

**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 Review Report
For the three-month and six-month periods ended 30 June 2025**

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 review report

For the three-month and six-month periods ended 30 June 2025

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KPMG Professional Services Company

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Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

واجهة روشن، 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 2025 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 2025,
- The condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2025,
- The condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2025,
- The condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2025, 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.

Independent auditor's report on the review of the condensed consolidated interim financial statements (continued)

To the Shareholders of Saudi Company for Hardware SACO

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2025 condensed consolidated interim financial statements of Saudi Company for Hardware SACO and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services Company



Hani Hamzah A. Bedairi
License No: 460

Date: 17 Safar 1447 H
Corresponding to: 11 August 2025



SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi Joint Stock Company)

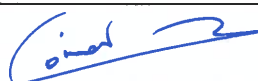
Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2025

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	30 June 2025 (Unaudited)	31 December 2024 (Audited)
ASSETS			
Non-current assets			
Right of use assets	5	220,934,559	250,450,693
Property and equipment	6	195,082,525	208,217,238
Investment property	7	-	94,259,483
Intangible assets and goodwill	8	61,461,737	65,800,222
Total non-current assets		477,478,821	618,727,636
Current assets			
Inventories	9	541,283,137	548,838,108
Accounts receivable	10	31,907,002	40,321,915
Prepayments and other receivables	11	29,582,060	26,973,090
Due from a related party	19	965,051	965,051
Investments at fair value through other comprehensive income held for sale	20	8,671,163	8,889,559
Cash and cash equivalents		15,135,705	8,145,817
Investment property held for sale	7	93,006,555	-
Total current assets		720,550,673	634,133,540
Total assets		1,198,029,494	1,252,861,176
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Treasury shares	1	(4,650,375)	(4,650,375)
Statutory reserve	1	-	-
Accumulated losses		(19,530,026)	(29,684,735)
Fair value reserve		410,711	629,107
Total Equity		336,230,310	326,293,997
Non-current liabilities			
Borrowings	12	-	5,000,000
Employees' end of service benefit obligation		38,726,820	37,410,669
Lease liabilities	13	221,036,849	256,761,516
Total non-current liabilities		259,763,669	299,172,185
Current liabilities			
Short term borrowings	12	108,787,272	123,153,130
Current portion of long-term borrowings	12	15,000,000	20,000,000
Accounts and notes payable		278,001,567	252,590,037
Lease liabilities	13	66,623,729	68,131,990
Accrued expenses and other liabilities	15	125,990,106	154,863,018
Zakat payable	14	7,409,258	8,433,236
Dividends payable		223,583	223,583
Total current liabilities		602,035,515	627,394,994
Total liabilities		861,799,184	926,567,179
Total equity and liabilities		1,198,029,494	1,252,861,176

Chief Financial Officer



Chief Executive Officer



Chairman of Board of Director



The attached notes from 1 to 24 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 2025

(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	
		2025	2024	2025	2024
Revenue	21	253,368,235	236,519,390	514,691,027	469,114,244
Cost of revenue		(212,606,441)	(205,660,413)	(435,675,363)	(404,389,670)
Gross profit		40,761,794	30,858,977	79,015,664	64,724,574
Selling and marketing expenses		(8,281,951)	(6,648,590)	(15,247,174)	(13,618,154)
General and administrative expenses		(28,240,212)	(28,095,359)	(51,768,510)	(55,517,771)
Expected credit (losses) / reversal	10	(62,359)	(353,271)	266,404	(603,952)
Other income		7,299,284	5,777,543	12,477,472	10,885,644
Operating income		11,476,556	1,539,300	24,743,856	5,870,341
Finance cost		(6,845,529)	(7,049,951)	(14,139,647)	(14,027,119)
Profit / (loss) before zakat		4,631,027	(5,510,651)	10,604,209	(8,156,778)
Zakat	14	449,500	1,527,732	(449,500)	(376,332)
Profit / (loss) for the period		5,080,527	(3,982,919)	10,154,709	(8,533,110)
<u>Other comprehensive income</u>					
<u>Items that will not be reclassified subsequently to profit or loss:</u>					
Re-measurement of employees' end of service benefit obligation		-	767,609	-	767,609
Net changes in the fair value of investments carried at FVOCI	20	-	-	(218,396)	-
Total comprehensive income / (loss) for the period		5,080,527	(3,215,310)	9,936,313	(7,765,501)
<u>Profit / loss per share (SAR)</u>					
Basic and diluted profit / loss per share attributable to the equity shareholders	18	0.14	(0.11)	0.28	(0.24)
Weighted average number of shares	18	35,874,448	35,918,000	35,874,448	35,918,000


