

**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 2022**

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 2022

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KPMG Professional services

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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 2022 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 2022,
- The condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022,
- The condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2022,
- The condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2022, 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.



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 2022 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

Other Matters

The condensed consolidated interim financial statements of the Company and its subsidiary as of and for the three-month and nine-month periods ended 30 September 2021 were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 5 Rabi' al-Thani 1443H (corresponding to 10 November 2021).

The consolidated financial statements of the Company and its subsidiary for the year ended 31 December 2021 were audited by the same other auditor who expressed an unmodified opinion on those consolidated financial statements on 11 Sha'ban 1443H (corresponding to 14 March 2022).

KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460



Date: 12 Rabi' al-Thani 1444 H
Corresponding to: 6 November 2022

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi Joint Stock Company)

Condensed Consolidated Interim Statement of Financial Position (Unaudited)**As at 30 September 2022**

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Right of use assets, net	5	381,154,700	660,813,868
Property and equipment, net	6	380,840,913	393,769,239
Intangible assets, net	7	83,065,908	63,487,043
Investments at fair value through other comprehensive income	19&20	8,889,559	10,322,812
Due from a related party	18	4,503,574	-
Total non-current assets		858,454,654	1,128,392,962
Current assets			
Inventories, net	8	595,614,605	690,832,140
Prepayments and other receivables, net	10	34,698,347	37,862,016
Accounts receivable, net	9	24,332,416	32,847,900
Due from a related party	18	1,286,736	-
Cash on hand and at banks		18,605,186	15,494,689
Total current assets		674,537,290	777,036,745
Total assets		1,532,991,944	1,905,429,707
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve		24,504,713	24,504,713
Retained earnings		104,327,205	169,619,773
Change in fair value reserve		629,107	2,062,360
Total Equity		489,461,025	556,186,846
Non-current liabilities			
Lease liabilities	12	409,292,431	696,020,818
Non-current portion of long-term borrowings	11	50,000,000	64,998,623
Employees end of service benefit obligation		44,601,354	41,953,324
Total non-current liabilities		503,893,785	802,972,765
Current liabilities			
Accounts and notes payable		195,313,248	209,700,478
Accrued expenses and other liabilities	14	119,470,404	148,197,085
Current portion of lease liabilities	12	67,098,569	59,777,837
Short term borrowings	11	124,785,108	100,370,248
Current portion of long-term borrowings	11	20,000,000	14,827,500
Zakat payable	13	12,772,135	13,199,105
Dividends payable		197,670	197,843
Total current liabilities		539,637,134	546,270,096
Total liabilities		1,043,530,919	1,349,242,861
Total equity and liabilities		1,532,991,944	1,905,429,707


Chairman of Board of Directors


Chief Executive Officer


Chief Financial Officer

The attached notes from 1 to 26 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 2022

(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	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	21	254,131,797	295,834,420	824,636,049	957,127,116
Cost of revenue		(250,432,298)	(242,520,224)	(733,292,933)	(772,750,249)
Impairment loss on non-financial assets	5&6	-	(14,830,583)	-	(14,830,583)
Gross profit		3,699,499	38,483,613	91,343,116	169,546,284
Selling and marketing expenses		(6,846,404)	(11,095,531)	(24,747,765)	(32,396,095)
General and administrative expenses		(35,071,362)	(31,349,632)	(108,155,504)	(90,712,781)
Expected credit losses	9	(168,809)	994,370	2,746,111	788,438
Operating (Loss) / Profit		(38,387,076)	(2,967,180)	(38,814,042)	47,225,846
Other income, net		3,890,285	1,620,617	7,484,376	4,828,187
Finance cost		(8,113,158)	(9,309,990)	(24,175,942)	(27,539,952)
(Loss) / Profit before zakat		(42,609,949)	(10,656,553)	(55,505,608)	24,514,081
Zakat	13	(3,262,320)	(3,218,000)	(9,786,960)	(8,312,964)
Net (loss) / profit for the period		(45,872,269)	(13,874,553)	(65,292,568)	16,201,117
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of employees end of service benefit obligation		-	36,209	-	(101,744)
Net changes in the fair value of investments carried at FVTOCI	19&20	(1,433,253)	-	(1,433,253)	470,720
Total comprehensive (loss) / income for the period		(47,305,522)	(13,838,344)	(66,725,821)	16,570,093
Loss/earnings per share (SR)					
Basic and diluted Loss/earnings per share attributable to the equity shareholders of the Company	17	(1.27)	(0.39)	(1.81)	0.45
Weighted average number of shares	17	36,000,000	36,000,000	36,000,000	36,000,000



