

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

**UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2021
AND REPORT ON REVIEW OF FINANCIAL STATEMENTS**

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED 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 31 March 2021 and the related condensed consolidated interim statements of comprehensive income, change in equity and cash flows for the three month period then ended 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 34 - "Interim Financial Reporting" ("IAS 34"), as 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 International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of 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 is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

By: 

Bader I. Benmohareb
License Number 471

May 6, 2021

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)


**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	For the three month period ended March 31,	
	2021	2020 (Note 2.4)
Revenues	336,393,977	358,039,561
Cost of revenues	(269,376,263)	(295,642,189)
GROSS PROFIT	67,017,714	62,397,372
Selling and marketing expenses	(8,712,555)	(9,505,860)
General and administration expenses	(30,953,772)	(27,363,660)
Impairment loss on financial assets	(108,197)	(65,001)
OPERATING PROFIT	27,243,190	25,462,851
Other income, net	1,239,353	658,132
Finance cost	(9,631,169)	(11,249,261)
PROFIT BEFORE ZAKAT	18,851,374	14,871,722
Zakat	(3,218,000)	(3,153,035)
NET PROFIT FOR THE PERIOD	15,633,374	11,718,687
Other comprehensive income <i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of actuarial gains on employees end of service benefit obligations	-	1,079,142
Revaluation of financial assets at FVTOCI	470,720	-
Total comprehensive income for the period	16,104,094	12,797,829
Earnings per share (Saudi Riyals) (Note 15)		
Basic and diluted earnings per share attributable to the equity shareholders of the Company	0.43	0.33
Weighted average number of shares	36,000,000	36,000,000

The accompanying notes form an integral part of these condensed consolidated interim financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

		March 31, 2021 (unaudited)	December 31, 2020 (audited)
ASSETS			
Non-current assets			
Right-of-use assets	5	684,467,078	566,474,772
Property and equipment	6	387,602,096	300,534,883
Intangible assets	7	46,899,554	33,467,091
Financial assets at fair value through other comprehensive income (FVTOCI)	17	<u>10,322,813</u>	<u>9,852,093</u>
Total non-current assets		<u>1,129,291,541</u>	<u>910,328,839</u>
Current assets			
Inventories	8	682,943,005	625,037,746
Accounts receivable	9	25,608,174	34,824,102
Prepayments and other receivables	10	42,316,877	35,673,464
Cash and cash equivalents		<u>49,863,951</u>	<u>32,660,408</u>
Total current assets		<u>800,732,007</u>	<u>728,195,720</u>
TOTAL ASSETS		<u>1,930,023,548</u>	<u>1,638,524,559</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve		26,068,050	24,504,713
Retained earnings		211,133,003	224,062,966
Fair value reserve		<u>2,062,360</u>	<u>1,591,640</u>
Total equity		<u>599,263,413</u>	<u>610,159,319</u>
Non-current liabilities			
Long term borrowings	11	74,998,623	-
Employees end of service benefit obligation		41,605,710	40,100,088
Lease liabilities	12	<u>704,121,073</u>	<u>586,442,854</u>
Total non-current liabilities		<u>820,725,406</u>	<u>626,542,942</u>
Current liabilities			
Current portion of long-term borrowings	11	4,827,500	-
Accounts payable		285,997,805	214,770,873
Current portion of lease liabilities	12	54,992,064	61,003,274
Accrued expenses and other liabilities		120,385,804	112,434,444
Zakat payable		16,592,741	13,374,892
Dividends payable		<u>27,238,815</u>	<u>238,815</u>
Total current liabilities		<u>510,034,729</u>	<u>401,822,298</u>
Total liabilities		<u>1,330,760,135</u>	<u>1,028,365,240</u>
TOTAL EQUITY AND LIABILITIES		<u>1,930,023,548</u>	<u>1,638,524,559</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors



