SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2019

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2019

INDEX

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Head office - Riyadh
License #323/11/96
Date 10/3/1419
www.deloitte.com

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders
Saudi Company for Hardware
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Company for Hardware, a Saudi Joint Stock Company and its subsidiary ("the Group") as of June 30, 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months period then ended and consolidated statement of changes in equity and consolidated statement of cash flows for the six months period then ended, and notes comprising a summary of significant accounting policy and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated 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 condensed consolidated 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 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Moh'd. Sobahi
License No. 378
21 Dhu al-Qu'dah, 1440
July 24, 2019

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب الدمام
ترخيص رقم ٣٢٣/١١/٩٦/٢
License. 323/11/96/2
Dammam Branch
Chartered Accountants
Deloitte and Touche & Co.

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2019

	From April 1 to June 30		From January 1 to June 30	
	2019	2018	2019	2018
	SR	SR	SR	SR
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
Revenues	343,829,242	343,027,240	714,070,279	664,692,506
Cost of revenues	(278,988,995)	(288,092,288)	(585,380,993)	(555,943,683)
GROSS PROFIT	64,840,247	54,934,952	128,689,286	108,748,823
Selling and marketing expenses	(3,158,989)	(3,218,624)	(8,798,996)	(8,586,100)
General and administration expenses	(28,802,603)	(27,571,957)	(57,153,947)	(58,467,755)
OPERATING PROFIT	32,878,655	24,144,371	62,736,343	41,694,968
Other income, net	1,019,624	821,799	1,960,774	1,136,466
Finance cost	(9,341,188)	(1,718,148)	(18,031,680)	(2,702,283)
PROFIT BEFORE ZAKAT	24,557,091	23,248,022	46,665,437	40,129,151
Zakat	(2,866,395)	(2,868,584)	(5,732,790)	(5,156,393)
NET PROFIT FOR THE PERIOD	21,690,696	20,379,438	40,932,647	34,972,758
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Net changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	-
Total comprehensive income for the period	21,690,696	20,379,438	40,932,647	34,972,758
Earnings per share (Saudi Riyals) (note 15)				
Basic and diluted earnings per share attributable to the equity shareholders of the Company	0.60	0.57	1.14	0.97
Weighted average number of shares	36,000,000	36,000,000	36,000,000	36,000,000

Chief Financial Officer | Chief Executive Officer | Chairman of Board of Directors

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

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

	Notes	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
ASSETS			
Non-current assets			
Right-of-use assets	3	471,034,636	-
Property and equipment	5	256,461,655	254,536,178
Intangible assets	6	39,002,743	40,981,580
Equity investment at FVTOCI		9,662,153	9,662,153
Total non-current assets		776,161,187	305,179,911
Current assets			
Inventories	7	644,797,934	683,844,776
Accounts receivable	8	16,399,949	30,625,806
Prepayments and other receivables	9	47,278,896	61,137,404
Cash and cash equivalents		23,764,515	16,333,485
Total current assets		732,241,294	791,941,471
TOTAL ASSETS		1,508,402,481	1,097,121,382
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve	12	13,881,610	9,788,345
Retained earnings		180,878,113	263,643,898
Fair value reserve		1,401,700	1,401,700
Total equity		556,161,423	634,833,943
Non-current liabilities			
Long term borrowings	10	38,183,036	59,366,072
Retirement benefit obligations		41,738,838	40,843,454
Lease liabilities	3	479,684,552	-
Total non-current liabilities		559,606,426	100,209,526
Current liabilities			
Short term borrowings	10	52,214,246	37,678,575
Long term borrowings – current portion	10	22,366,071	23,508,929
Accounts payable		202,134,934	222,483,732
Lease liability	3	44,245,578	-
Accrued expenses and other liabilities		65,813,233	66,070,340
Zakat payable	11	5,738,147	12,240,295
Dividends payable	19	122,423	96,042
Total current liabilities		392,634,632	362,077,913
Total liabilities		952,241,058	462,287,439
TOTAL EQUITY AND LIABILITIES		1,508,402,481	1,097,121,382

