

**SAUDI COMPANY FOR HARDWARE SACO
AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim
Financial Statements (Unaudited)**
together with the
Independent Auditor's Limited Review Report
For the three-month and nine-month periods ended 30 September 2023

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements (unaudited)

Together with the independent auditor's limited review report

For the three-month and nine-month periods ended 30 September 2023

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KPMG Professional services

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Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report on the review of the condensed consolidated interim financial statements

To the Shareholders of Saudi Company for Hardware SACO

Introduction

We have reviewed the accompanying 30 September 2023 condensed consolidated interim financial statements of **Saudi Company for Hardware SACO** ("the Company") and its subsidiary ("the Group") which comprises:

- The condensed consolidated interim statement of financial position as at 30 September 2023,
- The condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine - month periods ended 30 September 2023,
- The condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2023,
- The condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2023, and
- The notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR 40,000,000. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Independent auditor's report on the review of the condensed consolidated interim financial statements (continued)

To the Shareholders of Saudi Company for Hardware SACO

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 condensed consolidated interim financial statements of Saudi Company for Hardware SACO and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services



Hani Hamzah A. Bedairi
License No: 460



Date: 28 Rabi al-Thani 1445 H
Corresponding to: 12 November 2023

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi Joint Stock Company)

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2023

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Non-current assets			
Right of use assets, net	5	261,764,025	343,906,518
Property and equipment, net	6	332,243,685	364,120,834
Intangible assets, net	7	72,786,976	80,126,699
Investments at fair value through other comprehensive income	19,20	8,889,559	8,889,559
Due from a related party	18	-	4,503,575
Total non-current assets		675,684,245	801,547,185
Current assets			
Inventories, net	8	388,485,551	474,235,088
Accounts receivable, net	9	29,149,463	26,950,531
Prepayments and other receivables, net	10	27,797,878	25,632,574
Due from a related party	18	4,503,575	1,286,735
Cash on hand and at banks		34,171,146	24,497,449
Total current assets		484,107,613	552,602,377
Total assets		1,159,791,858	1,354,149,562
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve		24,504,713	24,504,713
(Accumulated losses) / retained earnings		(16,013,501)	28,637,003
Change in fair value reserve		629,107	629,107
Total Equity		369,120,319	413,770,823
Non-current liabilities			
Non-current portion of long-term borrowings	11	30,000,000	45,000,000
Employees end of service benefit obligation		38,053,923	39,487,347
Lease liabilities	12	283,731,641	374,565,050
Total non-current liabilities		351,785,564	459,052,397
Current liabilities			
Short term borrowings	11	-	57,752,461
Current portion of long-term borrowings	11	20,000,000	20,000,000
Accounts and notes payable		241,932,728	172,467,631
Current portion of lease liabilities	12	67,484,267	72,634,795
Accrued expenses and other liabilities	14	93,780,556	142,213,417
Zakat payable	13	15,464,841	16,034,455
Dividends payable		223,583	223,583
Total current liabilities		438,885,975	481,326,342
Total liabilities		790,671,539	940,378,739
Total equity and liabilities		1,159,791,858	1,354,149,562

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Director

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.



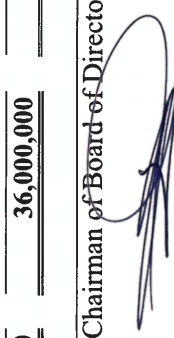
SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi Joint Stock Company)

Condensed consolidated interim Statement of profit or loss and other comprehensive income (Unaudited)

