

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

**UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE THREE MONTH AND SIX  
MONTH PERIODS ENDED JUNE 30, 2021  
AND REPORT ON REVIEW OF FINANCIAL STATEMENTS**

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

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## **REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the Shareholders of Saudi Company for Hardware  
(A Saudi Joint Stock Company)

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Company for Hardware (the "Company") and its subsidiary (collectively referred to as the "Group") as at June 30, 2021 and the related condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended June 30, 2021 and the condensed consolidated interim statements of changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read 'Bader I. Benmohareb', is written over a horizontal line.

By: \_\_\_\_\_  
Bader I. Benmohareb  
License Number 471

August 1, 2021

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

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

	For the three month period ended June 30,		For the six month period ended June 30,	
	2021	2020 (Note 2.4)	2021	2020 (Note 2.4)
Revenues	322,382,740	389,533,513	658,776,717	747,573,074
Cost of revenues	(260,853,762)	(303,587,100)	(530,230,025)	(599,229,289)
<b>GROSS PROFIT</b>	<b>61,528,978</b>	<b>85,946,413</b>	<b>128,546,692</b>	<b>148,343,785</b>
Selling and marketing expenses	(10,072,030)	(6,306,249)	(18,784,585)	(15,812,109)
General and administration expenses	(28,409,377)	(31,706,253)	(59,363,149)	(59,069,913)
Impairment loss on financial assets	(97,735)	(1,344,794)	(205,932)	(1,409,795)
<b>OPERATING PROFIT</b>	<b>22,949,836</b>	<b>46,589,117</b>	<b>50,193,026</b>	<b>72,051,968</b>
Other income, net	1,968,217	566,411	3,207,570	1,224,543
Finance cost	(8,598,793)	(10,863,791)	(18,229,962)	(22,113,052)
<b>PROFIT BEFORE ZAKAT</b>	<b>16,319,260</b>	<b>36,291,737</b>	<b>35,170,634</b>	<b>51,163,459</b>
Zakat	(1,876,964)	(3,153,034)	(5,094,964)	(6,306,069)
<b>NET PROFIT FOR THE PERIOD</b>	<b>14,442,296</b>	<b>33,138,703</b>	<b>30,075,670</b>	<b>44,857,390</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurement of actuarial (losses)/gains on employees end of service benefit obligations	(137,953)	(83,124)	(137,953)	996,018
Revaluation of financial assets at FVTOCI	-	-	470,720	-
<b>Total comprehensive income for the period</b>	<b>14,304,343</b>	<b>33,055,579</b>	<b>30,408,437</b>	<b>45,853,408</b>
<b>Earnings per share (Saudi Riyals)</b> (Note 15)				
Basic and diluted earnings per share attributable to the equity shareholders of the Company	<b>0.40</b>	<b>0.92</b>	<b>0.84</b>	<b>1.25</b>
Weighted average number of shares	<b>36,000,000</b>	<b>36,000,000</b>	<b>36,000,000</b>	<b>36,000,000</b>