Chief Financial Officer   Chief Executive Officer   Chairman of Board of Directors

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

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Note	Share capital SR	Statuary reserve SR	Retained earnings SR	Fair value reserve SR	Total SR
Balance at January 1, 2018 (audited)		240,000,000	57,701,439	297,847,356	1,401,700	596,950,495
Net profit for the period		-	-	34,972,758	-	34,972,758
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	34,972,758	-	34,972,758
Transfer to statutory reserve	11	-	3,497,276	(3,497,276)	-	-
Dividend distribution		-	-	(36,000,000)	-	(36,000,000)
Balance at June 30, 2018 (unaudited)		240,000,000	61,198,715	293,322,838	1,401,700	595,923,253
January 1, 2019 (audited) (as previously reported)		360,000,000	9,788,345	263,643,898	1,401,700	634,833,943
Adjustment for the application of IFRS 16	3	-	-	(83,605,167)	-	(83,605,167)
Balance at January 1, 2019 (adjusted)		360,000,000	9,788,345	180,038,731	1,401,700	551,228,776
Net profit for the period		-	-	40,932,647	-	40,932,647
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	40,932,647	-	40,932,647
Transfer to statutory reserve	12	-	4,093,265	(4,093,265)	-	-
Dividend distribution	19	-	-	(36,000,000)	-	(36,000,000)
Balance at June 30, 2019 (unaudited)		360,000,000	13,881,610	180,878,113	1,401,700	556,161,423

Chief Financial Officer **Chief Executive Officer** **Chairman of Board of Directors**

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

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

INTERİM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	2019 SR (unaudited)	2018 SR (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	40,932,647	34,972,758
Adjustments for:		
Zakat	5,732,790	5,156,393
Finance cost	18,031,680	2,702,283
Depreciation and amortization	23,445,061	20,746,653
Depreciation of right-of-use assets	32,553,145	-
Write-off inventories	8,673,618	9,315,602
Reversal of provision for slow moving items and inventory shortages	(403,394)	(2,293,989)
Provision for doubtful debts	187,308	292,743
Write-off of property and equipment	4,727	2,300
Provision for retirement benefit obligations	3,428,826	2,851,227
Movement in working capital:		
Inventories	30,776,618	27,240,024
Accounts receivable	14,038,549	1,980,592
Prepayments and other receivables	(8,241,063)	(17,813,806)
Accounts payable	(20,348,798)	42,808,145
Accrued expenses and other current liabilities	(198,383)	(8,235,836)
Cash generated from operations	148,613,331	119,725,089
Zakat paid	(12,234,938)	(10,682,907)
Finance cost paid	(4,047,798)	(2,702,283)
Retirement benefit obligations paid	(2,533,442)	(1,813,837)
Net cash generated from operating activities	129,797,153	104,526,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase for property and equipment	(22,599,211)	(13,504,905)
Purchase for intangible assets	(797,217)	(720,623)
Net cash used in investing activities	(23,396,428)	(14,225,528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short term borrowings, net	14,535,671	(34,026,405)
Repayments of long term borrowings	(22,325,894)	(9,819,028)
Repayment of principal of lease liability	(41,163,247)	-
Repayment of interest portion of lease liability	(14,042,606)	-
Dividends paid	(35,973,619)	(36,008,090)
Net cash used in financing activities	(98,969,695)	(79,853,523)
Net change in cash and cash equivalents	7,431,030	10,447,011
Cash and cash equivalents at beginning of period	16,333,485	27,320,630
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23,764,515	37,767,641
Non-cash transactions:		
Adjustment of prepaid rent with lease liability	(22,099,571)	-
Lease liabilities	(565,093,377)	-
Right-of-use assets	503,587,781	-
IFRS 16 net adjustment in retained earnings	83,605,167	-

Chief Financial Officer **Chief Executive Officer** **Chairman of Board of Directors**

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

1. 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 initial public offering which represents 30% of the total shares of the Company's 24,000,000 shares in which it was allocated to investment funds and licensed individuals. The Company's shares were listed in the Saudi Stock Market ("Tadawul") on 23 Sha'ban, 1436H (corresponding to May 12, 2015).