Chairman of Board of Directors



Chief Executive Officer



Chief Financial Officer

The attached notes from 1 to 26 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 (Unaudited)

For the nine-month period ended 30 September 2022

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Change in fair value reserve	Total
Balance at 1 January 2021 (audited)		360,000,000	24,504,713	224,062,966	1,591,640	610,159,319
Net profit for the period		-	-	16,201,117	-	16,201,117
Other comprehensive income for the period		-	-	(101,744)	470,720	368,976
Total comprehensive income		-	-	16,099,373	470,720	16,570,093
Transfer to statutory reserve		-	1,620,112	(1,620,112)	-	-
Dividend distribution		-	-	(27,000,000)	-	(27,000,000)
Balance at 30 September 2021 (unaudited)		360,000,000	26,124,825	211,542,227	2,062,360	599,729,412
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



Chairman of Board of Directors



Chief Executive Officer



Chief Financial Officer

The attached notes from 1 to 26 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 2022**

(All amounts are in Saudi Riyals unless otherwise stated)

		For the nine-month period ended 30 September	
	Note	2022	2021
Cash flows from operating activities			
(Loss) / Profit before zakat		(55,505,608)	24,514,081
Adjustments to reconcile income before zakat to net cash flows:			
Depreciation of right-of-use assets	5	50,918,547	51,350,210
Depreciation and amortization	6&7	38,473,458	35,297,358
Gain on disposal of property and equipment		736,031	-
Impairment loss on non-financial assets	5&6	-	14,830,583
Allowance / (reversal) of provision for slow moving inventory and inventory shortages	8	6,625,907	(1,730,976)
Expected credit losses	9	(2,746,111)	(788,438)
Lease concession – IFRS16	12	(2,292,125)	(1,052,675)
Interest on lease liabilities	12	20,415,847	26,146,746
Gain on lease modification		(926,644)	(1,589,331)
Interest on borrowings and bank charges		3,760,094	1,393,206
Loss from shrinkage and inventory shortages		5,488,303	9,146,091
Write-off for prepayments and other receivables		-	(1,004,167)
Provision for employees end of service benefit obligations		6,720,930	5,951,153
Changes in Working Capital:			
Inventory, net		83,103,325	(140,836,579)
Prepayments and other receivables, net		3,163,669	(4,623,537)
Accounts receivable, net		11,261,595	9,889,156
Due from a related party	18	643,370	-
Accounts and notes payable		(14,387,230)	60,093,575
Accrued expenses and other liabilities		(32,423,990)	(1,071,690)
Cash generated from operations		123,029,368	85,914,766
Zakat paid		(10,213,930)	(11,706,598)
Finance cost paid		(2,954,235)	(817,197)
Employees end of service benefit obligation paid		(4,072,900)	(3,014,626)
Net cash flows from operating activities		105,788,303	70,376,345
Cash flows from investing activities			
Purchase for property and equipment		(34,450,094)	(123,640,882)
Proceeds from disposal of property and equipment		1,993,514	-
Purchase for intangible assets		(26,539,020)	(18,863,395)
The net cash flows used in investing activities		(58,995,600)	(142,504,277)
Cash flows from financing activities			
Change in short-term borrowings, net		24,414,860	70,917,189
Proceeds of long-term borrowings		-	79,826,123
Repayments of long-term borrowings		(9,826,123)	-
Payment of lease liabilities		(58,270,770)	(72,412,566)
Dividends paid		(173)	(27,013,071)
Net cash flows (used in) /resulting from financing activities		(43,682,206)	51,317,675
Net change in cash on hand and at banks		3,110,497	(20,810,257)
Cash on hand and at banks at the beginning of the period		15,494,689	32,660,408
Cash on hand and at banks at the end of the period		18,605,186	11,850,151

