

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

**UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE THREE-MONTH
AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
AND REPORT ON REVIEW OF FINANCIAL STATEMENTS**

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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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 at 30 September 2020 and the related condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2020 and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period then ended and notes, comprising a summary of significant accounting policies 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 are 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

November 4, 2020

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 September 30,		For the nine-month period ended September 30,	
	2020	2019	2020	2019
Revenues	332,139,387	351,610,082	1,079,712,461	1,065,680,361
Cost of revenues	(266,192,676)	(284,481,515)	(874,202,292)	(869,862,508)
GROSS PROFIT	65,946,711	67,128,567	205,510,169	195,817,853
Selling and marketing expenses	(5,552,473)	(6,680,970)	(12,584,255)	(15,479,966)
General and administration expenses	(31,582,276)	(33,998,103)	(92,061,984)	(91,152,050)
OPERATING PROFIT	28,811,962	26,449,494	100,863,930	89,185,837
Other income, net	817,492	567,532	2,042,035	2,528,306
Finance cost	(9,995,728)	(9,505,824)	(32,108,780)	(27,537,504)
PROFIT BEFORE ZAKAT	19,633,726	17,511,202	70,797,185	64,176,639
Zakat	(3,153,035)	(2,866,395)	(9,459,104)	(8,599,185)
NET PROFIT FOR THE PERIOD	16,480,691	14,644,807	61,338,081	55,577,454
Other comprehensive income <i>Items that will not be reclassified subsequently to profit or loss</i>				
Re-measurement of employees end of service benefit obligation	-	-	996,018	-
Total comprehensive income for the period	16,480,691	14,644,807	62,334,099	55,577,454
Earnings per share (Saudi Riyals) (Note 15)				
Basic and diluted earnings per share attributable to the equity shareholders of the Company	0.46	0.41	1.70	1.54
Weighted average number of shares	36,000,000	36,000,000	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)**

	Notes	September 30, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS			
Non-current assets			
Right-of-use assets	5	539,602,976	584,007,598
Property and equipment	6	279,739,238	267,689,996
Intangible assets	7	33,574,245	36,616,258
Financial assets at fair value through other comprehensive income (FVTOCI)	17	9,662,153	9,662,153
Total non-current assets		862,578,612	897,976,005
Current assets			
Inventories	8	696,984,769	769,224,144
Accounts receivable	9	30,940,144	34,992,739
Prepayments and other receivables	10	42,186,794	43,919,590
Cash and cash equivalents		17,805,676	17,273,202
Total current assets		787,917,383	865,409,675
TOTAL ASSETS		1,650,495,995	1,763,385,680
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve		22,085,859	15,952,051
Retained earnings		201,712,372	163,512,081
Fair value reserve		1,401,700	1,401,700
Total equity		585,199,931	540,865,832
Non-current liabilities			
Long term borrowings	11	15,428,572	27,000,000
Employees end of service benefit obligation		38,471,949	42,951,036
Lease liabilities	12	563,064,569	598,230,133
Total non-current liabilities		616,965,090	668,181,169
Current liabilities			
Short term borrowings	11	55,262,574	135,961,581
Current portion of long-term borrowings	11	15,428,571	22,366,071
Accounts payable		209,850,483	257,140,535
Current portion of lease liabilities	12	56,122,466	47,559,873
Accrued expenses and other liabilities		101,389,958	79,743,311
Zakat payable		10,038,107	11,465,580
Dividends payable		238,815	101,728
Total current liabilities		448,330,974	554,338,679
Total liabilities		1,065,296,064	1,222,519,848
TOTAL EQUITY AND LIABILITIES		1,650,495,995	1,763,385,680

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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, 2019 (audited)		360,000,000	9,788,345	180,038,731	1,401,700	551,228,776
Net profit for the period		-	-	55,577,454	-	55,577,454
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income		-	-	55,577,454	-	55,577,454
Transfer to statutory reserve		-	5,557,745	(5,557,745)	-	-
Dividend distribution		-	-	(72,000,000)	-	(72,000,000)
Balance at September 30, 2019 (unaudited)		360,000,000	15,346,090	158,058,440	1,401,700	534,806,230
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		-	-	61,338,081	-	61,338,081
Other comprehensive income for the period		-	-	996,018	-	996,018
Total comprehensive income		-	-	62,334,099	-	62,334,099
Transfer to statutory reserve		-	6,133,808	(6,133,808)	-	-
Dividend distribution	20	-	-	(18,000,000)	-	(18,000,000)
Balance at September 30, 2020 (unaudited)		360,000,000	22,085,859	201,712,372	1,401,700	585,199,931

