

**SAUDI COMPANY FOR HARDWARE SACO  
AND ITS SUBSIDIARY  
(A Saudi Joint Stock Company)  
Condensed Consolidated Interim  
Financial Statements (Unaudited)  
together with the  
Independent Auditor's Limited Review Report  
For the three-month and six-month periods ended 30 June 2023**

# **SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**

(A Saudi Joint Stock Company)

**Condensed consolidated interim financial statements (unaudited)**

**Together with the independent auditor's limited review report**

**For the three-month and six-month periods ended 30 June 2023**

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## KPMG Professional Services

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Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤  
المركز الرئيسي في الرياض

# Independent auditor's report on the review of the condensed consolidated interim financial statements

To the Shareholders of Saudi Company for Hardware SACO

## Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial statements of **Saudi Company for Hardware SACO** ("the Company") and its subsidiary ("the Group") which comprises:

- The condensed consolidated interim statement of financial position as at 30 June 2023,
- The condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six - month periods ended 30 June 2023,
- The condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2023,
- The condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2023, and
- The notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of Review

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

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR 40,000,000. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.



**SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**  
**(A Saudi Joint Stock Company)**  
**Condensed Consolidated Interim Statement of Financial Position**  
**As at 30 June 2023**  
**(All amounts are in Saudi Riyals unless otherwise stated)**

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right of use assets, net	5	275,884,691	343,906,518
Property and equipment, net	6	339,028,376	364,120,834
Intangible assets, net	7	75,404,075	80,126,699
Investments at fair value through other comprehensive income	19,20	8,889,559	8,889,559
Due from a related party	18	-	4,503,575
<b>Total non-current assets</b>		<b>699,206,701</b>	<b>801,547,185</b>
<b>Current assets</b>			
Inventories, net	8	405,559,516	474,235,088
Accounts receivable, net	9	28,450,084	26,950,531
Prepayments and other receivables, net	10	29,429,767	25,632,574
Due from a related party	18	4,503,575	1,286,735
Cash on hand and at banks		40,837,774	24,497,449
<b>Total current assets</b>		<b>508,780,716</b>	<b>552,602,377</b>
<b>Total assets</b>		<b>1,207,987,417</b>	<b>1,354,149,562</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	360,000,000	360,000,000
Statutory reserve		24,504,713	24,504,713
(Accumulated losses) / retained earnings		(3,817,098)	28,637,003
Change in fair value reserve		629,107	629,107
<b>Total Equity</b>		<b>381,316,722</b>	<b>413,770,823</b>
<b>Non-current liabilities</b>			
Non-current portion of long-term borrowings	11	35,000,000	45,000,000
Employees end of service benefit obligation		39,249,981	39,487,347
Lease liabilities	12	288,985,609	374,565,050
<b>Total non-current liabilities</b>		<b>363,235,590</b>	<b>459,052,397</b>
<b>Current liabilities</b>			
Short term borrowings	11	23,594,555	57,752,461
Current portion of long-term borrowings	11	20,000,000	20,000,000
Accounts and notes payable		200,032,598	172,467,631
Current portion of lease liabilities	12	70,725,542	72,634,795
Accrued expenses and other liabilities	14	134,859,627	142,213,417
Zakat payable	13	13,999,200	16,034,455
Dividends payable		223,583	223,583
<b>Total current liabilities</b>		<b>463,435,105</b>	<b>481,326,342</b>
<b>Total liabilities</b>		<b>826,670,695</b>	<b>940,378,739</b>
<b>Total equity and liabilities</b>		<b>1,207,987,417</b>	<b>1,354,149,562</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman of Board of Director