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

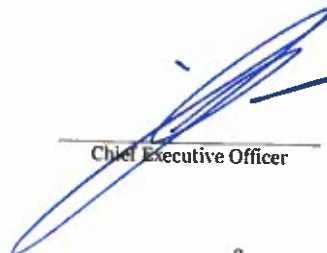
**SAUDI COMPANY FOR HARDWARE  
(SAUDI JOINT STOCK COMPANY)**

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

ASSETS	Notes	June 30, 2021 (unaudited)	December 31, 2020 (audited)
<b>Non-current assets</b>			
Right-of-use assets	5	678,697,258	566,474,772
Property and equipment	6	391,023,504	300,534,883
Intangible assets	7	48,665,573	33,467,091
Financial assets at fair value through other comprehensive income (FVTOCI)	17	<u>10,322,813</u>	<u>9,852,093</u>
<b>Total non-current assets</b>		<u>1,128,709,148</u>	<u>910,328,839</u>
<b>Current assets</b>			
Inventories	8	715,056,717	625,037,746
Prepayments and other receivables	10	45,489,674	35,673,464
Accounts receivable	9	19,987,360	34,824,102
Cash and cash equivalents		<u>16,817,751</u>	<u>32,660,408</u>
<b>Total current assets</b>		<u>797,351,502</u>	<u>728,195,720</u>
<b>TOTAL ASSETS</b>		<u>1,926,060,650</u>	<u>1,638,524,559</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	360,000,000	360,000,000
Statutory reserve		27,512,280	24,504,713
Retained earnings		223,993,116	224,062,966
Fair value reserve		<u>2,062,360</u>	<u>1,591,640</u>
<b>Total equity</b>		<u>613,567,756</u>	<u>610,159,319</u>
<b>Non-current liabilities</b>			
Lease liabilities	12	693,978,321	586,442,854
Long term borrowings	11	69,998,623	-
Employees end of service benefit obligation		<u>42,927,702</u>	<u>40,100,088</u>
<b>Total non-current liabilities</b>		<u>806,904,646</u>	<u>626,542,942</u>
<b>Current liabilities</b>			
Accounts and notes payable		263,903,728	214,770,873
Accrued expenses and other liabilities		111,069,252	112,434,444
Current portion of lease liabilities	12	61,917,915	61,003,274
Short term borrowings	11	51,881,003	-
Current portion of long-term borrowings	11	9,827,500	-
Zakat payable		6,763,106	13,374,892
Dividends payable		<u>225,744</u>	<u>238,815</u>
<b>Total current liabilities</b>		<u>505,588,248</u>	<u>401,822,298</u>
<b>Total liabilities</b>		<u>1,312,492,894</u>	<u>1,028,365,240</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,926,060,650</u>	<u>1,638,524,559</u>

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

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman of Board of Directors

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

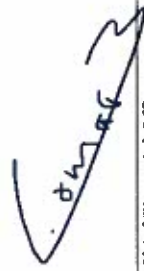
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Total
Balance at January 1, 2020 (audited)		360,000,000	15,952,051	163,512,081	1,401,700	540,865,832
Net profit for the period		-	-	44,857,390	-	44,857,390
Other comprehensive income for the period		-	-	996,018	-	996,018
Total comprehensive income		-	-	45,853,408	-	45,853,408
Transfer to statutory reserve		-	4,485,739	(4,485,739)	-	-
Balance at June 30, 2020 (unaudited)		360,000,000	20,437,790	204,879,750	1,401,700	586,719,240
<b>Balance at January 1, 2021 (audited)</b>		<b>360,000,000</b>	<b>24,504,713</b>	<b>224,062,966</b>	<b>1,591,640</b>	<b>610,159,319</b>
Net profit for the period		-	-	30,075,670	-	30,075,670
Other comprehensive income for the period		-	-	(137,953)	470,720	332,767
Total comprehensive income		-	-	29,937,717	470,720	30,408,437
Transfer to statutory reserve		-	3,007,567	(3,007,567)	-	-
Dividend distribution	20	-	-	(27,000,000)	-	(27,000,000)
<b>Balance at June 30, 2021 (unaudited)</b>		<b>360,000,000</b>	<b>27,512,280</b>	<b>223,993,116</b>	<b>2,062,360</b>	<b>613,567,756</b>

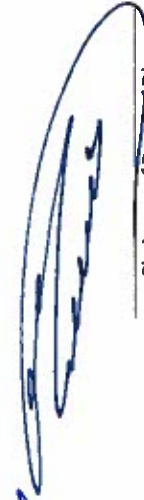
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Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