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Director

The attached notes from 1 to 24 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 2025

(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Treasury Shares	Statutory reserve	Accumulated losses	Fair value reserve	Total
Balance as at 1 January 2024 (audited)	360,000,000	(516,057)	24,504,713	(40,871,108)	629,107	343,746,655
Loss for the period	-	-	-	(8,533,110)	-	(8,533,110)
Other comprehensive income for the period	-	-	-	767,609	-	767,609
Total comprehensive loss	-	-	-	(7,765,501)	-	(7,765,501)
Transfer to accumulated losses (note 1)	-	-	(24,504,713)	24,504,713	-	-
Purchase of treasury shares	-	(4,134,318)	-	-	-	(4,134,318)
Balance as at 30 June 2024 (unaudited)	<u>360,000,000</u>	<u>(4,650,375)</u>	<u>-</u>	<u>(24,131,896)</u>	<u>629,107</u>	<u>331,846,836</u>
Balance as at 1 January 2025 (audited)	360,000,000	(4,650,375)	-	(29,684,735)	629,107	326,293,997
Profit for the period	-	-	-	10,154,709	-	10,154,709
Other comprehensive loss for the period	-	-	-	-	(218,396)	(218,396)
Total comprehensive income	-	-	-	10,154,709	(218,396)	9,936,313
Balance as at 30 June 2025 (unaudited)	<u>360,000,000</u>	<u>(4,650,375)</u>	<u>-</u>	<u>(19,530,026)</u>	<u>410,711</u>	<u>336,230,310</u>



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Director

The attached notes from 1 to 24 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 2025

(All amounts are in Saudi Riyals unless otherwise stated)

		For the six-month period ended 30 June	
	Note	2025	2024
Cash flows from operating activities			
Profit / (loss) before zakat		10,604,209	(8,156,778)
Adjustments to reconcile profit / (loss) before zakat to net cash flows from operating activities:			
Depreciation of right-of-use assets	5	26,814,542	26,003,455
Depreciation and amortisation	6,7&8	22,695,399	23,530,396
(Gain) / loss on disposal of property and equipment, and intangible assets		(513,886)	272,415
Provision / (reversal) for inventory write-down and inventory shortages	9	3,952,465	(2,380,218)
Loss on lease de-recognition		165,472	-
Expected credit losses (reversals) / provided	10	(266,404)	603,952
Interest on lease liabilities	13	8,745,856	9,890,921
Interest on borrowings and bank charges		5,393,791	4,136,196
Provision for employees end of service benefit obligations		4,063,393	5,015,192
Changes in Working Capital:			
Inventories		3,602,506	(43,654,069)
Prepayments and other receivables		(2,608,970)	(8,152,253)
Accounts receivable		8,681,317	11,594,343
Accounts and notes payable		25,411,530	13,193,900
Accrued expenses and other liabilities		(39,974,412)	(9,683,254)
Cash generated from operations		76,766,808	22,214,198
Zakat paid		(1,473,478)	-
Finance cost paid		(4,663,097)	(3,680,567)
Interest on lease liabilities paid	13	(8,745,856)	(9,890,923)
Employees end of service benefit obligation paid		(2,747,242)	(3,547,421)
Net cash flows from operating activities		59,137,135	5,095,287
Cash flows from investing activities			
Purchase for property and equipment	6	(3,281,447)	(8,220,449)
Proceeds from disposal of property and equipment		513,913	267,692
Purchase for intangible assets	8	(687,853)	(370,278)
Net cash flows used in investing activities		(3,455,387)	(8,323,035)
Cash flows from financing activities			
Change in short-term borrowings, net		(14,365,858)	50,799,240
Repayments of long-term borrowings		(10,000,000)	(10,000,000)
Principal amount of lease liabilities paid	13	(24,326,002)	(23,021,565)
Purchase of treasury shares	1	-	(4,134,318)
Net cash flows (used in) / from in financing activities		(48,691,860)	13,643,357
Net change in cash and cash equivalents		6,989,888	10,415,609
Cash and cash equivalents at the beginning of the period		8,145,817	13,043,548
Cash and cash equivalents at the end of the period		15,135,705	23,459,157
Significant non-cash transactions:			
Right of use assets	5	2,687,698	-
Lease de-recognition	5	(5,223,818)	-
Lease liabilities	13	2,687,698	-
Addition on investment property	7	-	96,786,056
Lease liabilities due not yet paid	13,15	(10,370,806)	(13,185,050)