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

**SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**  
(A Saudi Joint Stock Company)

**Condensed consolidated interim Statement of profit or loss and other comprehensive income (Unaudited)**  
**For the three-month and six-month periods ended 30 June 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 30 June		For the Six-month period ended 30 June	
		2023	2022	2023	2022
Revenue	21	231,433,959	250,999,079	471,700,514	570,504,252
Cost of revenue		(203,734,150)	(219,411,177)	(416,140,364)	(482,860,634)
<b>Gross profit</b>		<b>27,699,809</b>	<b>31,587,902</b>	<b>55,560,150</b>	<b>87,643,618</b>
Selling and marketing expenses		(4,596,804)	(7,719,242)	(10,069,620)	(17,901,361)
General and administrative expenses (Expected) / reversed credit losses	9	(30,756,243)	(36,575,341)	(61,701,880)	(73,084,142)
<b>Operating loss</b>		<b>(8,043,299)</b>	<b>(12,889,826)</b>	<b>(581,450)</b>	<b>2,914,920</b>
Other income, net				(16,792,800)	(426,965)
Finance cost		1,431,356	2,648,112	3,699,481	3,594,094
<b>Loss before zakat</b>		<b>(6,685,977)</b>	<b>(7,023,041)</b>	<b>(14,083,242)</b>	<b>(16,062,784)</b>
Zakat		(13,297,920)	(17,264,755)	(27,176,561)	(12,895,655)
<b>Net loss for the period</b>	13	<b>(2,638,770)</b>	<b>(3,262,320)</b>	<b>(5,277,540)</b>	<b>(6,524,640)</b>
Other comprehensive income		(15,936,690)	(20,527,075)	(32,454,101)	(19,420,295)
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement of employees end of service benefit obligation	19,20	-	-	-	-
Net changes in the fair value of investments carried at FVTOCI		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>(15,936,690)</b>	<b>(20,527,075)</b>	<b>(32,454,101)</b>	<b>(19,420,295)</b>
<b>Loss per share (SR)</b>					
Basic and diluted loss per share attributable to the equity shareholders of the Company	17	(0.44)	(0.57)	(0.90)	(0.54)
Weighted average number of shares	17	36,000,000	36,000,000	36,000,000	36,000,000

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Director

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

# SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

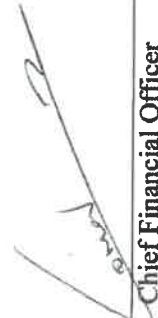
(A Saudi joint stock company)

## Condensed consolidated interim statement of changes in equity

For the six-month period ended 30 June 2023

(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Accumulated losses) / retained earnings	Change in fair value reserve	Total
<b>Balance at 1 January 2022 (audited)</b>	360,000,000	24,504,713	169,619,773	2,062,360	556,186,846
Net loss for the period	-	-	(19,420,295)	-	(19,420,295)
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	(19,420,295)	-	(19,420,295)
<b>Balance at 30 June 2022 (unaudited)</b>	360,000,000	24,504,713	150,199,478	2,062,360	536,766,551
<b>Balance at 1 January 2023 (audited)</b>	360,000,000	24,504,713	28,637,003	629,107	413,770,823
Net loss for the period	-	-	(32,454,101)	-	(32,454,101)
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	(32,454,101)	-	(32,454,101)
<b>Balance at 30 June 2023 (unaudited)</b>	360,000,000	24,504,713	(3,817,098)	629,107	381,316,722

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman of Board of Director

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

**SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**  
(A Saudi joint stock company)  
**Condensed consolidated interim statement of cash flows (Unaudited)**  
**For the six-month period ended 30 June 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

		<b>For the six-month period ended 30 June</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Loss before zakat		(27,176,561)	(12,895,655)
<b>Adjustments to reconcile loss before zakat to net cash flows:</b>			
Depreciation of right-of-use assets	5	29,755,599	33,990,988
Depreciation and amortization	6,7	25,192,358	24,517,796
Loss on disposal of property and equipment		6,027,034	89,298
Loss on disposal of Intangible assets		18,875	-
Allowance of provision for slow moving inventory and inventory shortages	8	-	(8,642,549)
Expected credit losses	9	581,450	(2,914,920)
Lease concession – IFRS 16		-	(2,292,125)
Interest on lease liabilities	12	10,246,157	14,396,327
Gain on lease modification		(13,950,823)	(926,644)
Interest on borrowings and bank charges		3,837,085	1,666,457
Loss from shrinkage and inventory shortages		22,894,585	3,199,664
Provision for employees end of service benefit obligations		3,347,569	3,741,934
<b>Changes in Working Capital:</b>			
Inventory, net		45,780,988	58,494,202
Prepayments and other receivables, net		(3,797,193)	(876,478)
Accounts receivable, net		(2,081,002)	13,980,166
Accounts and notes payable		27,564,967	(2,925,980)
Accrued expenses and other liabilities		(13,719,515)	(34,903,853)
Due from a related party, net		1,286,735	-
<b>Cash generated from operations</b>		<b>115,808,308</b>	<b>87,698,628</b>
Zakat paid		(7,312,795)	(4,766,500)
Finance cost paid		(3,319,415)	(1,491,100)
Employees end of service benefit obligation paid		(3,584,935)	(2,718,731)
<b>Net cash flows from operating activities</b>		<b>101,591,163</b>	<b>78,722,297</b>
<b>Cash flows from investing activities</b>			
Purchase for property and equipment		(3,237,303)	(32,789,796)
Proceeds from disposal of property and equipment		2,287,287	1,643,485
Purchase for intangible assets		(473,169)	(3,359,057)
<b>The net cash flows used in investing activities</b>		<b>(1,423,185)</b>	<b>(34,505,368)</b>
<b>Cash flows from financing activities</b>			
Change in short-term borrowings, net		(34,157,906)	(7,086,979)
Repayments of long-term borrowings		(10,000,000)	(4,826,123)
Payment of lease liabilities		(39,669,747)	(39,191,498)
Dividends paid		-	(149)
<b>Net cash flows used in financing activities</b>		<b>(83,827,653)</b>	<b>(51,104,749)</b>
<b>Net change in cash on hand and at banks</b>		<b>16,340,325</b>	<b>(6,887,820)</b>
Cash on hand and at banks at the beginning of the period		24,497,449	15,494,690
<b>Cash on hand and at banks at the end of the period</b>		<b>40,837,774</b>	<b>8,606,870</b>

