Employee termination benefits	4.1	30,028,772	1,341,876	31,370,648
		<u>53,180,759</u>	<u>1,341,876</u>	<u>54,522,635</u>
Total liabilities		<u>351,767,990</u>	<u>1,341,876</u>	<u>353,109,866</u>
Shareholders' equity				
Share capital		240,000,000	-	240,000,000
Statutory reserve		38,053,647	-	38,053,647
Retained earnings	4.5	206,795,564	(6,849,389)	199,946,175
Fair value reserve	4.2	-	1,401,700	1,401,700
Total shareholders' equity		<u>484,849,211</u>	<u>(5,447,689)</u>	<u>479,401,522</u>
Total liabilities and shareholders' equity		<u>836,617,201</u>	<u>(4,105,813)</u>	<u>832,511,388</u>

* Reclassification for software licenses to intangible assets from property and equipment.

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Group reconciliation of shareholders' equity as of December 31, 2016

	Note	Saudi GAAP as at December 31, 2016 (audited)	Remeasurements	IFRS as at December 31, 2016(audited)
Current assets				
Cash and cash equivalents		54,535,375	-	54,535,375
Accounts receivable		20,382,130	-	20,382,130
Inventories, net		513,283,736	-	513,283,736
Prepayments and other receivables		56,644,760	-	56,644,760
		<u>644,846,001</u>	-	<u>644,846,001</u>
Non-current assets				
Available for sale investment	4.2	8,260,453	1,401,700	9,662,153
Property and equipment		190,084,651	-	190,084,651
Intangible assets		46,605,594	-	46,605,594
Pre-operating expenses	4.3	4,003,973	(4,003,973)	-
		<u>248,954,671</u>	<u>(2,602,273)</u>	<u>246,352,398</u>
Total assets		<u>893,800,672</u>	<u>(2,602,273)</u>	<u>891,198,399</u>
Liabilities				
Current liabilities				
Short-term borrowings and bank overdrafts		10,211,807	-	10,211,807
Current maturity of medium-term borrowings		15,946,194	-	15,946,194
Accounts payable		124,516,009	-	124,516,009
Accrued and other liabilities		103,214,562	-	103,214,562
Accrued dividends		36,062,314	-	36,062,314
Accrued zakat		10,956,342	-	10,956,342
		<u>300,907,228</u>	-	<u>300,907,228</u>
Non-current liabilities				
Medium-term borrowings		49,662,779	-	49,662,779
Employee termination benefits	4.1	32,621,750	1,405,999	34,027,749
		<u>82,284,529</u>	<u>1,405,999</u>	<u>83,690,528</u>
Total liabilities		<u>383,191,757</u>	<u>1,405,999</u>	<u>384,597,756</u>
Shareholders' equity				
Share capital		240,000,000	-	240,000,000
Statutory reserve		44,211,519	-	44,211,519
Retained earnings	4.5	226,397,396	(5,409,972)	220,987,424
Fair value reserve	4.2	-	1,401,700	1,401,700
Total shareholders' equity		<u>510,608,915</u>	<u>(4,008,272)</u>	<u>506,600,643</u>
Total liabilities and shareholders' equity		<u>893,800,672</u>	<u>(2,602,273)</u>	<u>891,198,399</u>

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Group reconciliation of total comprehensive income for the six-month period ended June 30, 2016

		Saudi GAAP for the six-month period ended June 30, 2016		IFRS for the six- month period ended June 30, 2016
	Note	(unaudited)	Remeasurements	(unaudited)
Revenues		654,701,307	-	65,4701,307
Cost of revenues	4.4	(523,717,485)	1,355,313	(522,362,172)
Gross profit		130,983,822	1,355,313	132,339,135
Operating expenses				
Selling, marketing, general and administrative expenses		(60,677,910)	443	(60,677,467)
Profit from operations		70,305,912	1,355,756	71,661,668
Other income				
Financial charges		(3,132,393)	-	(3,132,393)
Other income		1,624,342	-	1,624,342
Profit before zakat		68,797,861	1,355,756	70,153,617
Zakat		(4,382,068)	-	(4,382,068)
Net profit for the period		64,415,793	1,355,756	65,771,549

Group reconciliation of total consolidated statement of comprehensive income for the year ended December 31, 2016