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 nine-month period ended September 30,	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		61,338,081	55,577,454
Adjustments for:			
Zakat		9,275,504	8,599,185
Finance cost		32,108,780	27,537,504
Depreciation and amortization		40,212,325	35,527,379
Depreciation of right-of-use assets		55,787,099	48,413,675
Loss from shrinkage and inventory shortages		9,408,324	12,016,958
Provision of slow-moving items and inventory shortages		11,022,547	833,564
Lease concession – IFRS16	12	(7,416,677)	-
Provision for doubtful debts		201,464	280,962
Provision for other receivables		2,058,255	-
Write-off of property and equipment		-	94,826
Gain on disposal of property and equipment		(72,153)	-
Provision for employees end of service benefit obligation		3,796,639	5,417,552
Movement in working capital:			
Inventories		51,808,504	(56,858,641)
Accounts receivable		3,851,131	4,776,641
Prepayments and other receivables		(325,459)	(10,856,690)
Accounts payable		(47,290,052)	23,745,347
Accrued expenses and other current liabilities		21,755,483	(7,612,542)
Cash generated from operations		247,519,795	147,493,174
Zakat paid		(10,702,977)	(12,234,938)
Finance cost paid		(5,388,443)	(5,985,437)
Employees end of service benefit obligation paid		(7,279,708)	(3,724,957)
Net cash generated from operating activities		224,148,667	125,547,842
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase for property and equipment		(48,076,311)	(32,755,241)
Proceeds from disposal of property and equipment		134,060	-
Purchase for intangible assets		(1,205,150)	(994,504)
Net cash used in investing activities		(49,147,401)	(33,749,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in short term borrowings, net		(80,699,007)	73,430,086
Repayments of long-term borrowings		(18,508,928)	(27,917,412)
Repayment of principal of lease liability		(30,568,771)	(44,495,949)
Repayment of interest portion of lease liability		(26,829,173)	(21,410,342)
Dividends paid		(17,862,913)	(71,970,961)
Net cash used in financing activities		(174,468,792)	(92,364,578)
Net change in cash and cash equivalents		532,474	(566,481)
Cash and cash equivalents at beginning of period		17,273,202	16,333,485
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		17,805,676	15,767,004
Significant non-cash transactions:			
Lease liabilities		(11,382,477)	(560,129,091)
Right-of-use assets		11,382,477	498,623,495
Re-measurement gain of employees end of service benefit obligation		(996,018)	-
Adjustment of prepaid rent with lease liability		-	(22,099,571)
IFRS 16 net adjustment in retained earnings		-	83,605,167

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

I. CORPORATE 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 September 30, 2020, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (December 31, 2019: 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 information of the Company and its 33 leased stores and 2 franchise stores located in various cities in the Kingdom of Saudi Arabia and the following wholly owned subsidiary:

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

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

The Company has subsequently on November 1, 2020 closed one of its leased stores.

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 Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended December 31, 2019.

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 an understanding of the changes in the Group's financial position and performance since December 31, 2019.

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

2.2 Preparation of financial statements

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

- Certain financial assets is measured at fair value through other comprehensive income ("OCI").
- The employees end of service benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

**SAUDI COMPANY FOR HARDWARE
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(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. 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 Riyal ("SR"), which is the Group's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards and amendments to standards and interpretation effective from 1 January 2020

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020 and have been explained in Group's annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

Amendments on International Financial Reporting Standard 16 (IFRS 16) "Covid - 19 - Related Rent Concessions" issued by SOCPA in May 2020

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in paragraph 46B of IFRS 16 is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this standard if the change were not a lease modification.

The practical expedient in paragraph 46A applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

Measurement

A lessee that uses the practical expedient accounts for any change in lease payments resulting from the rent concession in the same way that it would account for the change applying IFRS 16 if the change were not a lease modification.

A lessee applying the practical expedient would generally account for a forgiveness or waiver of lease payments as a variable lease payment, applying paragraph 38 of IFRS 16 – that is, recognising the concession in the period in which the event or condition that triggers those payments occurs. The lessee would also make a corresponding adjustment to the lease liability, in effect derecognising the part of the lease liability that has been forgiven or waived.