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.



**SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**  
(A Saudi joint stock company)  
**Condensed consolidated interim statement of cash flows (Unaudited)**  
**For the six-month period ended 30 June 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

**Significant non-cash transactions:**

	Note	For the six-month period ended	
		30 June 2023	2022
Additions on lease liabilities		600,000	5,938,728
Additions on right-of-use assets		-	(5,938,728)
Lease liability due not yet paid	14	(5,848,053)	
Disposal of lease liabilities	14	(43,332,289)	(139,680,894)
Disposal of right-of-use assets	12	(52,136,800)	132,382,271
Reassessment of lease liabilities	5	-	102,999,435
Reassessment of right-of-use assets		-	(102,999,435)
Disposal of Capital Work in Progress		-	12,433,215
Charged to a related party		-	6,433,675

  
\_\_\_\_\_  
Chief Financial Officer

  
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Chief Executive Officer

  
\_\_\_\_\_  
Chairman of Board of Directors

The attached notes from 1 to 23 are an integral part of these condensed consolidated interim financial statements.

**SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**  
(A Saudi joint stock company)  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the six-month period ended 30 June 2023**  
(All amounts are 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 26 Safar 1405H (corresponding to 9 November 1984). The Capital Market Authority (the "CMA") announced on 5 Jumada al-Akhirah 1436H (corresponding to 25 March 2015) the CMA's board decision to approve the launch of 7,200,000 shares in the Company's initial public offering which represents 30% of the total shares of the Company's 24,000,000 shares. The Company's shares were listed in the Saudi Stock Market ("Tadawul") on 23 Rajab 1436H (corresponding to 12 May 2015).

As of 30 June 2023, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (31 December 2022: 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 32 leased stores (31 December 2022: 33 stores and 30 June 2022: 34 stores) located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk and the following subsidiary:

<b><u>Subsidiary name</u></b>	<b><u>Country</u></b>	<b><u>Effective ownership percentage</u></b>		<b><u>Activities</u></b>
		<b><u>30 June 2022</u></b>	<b><u>31 December 2022</u></b>	
Medscan Terminal Company Limited	Kingdom of Saudi Arabia	100%	100%	Transportation and logistics

Medscan Terminal Company Limited (the "Company") is a single person limited liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2050006757 dated 6 Rabi' al-Awwal 1399H (corresponding to 3 February 1979) issued in Dammam. The address of the main center of the Company is P.O. 825, King Abdulaziz Sea Port, Dammam 31421, Kingdom of Saudi Arabia. The Company's main activities are Transportation of goods and other tasks, port handling services, trans-shipment services, and warehouse management and maintenance. Customs clearance services.

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

## **SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**

(A Saudi joint stock company)

### **Notes to the condensed consolidated interim financial statements (unaudited)**

**For the six-month period ended 30 June 2023**

(All amounts are in Saudi Riyals unless otherwise stated)

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## **2. BASICS OF PREPARATION**

### **2.1 Statement of Compliance**

These condensed consolidated interim financial statements have been prepared for Six-month period ended in 30 June 2023 in accordance with the International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Group as at 31 December 2022 (the "last annual financial statements"). These condensed consolidated interim financial statements do not include all the information and disclosures required to prepare a complete copy of the financial statements prepared in accordance with the International Financial Reporting Standards. However, selected accounting policies and explanatory notes have been included to explain events and transactions that are material to understand the changes in the Group's financial position and performance since the last annual financial statements if any.