The attached notes from 1 to 26 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 (Continued) (Unaudited)**For the nine-month period ended 30 September 2022**

(All amounts are in Saudi Riyals unless otherwise stated)

Significant non-cash transactions:

	Note	For the Nine-month period Ended 30 September	
		2022	2021
Additions on lease liabilities		5,938,728	197,177,405
Additions on right-of-use assets		(5,938,728)	(194,448,607)
Reclassification from intangible assets to right-of-use assets		(702,357)	-
Disposal of lease liabilities		(139,680,894)	-
Disposal of right-of-use assets		132,382,271	-
Reassessment of lease liabilities		102,999,435	-
Reassessment of right-of-use assets		(102,999,435)	-
Disposal of Capital Work in Progress		12,433,215	-
Charged to a related party		(6,433,680)	-
Net changes in the fair value of investments carried at FVTOCI		(1,433,253)	-
Depreciation expense on right of use assets capitalized		-	4,748,285
Interest expense on lease liability capitalized		-	3,351,015
Remeasurement of employees end of service benefit obligation		-	(101,744)



Chairman of Board of Directors



Chief Executive Officer



Chief Financial Officer



The attached notes from 1 to 26 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 2022

(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 9 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 2022, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (31 December 2021: 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 (31 December 2021: 33 stores and 30 September 2021: 34 stores) located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk and the following subsidiary:

Subsidiary name	Country	Effective ownership percentage		Activities
		30 September 2022	31 December 2021	
Medscan Terminal Company Limited	Kingdom of Saudi Arabia	100%	100%	Transportation and logistics

Medscan Terminal Company Limited (the "Company") is a single person 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 main center of the Company is P.O. 825, King Abdulaziz Sea Port, 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 2022 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 2021 (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 2021.

However, as explained in Note 23, 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.

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 2022
(All amounts are in Saudi Riyals unless otherwise stated)

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 2021, except for the application of the new standards effective as of 1st of January 2022, 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 2022.

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 2022.

New currently effective requirements:

Effective date	New standards or amendments
1 January 2022	Onerous Contracts: Cost of fulfilling a contract (Amendments to IAS 37)
	Annual Improvements to IFRSs 2018 - 2020
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the conceptual framework (Amendments to IFRS 3)

Forthcoming 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)
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Equity-Accounted Investee or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 2022

(All amounts are in Saudi Riyals unless otherwise stated)

5. RIGHT OF USE ASSETS, NET

	30 September 2022 (Unaudited)			31 December 2021 (Audited)		
	Properties	Vehicles	Land (*)	Properties	Vehicles	Land
Net book value						
At the beginning of the period/year	530,150,899	612,726	130,050,243	565,027,551	1,447,221	-
Additions	5,938,728	-	-	64,459,597	-	136,416,462
Reclassification from Intangible assets	702,357	-	-	-	-	-
Disposal (*)	(21,689,165)	-	(136,416,462)	(42,201,099)	-	-
Reassessment (**)	(102,999,435)	-	-	-	-	-
Depreciation expense for the period/year	(50,328,902)	(589,645)	-	(67,571,060)	(834,495)	-
Accumulated Depreciation on Disposal	19,357,137	-	6,366,219	20,376,510	-	-
Depreciation capitalized	-	-	-	-	-	(6,366,219)
Impairment charge for the year	-	-	-	(9,940,600)	-	-
Net book value						
At the end of the period/year	381,131,619	23,081	-	530,150,899	612,726	130,050,243
						660,813,868

(*) The Group signed a lease contract (Dated 18 February 2020) on 2 March 2020 to lease a land parcel in the city of Jeddah for a total amount of SR 194 million which consists of 22 annual unequal payments started on 1 April 2020. This land parcel was handed over to the Company on 3 January 2021. This land parcel 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.

Subsequently, 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 receive back all costs and expenses incurred in connection with such lease from the lessor. At 31 March 2022, the Company had a receivable of SR 6.4 million from the lessor to be received over a period of three years. (Refer to Note 6 and Note 18).