		Saudi GAAP for the year ended December 31, 2016		IFRS for the year ended December 31, 2016
	Note	(unaudited)	Remeasurements	(unaudited)
Revenues		1,324,090,069	-	1,324,090,069
Cost of revenues	4.4	(1,066,267,691)	2,774,009	(1,063,493,682)
Gross profit		257,822,378	2,774,009	260,596,387
Operating expenses				
Selling, marketing, general and administrative expenses		(118,723,412)	21,169	(118,702,243)
Profit from operations		139,098,966	2,795,178	141,894,144
Other income				
Financial charges		(5,080,352)	-	(5,080,352)
Other income		2,356,324	-	2,356,324
Profit before zakat		136,374,938	2,795,178	139,170,116
Zakat		(10,199,442)	-	(10,199,442)
Net profit for the year		126,175,496	2,795,178	128,970,674

Note to the reconciliation of shareholders' equity as of January 1, 2016 and December 31, 2016, and total comprehensive income for the six-month period ended June 30, 2016 and the year ended December 31, 2016

4.1 Defined benefit obligation

Under Saudi GAAP, the Group recognised costs related to its end of service benefit plan based on the relevant labour laws. Under IFRS, end of service benefit liabilities are recognised on an actuarial basis. The end of service benefit liability has been recognised in full against retained earnings.

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4.2 Available-for-sale financial assets

Under Saudi GAAP, the Group accounted for its investment in unquoted equity shares as financial instruments measured at cost being the fair value in the absence of reliable market value. Under IFRS, the Group has designated such investment as AFS financial assets. IFRS requires AFS financial assets to be measured at fair value. At the date of transition to IFRS, the fair value of these assets is SR 9.6 million and their previous Saudi GAAP carrying amount was SR 8.2 million. The SR 1.4 million difference between the instrument fair value and Saudi GAAP carrying amount has been recognised as a separate component of shareholders' equity, in the fair value reserve.

4.3 Pre-operating expenses

Under Saudi GAAP, the Group capitalised the cost of incorporation of a new branch and used to amortize it on a straight-line basis over five years. Under IFRS, such cost does not qualify for recognition as an asset and therefore has been derecognised against retained earnings.

4.4 Cost of revenues

		For the six-month period ended June 30, 2016	For the year ended December 31, 2016
	Note	(unaudited)	(unaudited)
Opening balance		523,717,485	1,066,267,691
Restatements:			
Employee termination benefits	4.1	132,974	217,820
Pre-operating expense	4.3	(1,488,287)	(2,991,829)
Ending balance		522,362,172	1,063,493,682

4.5 Retained earnings

		For the six-month period ended June 30, 2016	For the year ended December 31, 2016	For the year ended December 31, 2015
	Note	(unaudited)	(unaudited)	(unaudited)
Opening balance		206,795,564	226,397,396	184,821,351
Restatements:				
Employee termination benefits	4.1	(1,341,876)	(1,405,999)	(1,209,348)
Pre-operating expense	4.3	(5,507,513)	(4,003,973)	(6,995,797)
Ending balance		199,946,175	220,987,424	176,616,206

5 Bank facilities

The Company has total bank credit facilities of Saudi Riyals 390 million obtained from several local banks. These facilities include short and medium-term loans, overdraft account, letters of credit, letters of guarantee and securities pay bills for the purpose of working capital, investments and capital expenditure financing. These facilities, which are in the form of Murabaha and Tawarraq financing, bear financial charges at prevailing market rates based on Saudi Inter-bank Offer Rate ("SIBOR") and Riyadh Inter-bank Offer Rate ("RIBOR"). These credit facility agreements require pledges commitment and compliance to certain restrictions relating to maintaining certain financial ratios and restrictions on dividends and other restrictions that the Company was in compliance with as of June 30, 2017. As of June 30, 2017, these facilities include a loan facility amounting to SR 25 million to build the Head Office. The building was finalized during the current period ended June 30, 2017, and its total costs amounted to SR 17.7 million. The unused portion of these facilities amounted to Saudi Riyals 166 million as of June 30, 2017.

6 Employee termination benefits

Provision for employee termination benefits is made in accordance with the relevant labour laws assuming the maximum payable based on current remuneration and cumulative years of service at the end of the reporting period.