For the three-month and nine-month periods ended 30 September 2023

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 30 September		For the Nine-month period ended 30 September	
		2023	2022	2023	2022
Revenue	21	219,442,515	254,131,797	691,143,028	824,636,049
Cost of revenue		(193,327,166)	(250,432,298)	(609,467,530)	(733,292,933)
Gross profit		26,115,349	3,699,499	81,675,498	91,343,116
Selling and marketing expenses		(3,804,748)	(6,846,404)	(13,874,368)	(24,747,765)
General and administrative expenses (Expected) / reversed credit losses	9	(29,983,522)	(35,071,362)	(91,685,402)	(108,155,504)
		(209,557)	(168,809)	(791,006)	2,746,111
Operating loss		(7,882,478)	(38,387,076)	(24,675,278)	(38,814,042)
Other income, net		3,153,184	3,890,285	6,852,664	7,484,376
Finance cost		(6,001,468)	(8,113,158)	(20,084,709)	(24,175,942)
Loss before zakat		(10,730,762)	(42,609,949)	(37,907,323)	(55,505,608)
Zakat	13	(1,465,641)	(3,262,320)	(6,743,181)	(9,786,960)
Net loss for the period		(12,196,403)	(45,872,269)	(44,650,504)	(65,292,568)
Other comprehensive income		-	-	-	-
Items that will not be reclassified subsequently to profit or loss		-	(1,433,253)	-	(1,433,253)
Remeasurement of employees end of service benefit obligation	19,20	-	(1,433,253)	-	(1,433,253)
Net changes in the fair value of investments carried at FVTOCI		(12,196,403)	(47,305,522)	(44,650,504)	(66,725,821)
Total comprehensive loss for the period		(12,196,403)	(47,305,522)	(44,650,504)	(66,725,821)
Loss per share (SR)		(0.34)	(1.27)	(1.24)	(1.81)
Basic and diluted loss per share attributable to the equity shareholders of the Company	17	(0.34)	(1.27)	(1.24)	(1.81)
Weighted average number of shares	17	36,000,000	36,000,000	36,000,000	36,000,000
Chief Financial Officer					
Chief Executive Officer					
Chairman of Board of Director					

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

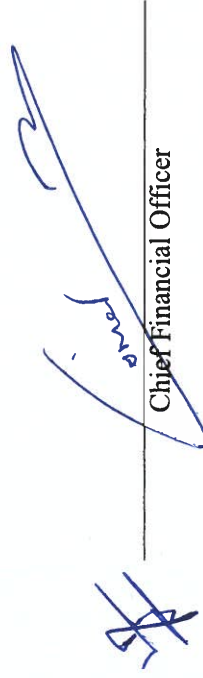
(A Saudi joint stock company)

Condensed consolidated interim statement of changes in equity

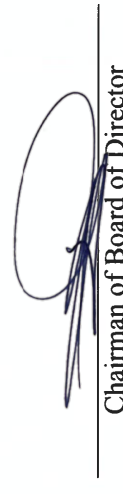
For the nine-month period ended 30 September 2023

(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Accumulated losses) / retained earnings	Change in fair value reserve	Total
Balance at 1 January 2022 (audited)	360,000,000	24,504,713	169,619,773	2,062,360	556,186,846
Net loss for the period	-	-	(65,292,568)	-	(65,292,568)
Other comprehensive income for the period	-	-	-	(1,433,253)	(1,433,253)
Total comprehensive loss	-	-	(65,292,568)	(1,433,253)	(66,725,821)
Balance at 30 September 2022 (unaudited)	360,000,000	24,504,713	104,327,205	629,107	489,461,025
Balance at 1 January 2023 (audited)	360,000,000	24,504,713	28,637,003	629,107	413,770,823
Net loss for the period	-	-	(44,650,504)	-	(44,650,504)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss	-	-	(44,650,504)	-	(44,650,504)
Balance at 30 September 2023 (unaudited)	360,000,000	24,504,713	(16,013,501)	629,107	369,120,319


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Director

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi joint stock company)

Condensed consolidated interim statement of cash flows (Unaudited)**For the nine-month period ended 30 September 2023**

(All amounts are in Saudi Riyals unless otherwise stated)

