

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

**UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2022
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, 2022**

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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 March 31, 2022 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 those 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 this 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 19, 2022


**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**


	Note	For the three month period ended March 31,	
		2022	2021
Revenues		319,505,172	336,393,977
Cost of revenues		(263,449,455)	(269,376,263)
GROSS PROFIT		56,055,717	67,017,714
Selling and marketing expenses		(10,182,119)	(8,712,555)
General and administration expenses		(36,508,801)	(30,953,772)
Impairment reversal (loss) on financial assets	9	3,098,064	(108,197)
OPERATING PROFIT		12,462,861	27,243,190
Other income		945,982	1,239,353
Finance cost		(9,039,744)	(9,631,169)
PROFIT BEFORE ZAKAT		4,369,099	18,851,374
Zakat		(3,262,320)	(3,218,000)
NET PROFIT FOR THE PERIOD		1,106,779	15,633,374
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation of financial assets at FVTOCI		-	470,720
Remeasurements of actuarial gains on end of service obligations		-	-
Total comprehensive income for the period		1,106,779	16,104,094
Earnings per share (Saudi Riyals)	15		
Basic and diluted earnings per share attributable to the equity shareholders of the Company		0.03	0.43
Weighted average number of shares		36,000,000	36,000,000

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The accompanying notes on pages 7 to 19 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, 2022 (unaudited)	December 31, 2021 (audited)
	Notes		
ASSETS			
Non-current assets			
Right-of-use assets	5	519,012,540	660,813,868
Property and equipment	6	381,776,693	393,769,239
Intangible assets	7	62,911,038	63,487,043
Financial assets at fair value through other comprehensive income (FVTOCI)	17,18	10,322,812	10,322,812
Due from a related party	16	5,790,310	-
Total non-current assets		979,813,393	1,128,392,962
Current assets			
Inventories	8	671,709,029	690,832,140
Accounts receivable	9	23,260,666	32,847,900
Prepayments and other receivables	10	41,936,775	37,862,016
Cash and cash equivalents		15,617,433	15,494,689
Total current assets		752,523,903	777,036,745
TOTAL ASSETS		1,732,337,296	1,905,429,707
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve		24,615,391	24,504,713
Retained earnings		170,615,874	169,619,773
Fair value reserve		2,062,360	2,062,360
Total equity		557,293,625	556,186,846
Liabilities			
Non-current liabilities			
Long term borrowings	11	59,998,623	64,998,623
Employees end of service benefit obligation		42,365,074	41,953,324
Lease liabilities	12	545,354,739	696,020,818
Total non-current liabilities		647,718,436	802,972,765
Current liabilities			
Short term borrowings	11	99,679,138	100,370,248
Current portion of long-term borrowings	11	19,827,500	14,827,500
Accounts and notes payable		203,782,639	209,700,478
Current portion of lease liabilities	12	59,638,886	59,777,837
Accrued expenses and other liabilities		127,737,804	148,197,085
Zakat payable		16,461,425	13,199,105
Dividends payable		197,843	197,843
Total current liabilities		527,325,235	546,270,096
Total liabilities		1,175,043,671	1,349,242,861
TOTAL EQUITY AND LIABILITIES		1,732,337,296	1,905,429,707

The accompanying notes on pages 7 to 19 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)**

	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Total
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	-	-	(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
Balance at January 1, 2022 (audited)	360,000,000	24,504,713	169,619,773	2,062,360	556,186,846
Net profit for the period	-	-	1,106,779	-	1,106,779
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income	-	-	1,106,779	-	1,106,779
Transfer to statutory reserve	-	110,678	(110,678)	-	-
Balance at March 31, 2022 (unaudited)	360,000,000	24,615,391	170,615,874	2,062,360	557,293,625

The accompanying notes on pages 7 to 19 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)**