**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Total
Balance at January 1, 2020 (audited)		360,000,000	15,952,051	163,512,081	1,401,700	540,865,832
Net profit for the period		-	-	11,718,687	-	11,718,687
Other comprehensive income for the period		-	-	1,079,142	-	1,079,142
Total comprehensive income		-	-	12,797,829	-	12,797,829
Transfer to statutory reserve		-	1,171,869	(1,171,869)	-	-
Balance at March 31, 2020 (unaudited)		360,000,000	17,123,920	175,138,041	1,401,700	553,663,661
Balance at January 1, 2021 (audited)		360,000,000	24,504,713	224,062,966	1,591,640	610,159,319
Net profit for the period		-	-	15,633,374	-	15,633,374
Other comprehensive income for the period		-	-	-	470,720	470,720
Total comprehensive income		-	-	15,633,374	470,720	16,104,094
Transfer to statutory reserve		-	1,563,337	(1,563,337)	-	-
Dividend distribution	20	-	-	(27,000,000)	-	(27,000,000)
Balance at March 31, 2021 (unaudited)		360,000,000	26,068,050	211,133,003	2,062,360	599,263,413

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	For the three month period ended March 31,	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Zakat		18,851,374	14,871,722
Adjustments for:			
Interest on borrowing and bank charges		783,161	2,272,701
Interest on lease liability		8,848,008	8,976,560
Depreciation and amortization		12,264,606	13,319,908
Depreciation of right-of-use assets		16,894,154	18,952,798
Loss from shrinkage and inventory shortages		3,911,908	3,646,373
(Reversal) /provision slow moving items and inventory shortages		(2,819,138)	544,933
Lease concession – IFRS16	12	(1,027,469)	-
Impairment loss on financial assets		108,197	65,001
Allowance for prepayments and other receivables		-	781,060
Provision for employees end of service benefit obligations		2,699,290	346,289
Gain on disposal of property and equipment		-	(33,827)
Movement in working capital:			
Inventories		(58,998,029)	(10,381,167)
Accounts receivable		9,107,731	4,265,379
Prepayments and other receivables		(6,643,413)	(1,859,263)
Accounts payable		71,226,932	15,955,003
Accrued expenses and other current liabilities		7,585,263	(1,226,267)
Cash generated from operations		82,792,575	70,497,203
Finance cost paid		(9,265,223)	(11,171,320)
Employees end of service benefit obligation paid		(1,193,668)	(2,209,764)
Net cash generated from operating activities		72,333,684	57,116,119
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase for property and equipment		(94,910,503)	(18,572,643)
Proceeds from disposal of property and equipment		-	57,044
Purchase for intangible assets		(15,240,929)	(778,448)
Net cash used in investing activities		(110,151,432)	(19,294,047)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in short term borrowings, net		-	26,163,181
Proceeds /(repayments) of long-term borrowings		79,826,123	(5,595,637)
Repayment of lease liability		(24,804,832)	(21,294,031)
Net cash generated from / (used in) financing activities		55,021,291	(726,487)
Net change in cash and cash equivalents		17,203,543	37,095,585
Cash and cash equivalents at the beginning of period		32,660,408	17,273,202
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		49,863,951	54,368,787
Significant non-cash transactions:			
Lease liabilities		(136,416,462)	(10,392,336)
Right-of-use assets		136,416,462	10,392,336
Dividends declared		27,000,000	-
Depreciation expense on right of use assets capitalised		1,530,002	-
Interest expense on lease liability capitalised		1,082,848	-
Revaluation of financial assets of FVTOCI		470,720	-

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021
(ALL AMOUNTS 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 November 19, 1984). The Capital Market Authority (the "CMA") announced on 5 Jumada II, 1436H (corresponding to March 25, 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 Sha'ban, 1436H (corresponding to May 12, 2015).

As of March 31, 2021, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (December 31, 2020: 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 34 leased stores located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk and the following wholly owned subsidiary:

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with 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") and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended December 31, 2020.

The interim condensed consolidated financial statements do not include all of the information and disclosures normally required for a complete set of consolidated financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance since December 31, 2020.

The results for the period are not indicative of the Group's annual results.