		For the nine-month period ended 30 September	
	Note	2023	2022
Cash flows from operating activities			
Loss before zakat		(37,907,323)	(55,505,608)
Adjustments to reconcile loss before zakat to net cash flows:			
Depreciation of right-of-use assets	5	43,676,030	50,918,547
Depreciation and amortization	6,7	37,661,252	38,473,458
Loss on disposal of property and equipment and intangible assets		5,988,636	736,031
(Reversal) /allowance of provision for slow moving inventory and inventory shortages	8	(44,324,670)	6,625,907
Loss from shrinkage and inventory shortages		33,008,176	5,488,303
Expected credit losses	9	791,006	(2,746,111)
Lease concession – IFRS 16		-	(2,292,125)
Interest on lease liabilities	12	14,938,343	20,415,847
Gain on lease modification		(13,950,823)	(926,644)
Interest on borrowings and bank charges		5,146,366	3,760,094
Provision for employees end of service benefit obligations		5,074,309	6,720,930
Changes in working capital:			
Inventory, net		97,066,031	83,103,325
Prepayments and other receivables, net		(2,165,304)	3,163,669
Accounts receivable, net		(2,989,938)	11,261,595
Accounts and notes payable		69,465,097	(14,387,230)
Accrued expenses and other liabilities		(50,944,513)	(32,423,990)
Due from a related party, net		1,286,735	643,370
Cash generated from operations		161,819,410	123,029,368
Zakat paid		(7,312,795)	(10,213,930)
Finance cost paid		(4,894,152)	(2,954,235)
Employees end of service benefit obligation paid		(6,507,733)	(4,072,900)
Net cash flows from operating activities		143,104,730	105,788,303
Cash flows from investing activities			
Purchase for property and equipment		(6,331,133)	(34,450,094)
Proceeds from disposal of property and equipment		2,421,365	1,993,514
Purchase for intangible assets		(523,248)	(26,539,020)
The net cash flows used in investing activities		(4,433,016)	(58,995,600)
Cash flows from financing activities			
Change in short-term borrowings, net		(57,752,461)	24,414,860
Repayments of long-term borrowings		(15,000,000)	(9,826,123)
Payment of lease liabilities		(56,245,556)	(58,270,770)
Dividends paid		-	(173)
Net cash flows used in financing activities		(128,998,017)	(43,682,206)
Net change in cash on hand and at banks		9,673,697	3,110,497
Cash on hand and at banks at the beginning of the period		24,497,449	15,494,689
Cash on hand and at banks at the end of the period		34,171,146	18,605,186

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi joint stock company)

Condensed consolidated interim statement of cash flows (Unaudited)**For the nine-month period ended 30 September 2023**

(All amounts are in Saudi Riyals unless otherwise stated)

Significant non-cash transactions:

	Note	For the nine-month period ended 30 September	
		2023	2022
Additions on lease liabilities		600,000	5,938,728
Additions on right-of-use assets		-	(5,938,728)
Reclassification from intangible assets to right-of-use assets		-	(702,357)
Lease liability due not yet paid	14	(2,259,438)	-
Disposal of lease liabilities	12	(43,332,289)	(139,680,894)
Disposal of right-of-use assets	5	(52,136,800)	132,382,271
Reassessment of lease liabilities	12	-	102,999,435
Reassessment of right-of-use assets	5	-	(102,999,435)
Disposal of capital work in progress	6	-	12,433,215
Charged to a related party		-	6,433,675
Net changes in the fair value of investments carried at FVTOCI		-	(1,433,253)



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors



The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi joint stock company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the nine-month period ended 30 September 2023

(All amounts are in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Saudi Company for Hardware (the "Company") is a Saudi joint stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010056595 issued in Riyadh on 26 Safar 1405H (corresponding to 19 November 1984). The Capital Market Authority (the "CMA") announced on 5 Jumada al-Akhirah 1436H (corresponding to 25 March 2015) the CMA's board decision to approve the launch of 7,200,000 shares in the Company's initial public offering which represents 30% of the total shares of the Company's 24,000,000 shares. The Company's shares were listed in the Saudi Stock Market ("Tadawul") on 23 Rajab 1436H (corresponding to 12 May 2015).

As of 30 September 2023, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (31 December 2022: SR 360 million divided into 36 million shares of SR 10 each).

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 registered address of the Company is P.O. Box 86387, Riyadh 11622, Kingdom of Saudi Arabia.

The accompanying condensed consolidated interim financial statements include the financial statements of the Company and its 32 leased stores (31 December 2022: 33 stores and 30 September 2022: 34 stores) located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk and the following subsidiary:

<u>Subsidiary name</u>	<u>Country</u>	<u>Effective ownership percentage</u>		<u>Activities</u>
		30 September	31 December	
		<u>2023</u>	<u>2022</u>	
Medscan Terminal Company Limited	Kingdom of Saudi Arabia	100%	100%	Transportation and logistics

Medscan Terminal Company Limited (the "Company") is a single Shareholder limited liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2050006757 dated 6 Rabi' al-Awwal 1399H (corresponding to 3 February 1979) issued in Dammam. The address of the head office of the Company is P.O. 825, King Abdulaziz SeaPort, Dammam 31421, Kingdom of Saudi Arabia. The Company's main activities are Transportation of goods and other tasks, port handling services, trans-shipment services, and warehouse management and maintenance. Customs clearance services.