The results for the period are not an accurate indication of the Group's annual results.

### **2.2 Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost convention and accrual basis of accounting, except for the following items included in the condensed consolidated interim statement of financial position:

- Investments carried at fair value through other comprehensive income are measured at fair value.
- The employees' end of service benefit obligation is measured at the present value of the future liability using the expected unit credit method.
- Lease Liabilities are measured at the net present value of the lease payments.

### **2.3 Use of judgments and estimates**

The preparation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and issuances endorsed by the Saudi Organization for Chartered and Professional Accountants requires management to use judgments and estimates that affect the application of accounting policies and the amounts listed of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements as of 31 December 2022.

## **3. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY**

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 New standards, amendments to standards and interpretations that are effective**

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, except for the application of the new standards effective as of 1<sup>st</sup> of January 2023, which are explained in the Group's annual financial statements, which have no significant impact on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

A number of standards, amendments and interpretations have been issued. The new requirements were issued by the International Accounting Standards Board on 20 March 2022, and contain two tables, as follows:

New currently effective requirements: This table lists the recent changes to the Standards that are required to be applied by an entity with an annual reporting period beginning on 1 January 2023.

New currently effective requirements:

Effective date	New standards or amendments
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	IFRS 17 Insurance Contracts
	Definition of accounting estimate - amendments to IAS 8
	Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Forthcoming requirements: This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2023 and that are available for early adoption in annual periods beginning on 1 January 2023.

Effective date	New standards or amendments
1 January 2024	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	Lease Liability in a sale and Leaseback (Amendments to IFRS 16)
	Non-current Liabilities with Covenants (Amendments to IAS 1)
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – optional

**SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY**  
(A Saudi joint stock company)  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the six-month period ended 30 June 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

**5. RIGHT OF USE ASSETS, NET**

				30 June 2023				31 December
	Properties	Vehicles	Land	(Unaudited)	Properties	Vehicles	Land(*)	2022
								(Audited)
Net book value								
At the beginning of the period/year	343,906,518	-	-	343,906,518	530,150,899	612,726	130,050,243	660,813,868
Additions	-	-	-	-	23,334,297	-	-	23,334,297
Disposal (**)	(52,136,800)	-	-	(52,136,800)	(39,682,680)	-	(136,416,462)	(176,099,142)
Lease modification	(8,284,762)	-	-	(8,284,762)	-	-	-	-
Reassessment (***)	-	-	-	-	(102,999,435)	-	-	(102,999,435)
Depreciation expense for the period/year	(29,755,599)	-	-	(29,755,599)	(67,767,998)	(612,726)	-	(68,380,724)
Accumulated depreciation and impairment on Disposal	22,155,334	-	-	22,155,334	20,417,260	-	6,366,219	26,783,479
Impairment charge for the period/year	-	-	-	-	(19,545,825)	-	-	(19,545,825)
<b>Net book value</b>								
<b>At the end of the period/year</b>	<b>275,884,691</b>	<b>-</b>	<b>-</b>	<b>275,884,691</b>	<b>343,906,518</b>	<b>-</b>	<b>-</b>	<b>343,906,518</b>

(\*) The Group signed a lease contract (Dated 18 February 2020) on 2 March 2020 to lease a land parcel in the city of Jeddah for a total amount of SR 194 million which consists of 22 annual unequal payments started on 1 April 2020. This land parcel was handed over to the Company on 3 January 2021. This land parcel is partially owned by Samaual Taha Bakhsh (a related party). The Group accordingly recognized a right of use asset and related lease liability to account for this lease.

Subsequently, in March 2022, The Group's board of directors decided to terminate the above-mentioned lease contract. Accordingly, the management signed a lease termination agreement on 15 May 2022 which resulted in a derecognition of the related right-of-use assets amounting to SR 136 million and lease liability amounting to SR 136 million.

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

(\*\*) During the period, one of the lease contracts has been terminated, and the payment structure of another lease contract has been changed to be variable not depending on rate or index. This resulted in a derecognition of the related right-of-use assets amounting to SR 52 million and lease liability amounting to SR 43.2 million.

(\*\*\*) Based on the meeting of the Real Estate Committee on 1st of April 2022, it was confirmed that the management will not use the option for renewal for some contracts. Based on this, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in a decrease in the right of use assets of SR 102 million and a decrease in the lease liabilities of SR 102 million.