In October 2018, the Board of Directors proposed to increase share capital of the Company from SR 240 million to SR 360 million through issuing one bonus share for every two existing shares owned by the shareholders. Bonus shares were limited to shareholdings recorded in Company's shareholders register at the Securities Depository Center (Edaa), at the end of the second trading day following the date of the Extraordinary General Assembly day. The increase in share capital was through capitalization of retained earnings of SR 62.3 million and statutory reserve of SR 57.7 million. The increase was approved by the shareholders in their meeting held on 10 Jamuda 1440 H (corresponding to December 17, 2018). Legal formalities related to the increase in the share capital were completed in 2018.

As of June 30, 2019, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (December 31, 2018: 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 interim condensed consolidated financial statements include the financial information of the Company and its 30 stores located in various cities in the Kingdom of Saudi Arabia and following subsidiary:

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

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

2. APPLICATION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs in issue

Effective for annual periods beginning on or after January 1, 2019

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

2.2 New and revised IFRSs in issue but not yet effective

Effective for annual periods beginning after January 1, 2020

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: Insurance Contracts
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the *Conceptual Framework*

2.3 New standards and interpretations adopted during the period

The entity has adopted IFRS 16 as on January 1, 2019 and this is the second set of interim condensed consolidated financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in note 3, "change in accounting policies".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements for the six months period ended June 30, 2019 have been prepared in accordance International Financial Reporting Standard 34 interim Financial Reporting as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as endorsed and notified by Saudi Organization for Certified Public Accountants (SOCPA) and the requirements of the laws and regulations in Saudi Arabia.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statement as at December 31, 2018. In addition, results for the six months period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the financial statements year ending December 31, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of compliance (continued)

Except for the adoption of new standards effective as of January 1, 2019 (as described above), the accounting policies adopted and applied in these interim condensed consolidated financial statements are the same as those applied in the last annual financial statements as at and for the year ended December 31, 2018. The changes in accounting policies are also expected to be reflected in the annual financial statements as at and for the year ending December 31, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Basis of preparation
The interim condensed consolidated financial statements have been prepared under historical cost basis except for certain financial instruments at FVTOCI that are measured at fair values and by using the actuarial basis for retirement benefit obligations.

Principles of consolidation
The interim condensed consolidated financial statements incorporate the financial information of the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Functional and presentation currency
These condensed consolidated financial statements are presented in Saudi Riyal ("SR"), which is the Group's functional and presentation currency.

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.

Cost of revenue
Costs of revenue principally comprise the cost of goods ready for sale, which include direct labor, landed costs of merchandise sold, showroom lease rent, staff costs and depreciation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgements, estimates and assumptions
The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in note 4.

Changes in accounting policies
The Group adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after January 1, 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group's financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized the lease liabilities as of January 1, 2019.

	SR
Operating lease commitments disclosed as of December 31, 2018	725,788,404
Adjustment for operating lease commitments	22,753,023
	748,541,427
Less: leases not yet commenced to which the lessee is committed	(51,636,000)
	696,905,427
Discounted using the lessee's incremental borrowing rate at the date of initial application	(189,201,726)
Lease liability recognised as at January 1, 2019	**507,703,701**
Of which are:	
Current lease liabilities	57,906,041
Non-current lease liabilities	449,797,660
	507,703,701

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	June 30, 2019 SR (unaudited)	January 1, 2019 SR (audited)
Properties	**467,827,344**	442,291,646
Vehicles	**3,207,292**	3,906,459
Total right-of-use assets	**471,034,636**	446,198,105

The additions during the period after January 1, 2019 for right-of-use assets amount to SR 57.4 million. Depreciation of right-of-use assets for the period ended June 30, 2019 amounted to SR 32.55 million.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increase by SR 446,198,105
- lease liabilities – increase by SR 507,703,701

The net impact on retained earnings on January 1, 2019 was a decrease by SR 83,605,167 and prepayments and other receivables were also decreased by SR 22,099,571.

