

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	Notes		
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	10,322,813	9,852,093
Total non-current assets		1,129,291,541	910,328,839
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		49,863,951	32,660,408
Total current assets		800,732,007	728,195,720
TOTAL ASSETS		1,930,023,548	1,638,524,559
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		2,062,360	1,591,640
Total equity		599,263,413	610,159,319
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	704,121,073	586,442,854
Total non-current liabilities		820,725,406	626,542,942
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		27,238,815	238,815
Total current liabilities		510,034,729	401,822,298
Total liabilities		1,330,760,135	1,028,365,240
TOTAL EQUITY AND LIABILITIES		1,930,023,548	1,638,524,559

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:

Subsidiary name	Country	Effective ownership percentage	Activities
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.

SAUDI COMPANY FOR HARDWARE
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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.

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)

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 Samauul 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

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)

7. INTANGIBLE ASSETS (CONTINUED)

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 December 31, 2020 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognized for the three month period ended March 31, 2021.

Movement in intangible assets is as follows:

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Net book value at the beginning of the period/ year	33,467,091	36,616,258
Additions	15,240,929	2,585,985
Amortization for the period/ year	(1,808,466)	(5,735,152)
Net book value at the end of the period/ year	46,899,554	33,467,091

8. INVENTORIES

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Merchandise:		
In stores and warehouses	619,996,251	572,694,069
On consignment	13,396,437	13,180,295
Consumables	3,931,076	4,792,905
Goods-in-transit	80,116,236	71,686,610
	717,440,000	662,353,879
Allowance for slow moving items and inventory shortages	(34,496,995)	(37,316,133)
	682,943,005	625,037,746

9. ACCOUNTS RECEIVABLE

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Accounts receivable – trade	19,140,518	29,529,906
Accounts receivable – others	16,018,661	14,737,004
Impairment loss on financial assets	(9,551,005)	(9,442,808)
	25,608,174	34,824,102

Movement in Impairment loss on financial assets is as follows:

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Balance at the beginning of the period/ year	9,442,808	2,742,881
Provision during the period/ year	108,197	6,922,068
Write off	-	(222,141)
Balance at the end of the period/ year	9,551,005	9,442,808

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

10. PREPAYMENTS AND OTHER RECEIVABLES

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Prepaid expenses	25,039,849	21,418,256
Advances to suppliers and employees's advances	15,500,812	13,656,249
Due from a related party	-	1,653,750
Others	6,932,654	5,105,814
	47,473,316	41,834,069
Allowance for prepayments and other assets	(5,156,438)	(6,160,605)
	42,316,877	35,673,464

Movement in provision for other receivables is as follows:

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Balance at the beginning of the period/ year	6,160,605	4,102,350
Provision during the period/year	-	2,058,255
Write off	(1,004,167)	-
Balance at the end of the period/ year	5,156,438	6,160,605

11. BORROWINGS

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Long-term borrowings	79,826,123	-
Total borrowings	79,826,123	-
Current portion of long-term borrowings	4,827,500	-
Non-current portion of long-term borrowings	74,998,623	-
Total borrowings	79,826,123	-

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

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Later than 1 year	20,000,000	-
Later than 2 years but not more than 5 years	54,998,623	-
	74,998,623	-

The Group has credit facilities amounting to Saudi Riyal 541 million from various local banks out of which Saudi Riyal 179 million were utilized as at 31 March 2021. Such 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 Tawarrog financing, bear financial charges at prevailing market rates based on Saudi Inter-bank Offer Rate ("SIBOR") and Riyadh Inter-bank Offer Rate ("RIBOR"). 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 the management to ensure compliance. The Group has complied with these covenants of its borrowing facilities as of March 31, 2021.

For the above borrowing, the fair value is not materially different from the carrying amount, since the interest payable on those borrowing is close to current market rates.