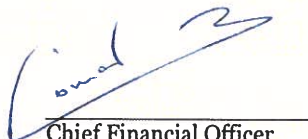
	Note	For the three month period ended March 31,	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Zakat		4,369,099	18,851,374
Adjustments for:			
Interest on borrowing and bank charges		791,351	783,161
Interest on lease liability		8,248,393	8,848,008
Depreciation and amortization		12,249,765	12,264,606
Depreciation of right-of-use assets		17,275,407	16,894,154
Loss from shrinkage and inventory shortages		2,554,577	3,911,908
Provision for slow moving items and inventory shortages		(3,631,413)	(2,819,138)
Rent concession	12	(1,666,000)	(1,027,469)
Impairment (reversal)/ loss on financial assets	9	(3,098,064)	108,197
Provision for employees end of service benefit obligations		1,905,329	2,699,290
Loss on disposal of property and equipment		-	-
Movement in working capital:			
Inventories		20,199,947	(58,998,029)
Accounts receivable		12,685,298	9,107,731
Prepayments and other receivables		(3,431,394)	(6,643,413)
Accounts payable and notes payable		(5,917,839)	71,226,932
Accrued expenses and other current liabilities		(20,833,143)	7,585,263
Cash generated from operations		41,701,313	82,792,575
Finance cost paid		(9,038,319)	(9,265,223)
Employees end of service benefit obligation paid		(1,493,579)	(1,193,668)
Net cash generated from operating activities		31,169,415	72,333,684
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase for property and equipment		(10,787,870)	(94,910,503)
Disposal of property and equipment		33,086	-
Purchase for intangible assets		(1,359,646)	(15,240,929)
Net cash used in investing activities		(12,114,430)	(110,151,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in short term borrowings, net		(691,110)	-
Proceeds of long-term borrowings		-	79,826,123
Repayment of lease liability		(18,241,131)	(24,804,832)
Net cash (used) in/generated from financing activities		(18,932,241)	55,021,291
Net change in cash and cash equivalents		122,744	17,203,543
Cash and cash equivalents at the beginning of period		15,494,689	32,660,408
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		15,617,433	49,863,951

Continue

**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(CONTINUED)
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

	Note	For the three month period ended March 31,	
		2022	2021
Significant non-cash transactions:			
Lease liabilities	12	132,563,900	(136,416,462)
Right-of-use assets	5	(124,525,921)	136,416,462
Disposal of Capital Work in progress	6	(12,433,216)	-
Dividends declared		-	27,000,000
Depreciation expense on right of use assets capitalized		-	1,530,002
Interest expense on lease liability capitalized		-	1,082,848
Revaluation of financial assets at FVTOCI		-	470,720

The accompanying notes on pages 7 to 19 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, 2022
(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, 2022, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (December 31, 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 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, 2021.

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, 2021.

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
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(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 20, 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.

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, 2022, however, there are a number of new standards and amendments to standards that are effective from January 1, 2022, and their impact on the Group has been explained in the Group's annual consolidated financial statements. Management believes that the new standards and amendments will not have a material impact on the Group's condensed consolidated financial statements.

4.2 Zakat

The Group is subject to the regulations of the Zakat, Tax and Customs Authority (ZATCA). 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 filed its consolidated zakat return with Zakat, Tax and Customs Authority (ZATCA) up to the year ended December 31, 2021.

There is no change in the Zakat Statues since the financial year ended December 31, 2021.

**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

5. RIGHT -OF- USE ASSETS

	Properties	Vehicles	Land*	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Net book value at beginning of the period/year	530,150,899	612,726	130,050,243	660,813,868	566,474,772
Additions	5,524,322	-	-	5,524,322	200,876,059
Disposals	-	-	(136,416,462)	(136,416,462)	(42,201,099)
Depreciation expense for the period/year	(17,080,111)	(195,296)	-	(17,275,407)	(68,405,555)
Depreciation capitalized (Note 6)	-	-	-	-	(6,366,219)
Disposal Acc Dep	-	-	6,366,219	6,366,219	20,376,510
Impairment charge for the year	-	-	-	-	(9,940,600)
Net book value at end of the period/year	518,595,110	417,430	-	519,012,540	660,813,868

* The Group signed a lease contract (Dated February 18, 2020) on March 2, 2020 to lease a land parcel in the city of Jeddah for a total amount of SR 194 million consists of 22 annual unequal payments started on April 1, 2020. This land parcel was handed over to the Company on January 3, 2021. This land parcel is partially owned by Samaual Taha Bakhsh (a related party). The Company 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 May 15, 2022 which resulted in a derecognition of the related right-of-use assets amounting to Saudi Riyals 136 million and lease liability amounting to Saudi Riyals 136 million.

According to the lease termination agreement, the Company is entitled to receive back all costs and expenses incurred in connection with such lease from the lessor. At March 31, 2022, the Company has a receivable of Saudi Riyals 6.4 million from the lessor to be received over a period of three years. (Refer to Note 6 and Note 16).