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**6. PROPERTY AND EQUIPMENT, NET**

	<b>30 June 2023</b>	31 December
	<b>(Unaudited)</b>	2022
		<b>(Audited)</b>
<b>Net book value at the beginning of the period/year</b>	<b>364,120,834</b>	393,769,239
Additions	<b>3,237,303</b>	41,244,361
Disposal (*)	<b>(8,314,321)</b>	(18,025,587)
Depreciation for the period/year	<b>(20,015,440)</b>	(42,206,486)
Impairment loss for the period/year	-	(10,189,541)
Transfers to intangibles assets	-	(471,152)
<b>Net book value at the end of the period/year</b>	<b>339,028,376</b>	<b>364,120,834</b>

\* As disclosed in Note 5, the Group's board of directors decided to derecognize the previously capitalized depreciation of the right of use of land and interest expense of the lease liability related to the construction under progress of the terminated lease agreement amounting to SR 6.3 million and SR 4.5 million respectively (Refer to Note 5 and Note 18).

**7. INTANGIBLE ASSETS, NET**

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>(Unaudited)</b>	<b>(Audited)</b>
Goodwill	<b>22,377,889</b>	22,377,889
Software and licenses	<b>53,026,186</b>	57,748,810
	<b>75,404,075</b>	<b>80,126,699</b>

**Impairment test for goodwill**

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

The Group's management performs goodwill impairment assessment annually and when there are indicators that the carrying value of the goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on 31 December 2022 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 30 June 2023.

Movement in intangible assets is as follows:

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Net book value at the beginning of the period/year</b>	<b>80,126,699</b>	63,487,043
Additions	<b>473,169</b>	28,102,561
Amortization for the period/year	<b>(5,176,918)</b>	(9,015,347)
disposal	<b>(18,875)</b>	(2,918,711)
Transfer from property and equipment	-	471,153
<b>Net book value at the end of the period/year</b>	<b>75,404,075</b>	<b>80,126,699</b>

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**8. INVENTORIES, NET**

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Merchandise in stores and warehouses	427,484,008	525,941,732
Goods-in-transit	35,629,823	31,592,485
Merchandise on consignment	6,766,913	6,953,119
Packing, wrapping and consumables	3,266,991	4,348,057
	<u>473,147,735</u>	<u>568,835,393</u>
Allowance for slow moving items and inventory shortages	<u>(67,588,219)</u>	<u>(94,600,305)</u>
	<u><b>405,559,516</b></u>	<u><b>474,235,088</b></u>

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

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
<b>Balance at the beginning of the period/year</b>	<b>94,600,305</b>	66,188,834
Provided during the period/ year	-	38,477,431
Utilize during the period/ year	<u>(27,012,086)</u>	<u>(10,065,960)</u>
<b>Balance at the end of the period/year</b>	<u><b>67,588,219</b></u>	<u><b>94,600,305</b></u>

**9. ACCOUNT'S RECEIVABLES, NET**

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Accounts receivable – trade	27,509,921	26,930,129
Accounts receivable – others	3,250,385	1,749,174
Expected credit losses	<u>(2,310,222)</u>	<u>(1,728,772)</u>
	<u><b>28,450,084</b></u>	<u><b>26,950,531</b></u>

The movement in the expected credit loss is as follows:

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
<b>Balance at the beginning of the period/year</b>	<b>1,728,772</b>	8,797,743
Provided/reversed during the period/year	581,450	(3,170,925)
Write-off	-	(3,898,046)
<b>Balance at the end of the period/year</b>	<u><b>2,310,222</b></u>	<u><b>1,728,772</b></u>

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**10. PREPAYMENTS AND OTHER RECEIVABLES, NET**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Prepaid expenses	22,531,155	18,935,567
Advance payments to suppliers and employees	7,514,716	7,917,816
Others	3,902,023	3,297,318
	<b>33,947,894</b>	<b>30,150,701</b>
Allowance for prepayments and other assets	<b>(4,518,127)</b>	<b>(4,518,127)</b>
	<b>29,429,767</b>	<b>25,632,574</b>

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

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
<b>Balance at the beginning of the period/year</b>	<b>4,518,127</b>	<b>4,518,127</b>
Provision during the period/year	-	-
<b>Balance at the end of the period/year</b>	<b>4,518,127</b>	<b>4,518,127</b>

**11. BORROWINGS**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Short-term borrowings	23,594,555	57,752,461
Current portion of long-term borrowings	20,000,000	20,000,000
Non-current portion of long-term borrowings	35,000,000	45,000,000
<b>Total borrowings</b>	<b>78,594,555</b>	<b>122,752,461</b>