The Company and its subsidiary are referred to hereinafter as ("the Group").

2. BASICS OF PREPARATION

2.1 Statement of Compliance

These condensed consolidated interim financial statements have been prepared for Nine-month period ended in 30 September 2023 in accordance with the International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Group as at 31 December 2022 (the "last annual financial statements"). These condensed consolidated interim financial statements do not include all the information and disclosures required to prepare a complete copy of the financial statements prepared in accordance with the International Financial Reporting Standards. However, selected accounting policies and explanatory notes have been included to explain events and transactions that are material to understand the changes in the Group's financial position and performance since the last annual financial statements if any.

The results for the period are not an accurate indication of the Group's annual results.

2.2 Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost convention and accrual basis of accounting, except for the following items included in the condensed consolidated interim statement of financial position:

- Investments carried at fair value through other comprehensive income are measured at fair value.
- The employees' end of service benefit obligation is measured at the present value of the future liability using the expected unit credit method.
- Lease Liabilities are measured at the net present value of the lease payments.

2.3 Use of judgments and estimates

The preparation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and issuances endorsed by the Saudi Organization for Chartered and Professional Accountants requires management to use judgments and estimates that affect the application of accounting policies and the amounts listed of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements as of 31 December 2022.

3. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

These condensed consolidated interim financial statements are presented in Saudi Riyal, which is the Group's functional and presentation currency. All amounts are in Saudi Riyal unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards, amendments to standards and interpretations that are effective

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, except for the application of the new standards effective as of 1st of January 2023, which are explained in the Group's annual financial statements, which have no significant impact on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

A number of standards, amendments and interpretations have been issued. The new requirements were issued by the International Accounting Standards Board on 20 March 2022, and contain two tables, as follows:

New currently effective requirements: This table lists the recent changes to the Standards that are required to be applied by an entity with an annual reporting period beginning on 1 January 2023.

New currently effective requirements:

Effective date	New standards or amendments
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	IFRS 17 Insurance Contracts
	Definition of accounting estimate - amendments to IAS 8
	Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Forthcoming requirements: This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2023 and that are available for early adoption in annual periods beginning on 1 January 2023.

Effective date	New standards or amendments
1 January 2024	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	Lease Liability in a sale and Leaseback (Amendments to IFRS 16)
	Non-current Liabilities with Covenants (Amendments to IAS 1)
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – optional

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A Saudi joint stock company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the nine-month period ended 30 September 2023
(All amounts are in Saudi Riyals unless otherwise stated)

5. RIGHT OF USE ASSETS, NET

	30 September 2023			31 December 2022			
	Properties	Vehicles	Land	(Unaudited)	Properties	Vehicles	Land(*) (Audited)
Net book value							
At the beginning of the period/year	343,906,518	-	-	343,906,518	530,150,899	612,726	130,050,243
Additions	-	-	-	-	23,334,297	-	23,334,297
Disposal (**)	(52,136,800)	-	-	(52,136,800)	(39,682,680)	-	(136,416,462)
Lease modification	(8,484,997)	-	-	(8,484,997)	-	-	-
Reassessment (***)	-	-	-	-	(102,999,435)	-	(102,999,435)
Depreciation expense for the period/year	(43,676,030)	-	-	(43,676,030)	(67,767,998)	(612,726)	-
Accumulated depreciation and impairment on Disposal	22,155,334	-	-	22,155,334	20,417,260	-	6,366,219
Impairment charge for the period/year	-	-	-	-	(19,545,825)	-	(19,545,825)
Net book value							
At the end of the period/year	261,764,025	-	-	261,764,025	343,906,518	-	343,906,518

(*) The Group signed a lease contract (Dated 18 February 2020) with effective date on 2 March 2020 to lease a parcel of land in Jeddah city for a total amount of SR 194 million which consists of 22 annual unequal payments started 1 April 2020. This parcel of land was handed over to the group on 3 January 2021. This parcel of land is partially owned by Samaual Taha Bakhsh (a related party). The Group accordingly recognized a right of use asset and related lease liability to account for this lease.

In March 2022, The Group's board of directors decided to terminate the above-mentioned lease contract. Accordingly, the management signed a lease termination agreement on 15 May 2022 which resulted in a derecognition of the related right-of-use assets amounting to SR 136 million and lease liability amounting to SR 136 million.