(**) 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 102 million and a decrease in the lease liabilities of SR 102 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 2022
(All amounts are in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT, NET

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Net book value at the beginning of the period/year	393,769,239	300,534,883
Additions	34,450,094	142,656,030
Disposal (*)	(15,162,760)	(3,551,118)
Depreciation for the period/year	(32,215,660)	(40,980,572)
Impairment loss for the period/year	-	(4,889,984)
Net book value at the end of the period/year	380,840,913	393,769,239

* 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 2022 (Unaudited)	31 December 2021 (Audited)
Goodwill	22,377,889	22,377,889
Software and licenses	60,688,019	40,318,132
Other	-	791,022
	83,065,908	63,487,043

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 2021 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 2022.

Movement in intangible assets is as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Net book value at the beginning of the period/year	63,487,043	33,467,091
Additions	26,539,020	36,670,371
Reclassification to right of use assets	(702,357)	-
Amortization for the period/year	(6,257,798)	6,650,419
Net book value at the end of the period/year	83,065,908	63,487,043

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8. INVENTORIES, NET

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Merchandise in stores and warehouses	630,440,902	671,785,541
Goods-in-transit	26,198,057	71,074,351
Merchandise on consignment	7,322,529	9,652,040
Packing, wrapping and Consumables	4,467,858	4,509,042
	668,429,346	757,020,974
Allowance for slow moving items and inventory shortages	(72,814,741)	(66,188,834)
	595,614,605	690,832,140

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

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period/year	66,188,834	37,316,133
Provided during the period/ year	6,625,907	28,872,701
Balance at the end of the period/year	72,814,741	66,188,834

9. ACCOUNT'S RECEIVABLES, NET

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Accounts receivable – trade	23,561,791	32,775,559
Accounts receivable – others	2,924,211	8,870,084
Expected Credit Losses	(2,153,586)	(8,797,743)
	24,332,416	32,847,900

The movement in the expected credit loss is as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period/year	8,797,743	9,442,808
Reversal during the period/year	(2,746,111)	(645,065)
Write-off	(3,898,046)	-
Balance at the end of the period/year	2,153,586	8,797,743

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10. PREPAYMENTS AND OTHER RECEIVABLES, NET

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Prepaid expenses	23,773,776	22,340,171
Advance payments to suppliers and employees	11,466,006	12,770,891
Others	3,976,692	7,269,081
	39,216,474	42,380,143
Allowance for prepayments and other assets	(4,518,127)	(4,518,127)
	34,698,347	37,862,016

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

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period/year	4,518,127	6,160,605
Provision during the year	-	110,000
Write-off	-	(1,752,478)
Balance at the end of the period/year	4,518,127	4,518,127

11. BORROWINGS

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Short-term borrowings	124,785,108	100,370,248
Current portion of long-term borrowings	20,000,000	14,827,500
Non-current portion of long-term borrowings	50,000,000	64,998,623
Total borrowings	194,785,108	180,196,371

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

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
- Later than 1 year	20,000,000	20,000,000
- Later than 2 years but not more than 5 years	30,000,000	44,998,623
	50,000,000	64,998,623

The Group has credit facilities amounting to Saudi Riyal 633 million from various local banks. 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 Tawarroq 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 30 September 2022.

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 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period / year	755,798,655	647,446,128
Additions	5,938,728	203,604,856
Disposal *	(139,680,894)	(29,785,456)
Reassessment (**)	(102,999,435)	-
Interest on Lease Liabilities for the period / year	20,415,847	34,927,471
Interest expense capitalized (Note 6)	-	4,505,760
Payments during the period / year	(58,270,770)	(90,769,396)
Transfer to lease liabilities due not yet paid (Note 14)	(2,519,006)	(13,078,033)
Lease Concession for the period / year	(2,292,125)	(1,052,675)
Balance at the end of the period / year	476,391,000	755,798,655

* 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.

** As disclosed in Note 5, 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 102 million and a decrease in the lease liabilities of SR 102 million.