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

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
- More than 1 year	20,000,000	20,000,000
- More than 2 years but not more than 5 years	15,000,000	25,000,000
	<b>35,000,000</b>	<b>45,000,000</b>

The Group has credit facilities amounting to Saudi Riyal 403 million from various local banks. Such facilities comprise short and long-term borrowings, letters of credit and guarantee and notes payable for bills of exchange to finance working capital, investments, and capital expenditures. These facilities, which are in form of Murabaha and Tawarroq financing, bear financial charges at prevailing market rates based on Saudi Inter-bank Offer Rate ("SIBOR") and Riyadh Inter-bank Offer Rate ("RIBOR"). The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

Borrowings contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by the management to ensure compliance. The Group has complied with these covenants of its borrowing facilities as of 30 June 2023.

For the above borrowing, the fair value is not materially different from the carrying amount, since the interest payable on those borrowing is either close to current market rates or the borrowings are of a short-term nature.



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**12. LEASE LIABILITIES**

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
<b>Balance at the beginning of the period / year</b>	<b>447,199,845</b>	755,798,655
Additions	-	22,631,940
Disposal *	<b>(43,332,289)</b>	(161,872,919)
Lease modification	<b>(8,284,762)</b>	-
Reassessment (**)	-	(102,999,435)
Interest on lease liabilities for the period / year	<b>10,246,157</b>	26,436,965
Payments during the period / year	<b>(40,269,747)</b>	(75,366,648)
Transfer to lease liabilities due not yet paid (Note 14)	<b>(5,848,053)</b>	(15,136,590)
Lease concession for the period / year	-	(2,292,123)
<b>Balance at the end of the period / year</b>	<b>359,711,151</b>	<b>447,199,845</b>

\* The disposal includes what was disclosed in Note 5, the Group's board of directors decided in the period ended 31 March 2022 to terminate the lease contract related to the leased land parcel in the city of Jeddah and signed a lease termination agreement which resulted in a derecognition of the related lease liability amounting to SR 136 million.

During the period, one of the lease contracts has been terminated, and the payment structure of another lease contract has been changed to be variable not depending on rate or index. This resulted in a derecognition of the related right-of-use assets amounting to SR 52 million and lease liability amounting to SR 43.2 million.

\*\*As disclosed in Note 5, based on the meeting of the Real Estate Committee on 1<sup>st</sup> of April 2022, it was confirmed that the management will not use the option for renewal for some contracts. Based on this, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in a decrease in the right of use assets of SR 102 million and a decrease in the lease liabilities of SR 102 million.

Lease liability balance consists as follows:

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Lease liabilities undiscounted principal payments	<b>428,547,093</b>	544,911,400
Unamortized interest	<b>(68,835,942)</b>	(97,711,555)
	<b>359,711,151</b>	<b>447,199,845</b>
Analyzed as:		
	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Current portion	<b>70,725,542</b>	72,634,795
Non-current portion	<b>288,985,609</b>	374,565,050
	<b>359,711,151</b>	<b>447,199,845</b>
Lease due not yet paid - Note 14	<b>5,848,053</b>	15,136,590

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### 13. ZAKAT

The Group is subject to zakat according to the instructions of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. The Group submits its zakat returns uniformly starting from 1 January 2017 and onwards. This includes the Company and its subsidiary because the Group is a single economic entity owned and managed by the Company.

#### Zakat status

The Company has finalized its zakat status for the years until 2018.

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

The provision for zakat includes the amount of the provision made by the management according to the best estimate of the value that can be borne for those years

The Company submitted the Zakat return for the fiscal year ended on 31 December 2022, and the return is still under study by the Authority.

There is no change in zakat situation since the year ended in 31 December 2022

### 14. ACCRUED EXPENSES AND OTHER LIABILITIES

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Accrued expenses	<b>52,547,046</b>	46,421,249
Employee related liabilities	<b>21,855,938</b>	20,566,049
Gift cards and vouchers	<b>19,311,775</b>	19,483,363
Accrued rentals	<b>22,354,937</b>	22,490,928
Value Added Tax	<b>7,519,145</b>	11,261,880
Contract liability – advances from customers	<b>2,932,060</b>	4,612,402
Lease liabilities due not yet paid	<b>5,848,053</b>	15,136,590
Others	<b>2,490,673</b>	2,240,956
	<b><u>134,859,627</u></b>	<u>142,213,417</u>