**SAUDI COMPANY FOR HARDWARE
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B. The resulted impact has reduced the Group's cost of revenues and lease liabilities for the nine-month period ended September 30, 2020 by Saudi Riyals 7,416,677 (See note12).

4.2 New standards and amendments to standards and interpretation issued but not effective

There are number of new standards and amendments to standards which are issued but not effective and have 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 future consolidated financial statements of the Group in the period of initial application.

4.3 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 profit or loss and other 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 Company received the final zakat assessment up to 2006 and the assessments for the years 2007 to 2018 are under study by the GAZT. The group started filing a consolidated zakat return for the Company and its subsidiary starting January 1, 2017. The final zakat assessment for the subsidiary is under review by the GAZT for the years 2011 to 2016.

5. RIGHT -OF- USE ASSETS

	Properties	Vehicles	Total
Net book value at January 1, 2020 (audited)	581,453,473	2,554,125	584,007,598
Additions	11,382,477	-	11,382,477
Depreciation expense for the period	(54,945,232)	(841,867)	(55,787,099)
Net book value at September 30, 2020 (unaudited)	537,890,718	1,712,258	539,602,976

6. PROPERTY AND EQUIPMENT

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Net book value at the beginning of the period/ year	267,689,996	254,536,178
Additions	48,076,311	56,489,146
Write off and other adjustments	-	(94,824)
Transfers to intangible assets	-	(52,425)
Disposals	(61,907)	(191,238)
Depreciation for the period/ year	(35,965,162)	(42,996,841)
Net book value at the end of the period/ year	279,739,238	267,689,996

7. INTANGIBLE ASSETS

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Goodwill	22,377,889	22,377,889
Software and licenses	10,237,989	13,046,157
Others	958,367	1,192,212
	33,574,245	36,616,258

**SAUDI COMPANY FOR HARDWARE
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(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 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, 2019 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognised for the nine-month period ended September 30, 2020.

Movement in intangible assets is as follows:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Net book value at the beginning of the period/ year	36,616,258	40,981,580
Additions	1,205,150	1,171,556
Transfer from property and equipment	-	52,425
Amortization for the period/ year	(4,247,163)	(5,589,303)
Net book value at the end of the period/ year	<u>33,574,245</u>	<u>36,616,258</u>

8. INVENTORIES

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Merchandise:		
In stores and warehouses	626,446,413	660,292,973
On consignment	14,361,213	15,058,110
Consumables	6,137,661	6,112,332
Goods-in-transit	80,062,432	106,761,132
	<u>727,007,719</u>	<u>788,224,547</u>
Less: provision for slow moving items and inventory shortages	(30,022,950)	(19,000,403)
	<u>696,984,769</u>	<u>769,224,144</u>

9. ACCOUNTS RECEIVABLE

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Accounts receivable – trade	22,868,117	27,266,553
Accounts receivable – others	11,016,372	10,469,067
Less: allowance for doubtful debts	(2,944,345)	(2,742,881)
	<u>30,940,144</u>	<u>34,992,739</u>

Movement in the allowance for doubtful debts is as follows:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Balance at the beginning of the period/ year	2,742,881	2,134,988
Provision during the period/ year	201,464	607,893
Balance at the end of the period/ year	<u>2,944,345</u>	<u>2,742,881</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

10. PREPAYMENTS AND OTHER RECEIVABLES

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Prepaid expenses	24,335,658	20,509,464
Advances to suppliers and employees' advances	17,160,988	19,188,781
Others	6,850,753	8,323,695
	<u>48,347,399</u>	<u>48,021,940</u>
Less : provision for other receivables	<u>(6,160,605)</u>	<u>(4,102,350)</u>
	<u>42,186,794</u>	<u>43,919,590</u>

Movement in provision for other receivables is as follows:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Balance at the beginning of the period/ year	4,102,350	3,368,694
Provision during the year	2,058,255	733,656
Balance at the end of the period/ year	<u>6,160,605</u>	<u>4,102,350</u>

11. BORROWINGS

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Short-term borrowings	55,262,574	135,961,581
Long-term borrowings	30,857,143	49,366,071
Total borrowings	<u>86,119,717</u>	<u>185,327,652</u>
Short term borrowings	55,262,574	135,961,581
Current portion of long-term borrowings	15,428,571	22,366,071
Non-current portion of long-term borrowings	15,428,572	27,000,000
Total borrowings	<u>86,119,717</u>	<u>185,327,652</u>