Impact on segment disclosures and impact on earnings per share

Adjusted segment assets and segment liabilities as at June 30, 2019, all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Segment assets SR	**Segment liabilities SR**
Sales and services	469,052,718	521,282,146
Logistics	1,981,918	2,647,984
	471,034,636	523,930,130

The Company's leasing activities and how these are accounted for:

The Company leases various offices, warehouses, retail stores, and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and vehicles were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability ;
- any lease payments made at or before the commencement date less any lease incentives received ; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise vehicles.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a multiple discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a lease.

Short-term leases:
Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Group's capitalization threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low-value assets are recognized on a straight-line basis in the interim condensed statement of profit or loss and other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

Consolidated statement of financial position as of January 1, 2019:

	Amounts without impact of IFRS 16 SR	Adjustment / reclassifications IFRS 16 SR	Amounts including the impacts of IFRS 16 SR
ASSETS			
Non-current assets			
Right-of-use assets	-	446,198,105	446,198,105
Property and equipment	254,536,178	-	254,536,178
Intangible assets	40,981,580	-	40,981,580
Equity investments at FVTOCI	9,662,153	-	9,662,153
Total non-current assets	305,179,911	446,198,105	751,378,016
Current assets			
Inventories	683,844,776	-	683,844,776
Accounts receivables	30,625,806	-	30,625,806
Prepaid expenses and other assets	61,137,404	(22,099,571)	39,037,833
Cash and cash equivalents	16,333,485	-	16,333,485
Total current assets	791,941,471	(22,099,571)	769,841,900
TOTAL ASSETS	1,097,121,382	424,098,534	1,521,219,916
EQUITY AND LIABILITIES			
Equity			
Share capital	360,000,000	-	360,000,000
Statutory reserve	9,788,345	-	9,788,345
Retained earnings	263,643,898	(83,605,167)	180,038,731
Fair value reserve	1,401,700	-	1,401,700
Total equity	634,833,943	(83,605,167)	551,228,776
Non-current liabilities			
Long term borrowings	59,366,072	-	59,366,072
Lease liabilities	-	449,797,660	449,797,660
Retirement benefit obligations	40,843,454	-	40,843,454
Total non-current liabilities	100,209,526	449,797,660	550,007,186
Current liabilities			
Short term borrowings	37,678,575	-	37,678,575
Long term borrowings - current portion	23,508,929	-	23,508,929
Accounts payable	222,483,732	-	222,483,732
Lease liabilities	-	57,906,041	57,906,041
Accrued expenses and other liabilities	66,070,340	-	66,070,340
Zakat payable	12,240,295	-	12,240,295
Dividend payable	96,042	-	96,042
Total current liabilities	362,077,913	57,906,041	419,983,954
Total liabilities	462,287,439	507,703,701	969,991,140
TOTAL EQUITY AND LIABILITIES	1,097,121,382	424,098,534	1,521,219,916

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgements and estimates used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018 except for the changes highlighted below:

Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Discounting of lease payments
The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

5. PROPERTY AND EQUIPMENT

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Net book value at the beginning of the period \ year	**254,536,178**	244,083,692
Additions	**22,599,211**	53,237,220
Write off and other adjustments	**(4,727)**	(5,147,874)
Disposals	**-**	(59,245)
Depreciation for the period \ year	**(20,669,007)**	(37,577,615)
Carrying value at the end of the period \ year	256,461,655	254,536,178

6. INTANGIBLE ASSETS

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Goodwill	**22,377,889**	22,377,889
Software and licenses	**15,498,957**	17,411,479
Others	**1,125,897**	1,192,212
	39,002,743	40,981,580

Movement in intangible assets is as follows:

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Net book value at the beginning of the period \ year	**40,981,580**	43,435,487
Additions	**797,217**	2,929,014
Amortization for the period \ year	**(2,776,054)**	(5,382,921)
Carrying value at the end of the period \ year	39,002,743	40,981,580

6. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill
The Goodwill is related to the acquisition of Medscan Terminal Company. 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, 2018 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognised for the six months period ended June 30, 2019.