**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

6. PROPERTY AND EQUIPMENT

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Net book value at the beginning of the period/ year	393,769,239	300,534,883
Additions	10,787,870	142,656,030
Disposals*	(12,466,302)	(3,551,118)
Depreciation for the period/ year	(10,314,114)	(40,980,572)
Impairment charge for the year	-	(4,889,984)
Net book value at the end of the period/ year	381,776,693	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 Saudi Riyals 6.3 million and Saudi Riyals 4.5 million respectively (Refer to Note 5 and Note 16).

7. INTANGIBLE ASSETS

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Goodwill	22,377,889	22,377,889
Software and licenses	39,775,103	40,318,132
Others	758,046	791,022
	62,911,038	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 December 31, 2021 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, 2022.

Movement in intangible assets is as follows:

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Net book value at the beginning of the period/ year	63,487,043	33,467,091
Additions	1,359,646	36,670,371
Amortization for the period/ year	(1,935,651)	(6,650,419)
Net book value at the end of the period/ year	62,911,038	63,487,043

**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

8. INVENTORIES

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Merchandise:		
In stores and warehouses	687,341,016	671,785,541
On consignment	7,322,209	9,652,040
Packing, Wrapping and Consumables	4,356,018	4,509,042
Goods-in-transit	35,247,207	71,074,351
	734,266,450	757,020,974
Allowance for slow moving items and inventory shortages	(62,557,421)	(66,188,834)
	671,709,029	690,832,140

Movement in inventory provision is as follows:

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Balance at the beginning of the period/ year	66,188,834	37,316,133
Provided during the period/ year	849,045	28,872,701
(Reversed) during the period	(2,324,194)	-
Write off	(2,156,264)	-
Balance at the end of the period/ year	62,557,421	66,188,834

9. ACCOUNTS RECEIVABLE

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Accounts receivable – trade	23,158,427	32,775,559
Accounts receivable – others	1,903,872	8,870,084
Impairment loss on financial assets	(1,801,633)	(8,797,743)
	23,260,666	32,847,900

Movement in Impairment loss on financial assets is as follows:

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Balance at the beginning of the period/ year	8,797,743	9,442,808
Reversal during the period/ year	(3,098,064)	(645,065)
Write off	(3,898,046)	-
Balance at the end of the period/ year	1,801,633	8,797,743

**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

10. PREPAYMENTS AND OTHER RECEIVABLES

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Prepaid expenses	23,923,645	22,340,171
Advances to suppliers and employees' advances	12,518,413	12,770,891
Due from a related Party (note 16)	643,365	-
Others	9,369,479	7,269,081
	46,454,902	42,380,143
Allowance for prepayments and other assets	(4,518,127)	(4,518,127)
	41,936,775	37,862,016

Movement in provision for other receivables is as follows:

	March 31, 2022 (unaudited)	December 31, 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

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Short-term borrowings	99,679,138	100,370,248
Current portion of long-term borrowings	19,827,500	14,827,500
Non-current portion of long-term borrowings	59,998,623	64,998,623
Total borrowings	179,505,261	180,196,371

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

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Later than 1 year	20,000,000	20,000,000
Later than 2 years but not more than 5 years	39,998,623	44,998,623
	59,998,623	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 Tawarraq 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.

**SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

11 BORROWINGS (continued)

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, 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.

12. LEASE LIABILITIES

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
At beginning of the period/ year	755,798,655	647,446,128
Additions	5,701,036	203,604,856
Disposals*	(136,598,936)	(29,785,456)
Interest on lease liability for the period/ year	8,248,393	34,927,471
Interest expense capitalized (Note 6)	-	4,505,760
Payments during the period/ year	(26,489,523)	(103,847,429)
Lease Concession for the period/ year	(1,666,000)	(1,052,675)
At the end of the period/ year	604,993,625	755,798,655

* As disclosed in Note 5, the Group's board of directors decided 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 Saudi Riyals 136 million.