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

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Later than 1 year	15,428,572	15,428,572
Later than 2 years but not more than 5 years	-	11,571,428
	<u>15,428,572</u>	<u>27,000,000</u>

The Group obtained borrowing facilities in the amount of SR 551 million from various local banks. Such facilities provide 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 the 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"). These facility agreements also include covenants which require maintenance of certain financial ratios, restrict payments of dividends and other requirements which the Group was in compliance with as of September 30, 2020. 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

12. LEASE LIABILITIES

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
At beginning of the period/ year	645,790,006	507,703,701
Additions	11,382,477	210,557,023
Interest on lease liability for the period/ year	26,829,173	29,816,646
Payments during the period/ year	(57,397,944)	(97,611,131)
Lease Concession for the period/year	(7,416,677)	-
Adjustment	-	(4,676,233)
At the end of the period/ year	<u>619,187,035</u>	<u>645,790,006</u>
Analyzed at;		
	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Current portion	56,122,466	47,559,873
Non-current portion	563,064,569	598,230,133
	<u>619,187,035</u>	<u>645,790,006</u>

13. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Letters of credit	52,697,737	79,515,688
Letters of guarantecs	<u>11,577,944</u>	<u>12,577,944</u>

The Group is subject to litigation in the normal course of its business. The Group 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 exhibitions is as follows:

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Commitments for Group's various exhibitions	<u>28,545,650</u>	<u>33,575,319</u>

The Group signed a contract dated February 18, 2020 for a period of 22 years starting April 1, 2020 and ends on March 31, 2042 for a total amount of SR 194 million. This contract consists of 22 annual unequal payments starting April 1, 2020 for leasing a parcel of land. Management intends to use this parcel of land to build an investment property. As of the date of the approval of the condensed consolidated interim financial statements, the land was not handed over to the Group due to the incompleteness of certain conditions of the contract (see also note 16) and thus there was no financial impact on the condensed consolidated interim financial statements for the current period.

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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:

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Net profit for the period attributable to ordinary equity holders of the Company	61,338,081	55,577,454
Weighted average number of shares in issue during the period	36,000,000	36,000,000
Earnings per share	1.70	1.54

16. RELATED PARTIES TRANSACTIONS

16.1 Related parties' transactions

Related party name	Nature of transaction	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Inheritance of Abdullah Taha Baksh *	Rental agreement for two showrooms and land lease	4,893,333	4,235,000

The Group has signed a contract dated February 18, 2020 with a related party for a total value of SR 194 million to lease a parcel of land for a period of 22 years (see also note 14).

* Inheritance of Abdullah Taha Baksh is one of the owners of Abrar International Holding Company which is one of the major shareholders of the Company.

16.2 Transactions with key management personnel

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Short term benefits	2,267,656	4,672,958
End of service benefits	166,535	210,626
	2,434,191	4,883,584

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

Financial assets at fair value through other comprehensive income (FVTOCI) represents investments in unquoted securities of ACE international which are measured at repurchase quotation available from the investee company at every year end. All other financial assets and liabilities of the Group are classified and measured at amortised 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 orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these condensed consolidated interim financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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, including its level in the fair value hierarchy.

	September 30, 2020 (unaudited)	December 31, 2019 (audited)
Level 3		
Unquoted equity investments at FVTOCI	9,662,153	9,662,153

There were no transfers among level 1, 2, and 3 for the nine months period ended September 30, 2020 and for the year ended December 31, 2019.

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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 operate 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, 2020 and 2019 is as follows:

For the nine-month period ended September 30, 2020 (unaudited)	Sales and services	Logistic services	Total
Revenues:			
Total segment revenues	1,069,584,224	43,950,503	1,113,534,727
Inter-segment revenues	-	(33,822,266)	(33,822,266)
Revenue from external customers	<u>1,069,584,224</u>	<u>10,128,237</u>	<u>1,079,712,461</u>
Timing of revenue recognition:			
At a point in time	1,067,208,926	10,128,237	1,077,337,163
Overtime	2,375,298	-	2,375,298
	<u>1,069,584,224</u>	<u>10,128,237</u>	<u>1,079,712,461</u>
Profit from operations	<u>96,576,054</u>	<u>4,287,876</u>	<u>100,863,930</u>
Finance cost	(32,030,245)	(78,535)	(32,108,780)
Other income, net	1,967,861	74,174	2,042,035
Profit before zakat	<u>66,513,670</u>	<u>4,283,515</u>	<u>70,797,185</u>
Zakat	(9,459,104)	-	(9,459,104)
Net profit for the period	<u>57,054,566</u>	<u>4,283,515</u>	<u>61,338,081</u>
Other segment information:			
For the nine-month period ended September 30, 2020 (unaudited)	Sales and services	Logistic services	Total
Capital expenditures	46,279,377	3,002,084	49,281,461
Depreciation and amortization	<u>37,588,028</u>	<u>2,624,297</u>	<u>40,212,325</u>
Total segment assets:			
September 30, 2020 (unaudited)	1,627,656,244	22,839,751	1,650,495,995
December 31, 2019 (audited)	<u>1,741,298,225</u>	<u>22,087,455</u>	<u>1,763,385,680</u>
Total segment liabilities:			
September 30, 2020 (unaudited)	1,053,079,058	12,217,006	1,065,296,064
December 31, 2019 (audited)	<u>1,211,531,719</u>	<u>10,988,129</u>	<u>1,222,519,848</u>

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19. SEGMENT INFORMATION (CONTINUED)

For the nine-month period ended September 30, 2019 (unaudited)	Sales and services	Logistic services	Total
Revenues:			
Total segment revenues	1,058,754,156	15,150,636	1,073,904,792
Inter-segment revenues	-	(8,224,431)	(8,224,431)
Revenue from external customers	<u>1,058,754,156</u>	<u>6,926,205</u>	<u>1,065,680,361</u>
Timing of revenue recognition:			
At a point in time	1,057,303,903	6,926,205	1,064,230,108
Overtime	1,450,253	-	1,450,253
	<u>1,058,754,156</u>	<u>6,926,205</u>	<u>1,065,680,361</u>
Profit from operations	<u>86,034,430</u>	<u>3,151,407</u>	<u>89,185,837</u>
Finance cost	(27,537,504)	-	(27,537,504)
Other income, net	2,304,110	224,196	2,528,306
Profit before zakat	<u>60,801,036</u>	<u>3,375,603</u>	<u>64,176,639</u>
Zakat	(8,599,185)	-	(8,599,185)
Net profit for the period	<u>52,201,851</u>	<u>3,375,603</u>	<u>55,577,454</u>
Other segment information:			
For the nine-month period ended September 30, 2019 (unaudited)	Sales and services	Logistic services	Total
Capital expenditures	33,505,116	244,629	33,749,745
Depreciation and amortization	<u>33,603,132</u>	<u>1,924,247</u>	<u>35,527,379</u>
Total segment assets:			
September 30, 2019 (unaudited)	1,546,151,897	26,447,999	1,572,599,896
December 31, 2018 (audited)	<u>1,081,101,209</u>	<u>16,020,173</u>	<u>1,097,121,382</u>
Total segment liabilities:			
September 30, 2019 (unaudited)	1,031,892,028	5,901,638	1,037,793,666
December 31, 2018 (audited)	<u>455,146,328</u>	<u>7,141,111</u>	<u>462,287,439</u>

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 July 23, 2020 resolved to distribute cash dividends to the Company's shareholders who owns the shares on the date of August 16, 2020 amounting to SR 18 million at SR 0.5 per share. Those dividends were paid on 30 August 2020.

21. CORONA VIRUS PANDEMIC (COVID-19)

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.

The retail market has so far been impacted by the economic pressures created by the coronavirus which results in a negative impact on Group's revenue due to closure of certain Group's stores from March 17, 2020. As at the date of review report, the extent and duration of the lockdown situation and its impact on the business and economic remains uncertain and is depends on the future developments that cannot be accurately estimated.

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21 CORONA VIRUS PANDEMIC (COVID-19) (CONTINUED)

The Group is confident that it has in place robust policies, operational expertise and financial resources and cushions to enable it to meet the challenges in the current environment. Management will continue to monitor the current pandemic and the resulting economic conditions and to take all necessary measures to safeguard the Group and its staff.

22. EVENTS OCCURRING AFTER REPORTING PERIOD

In the opinion of the management, there have been no significant subsequent events since the 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 October 29, 2020, corresponding to 12 Rabi' Al-Awwal 1442H.