7. INVENTORIES

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Merchandise:		
In stores and warehouses	**582,302,550**	599,327,728
On consignment	**17,243,814**	19,590,963
Consumables	**6,155,783**	6,064,653
Goods-in-transit	**57,581,472**	77,750,511
	663,283,619	702,733,855
Less: provision for slow moving items and inventory shortages	**(18,485,685)**	(18,889,079)
	644,797,934	683,844,776

8. ACCOUNTS RECEIVABLE

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Accounts receivable – trade	**16,112,475**	25,900,649
– others	**2,609,770**	6,860,145
Less : allowance for doubtful debts	**(2,322,296)**	(2,134,988)
	16,399,949	30,625,806

Movement in the allowance for doubtful debts is as follows:

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Balance at the beginning of the period \ year	**2,134,988**	1,684,746
Provision during the period \ year	**187,308**	450,242
Balance at the end of the period \ year	**2,322,296**	2,134,988

9. PREPAYMENTS AND OTHER RECEIVALBES

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Prepaid expenses		
- Rent	1,424,643	23,135,244
- Insurance	8,521,518	2,817,296
-Others	18,859,988	15,399,731
Advances to employees	6,985,345	6,790,736
Advances to suppliers	7,515,263	8,430,151
Others	7,340,833	7,932,940
	50,647,590	64,506,098
Less : provision for other receivables	(3,368,694)	(3,368,694)
	47,278,896	61,137,404

Others includes an amount of sub-lease receivables amounting to SR 1.5 million (December 31, 2018: SR 1.5 million) which is fully impaired.

Movement in provision for other receivables is as follows:

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Balance at the beginning of the period \ year	3,368,694	1,547,979
Provision during the year	-	1,820,715
Balance at the end of the period \ year	3,368,694	3,368,694

10. BORROWINGS

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Short term borrowings	52,214,246	37,678,575
Long term borrowings	60,549,107	82,875,001
Total borrowings	112,763,353	120,553,576
Short term borrowings	52,214,246	37,678,575
Current portion of long term borrowings	22,366,071	23,508,929
Non-current portion of long term borrowings	38,183,036	59,366,072
Total borrowings	112,763,353	120,553,576

10. BORROWINGS (CONTINUED)

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

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Later than 1 year	**18,897,322**	27,366,073
Later than 2 years but not more than 5 years	**19,285,714**	31,999,999
	38,183,036	59,366,072

The Group obtained borrowing facilities with the amount of SR 438 million from various local banks. Such facilities provide facilities for 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"). These facility agreements also include covenants which require maintenance of certain financial ratios, and other requirements which the Group was in compliance with as of June 30, 2019.

11. ZAKAT

The Zakat is based on the interim condensed financial statements of the Group. The movement in Group's zakat provision is as follows:

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
At beginning of the period / year	**12,240,295**	11,542,327
Provided during the period / year	**5,738,147**	12,240,295
Over provision for prior year	**(5,357)**	(722,021)
Paid during the period / year	**(12,234,938)**	(10,748,869)
Transfer to accrued expenses and other liabilities	**-**	(71,437)
Closing balance at the end of the period / year	**5,738,147**	12,240,295

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 Company 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.

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of total comprehensive income until the reserve equaled 50% of the share capital. Following a recent change to the Regulations for Companies, appropriations can cease when the reserve equals 30% instead of 50% of the share capital. The Company has accordingly amended its by-laws in 2017 to comply with the new regulations. This reserve is not available for dividend distribution to the shareholders of the Company.

13. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Letters of credit	64,837,240	54,529,751
Letters of guarantees	14,077,944	14,077,944

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:

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (audited)
Commitments for Group's various exhibitions	40,128,475	17,162,614

15. EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the total comprehensive income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares 36,000,000 outstanding as of June 30, 2019 (June 30, 2018: 36,000,000). 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:

	June 30, 2019 SR (unaudited)	June 30, 2018 SR (unaudited)
Total comprehensive income attributable to ordinary equity holders of the Group	40,932,647	34,972,758
Weighted average number of shares outstanding - beginning of period	36,000,000	24,000,000
Bonus shares adjustment in 2018	-	12,000,000
Weighted average number of shares in issue during the period	36,000,000	36,000,000
Earnings per share	1.14	0.97

There is no dilutive effect on the basic earnings per share of the Group.