According to the lease termination agreement, the Group is entitled to recover all costs and expenses incurred in connection with aforementioned lease contract from the lessor. As at 31 March 2022, the Group had a receivable balance of SR 6.4 million from the lessor to be received over a period of three years. (Refer to Note 6 and Note 18).

(**) During the period, a number of contract leases have been terminated and /or modified changing the payment structure to be variable which resulted in a derecognition of the related right-of-use assets amounting to SR 52.1 million and lease liability amounting to SR 43.3 million.

(***) There is no reassessment during the 9-month period ended 30 September 2023, however the Group's Real Estate Committee decided on 1st of April 2022, not to use the option for renewal for certain contracts. Accordingly, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in a decrease in the right of use assets of SR 103 million and a decrease in the lease liabilities of SR 103 million.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A Saudi joint stock company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the nine-month period ended 30 September 2023
(All amounts are in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT, NET

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Net book value at the beginning of the period/year	364,120,834	393,769,239
Additions	6,331,133	41,244,361
Disposal (*)	(8,317,864)	(18,025,587)
Depreciation for the period/year	(29,890,418)	(42,206,486)
Impairment loss for the period/year	-	(10,189,541)
Transfers to intangible assets	-	(471,152)
Net book value at the end of the period/year	332,243,685	364,120,834

* As disclosed in Note 5, the Group's board of directors decided to derecognize the previously capitalized depreciation of the right of use of land and interest expense of the lease liability related to the construction under progress of the terminated lease agreement amounting to SR 6.3 million and SR 4.5 million respectively (Refer to Note 5 and Note 18).

7. INTANGIBLE ASSETS, NET

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Goodwill	22,377,889	22,377,889
Software and licenses	50,409,087	57,748,810
	72,786,976	80,126,699

Impairment test for goodwill

The Goodwill is related to the acquisition of Medscan Terminal Company Limited. Goodwill is monitored by the Group's management at the level of only one cash-generating unit (Medscan).

The Group's management performs goodwill impairment assessment annually and when there are indicators that the carrying value of the goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on 31 December 2022 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognized for the Nine-month period ended 30 September 2023.

Movement in intangible assets is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Net book value at the beginning of the period/year	80,126,699	63,487,043
Additions	523,248	28,102,561
Amortization for the period/year	(7,770,834)	(9,015,347)
disposal	(92,137)	(2,918,711)
Transfer from property and equipment	-	471,153
Net book value at the end of the period/year	72,786,976	80,126,699

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8. INVENTORIES, NET

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Merchandise in stores and warehouses	389,943,868	525,941,732
Goods-in-transit	40,057,512	31,592,485
Merchandise on consignment	6,256,250	6,953,119
Packing, wrapping and consumables	2,503,556	4,348,057
	<u>438,761,186</u>	<u>568,835,393</u>
Allowance for slow moving items and inventory shortages	<u>(50,275,635)</u>	<u>(94,600,305)</u>
	<u>388,485,551</u>	<u>474,235,088</u>

The movement in the provision for slow moving items and shortages in inventory is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	94,600,305	66,188,834
Provided during the period/ year	-	38,477,431
Utilize during the period/ year*	<u>(44,324,670)</u>	<u>(10,065,960)</u>
Balance at the end of the period/year	<u>50,275,635</u>	<u>94,600,305</u>

* During the period, the utilized provision impact was offset by the impact of recognized loss on shrinkage and inventory shortages by an amount of SAR 33 million.

9. ACCOUNTS RECEIVABLES, NET

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Accounts receivable – trade	28,469,751	26,930,129
Accounts receivable – others	3,199,490	1,749,174
Expected credit losses	<u>(2,519,778)</u>	<u>(1,728,772)</u>
	<u>29,149,463</u>	<u>26,950,531</u>

The movement in the expected credit loss is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	1,728,772	8,797,743
Provided/ (reversed) during the period/year	791,006	(3,170,925)
Write-off	-	(3,898,046)
Balance at the end of the period/year	<u>2,519,778</u>	<u>1,728,772</u>

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10. PREPAYMENTS AND OTHER RECEIVABLES, NET

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Prepaid expenses	19,570,857	18,935,567
Advance payments to suppliers and employees	8,211,251	7,917,816
Others	4,533,897	3,297,318
	32,316,005	30,150,701
Allowance for prepayments and other assets	(4,518,127)	(4,518,127)
	27,797,878	25,632,574