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

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

	Note	For the six month period ended	
		June 30,	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before Zakat		35,170,634	51,163,459
<b>Adjustments for:</b>			
Interest on borrowing and bank charges		785,263	4,189,663
Interest on lease liability		17,444,699	17,923,389
Depreciation and amortization		23,798,646	26,925,397
Depreciation of right-of-use assets		34,010,507	37,277,472
Loss from shrinkage and inventory shortages		5,884,864	4,011,893
(Reversal) /provision slow moving items and inventory shortages		(1,415,496)	8,721,405
Lease concession – IFRS16	12	(1,052,675)	(4,397,690)
Gain on lease modification		(1,589,331)	-
Impairment loss on financial assets		205,932	1,409,795
Allowance for prepayments and other receivables		-	781,059
Provision for employees end of service benefit obligations		4,389,236	2,323,483
Gain on disposal of property and equipment		-	(72,217)
<b>Movement in working capital:</b>			
Inventories		(94,488,339)	54,095,347
Accounts receivable		14,630,810	3,291,320
Prepayments and other receivables		(9,816,210)	(3,557,921)
Accounts payable		49,132,855	(60,833,510)
Accrued expenses and other current liabilities		(1,761,052)	23,771,590
<b>Cash generated from operations</b>		<b>75,330,343</b>	<b>167,023,934</b>
Zakat paid		(11,706,598)	-
Finance cost paid		(17,834,254)	(21,789,438)
Employees end of service benefit obligation paid		(1,699,575)	(3,969,985)
<b>Net cash generated from operating activities</b>		<b>44,089,916</b>	<b>141,264,511</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase for property and equipment		(105,557,303)	(29,904,598)
Proceeds from disposal of property and equipment		-	134,061
Purchase for intangible assets		(18,592,049)	(731,428)
<b>Net cash used in investing activities</b>		<b>(124,149,352)</b>	<b>(30,501,965)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Change in short term borrowings, net		51,881,003	(40,236,515)
Proceeds /(repayments) of long-term borrowings		79,826,123	(11,183,035)
Repayment of principal of lease liability		(40,477,276)	(26,714,947)
Dividends paid		(27,013,071)	-
<b>Net cash generated from / (used in) financing activities</b>		<b>64,216,779</b>	<b>(78,134,497)</b>
<b>Net change in cash and cash equivalents</b>		<b>(15,842,657)</b>	<b>32,628,049</b>
Cash and cash equivalents at the beginning of period		32,660,408	17,273,202
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>16,817,751</b>	<b>49,901,251</b>
<b>Significant non-cash transactions:</b>			
Lease liabilities		(172,182,140)	(11,382,477)
Right-of-use assets		169,453,344	11,382,477
Depreciation expense on right of use assets capitalized		3,130,351	-
Interest expense on lease liability capitalized		2,206,046	-
Remeasurements of actuarial (losses)/gains on employees end of service benefit obligation		(137,954)	996,018

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 SIX MONTH PERIOD ENDED JUNE 30, 2021**  
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

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**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 Safar 26, 1405H (corresponding to November 19, 1984). The Capital Market Authority (the "CMA") announced on Jumada II 5, 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 Sha'ban 23, 1436H (corresponding to May 12, 2015).

As of June 30, 2021, the Company's share capital was Saudi Riyals 360 million divided into 36 million shares of Saudi Riyals 10 each (December 31, 2020: Saudi Riyals 360 million divided into 36 million shares of Saudi Riyals 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 (June 30, 2020: 32 stores) located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk and the following wholly owned subsidiary:

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

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

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended December 31, 2020.

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

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

**2.2 Historical cost convention**

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

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



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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2021**  
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

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**2. BASIS OF PREPARATION (CONTINUED)**

**2.3 Use of judgements and estimates**

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

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

**2.4 Restatement**

In the normal course of business, the Group receives certain vendor contributions. During the prior period, the Group used to account for such contributions as a deduction from the selling and marketing expenses. The Group's management has reassessed, in detail the relevant arrangements for such contributions and concluded that such contributions should instead be accounted for within the cost of revenue. Accordingly, and for a better presentation of the underlying arrangement, management has restated the relevant comparative information for 2020 in the condensed consolidated interim statement of comprehensive income for the six month and three month period ended June 30, 2020 as shown below:

Impact on condensed consolidated interim statement of comprehensive income for the six month period ended June 30, 2020:

	<b>As previously reported</b>	<b>Restatement</b>	<b>As restated</b>
Cost of revenue	608,009,616	(8,780,327)	599,229,289
Gross profit	139,563,458	8,780,327	148,343,785
Selling and marketing expense	7,031,782	8,780,327	15,812,109

Impact on condensed consolidated interim statement of comprehensive income for the three month period ended June 30, 2020:

	<b>As previously reported</b>	<b>Restatement</b>	<b>As restated</b>
Cost of revenue	308,899,314	(5,312,214)	303,587,100
Gross profit	80,634,199	5,312,214	85,946,413
Selling and marketing expense	994,035	5,312,214	6,306,249

This restatement did not have any impact on the condensed consolidated interim statement of financial position as of June 30, 2020, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the period ended June 30, 2020.