16. FINANCIAL INSTRUMENTS

Financial instruments 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 instruments, the fair value of financial instruments does not materially differ from their carrying values.

17. 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 interim condensed consolidated 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.

	June 30, 2019 SR (unaudited)	December 31, 2018 SR (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 six months period ended June 30, 2019 and for the year ended December 31, 2018.

18. SEGMENT INFORMATION

The Group has two major operating segments namely, sales and services and logistic services.

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 months periods ended June 30, 2019 and 2018 is as follows:

For the six months period ended June 30, 2019 (unaudited)	Sales and services SR	Logistic services SR	Total SR
Revenues:			
Total segment revenues	**710,016,173**	**10,073,252**	**720,089,425**
Inter-segment revenues	-	(6,019,146)	(6,019,146)
Revenue from external customers	**710,016,173**	**4,054,106**	**714,070,279**
Profit from operations	**60,628,096**	**2,108,247**	**62,736,343**
Finance cost	**(18,031,680)**	-	**(18,031,680)**
Other income, net	**1,846,326**	**114,448**	**1,960,774**
Profit before zakat	**44,442,742**	**2,222,695**	**46,665,437**
Zakat	(5,732,790)	-	(5,732,790)
Net profit for the period	38,709,952	2,222,695	40,932,647

18. SEGMENT INFORMATION (CONTINUED)

Other segment information: For the six months period ended June 30, 2019 (unaudited)	Sales and services SR	Logistic services SR	Total SR
Capital expenditures	**23,182,354**	**214,074**	**23,396,428**
Depreciation and amortization	**22,175,028**	**1,270,033**	**23,445,061**
Total segment assets:			
June 30, 2019 (unaudited)	**1,492,276,246**	**16,126,235**	**1,508,402,481**
Total segment liabilities:			
June 30, 2019 (unaudited)	**946,785,853**	**5,455,205**	**952,241,058**
For the six months period ended June 30, 2018 (unaudited)			
Revenues:			
Total segment revenues	659,341,527	11,070,014	670,411,541
Inter-segment revenues	-	(5,719,035)	(5,719,035)
Revenue from external customers	659,341,527	5,350,979	664,692,506
Profit from operations	39,800,318	1,894,650	41,694,968
Finance cost	(2,702,283)	-	(2,702,283)
Other income, net	1,136,466	-	1,136,466
Profit before zakat	38,234,501	1,894,650	40,129,151
Zakat	(5,156,393)	-	(5,156,393)
Net profit for the period	33,078,108	1,894,650	34,972,758
Other segment information: For the six months period ended June 30, 2018 (un audited)			
Capital expenditures	11,706,413	2,519,115	14,225,528
Depreciation and amortization	19,861,065	885,588	20,746,653
Total segment assets:			
December 31, 2018 (audited)	1,081,101,209	16,020,173	1,097,121,382
Total segment liabilities:			
December 31, 2018 (audited)	455,146,328	7,141,111	462,287,439

19. DIVIDENDS

In accordance with extra-ordinary general assembly meeting held on May 13, 2018, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2018. Accordingly, the Board of Directors in their meeting held on February 26, 2019 resolved to distribute cash dividends to the Company's shareholders who owns the shares on the date of April 3, 2019 amounting to SR 36 million at SR 1 per share. The dividends were distributed on April 17, 2019.

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to period end, the Company's Board of Directors in their meeting held on July 23, 2019 resolved to distribute cash dividends to the Company's shareholders amounting to SR 36 million at SR 1 per share.

21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

This condensed consolidated interim financial statements have been approved by the Board of Directors on July 23, 2019, corresponding to 20 Dhu Al-Qa'dah 1440H.