Lease liability balance consists as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Lease liabilities undiscounted principal payments	580,998,951	1,016,381,410
Unamortized interest	(104,607,951)	(260,582,755)
	476,391,000	755,798,655

Analyzed as:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Current portion	67,098,569	59,777,837
Non-current portion	409,292,431	696,020,818
	476,391,000	755,798,655

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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.

Zakat returns were submitted for the years 2019 and 2020, and the Authority assessed the mentioned years, and the zakat assessments were objected to during the statutory period, and the Authority's decision was issued on the Company's objection to the mentioned years, and the Company escalated the objection to the General Secretariat of Zakat, Tax and Customs Committees, and the Company responded to the Authority's reply note. The case is still under study by the committees and is awaiting a date for 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 2021, and the return is still under study by the Authority.

There is no change in zakat situation since the year ended in 31 December 2021.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Accrued expenses	36,695,817	33,942,597
Employee related liabilities	26,877,453	21,693,806
Gift cards and vouchers	18,818,422	34,177,462
Accrued rentals	18,060,218	26,461,204
Value Added Tax	8,868,137	11,912,151
Contract liability – Advances from customers	4,646,761	4,976,308
Lease liabilities due not yet paid	2,519,006	13,078,033
Others	2,984,590	1,955,524
	119,470,404	148,197,085

15. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Letters of credit	29,023,355	46,557,127
Letters of guarantee	12,361,732	12,202,116
	41,385,087	58,759,243

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 various showrooms is as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Commitments for Group's various showrooms	6,814,054	10,094,264

17. LOSS/EARNINGS PER SHARE

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 calculation of loss/earnings per share is given below:

	30 September 2022 (Unaudited)	30 September, 2021 (Unaudited)
Net (loss) / profit for the period attributable to ordinary equity holders of the Company	(65,292,568)	16,201,117
Weighted average number of shares in issue during the period	36,000,000	36,000,000
Loss/Earnings per share	(1.81)	0.45

18. RELATED PARTY TRANSACTIONS

18.1 Due from a related party

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Non-current portion	4,503,574	-
Current portion (note 12)	1,286,736	-
	5,790,310	-

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, the first payment has been received for an amount of SR 643,370.

18-2 Related parties' transactions

	Nature Relationship	Nature of the transaction	30 September 2022	30 September 2021
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	3,985,000	3,585,000

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18. RELATED PARTY TRANSACTIONS (Continued)

18-3 Compensation of key management personnel

	30 September 2022 (Unaudited)	30 September, 2021 (Unaudited)
Short term benefits	4,405,166	4,563,063
End of service benefits	300,558	552,819
	4,705,724	5,115,882

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 is as follows:

	Fair value as at		Net changes in the fair value for the nine-month period ended 30 September	
	30 September 2022	31 December 2021	2022	2021
Unquoted				
ACE Hardware International Holdings	8,889,559	10,322,812	(1,433,253)	470,720

Movement during the year is as follows:

	30 September 2022	31 December 2021
Beginning balance	10,322,812	9,852,092
Net changes in the fair value	(1,433,253)	470,720
Closing balance	8,889,559	10,322,812

As at 30 September 2022, management assessed the fair value of the investments at fair value through other comprehensive income being Lower than the carrying amount by an amount of SR 1,433,253.

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 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).

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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 2022 (Unaudited)	31 December, 2021 (Audited)
Level 3		
Investments carried at FVTOCI	<u>8,889,559</u>	<u>10,322,812</u>

There were no transfers between Levels 1, 2 and 3 for the Nine-month period ending 30 September 2022 and for the year ended 31 December 2021.