The movement in the impairment of prepayments and other receivables is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	4,518,127	4,518,127
Provision during the period/year	-	-
Balance at the end of the period/year	4,518,127	4,518,127

11. BORROWINGS

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Short-term borrowings	-	57,752,461
Current portion of long-term borrowings	20,000,000	20,000,000
Non-current portion of long-term borrowings	30,000,000	45,000,000
Total borrowings	50,000,000	122,752,461

Maturity profile of non-current portion of long-term borrowings is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
- More than 1 year	20,000,000	20,000,000
- More than 2 years but not more than 5 years	10,000,000	25,000,000
	30,000,000	45,000,000

The Group has credit facilities amounting to SR 263 million from various local banks. These facilities comprise short and long-term borrowings, letters of credit and guarantee and notes payable for bills of exchange to finance working capital, investments, and capital expenditures. These facilities, which are in form of Murabaha and Tawarroq financing, bear financing charges at prevailing market rates based on Saudi Inter-bank Offer Rate ("SIBOR"). The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

Borrowings contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by management to ensure compliance. The Group has complied with these covenants of its borrowing facilities as of 30 September 2023.

For the above borrowing, the fair value is not materially different from the carrying amount, since the interest payable on those borrowing is either close to current market rates or the borrowings are of a short-term nature.

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12. LEASE LIABILITIES

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	447,199,845	755,798,655
Additions	-	22,631,940
Disposal *	(43,332,289)	(161,872,919)
Lease modification	(8,484,997)	-
Reassessment (**)	-	(102,999,435)
Interest on lease liabilities for the period / year	14,938,343	26,436,965
Payments during the period / year	(56,845,556)	(75,366,648)
Transfer to lease liabilities due not yet paid (Note 14)	(2,259,438)	(15,136,590)
Lease concession for the period / year	-	(2,292,123)
Balance at the end of the period / year	351,215,908	447,199,845

* The disposal includes what was disclosed in Note 5, the Group's board of directors decided in the period ended 31 March 2022 to terminate the lease contract related to the leased land parcel in the city of Jeddah and signed a lease termination agreement which resulted in a derecognition of the related lease liability amounting to SR 136 million.

During the period, a number of contract leases have been terminated and /or modified changing the payment structure to be variable which resulted in a derecognition of the related right-of-use assets amounting to SR 52.1 million and lease liability amounting to SR 43.3 million.

**As disclosed in Note 5, there is no reassessment during the 9-month period ended 30 September 2023, however based on the meeting of the Real Estate Committee on 1st of April 2022, it was confirmed that the management will not use the option for renewal for some contracts. Based on this, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in a decrease in the right of use assets of SR 103 million and a decrease in the lease liabilities of SR 103 million.

Lease liability balance consists as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Lease liabilities undiscounted principal payments	416,313,109	544,911,400
Unamortized interest	(65,097,201)	(97,711,555)
	351,215,908	447,199,845
Analyzed as:		
	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Current portion	67,484,267	72,634,795
Non-current portion	283,731,641	374,565,050
	351,215,908	447,199,845
Lease due not yet paid - Note 14	2,259,438	15,136,590

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13. ZAKAT

The Group is subject to zakat according to the instructions of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. The Group submits its zakat returns uniformly starting from 1 January 2017 and onwards. This includes the Company and its subsidiary because the Group is a single economic entity owned and managed by the Company.

Zakat status

The Company has finalized its zakat status for the years until 2018.

The zakat returns for the years 2019 and 2020 have been duly submitted, and the Authority has conducted assessments for the mentioned years. However, objections were raised within the statutory period against the zakat assessments. Subsequently, the Authority issued a decision regarding the Company's objection to the mentioned years. In response, the Company escalated the objection to the General Secretariat of Zakat, Tax, and Customs Committees.

Currently, the case is undergoing a thorough examination by the committees, and we are awaiting a scheduled date for its consideration.

The provision for zakat includes the amount of the provision made by the management according to the best estimate of the value that can be borne for those years.

The Company submitted the Zakat return for the fiscal year ended on 31 December 2022, the return is still under review by the Authority.