Lease liability balance consists as follows:

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Lease liability undiscounted principal payments	800,136,559	1,016,381,410
Unamortized interest	(195,142,934)	(260,582,755)
	604,993,625	755,798,655

Analyzed as;

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Current portion	59,638,886	59,777,837
Non-current portion	545,354,739	696,020,818
	604,993,625	755,798,655

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13. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Letters of credit	34,631,356	46,557,127
Letters of guarantees	12,352,115	12,202,116

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 stores and warehouses are as follows:

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Commitments for Group's various stores and warehouses	10,483,029	10,094,264

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, 2022 (unaudited)	March 31, 2021 (unaudited)
Net profit for the period attributable to ordinary equity holders of the Company	1,106,779	15,633,374
Weighted average number of shares in issue during the period	36,000,000	36,000,000
Earnings per share	0.03	0.43

16. RELATED PARTIES TRANSACTIONS AND BALANCES

16.1 Due from a related party

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Non-current portion	5,790,310	-
Current portion (note 10)	643,365	-
	6,433,675	-

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16. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

16.1 Due from a related party (continued)

As disclosed in Note 5, the Company is entitled to receive a total amount of Saudi Riyals 6.4 million from Samual Taha Bakhsh, a related party consisting of three unequal payments starting from 2022.

16.2 Related parties' transactions

	Nature of transaction	March 31, 2022	March 31, 2021
Inheritors of Abdullah Taha Baksh*	Rental agreement for two show rooms	3,985,000	3,585,000

*Inheritors of Abdullah Taha Baksh and Samual Taha Baksh are shareholders of Abrar International Holding Company which is one of the major shareholders of the Company.

16.3 Transactions with key management personnel

	March 31, 2022 (unaudited)	March 31, 2021 (unaudited)
Short term benefits	1,817,498	1,837,938
End of service benefits	96,987	237,139
	1,914,485	2,075,077

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.

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:

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18. FAIR VALUE MEASUREMENTS (continued)

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

	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Level 3		
Unquoted equity investments at FVTOCI	10,322,812	10,322,812

There were no transfers among level 1, 2, and 3 for the three-month period ended March 31, 2022 and for the year ended December 31, 2021.

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.

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19. SEGMENT INFORMATION (continued)

The segment information provided to the strategic steering committee for the operating segment as of and for the three month periods ended March 31, 2022 and 2021 is as follows:

For the three-month period ended March 31, 2022 (unaudited)	Sales and services	Logistic services	Total
Revenues:			
Total segment revenues	307,536,341	24,587,830	332,124,171
Inter-segment revenues	-	(12,618,999)	(12,618,999)
Revenue from external customers	307,536,341	11,968,831	319,505,172
Timing of revenue recognition:			
At a point in time	306,039,150	11,968,831	318,007,981
Overtime	1,497,191	-	1,497,191
	307,536,341	11,968,831	319,505,172
Profit (Loss) from operations	12,481,944	(19,083)	12,462,861
Other income, net	945,982	-	945,982
Finance cost	(9,014,978)	(24,766)	(9,039,744)
Profit (Loss) before zakat	4,412,948	(43,849)	4,369,099
Zakat	(3,262,320)	-	(3,262,320)
Net profit (Loss) for the period	1,150,628	(43,849)	1,106,779
Other segment information:			
For the three-month period ended March 31, 2022 (unaudited)	Sales and services	Logistic services	Total
Capital expenditures	14,358,231	511,224	14,869,455
Depreciation and amortization	11,454,738	795,027	12,249,765
Depreciation on right-of-use asset	17,260,882	14,525	17,275,407
Total segment assets:			
March 31, 2022 (unaudited)	1,700,484,540	31,852,756	1,732,337,296
December 31, 2021 (audited)	1,875,493,742	29,935,965	1,905,429,707
Total segment liabilities:			
March 31, 2022 (unaudited)	1,160,030,705	15,012,966	1,175,043,671
December 31, 2021 (audited)	1,327,745,164	21,497,697	1,349,242,861

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19. SEGMENT INFORMATION (continued)

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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20. 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.

Management believes that the COVID-19 pandemic has had a considerable impact on the global supply-chain issues resulting in shipping shortages, delivery delays and increasing the freight and shipping cost substantially, which impacted the performance of the group during the period ended March 31, 2022.

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 remains uncertain and depends on the future developments that cannot be accurately estimated.

21. 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 except the following:

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. The management believes that the financial impact of the accident and the closure of the mall cannot be accurately estimated at this time. However, the Management believes that the losses, if any, are fully insured and expected to be recovered from the insurance company. This event has no financial effect on these condensed consolidated interim financial statements.

22. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on May 1st, 2022, corresponding to (1st Shawwal 1443H)