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

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2021**  
(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 June 30, 2021, however there are number of new standards and amendments to standards which are effective from January 1, 2021 and their impact on the Group has been explained in the Group's annual consolidated financial statements. Management believe that the new standards and amendments will not have a material impact on the Group's condensed consolidated financial statements.

**4.2 Zakat**

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

Zakat expense is recognized in each interim period based on the best estimate of the annual zakat charge expected for the full financial year. Amounts accrued for zakat expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual charge changes.

The Group's filed its consolidated zakat return with the Zakat, Tax and Customs Authority up to the year ended December 31, 2020 and settled the related zakat payable accordingly. The Group has received its final consolidated zakat assessments up to the year ended December 31, 2018 and settled the related additional zakat payable amounting to Saudi Riyals 3.8 million accordingly. The subsidiary has filed its standalone zakat return with Zakat, Tax and Customs Authority up to the year ended December 31, 2016 and settled the related zakat payable accordingly. The assessments for the subsidiary for the years from 2011 to 2016 have not been yet finalized.

**5. RIGHT OF USE ASSETS**

	<b>Properties</b>	<b>Vehicles</b>	<b>Land*</b>	<b>June 30, 2021 (unaudited)</b>	<b>December 31, 2020 (audited)</b>
Net book value at beginning of the period/ year	565,027,551	1,447,221	-	<b>566,474,772</b>	584,007,598
Additions	33,036,881	-	136,416,463	<b>169,453,344</b>	52,869,566
Disposals	(20,090,000)	-	-	<b>(20,090,000)</b>	-
Depreciation expense for the period/year	(33,581,942)	(428,565)	-	<b>(34,010,507)</b>	(70,402,392)
Depreciation capitalized (Note 6)	-	-	(3,130,351)	<b>(3,130,351)</b>	-
<b>Net book value at end of the period/year</b>	<b>544,392,490</b>	<b>1,018,656</b>	<b>133,286,112</b>	<b>678,697,258</b>	<b>566,474,772</b>

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

**6. PROPERTY AND EQUIPMENT**

	<b>June 30, 2021 (unaudited)</b>	<b>December 31, 2020 (audited)</b>
Net book value at the beginning of the period/ year	<b>300,534,883</b>	267,689,996
Additions*	<b>110,893,700</b>	79,525,189
Disposals	-	(1,209,192)
Depreciation for the period/ year	<b>(20,405,079)</b>	(45,471,110)
<b>Net book value at the end of the period/ year</b>	<b>391,023,504</b>	<b>300,534,883</b>

\*During the six month period ended June 30, 2021, the Group capitalized Saudi Riyal 3.1 million and Saudi Riyal 2.2 million in respect of depreciation of right of use of land and interest expense of corresponding lease liability respectively related to the construction under progress on a leased land (Refer to Note 5 and Note 12).

**SAUDI COMPANY FOR HARDWARE**  
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2021**  
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

**7. INTANGIBLE ASSETS**

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Goodwill	<b>22,377,889</b>	22,377,889
Software and licenses	<b>25,429,247</b>	10,164,450
Others	<b>858,437</b>	924,752
	<b>48,665,573</b>	33,467,091

**Impairment test for goodwill**

The Goodwill is related to the acquisition of Medscan Terminal Company Limited. Goodwill is monitored by the Group's management at the level of only one cash-generating unit (Medscan).

The Group's management performs goodwill impairment assessment annually and when there are indicators that the carrying value of the goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on December 31, 2020 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognized for the six month period ended June 30, 2021.

Movement in intangible assets is as follows:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Net book value at the beginning of the period/ year	<b>33,467,091</b>	36,616,258
Additions	<b>18,592,049</b>	2,585,985
Amortization for the period/ year	<b>(3,393,567)</b>	(5,735,152)
Net book value at the end of the period/ year	<b>48,665,573</b>	33,467,091

**8. INVENTORIES**

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Merchandise:		
In stores and warehouses	<b>617,287,175</b>	572,694,069
On consignment	<b>13,579,514</b>	13,180,295
Consumables	<b>3,434,311</b>	4,792,905
Goods-in-transit	<b>116,656,354</b>	71,686,610
	<b>750,957,354</b>	662,353,879
Allowance for slow moving items and inventory shortages	<b>(35,900,637)</b>	(37,316,133)
	<b>715,056,717</b>	625,037,746