The following tables summarise the components of net benefit expense recognised in the interim consolidated statement of comprehensive income:

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	For the six-month period ended June 30,	
	2017	2016
Opening balance	34,027,749	29,362,816
Statement of profit and loss		
Service cost attributable to the current and past periods	4,016,852	3,596,161
Statement of comprehensive income		
Actuarial gains and losses	-	-
End of service paid during the period	(1,818,846)	(1,588,325)
Ending balance	36,225,755	31,370,652

The principal assumptions used in determining the provision for end of service benefit obligations are shown below:

	June 30, 2017	December 31, 2016
Discount rate per annum compound	4%	4%
Salary increase rate per annum compound	5%	5%
Staff and workers	2,301	2,279

7 Statutory reserve

In accordance with the old Regulations for Companies in the Kingdom of Saudi Arabia and its By-laws, the Company transfers 10% of the net profit for the year to a statutory reserve until such reserve equals 50% of its share capital. This reserve is currently not available for distribution to the shareholders of the Company. On May 6, 2016, the required percentage of the new provisions of the Regulations of Companies has been changed to 30%. The Company has not yet amended its By-laws to the new percentage.

8 Commitments

- (i) As of June 30, 2017, the Group has letters of credit, documentary letters of SR 158.6 million (December 31, 2016: SR 104.8 million). The capital commitments related to ongoing activities of the Company's various exhibitions, amounted to SR 14 million as of June 30, 2017 (December 31, 2016: SR 30.2 million).
- (ii) As of June 30, 2017, the Group has future lease commitments under operating leases of SR 705 million (December 31, 2016: SR 740.9 million).
- (iii) The Company is subject to litigation in the normal course of its business, the Company does not believe that the outcome of these court cases will have impact on the Company results or financial position.

9 Fair value measurement of financial instruments

This note provides an update on the estimates made by the Group in determining the fair values of the financial instruments since the last annual financial statements dated December 31, 2016.

Fair value hierarchy

The following table presents the Group's financial assets measured and recognised at fair value at June 30, 2017 and December 31, 2016 on a recurring basis:

At June 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investment	-	-	9,662,153	9,662,153
Total assets	-	-	9,662,153	9,662,153
At December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investments	-	-	9,662,153	9,662,153
Total assets	-	-	9,662,153	9,662,153

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The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as of June 30, 2017.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

10 Segment information

The Group has two major operating segments namely, sales services and logistic services. The Group's Chief Executive Officer reviews the internal management reports of each segment at least quarterly for the purpose of resources allocation and assessment of performance, operating segments are organized based on factors including distribution method, targeted customers and geographic location.

The segment information provided to the strategic steering committee for the operating segment for the periods ended June 30, 2017 and 2016 and as of June 30, 2017 and December 31, 2016.

	Sales and services	Logistic services	Total
For June 30, 2017:			
Revenues			
Total segment revenues	697,331,089	8,074,673	705,405,762
Inter-segment revenues	-	(2,795,193)	(2,795,193)
Revenue from external customers	697,331,089	5,279,480	702,610,569
Profit from operations	74,770,088	2,138,777	76,908,865
Financial charges	(2,716,602)	-	(2,716,602)
Other income	1,396,959	-	1,396,959
Profit before zakat	73,450,445	2,138,777	75,589,222
Zakat	(4,468,792)	-	(4,468,792)
Net profit for the period	68,981,653	2,138,777	71,120,430
For June 30, 2016:			
Revenues			
Total segment revenues	654,701,307	-	654,701,307
Inter-segment revenues	-	-	-
Revenue from external customers	654,701,307	-	654,701,307
Profit from operations	71,661,668	-	71,661,668
Financial charges	(3,132,393)	-	(3,132,393)
Other income	1,624,342	-	1,624,342
Profit before zakat	70,153,617	-	70,153,617
Zakat	(4,382,068)	-	(4,382,068)
Net profit for the period	65,771,549	-	65,771,549
Total segment assets			
June 30, 2017	940,954,735	17,228,767	958,183,502
December 31, 2016	877,300,337	13,898,062	891,198,399
Total segment liabilities			
June 30, 2017	377,278,892	3,183,537	380,462,429
December 31, 2016	382,479,302	2,118,454	384,597,756

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11 Subsequent events

The Board of Directors recommended in their meeting held on July 26, 2017, a cash dividend distribution to the Company's shareholders by Saudi Riyals 42 million, which represents Saudi Riyals 1.75 per share for the first half of 2017.