There is no change in zakat situation since the year ended in 31 December 2022

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Accrued expenses	34,081,370	46,421,249
Employee related liabilities	17,503,831	20,566,049
Gift cards and vouchers	19,458,759	19,483,363
Accrued rentals	10,447,046	22,490,928
Value Added Tax	2,178,613	11,261,880
Contract liability – advances from customers	4,813,871	4,612,402
Lease liabilities due not yet paid	2,259,438	15,136,590
Others	3,037,628	2,240,956
	<u>93,780,556</u>	<u>142,213,417</u>

15. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Letters of credit	41,145,432	37,979,075
Letters of guarantee	5,417,560	10,737,560
	<u>46,562,992</u>	<u>48,716,635</u>

The Group is subject to litigation in the normal course of its business. The Group's management does not believe that the outcome of these court cases will have any material impact on the Group's results or financial position.

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16. COMMITMENT FOR EXPENDITURE

The capital commitments related to ongoing activities of the Group's store/warehouse is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Group's store/warehouse commitments	<u>5,748,369</u>	<u>3,532,800</u>

17. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares. The calculation of diluted loss per share is not applicable to the Group. Also, no Separate earnings per share calculation from continuing operations has been presented since there were no discontinued operations during the period.

The calculation of loss per share is given below:

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Net loss for the period attributable to ordinary equity holders of the Company	<u>(44,650,504)</u>	<u>(65,292,568)</u>
Weighted average number of shares in issue during the period	<u>36,000,000</u>	<u>36,000,000</u>
Loss per share	<u>(1.24)</u>	<u>(1.81)</u>

18. RELATED PARTY TRANSACTIONS AND BALANCES

18.1 Due from a related party

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Non-current portion	<u>-</u>	<u>4,503,575</u>
Current portion	<u>4,503,575</u>	<u>1,286,735</u>
	<u>4,503,575</u>	<u>5,790,310</u>

As disclosed in Note 5, the Group is entitled to receive a total amount of SR 6.4 million from Samual Taha Bakhsh, a related party consisting of three unequal payments starting from 2022. During the second quarter of 2022 and 2023, the first and second payments have been received for an amount of SR 643,370 and SR 1,286,733 respectively.

18-2 Related parties' transactions

	Nature Relationship	Nature of the transaction	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Inheritors of Abdullah Taha Baksh	One of the owners of Abrar International Holding Company, which is one of the main shareholders in the Company	Lease agreement for two showrooms and a plot of land	4,084,250	3,985,000

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18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

18-3 Compensation of key management personnel

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Short term benefits	5,384,944	4,405,166
End of service benefits	342,106	300,558
	<u>5,727,050</u>	<u>4,705,724</u>

19. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ACE Hardware International Holdings, Ltd (AIH) is a limited liability Company incorporated under the laws of Bermuda. AIH is a majority-owned and controlled subsidiary of ACE Hardware Corporation with a non-controlling interest owned by its international customers.

The Company has designated its investment in AIH at fair value through other comprehensive income. The fair value of the investment as at 30 September 2023 is as follows:

	Fair value as at		Net changes in the fair value for the nine-month period ended 30 September	
<u>Unquoted</u>	30 September 2023	31 December 2022	2023	2022
ACE Hardware International Holdings	<u>8,889,559</u>	<u>8,889,559</u>	<u>-</u>	<u>(1,433,253)</u>

Movement during the period /year is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Beginning balance	8,889,559	10,322,812
Net change in the fair value	-	(1,433,253)
Closing balance	<u>8,889,559</u>	<u>8,889,559</u>

20. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

When measuring the fair value, the Group uses market observable 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 prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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20. FAIR VALUE MEASUREMENT (continued)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets and financial liabilities approximates their fair value. The Group only presents unquoted financial assets at FVTOCI under fair valuation model.

The following table shows the fair values of financial asset at FVTOCI, including its level in the fair value hierarchy.

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Level 3		
Investments carried at FVTOCI	<u>8,889,559</u>	<u>8,889,559</u>

There were no transfers between Levels 1, 2 and 3 for the Nine-month period ending 30 September 2023 and for the year ended 31 December 2022.

The following tables show the valuation techniques used in measuring Level 3 fair values as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investments carried at FVTOCI	Average valuation Weight of: 1- Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the Company. The cash flow projections include estimates for 5 years, weighted at 80% 2- And Price-to-book value (P/B), Comparable P/B (Similar companies), weighted at 20%	- Weighted Average Cost of Capital (WACC) 14.1%	The estimated fair value would increase / (decrease) if: - The WACC were (lower)/higher.