**9. ACCOUNTS RECEIVABLE**

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Accounts receivable – trade	<b>19,143,944</b>	29,529,906
Accounts receivable – others	<b>10,492,156</b>	14,737,004
Impairment loss on financial assets	<b>(9,648,740)</b>	(9,442,808)
	<b>19,987,360</b>	34,824,102

Movement in Impairment loss on financial assets is as follows:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Balance at the beginning of the period/ year	<b>9,442,808</b>	2,742,881
Provision during the period/ year	<b>205,932</b>	6,922,068
Write off	-	(222,141)
Balance at the end of the period/ year	<b>9,648,740</b>	9,442,808

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**10. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Prepaid expenses	<b>25,412,763</b>	21,418,256
Advances to suppliers and employees' advances	<b>17,097,102</b>	13,656,249
Due from a related party	-	1,653,750
Others	<b>8,136,247</b>	5,105,814
	<b>50,646,112</b>	41,834,069
Allowance for prepayments and other assets	<b>(5,156,438)</b>	(6,160,605)
	<b>45,489,674</b>	35,673,464

Movement in provision for other receivables is as follows:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Balance at the beginning of the period/ year	<b>6,160,605</b>	4,102,350
Provision during the period/year	-	2,058,255
Write off	<b>(1,004,167)</b>	-
Balance at the end of the period/ year	<b>5,156,438</b>	6,160,605

**11. BORROWINGS**

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Short-term borrowings	<b>51,881,003</b>	-
Long-term borrowings	<b>79,826,123</b>	-
Total borrowings	<b>131,707,126</b>	-
Current portion of long-term borrowings	<b>9,827,500</b>	-
Non-current portion of long-term borrowings	<b>69,998,623</b>	-
Total long-term borrowings	<b>79,826,123</b>	-

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

	<b>June 30, 2021</b>	December 31, 2020
	<b>(unaudited)</b>	(audited)
Later than 1 year	<b>20,000,000</b>	-
Later than 2 years but not more than 5 years	<b>49,998,623</b>	-
	<b>69,998,623</b>	-

The Group has credit facilities amounting to Saudi Riyal 633 million from various local banks out of which Saudi Riyal 205 million were utilized as at 30 June 2021. Such facilities comprise short and long-term borrowings, letters of credit and guarantee and notes payable for bills of exchange to finance working capital, investments, and capital expenditures. These facilities, which are in form of Murabaha and 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.

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 June 30, 2021.

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

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**12. LEASE LIABILITIES**

	<b>June 30, 2021</b> <b>(unaudited)</b>	December 31, 2020 (audited)
At beginning of the period/ year	<b>647,446,128</b>	645,790,006
Additions	<b>172,182,140</b>	52,993,945
Disposals	<b>(24,408,129)</b>	-
Interest on lease liability for the period/ year	<b>17,444,699</b>	35,831,867
Interest expense capitalized (Note 6)	<b>2,206,046</b>	-
Payments during the period/ year	<b>(57,921,973)</b>	(77,244,050)
Lease Concession for the period/ year	<b>(1,052,675)</b>	(9,925,640)
At the end of the period/ year	<b>755,896,236</b>	647,446,128

Lease liability balance consists as follows:

	<b>June 30, 2021</b> <b>(unaudited)</b>	December 31, 2020 (audited)
Lease liability undiscounted principal payments	<b>1,031,416,010</b>	892,596,773
Unamortized interest	<b>(275,519,774)</b>	(245,150,645)
	<b>755,896,236</b>	647,446,128

Analyzed as;

	<b>June 30, 2021</b> <b>(unaudited)</b>	December 31, 2020 (audited)
Current portion	<b>61,917,915</b>	61,003,274
Non-current portion	<b>693,978,321</b>	586,442,854
	<b>755,896,236</b>	647,446,128

**13. COMMITMENTS AND CONTINGENCIES**

The Group had the following contingencies and commitments:

	<b>June 30, 2021</b> <b>(unaudited)</b>	December 31, 2020 (audited)
Letters of credit	<b>51,613,989</b>	65,993,460
Letters of guarantees	<b>13,502,116</b>	13,077,944

The Group is subject to litigation in the normal course of its business. The Group's management does not believe that the outcome of these court cases will have any material impact on the Group's results or financial position.