2.2 Historical cost convention

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following items in the condensed consolidated statement of financial position:

- Financial assets at fair value through other comprehensive income ("FVTOCI") is measured at fair value.
- Employees end of service benefit obligations is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Lease liabilities are measured at the net present value of lease payments.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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.

However, as explained in Note 21, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual consolidated financial statements against the backdrop of the Covid-19 pandemic. Group's management believes that, all sources of estimation uncertainty remain similar to those disclosed in the last annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

2.4 Restatement

In the normal course of business, the Group receives certain vendor contributions. During the prior period, the Group used to account for such contributions as a deduction from the selling and marketing expenses. The Group's management has reassessed, in detail the relevant arrangements for such contributions and concluded that such contributions should instead be accounted for within the cost of revenue. Accordingly, and for a better presentation of the underlying arrangement, management has restated the relevant comparative information for 2020 in the condensed consolidated interim statement of comprehensive income for the period ended March 31, 2020 as shown below:

	As previously reported	Restatement	As restated
Cost of revenue	299,110,302	(3,468,113)	295,642,189
Gross profit	58,929,259	3,468,113	62,397,372
Selling and marketing expense	6,037,747	3,468,113	9,505,860

This restatement did not have any impact on the condensed consolidated interim statement of financial position as of March 31, 2020, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the period ended March 31, 2020.

The Group's management believes that the above restatement does not materially affect the Group's key performance indicators.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards and amendments to standards and interpretation

There are no new standards issued during the period ended March 31, 2021, however there are number of new standards and amendments to standards which are effective from January 1, 2021 and their impact on the Group has been explained in the Group's annual consolidated financial statements. Management believe that the new standards and amendments will not have a material impact on the Group's condensed consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Zakat

The Group is subject to the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. The provision is charged to the statement of comprehensive income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

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.

The Group's filed its consolidated zakat return with the General Authority of Zakat and Tax (GAZT) up to the year ended December 31, 2019 and settled the related zakat payable accordingly. The Group has received its final consolidated zakat assessments up to the year ended December 31, 2018 and settled the related additional zakat payable amounting to Saudi Riyals 3.8 million accordingly. The subsidiary has filed its standalone zakat return with GAZT up to the year ended December 31, 2016 and settled the related zakat payable accordingly. The assessments for the subsidiary for the years from 2011 to 2016 have not been yet finalized.

5. RIGHT -OF- USE ASSETS

	Properties	Vehicles	Land*	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Net book value at beginning of the period/ year	565,027,551	1,447,221	-	566,474,772	584,007,598
Additions	-	-	136,416,462	136,416,462	52,869,566
Depreciation expense for the period	(16,669,524)	(224,630)	-	(16,894,154)	(70,402,392)
Depreciation capitalized (Note 6)	-	-	(1,530,002)	(1,530,002)	-
Net book value at end of the period/year	548,358,027	1,222,591	134,886,460	684,467,078	566,474,772

* The Group signed a contract (Dated February 18, 2020) on March 2, 2020 to lease a land in the city of Jeddah that has been handed over to the Company on January 3, 2021. This land is partially owned by Samaual Taha Bakhsh (a related party) for a total amount of SR 194 million consists of 22 annual unequal payments started on April 1, 2020. The Group's management in the process of constructing a shopping mall on this land for its own use and for investment purposes through leasing retail outlets.

6. PROPERTY AND EQUIPMENT

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Net book value at the beginning of the period/ year	300,534,883	267,689,996
Additions*	97,523,353	79,525,189
Disposals	-	(1,209,192)
Depreciation for the period/ year	(10,456,140)	(45,471,110)
Net book value at the end of the period/ year	387,602,096	300,534,883

* During the three month period ended March 31, 2021, the Group capitalised Saudi Riyal 1.5 million and Saudi Riyal 1.1 million in respect of depreciation of right of use of land and interest expense of corresponding lease liability respectively related to the construction under progress on a leased land (Refer to Note 5 and Note 12).

7. INTANGIBLE ASSETS

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Goodwill	22,377,889	22,377,889
Software and licenses	23,629,887	10,164,450
Others	891,778	924,752
	46,899,554	33,467,091