### 15. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Letters of credit	<b>33,580,869</b>	37,979,075
Letters of guarantee	<b>5,567,560</b>	10,737,560
	<b><u>39,148,429</u></b>	<u>48,716,635</u>

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

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**16. COMMITMENT FOR EXPENDITURE**

The capital commitments related to ongoing activities of the Group's store/warehouse is as follows:

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Group's store/warehouse commitments	<b><u>3,228,883</u></b>	<u>3,532,800</u>

**17. LOSS PER SHARE**

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

The calculation of loss per share is given below:

	<b>30 June 2023 (Unaudited)</b>	30 June 2022 (Unaudited)
<b>Net loss for the period attributable to ordinary equity holders of the Company</b>	<b>(32,454,101)</b>	(19,420,295)
Weighted average number of shares in issue during the period	<b><u>36,000,000</u></b>	<u>36,000,000</u>
Loss per share	<b><u>(0.90)</u></b>	<u>(0.54)</u>

**18. RELATED PARTY TRANSACTIONS AND BALANCES**

**18.1 Due from a related party**

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Non-current portion	-	4,503,575
Current portion	<b><u>4,503,575</u></b>	<u>1,286,735</u>
	<b><u>4,503,575</u></b>	<u>5,790,310</u>

As disclosed in Note 5, the Group is entitled to receive a total amount of SR 6.4 million from Samual Taha Bakhsh, a related party consisting of three unequal payments starting from 2022. During the second quarter of 2022 and 2023, the first and second payments have been received for an amount of SR 643,370 and SR 1,286,733 respectively.

**18-2 Related parties' transactions**

	<b>Nature Relationship</b>	<b>Nature of the transaction</b>	<b>30 June 2023</b>	30 June 2022
Inheritors of Abdullah Taha Baksh	One of the owners of Abrar International Holding Company, which is one of the main shareholders in the Company	Lease agreement for two showrooms and a plot of land	<b>4,084,250</b>	3,585,000

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**18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****18-3 Compensation of key management personnel**

	<b>30 June 2023</b> <b>(Unaudited)</b>	30 June 2022 (Unaudited)
Short term benefits	<b>3,264,374</b>	2,996,936
End of service benefits	<b>143,054</b>	204,604
	<b><u>3,407,428</u></b>	<b><u>3,201,540</u></b>

**19. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

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

The Company has designated its investment in AIH at fair value through other comprehensive income. The fair value of the investment as at 30 June 2023 is as follows:

	<b>Fair value as at</b>		<b>Net changes in the fair value for the Six-month period ended 30 June</b>	
	<b>30 June 2023</b>	31 December 2022	<b>2023</b>	2022
<b><u>Unquoted</u></b>				
ACE Hardware International Holdings	<b><u>8,889,559</u></b>	<u>8,889,559</u>	<u>-</u>	<u>-</u>

Movement during the year is as follows:

	<b>30 June 2023</b> <b>(Unaudited)</b>	31 December 2022 (Audited)
Beginning balance	<b>8,889,559</b>	10,322,812
Net changes in the fair value	<b>-</b>	(1,433,253)
<b>Closing balance</b>	<b><u>8,889,559</u></b>	<u>8,889,559</u>

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## 20. FAIR VALUE MEASUREMENT

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

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized 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 following table shows the fair values of financial asset at FVTOCI, including its level in the fair value hierarchy.

	<b>30 June 2023</b> <b>(Unaudited)</b>	31 December 2022 (Audited)
<b>Level 3</b>		
Investments carried at FVTOCI	<b>8,889,559</b>	8,889,559

There were no transfers between Levels 1, 2 and 3 for the Six-month period ending 30 June 2023 and for the year ended 31 December 2022.

The following tables show the valuation techniques used in measuring Level 3 fair values as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investments carried at FVTOCI	<p>Average valuation Weight of:</p> <p>1- Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the Company. The cash flow projections include estimates for 5 years, weighted at 80%</p> <p>2- And Price-to-book value (P/B), Comparable P/B (Similar companies), weighted at 20%</p>	- Weighted Average Cost of Capital (WACC) 14.1%	<p>The estimated fair value would increase / (decrease) if:</p> <p>- The WACC were (lower)/higher.</p>

### Sensitivity analysis

Reasonably possible changes as to the WACC, holding other assumptions constant, would have affected the fair value of the investments carried at FVTOCI by the amounts shown below:

	<b>30 June 2023</b>	
	<b>+1%</b>	<b>-1%</b>
Weighted Average Cost of Capital (WACC) (+/-1%)	<b>(1,031,361)</b>	<b>1,266,689</b>