**14. COMMITMENT FOR EXPENDITURE**

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

	<b>June 30, 2021</b> <b>(unaudited)</b>	December 31, 2020 (audited)
Commitments for Group's various exhibitions	<b>8,109,794</b>	<b>22,957,109</b>

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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:

	<b>June 30, 2021</b> <b>(unaudited)</b>	June 30, 2020 (unaudited)
Net profit for the period attributable to ordinary equity holders of the Company	<b>30,075,670</b>	44,857,390
Weighted average number of shares in issue during the period	<b>36,000,000</b>	36,000,000
Earnings per share	<b>0.84</b>	1.25

**16. RELATED PARTIES TRANSACTIONS**

**16.1 Related parties' transactions**

	<b>Nature of transaction</b>	<b>June 30, 2021</b>	June 30, 2020
Inheritors of Abdullah Taha Baksh*	Rental agreement for two show rooms and land lease	<b>3,585,000</b>	4,893,333

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

**16.2 Transactions with key management personnel**

	<b>June 30, 2021</b> <b>(unaudited)</b>	June 30, 2020 (unaudited)
Short term benefits	<b>3,065,444</b>	1,553,143
End of service benefits	<b>462,667</b>	97,369
	<b>3,528,111</b>	1,650,512

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

ACE Hardware International Holdings, Ltd (AIH) is a limited liability company incorporated under the laws of Bermuda. AIH is a majority-owned and controlled subsidiary of Ace Hardware Corporation with a noncontrolling interest owned by its international customers.

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

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

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

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**18. FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets and financial liabilities approximates their fair value. The Group only presents unquoted financial assets at FVTOCI under fair valuation model.

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

The carrying amount of financial assets and financial liabilities approximates their fair value. The Group only presents unquoted equity investments at FVTOCI under fair valuation model.

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

	<b>June 30, 2021</b> <b>(unaudited)</b>	December 31, 2020 (audited)
<b>Level 3</b>		
Unquoted equity investments at FVTOCI	<b>10,322,813</b>	9,852,093

There were no transfers among level 1, 2, and 3 for the six month period ended June 30, 2021 and for the year ended December 31, 2020.

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**19. SEGMENT INFORMATION**

The Group has two major operating segments namely, sales and services and logistic services and both of them are operating inside Saudi Arabia.

**Sales and Services segment:** This segment include sale of goods made to retail and wholesale customers. Service department represent services department's income from delivery, installation and maintenance of items sold.

**Logistic Services:** The logistics and related services segment provides a comprehensive logistics offering to its clients, including freight forwarding, transportation and contract logistics.

The Group's Chief Executive Officer (Chief Operating Decision Maker) reviews the internal management reports of each segment at least quarterly for the purpose of resources allocation and assessment of performance. Operating segments are organized based on factors including distribution method, targeted customers and geographic location.

The segment information provided to the strategic steering committee for the operating segment as of and for the six month periods ended June 30, 2021 and 2020 is as follows:

<b>For the six month period ended June 30, 2021 (unaudited)</b>	<b>Sales and services</b>	<b>Logistic services</b>	<b>Total</b>
<b>Revenues:</b>			
Total segment revenues	<b>650,324,216</b>	<b>43,316,565</b>	<b>693,640,781</b>
Inter-segment revenues	-	<b>(34,864,064)</b>	<b>(34,864,064)</b>
Revenue from external customers	<b>650,324,216</b>	<b>8,452,501</b>	<b>658,776,717</b>
<b>Timing of revenue recognition:</b>			
At a point in time	<b>648,403,797</b>	<b>8,452,501</b>	<b>656,856,298</b>
Overtime	<b>1,920,419</b>	-	<b>1,920,419</b>
	<b>650,324,216</b>	<b>8,452,501</b>	<b>658,776,717</b>
<b>Profit from operations</b>	<b>47,623,666</b>	<b>2,569,360</b>	<b>50,193,026</b>
Other income, net	<b>3,207,570</b>	-	<b>3,207,570</b>
Finance cost	<b>(18,179,339)</b>	<b>(50,623)</b>	<b>(18,229,962)</b>
<b>Profit before zakat</b>	<b>32,651,897</b>	<b>2,518,737</b>	<b>35,170,634</b>
Zakat	<b>(5,094,964)</b>	-	<b>(5,094,964)</b>
<b>Net profit for the period</b>	<b>27,556,933</b>	<b>2,518,737</b>	<b>30,075,670</b>
<b>Other segment information:</b>			
<b>For the six month period ended June 30, 2021 (unaudited)</b>	<b>Sales and services</b>	<b>Logistic services</b>	<b>Total</b>
Capital expenditures	<b>129,263,563</b>	<b>225,280</b>	<b>129,488,843</b>
Depreciation and amortization	<b>21,962,150</b>	<b>1,836,496</b>	<b>23,798,646</b>
Depreciation on right of use asset	<b>37,111,647</b>	<b>29,211</b>	<b>37,140,858</b>
<b>Total segment assets:</b>			
June 30, 2021 (unaudited)	<b>1,898,567,135</b>	<b>27,493,515</b>	<b>1,926,060,650</b>
December 31, 2020 (audited)	1,613,659,336	24,865,223	1,638,524,559
<b>Total segment liabilities:</b>			
June 30, 2021 (unaudited)	<b>1,294,440,989</b>	<b>18,051,905</b>	<b>1,312,492,894</b>
December 31, 2020 (audited)	1,015,258,081	13,107,159	1,028,365,240