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	<p>Average valuation Weight of:</p> <p>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%</p> <p>2- And Price-to-book value (P/B), Comparable P/B (Similar companies), weighted at 20%</p>	- Weighted Average Cost of Capital (WACC) 13.9%	<p>The estimated fair value would increase / (decrease) if:</p> <p>- The WACC were (lower)/higher.</p>

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 2022	
	+1%	-1%
Weighted Average Cost of Capital (WACC) (+/-1%)	<u>(309,420)</u>	<u>325,975</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 (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 Nine-month periods ended September 30, 2022, and 2021 is as follows:

For the Nine-month period ending 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
Profit from operations	(36,946,341)	(1,867,701)	(38,814,042)
Other income, net	7,404,875	79,501	7,484,376
Financing 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)

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21. SEGMENTS INFORMATION (continued)

Other segment information:

For the Nine-month period ending 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

For the Nine-month period ending 30 September 2021 (Unaudited)**Revenues:**

	Sales and services	logistics	Total
Total segment revenue	938,551,342	84,098,147	1,022,649,489
Revenue between segments	-	(65,522,373)	(65,522,373)
Revenue from external customers	938,551,342	18,575,774	957,127,116

Revenue recognition timing:

At a point in time	936,630,923	18,575,774	955,206,697
Over the time	1,920,419	-	1,920,419
	938,551,342	18,575,774	957,127,116
Profit from operations	43,488,390	3,737,456	47,225,846

Other income, net	4,783,957	44,230	4,828,187
Financing cost	(27,463,631)	(76,321)	(27,539,952)
Profit before zakat	20,808,716	3,705,365	24,514,081
Zakat	(8,312,964)	-	(8,312,964)
Net profit for the period	12,495,752	3,705,365	16,201,117

Other segment information:

For the Nine-month period ending 30 September 2021(Unaudited)

	Sales and services	logistics	Total
Capital expenditures	150,275,795	327,783	150,603,578
Depreciation and amortization	51,306,151	44,059	51,350,210
Depreciation of the right of use	32,551,225	2,746,133	35,297,358
Impairment charge on non-financial assets	14,830,583	-	14,830,583
Total segment assets :			
30 September 2021(Unaudited)	1,937,849,993	28,840,629	1,966,690,622
31 December 2020 (Audited)	1,613,659,336	24,865,223	1,638,524,559
Total segment liabilities:			
30 September 2021(Unaudited)	1,341,739,293	25,221,917	1,366,961,210
31 December 2020 (Audited)	1,015,258,081	13,107,159	1,028,365,240

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22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation. The reclassification did not result in any impact on the profit / loss for the period or equity as shown in the table below:

	Three-month period ended 30 September 2021		
	As previously reported	Impact	As stated,
Effect on condensed consolidated interim statement of profit or loss and other comprehensive income			
Revenue	294,734,615	1,099,805	295,834,420
Selling and marketing expenses	(9,995,726)	(1,099,805)	(11,095,531)
	Nine-month period ended 30 September 2021		
	As previously reported	Impact	As stated,
Effect on condensed consolidated interim statement of profit or loss and other comprehensive income			
Revenue	953,511,332	3,615,784	957,127,116
Selling and marketing expenses	(28,780,311)	(3,615,784)	(32,396,095)
	Nine-month period ended 30 September 2021		
	As previously reported	Impact	As stated,
Effect on condensed consolidated interim statement of cash flows			
Accrued expenses and other liabilities	1,791,818	(2,863,508)	(1,071,690)
Payment of lease liabilities	(75,276,074)	2,863,508	(72,412,566)

23. CORONAVIRUS (COVID-19) PANDEMIC

The Corona Virus ("Covid-19") pandemic continues to disrupt global markets as many geographical regions are experiencing problems due to the identification of several new mutated strains of infection, although they previously controlled the outbreak of the virus through strict precautionary measures. However, the government of Saudi Arabia has been able to successfully control the outbreak of the virus until now. The management of the Group studies and follows up on all other variables that may affect the activities of the Group, and the Group believes that there is no current impact on the Group's results for the period ending on 30 September 2022. The Group continues to assess the current macroeconomic situation, including the impact of the pandemic and the extent of the future financial impact on the Group's results as a result of the continuation of the pandemic until the date of issuance of these consolidated financial statements

24. SIGNIFICANT EVENTS

On May 13, 2022, a partial fire broke out at "Mall of Dhahran" where SACO Dhahran store is located. The management's preliminary assessment is that the fire affected a limited area of the Mall and did not reach its store and the Group has reopened the store on 7 June 2022.

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25. 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.

26. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on 9 Rabi' al-Thani 1444 H (corresponding to 3 November 2022).