Sensitivity analysis

Reasonably possible changes as to the WACC, holding other assumptions constant, would have affected the fair value of the investments carried at FVTOCI by the amounts shown below:

	30 September 2023
	+1% -1%
Weighted Average Cost of Capital (WACC) (+/-1%)	<u>(1,031,361)</u> <u>1,266,689</u>

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21. SEGMENTS INFORMATION

The Group has two major operating segments namely, sales and services and logistic services and both are operating inside Saudi Arabia.

Sales and Services segment: This segment include sale of goods made to retail and wholesale customers. Service department represent services department's income from delivery, installation and maintenance of items sold.

Logistic Services: The logistics and related services segment provides a comprehensive logistics offering to its clients, including freight forwarding, transportation and contract logistics.

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 as of and for the nine-month period ended 30 September 2023, and 2022 is as follows:

For the Nine Month period ended 30 September 2023 (Unaudited)	Sales and services	Logistics	Total
Revenues:			
Total segment revenue	676,709,580	27,553,363	704,262,943
Inter-segment revenue	-	(13,119,915)	(13,119,915)
Revenue from external customers	676,709,580	14,433,448	691,143,028
Timing of revenue recognition:			
At a point in time	675,473,767	14,433,448	689,907,215
Over the time	1,235,813	-	1,235,813
	676,709,580	14,433,448	691,143,028
Loss from operations	(24,312,167)	(363,111)	(24,675,278)
Other income, net	6,696,160	156,504	6,852,664
Finance cost	(20,012,563)	(72,146)	(20,084,709)
Loss before zakat	(37,628,570)	(278,753)	(37,907,323)
Zakat	(6,743,181)	-	(6,743,181)
Net loss for the period	(44,371,751)	(278,753)	(44,650,504)
Other segment information:			
For the nine month period ended 30 September 2023 (Unaudited)	Sales and services	logistics	Total
Capital expenditures	6,833,236	21,145	6,854,381
Depreciation and amortization	36,076,340	1,584,912	37,661,252
Depreciation on right-of-use asset	43,631,971	44,059	43,676,030
Total segment assets:			
30 September 2023(Unaudited)	1,131,487,509	28,304,349	1,159,791,858
31 December 2022(Audited)	1,326,769,356	27,380,206	1,354,149,562
Total segment liabilities:			
30 September 2023(Unaudited)	781,109,424	9,562,115	790,671,539
31 December 2022 (Audited)	932,159,327	8,219,412	940,378,739

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21. SEGMENTS INFORMATION (continued)

For the nine month period ended 30 September 2022 (Unaudited)	Sales and services	Logistics	Total
Revenues:			
Total segment revenue	800,687,361	45,866,023	846,553,384
Inter-segment revenue	-	(21,917,335)	(21,917,335)
Revenue from external customers	800,687,361	23,948,688	824,636,049
Timing of revenue recognition:			
At a point in time	799,190,170	23,948,688	823,138,858
Over the time	1,497,191	-	1,497,191
	800,687,361	23,948,688	824,636,049
loss from operations	(36,946,341)	(1,867,701)	(38,814,042)
Other income, net	7,404,875	79,501	7,484,376
Finance cost	(24,101,656)	(74,286)	(24,175,942)
loss before zakat	(53,643,122)	(1,862,486)	(55,505,608)
Zakat	(9,786,960)	-	(9,786,960)
Net loss for the period	(63,430,082)	(1,862,486)	(65,292,568)
Other segment information:			
For the nine month period ended 30 September 2022 (Unaudited)	Sales and services	logistics	Total
Capital expenditures	59,496,755	1,492,359	60,989,114
Depreciation and amortization	36,054,857	2,418,601	38,473,458
Depreciation on right-of-use asset	50,874,487	44,060	50,918,547
Total segment assets:			
30 September 2022(Unaudited)	1,508,485,750	24,506,194	1,532,991,944
31 December 2021(Audited)	1,875,493,743	29,935,964	1,905,429,707
Total segment liabilities:			
30 September 2022(Unaudited)	1,035,689,474	7,841,445	1,043,530,919
31 December 2021(Audited)	1,327,745,164	21,497,697	1,349,242,861

22. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Management believes that there are no significant subsequent events since the end of the period that would require disclosure or amendment of these condensed consolidated interim financial statements.

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on 23 Rabi Al-Thani 1445 H (corresponding to 7 November 2023G).