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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)

12. LEASE LIABILITIES

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
At beginning of the period/ year	647,446,128	645,790,006
Additions	136,416,462	52,993,945
Interest on lease liability for the period/ year	8,848,008	35,831,867
Interest expense capitalised (Note 6)	1,082,848	-
Payments during the period/ year	(33,652,840)	(77,244,050)
Lease Concession for the period/ year	(1,027,469)	(9,925,640)
At the end of the period/ year	<u>759,113,137</u>	<u>647,446,128</u>

Lease liability balance consists as follows:

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Lease liability undiscounted principal payments	1,051,916,467	892,596,773
Unamortized interest	<u>(292,803,330)</u>	<u>(245,150,645)</u>
	<u>759,113,137</u>	<u>647,446,128</u>

Analyzed as;

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Current portion	54,992,064	61,003,274
Non-current portion	<u>704,121,073</u>	<u>586,442,854</u>
	<u>759,113,137</u>	<u>647,446,128</u>

13. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Letters of credit	60,440,618	65,993,460
Letters of guarantees	<u>13,502,116</u>	<u>13,077,944</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.

14. COMMITMENT FOR EXPENDITURE

The capital commitments related to ongoing activities of the Group's various showrooms is as follows:

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Commitments for Group's various exhibitions	<u>19,555,773</u>	<u>22,957,109</u>

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15. EARNINGS PER SHARE (EPS)

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

The EPS calculation is given below:

	March 31, 2021 (unaudited)	March 31, 2020 (unaudited)
Net profit for the period attributable to ordinary equity holders of the Company	15,633,374	11,718,687
Weighted average number of shares in issue during the period	36,000,000	36,000,000
Earnings per share	0.43	0.33

16. RELATED PARTIES TRANSACTIONS

16.1 Related parties' transactions

	Nature of transaction	March 31, 2021	March 31, 2020
Inheritors of Abdullah Taha Baksh*	Rental agreement for two show rooms	3,585,000	3,985,000

*Inheritors of Abdullah Taha Baksh and Samauul Taha Baksh are shareholders of Abrar International Holding Company which is one of the major shareholders of the Company. See also note 5 for land leased from a related party.

16.2 Transactions with key management personnel

	March 31, 2021 (unaudited)	March 31, 2020 (unaudited)
Short term benefits	1,837,938	714,243
End of service benefits	237,139	48,685
	2,075,077	762,928

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

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 noncontrolling interest owned by its international customers.

The fair value of AIH's shares has been reported according to the latest offering prices approved by AIH's Board of Directors which was primary based on annual pricing analysis and business evaluation.

All other financial assets and liabilities of the Group are classified and measured at amortized cost.

For all financial assets, the fair value of financial assets does not materially differ from their carrying values.

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18. FAIR VALUE MEASUREMENTS

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 categorised 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).

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 valuation technique used for measuring the financial assets at FVTOCI is disclosed in Note 17 to these condensed consolidated interim financial statements.

The carrying amount of financial assets and financial liabilities approximates their fair value. The Group only presents unquoted equity investments 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.

	March 31, 2021	December 31, 2020
	(unaudited)	(audited)
Level 3		
Unquoted equity investments at FVTOCI	10,322,813	9,852,093

There were no transfers among level 1, 2, and 3 for the three-month period ended March 31, 2021 and for the year ended December 31, 2020.

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19. SEGMENT INFORMATION

The Group has two major operating segments namely, sales and services and logistic services and both of them 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 (Chief Operating Decision Maker) 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 three month periods ended March 31, 2021 and 2020 is as follows:

For the three-month period ended March 31, 2021 (unaudited)	Sales and services	Logistic services	Total
Revenues:			
Total segment revenues	331,900,590	20,265,028	352,165,618
Inter-segment revenues	-	(15,771,641)	(15,771,641)
Revenue from external customers	331,900,590	4,493,387	336,393,977
Timing of revenue recognition:			
At a point in time	329,980,172	4,493,386	334,473,558
Overtime	1,920,419	-	1,920,419
	331,900,591	4,493,386	336,393,977
Profit from operations	25,977,947	1,265,243	27,243,190
Other income, net	1,239,353	-	1,239,353
Finance cost	(9,605,566)	(25,603)	(9,631,169)
Profit before zakat	17,611,734	1,239,640	18,851,374
Zakat	(3,218,000)	-	(3,218,000)
Net profit for the period	14,393,734	1,239,640	15,633,374
Other segment information:			
For the three-month period ended March 31, 2021 (unaudited)	Sales and services	Logistic services	Total
Capital expenditures	110,140,385	11,047	110,151,432
Depreciation and amortization	11,342,910	921,696	12,264,606
Depreciation on right-of-use asset	16,879,629	14,525	16,894,154
Total segment assets:			
March 31, 2021 (unaudited)	1,903,942,316	26,081,232	1,930,023,548
December 31, 2020 (audited)	1,613,659,336	24,865,223	1,638,524,559
Total segment liabilities:			
March 31, 2021 (unaudited)	1,314,140,376	16,619,759	1,330,760,135
December 31, 2020 (audited)	1,015,258,081	13,107,159	1,028,365,240

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19. SEGMENT INFORMATION (CONTINUED)

For the three-month period ended March 31, 2020 (unaudited)	Sales and services	Logistic services	Total
Revenues:			
Total segment revenues	351,440,427	12,720,871	364,161,298
Inter-segment revenues	-	(6,121,737)	(6,121,737)
Revenue from external customers	351,440,427	6,599,134	358,039,561
Timing of revenue recognition:			
At a point in time	349,651,843	6,599,134	356,250,977
Overtime	1,788,584	-	1,788,584
	351,440,427	6,599,134	358,039,561
Profit from operations	23,572,468	1,890,383	25,462,851
Other income, net	602,082	56,050	658,132
Finance cost	(11,222,080)	(27,181)	(11,249,261)
Profit before zakat	12,952,470	1,919,252	14,871,722
Zakat	(3,153,035)	-	(3,153,035)
Net profit for the period	9,799,435	1,919,252	11,718,687
Other segment information:			
For the three-month period ended March 31, 2020 (unaudited)	Sales and services	Logistic services	Total
Capital expenditures	17,340,236	2,010,855	19,351,091
Depreciation and amortization	12,466,276	853,632	13,319,908
Depreciation on right-of-use asset	18,938,273	14,525	18,952,798
Total segment assets:			
March 31, 2020 (unaudited)	1,778,153,087	22,713,366	1,800,866,453
December 31, 2019 (audited)	1,741,298,225	22,087,455	1,763,385,680
Total segment liabilities:			
March 31, 2020 (unaudited)	1,233,785,302	13,417,490	1,247,202,792
December 31, 2019 (audited)	1,211,531,719	10,988,129	1,222,519,848

20. DIVIDENDS

In accordance with ordinary general assembly meeting held on April 30, 2020, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2020. The Board of Directors in their meeting held on March 11, 2021 resolved to distribute cash dividends for Second half of year 2020 to the Company's shareholders who owns the shares on the date of March 28, 2021 amounting to Saudi Riyals 27 million at Saudi Riyals 0.75 per share. Those dividends subsequently have been paid on April 11, 2021.

21. CORONA VIRUS PANDEMIC (COVID-19) UPDATE

The Group is carefully monitoring the COVID-19 pandemic and the effect it is having on the retail market, the Group's employees and its financial performance. Measures have been implemented to enable the Group to continue operating on a business as usual basis, including remote working where possible, whilst taking all the necessary precautions to safeguard the well-being of its employees in the context of the ongoing pandemic.

While the impact of the pandemic is currently expected to be temporary, there is uncertainty around the severity and duration of the disruption and its impact on the business and economic remains uncertain and is depends on the future developments that cannot be accurately estimated.

Management believes that the Covid-19 pandemic has had no material effect on the Group's reported financial results for the period ended March 31, 2021.

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22. EVENTS OCCURRING AFTER REPORTING PERIOD

In the opinion of the management, there have been no significant subsequent events since the reporting period-end that require disclosure or adjustment in 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 April 29, 2021, corresponding to 17 Ramadan 1442H.