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**19. SEGMENT INFORMATION (CONTINUED)**

<b>For the six month period ended June 30, 2020 (unaudited)</b>	<b>Sales and services</b>	<b>Logistic services</b>	<b>Total</b>
<b>Revenues:</b>			
Total segment revenues	741,056,031	28,193,724	769,249,755
Inter-segment revenues	-	(21,676,681)	(21,676,681)
Revenue from external customers	<u>741,056,031</u>	<u>6,517,043</u>	<u>747,573,074</u>
<b>Timing of revenue recognition:</b>			
At a point in time	738,680,733	6,517,043	745,197,776
Overtime	2,375,298	-	2,375,298
	<u>741,056,031</u>	<u>6,517,043</u>	<u>747,573,074</u>
<b>Profit from operations</b>	<b><u>68,983,983</u></b>	<b><u>3,067,985</u></b>	<b><u>72,051,968</u></b>
Other income, net	1,150,691	73,852	1,224,543
Finance cost	(22,060,781)	(52,271)	(22,113,052)
<b>Profit before zakat</b>	<b><u>48,073,893</u></b>	<b><u>3,089,566</u></b>	<b><u>51,163,459</u></b>
Zakat	(6,306,069)	-	(6,306,069)
<b>Net profit for the period</b>	<b><u>41,767,824</u></b>	<b><u>3,089,566</u></b>	<b><u>44,857,390</u></b>
<b>Other segment information:</b>			
<b>For the six month period ended June 30, 2020 (unaudited)</b>	<b>Sales and services</b>	<b>Logistic services</b>	<b>Total</b>
Capital expenditures	28,669,716	1,966,310	30,636,026
Depreciation and amortization	25,041,680	1,883,717	26,925,397
Depreciation on right of use asset	37,248,100	29,372	37,277,472
<b>Total segment assets:</b>			
June 30, 2020 (unaudited)	<b><u>1,679,614,898</u></b>	<b><u>25,399,723</u></b>	<b><u>1,705,014,621</u></b>
December 31, 2019 (audited)	<u>1,741,298,225</u>	<u>22,087,455</u>	<u>1,763,385,680</u>
<b>Total segment liabilities:</b>			
June 30, 2020 (unaudited)	<b><u>1,104,819,125</u></b>	<b><u>13,476,256</u></b>	<b><u>1,118,295,381</u></b>
December 31, 2019 (audited)	<u>1,211,531,719</u>	<u>10,988,129</u>	<u>1,222,519,848</u>

**20. DIVIDENDS**

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

**21. CORONA VIRUS PANDEMIC (COVID-19) UPDATE**

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

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

Management believes that the COVID-19 pandemic has had no material effect on the Group's reported financial results for the period ended June 30, 2021.

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**22. EVENTS OCCURRING AFTER REPORTING PERIOD**

In the opinion of the management, there have been no significant subsequent events since the reporting period-end that require disclosure or adjustment in these condensed consolidated interim financial statements.

**23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements have been approved by the Board of Directors on July 29, 2021, corresponding to Dhul Hijjah 19, 1442H.