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**21. SEGMENTS INFORMATION**

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

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

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

The Group's Chief Executive Officer 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 period ended June 30, 2023, and 2022 is as follows:

<b>For the six month period ended June 30, 2023 (Unaudited)</b>	<b>Sales and services</b>	<b>Logistics</b>	<b>Total</b>
<b>Revenues:</b>			
Total segment revenue	462,772,576	16,874,109	479,646,685
Inter-segment revenue	-	(7,946,171)	(7,946,171)
Revenue from external customers	462,772,576	8,927,938	471,700,514
<b>Timing of revenue recognition:</b>			
At a point in time	461,536,763	8,927,938	470,464,701
Over the time	1,235,813	-	1,235,813
	462,772,576	8,927,938	471,700,514
<b>Loss from operations</b>	<b>(16,131,312)</b>	<b>(661,488)</b>	<b>(16,792,800)</b>
Other income, net	3,642,967	56,514	3,699,481
Finance cost	(14,035,536)	(47,706)	(14,083,242)
<b>Loss before zakat</b>	<b>(26,523,881)</b>	<b>(652,680)</b>	<b>(27,176,561)</b>
Zakat	(5,277,540)	-	(5,277,540)
<b>Net loss for the period</b>	<b>(31,801,421)</b>	<b>(652,680)</b>	<b>(32,454,101)</b>

Other segment information:

<b>For the Six Month Period Ended June 30, 2023 (Unaudited)</b>	<b>Sales and services</b>	<b>logistics</b>	<b>Total</b>
Capital expenditures	3,691,767	18,705	3,710,472
Depreciation and amortization	24,116,860	1,075,498	25,192,358
Depreciation on right-of-use asset	29,726,388	29,211	29,755,599
<b>Total segment assets:</b>			
30 June 2023(Unaudited)	1,182,636,029	25,351,388	1,207,987,417
31 December 2022(Audited)	1,326,769,356	27,380,206	1,354,149,562
<b>Total segment liabilities:</b>			
30 June 2023(Unaudited)	818,741,437	7,929,258	826,670,695
31 December 2022 (Audited)	932,159,327	8,219,412	940,378,739

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**21. SEGMENTS INFORMATION (continued)**

**For the Six Month Period Ended  
June 30, 2022 (Unaudited)**

	<b>Sales and services</b>	<b>Logistics</b>	<b>Total</b>
<b>Revenues:</b>			
Total segment revenue	551,458,987	34,899,517	586,358,504
Inter-segment revenue	-	(15,854,252)	(15,854,252)
Revenue from external customers	551,458,987	19,045,265	570,504,252
<b>Timing of revenue recognition:</b>			
At a point in time	549,961,796	19,045,265	569,007,061
Over the time	1,497,191	-	1,497,191
	551,458,987	19,045,265	570,504,252
<b>Profit / (loss) from operations</b>	<b>24,569</b>	<b>(451,534)</b>	<b>(426,965)</b>
Other income, net	3,594,094	-	3,594,094
Finance cost	(16,013,589)	(49,195)	(16,062,784)
<b>loss before zakat</b>	<b>(12,394,926)</b>	<b>(500,729)</b>	<b>(12,895,655)</b>
Zakat	(6,524,640)	-	(6,524,640)
<b>Net loss for the period</b>	<b>(18,919,566)</b>	<b>(500,729)</b>	<b>(19,420,295)</b>

Other segment information:

**For the six month period ended 30 June  
2022 (Unaudited)**

	<b>Sales and services</b>	<b>logistics</b>	<b>Total</b>
Capital expenditures	34,806,789	1,342,064	36,148,853
Depreciation and amortization	33,961,777	29,211	33,990,988
Depreciation on right-of-use asset	22,914,846	1,602,950	24,517,796
<b>Total segment assets:</b>			
30 June 2022(Unaudited)	1,548,292,944	27,473,625	1,575,766,569
31 December 2021(Audited)	1,875,493,743	29,935,964	1,905,429,707
<b>Total segment liabilities:</b>			
30 June 2022(Unaudited)	1,030,613,550	8,386,468	1,039,000,018
31 December 2021(Audited)	1,327,745,164	21,497,697	1,349,242,861

**22. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

Management believes that there are no significant subsequent events since the end of the period that would require disclosure or amendment of these condensed consolidated interim financial statements.

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

These condensed consolidated interim financial statements have been approved by the Board of Directors on 20 Muharram 1445 H (corresponding to 7 August 2023).