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

The attached notes from 1 to 24 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 2025
(All amounts are in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Saudi Company for Hardware SACO (the "Company") is a Saudi joint stock Company registered in the Kingdom of Saudi Arabia with Company unified number 70006511583, and commercial registration number 1010056595 issued in Riyadh on 26 Safar 1405H (corresponding to 19 November 1984). The Capital Market Authority (the "CMA") announced on 5 Jumada al-Alkhirah 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 2025, the Company's share capital was SAR 360 million divided into 36 million shares of SAR 10 each (31 December 2024: SAR 360 million divided into 36 million shares of SAR 10 each).

In accordance with the Company's previous By-laws, the Company set aside 10% of its net income each year as a statutory reserve until such a reserve equals 30% of the share capital. This reserve is not available for dividend distribution. Further to the changes in the Companies Law effective January 2023, the Company in its extra-ordinary general assembly meeting held on 16 May 2024 amended its By-laws related to profit distribution, according to the existing statutory reserve balance as of 31 December 2023 amounting to SAR 24,504,713 was transferred to accumulated losses.

On 1 November 2023, the members of the Board of Directors approved the purchase of 350,000 of Company's shares with reference to the minutes of the extraordinary general assembly held on 14 June 2023, which included shareholders' approval to purchase 350,000 shares of Company's stock and retain them as treasury shares.

During the six-month period ended 30 June 2025, the Company had outstanding 125,552 shares.

Movement in the treasury shares balance for the period / year is as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
At the beginning of the period / year	<u>4,650,375</u>	<u>516,057</u>
Purchased during the period / year	<u>-</u>	<u>4,134,318</u>
At the end of the period / year	<u>4,650,375</u>	<u>4,650,375</u>

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 (30 June 2024: 32 stores and 31 December 2024: 32 stores) located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk, and the following subsidiary:

Subsidiary name	Country	Effective ownership percentage		Activities
		30 June 2025	31 December 2024	
Medscan Terminal Company Limited	Kingdom of Saudi Arabia	100%	100%	Transportation and logistics

Medscan Terminal Company Limited (the "Subsidiary") is a single Shareholder 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 head office of the Subsidiary is P.O. 825, King Abdulaziz Sea Port, Dammam 31421, Kingdom of Saudi Arabia. The Subsidiary's main activities are Transportation of goods and other tasks, port handling services, trans-shipment services, warehouse management and maintenance, and customs clearance services.

2. BASICS OF PREPARATION

2.1 Statement of Compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements for the year ended 31 December 2024 (the "last annual financial statements"). These do not include all the information normally required for a complete set of Consolidated Financial Statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 December 2024. The results shown in these interim condensed consolidated financial statements may not be indicative of the annual results of the Group's operations.

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 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 2024.

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. New standards, amendments to standards, and interpretations

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 2024, except for the application of the new standards effective as of 1st of January 2025, 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.

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 2025
(All amounts are in Saudi Riyals unless otherwise stated)

5. RIGHT OF USE ASSETS

The Group leases stores, resulting in right-of-use assets that qualify as leased assets under IFRS 16. Lease terms typically extend up to 25 years, with some contracts including renewal options. Lease payments are generally fixed, although some leases incorporate escalation clauses for rent increases.

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Net book value at the beginning of the period / year	250,450,693	248,984,885
Lease modification (*)	2,687,698	35,031,850
Lease re-assessment (**)	-	19,013,993
Lease de-recognition	(5,389,290)	-
Depreciation for the period / year	(26,814,542)	(52,580,035)
Net book value at the end of the period / year	<u>220,934,559</u>	<u>250,450,693</u>

* During 2024, a number of lease contracts had been modified, changing the payment and extending the lease term, which resulted in a modification amount of SAR 35 million to right-of-use assets and an amount of to SAR 35 million to lease liability.

** During 2024, the Group's Real Estate Committee reassessed the renewal option for certain contracts. Accordingly, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in an increase in the right-of-use assets of SAR 19 million and an increase in the lease liabilities of SAR 19 million.

6. PROPERTY AND EQUIPMENT

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Net book value at the beginning of the period / year	208,217,238	324,015,551
Additions	3,281,447	19,654,555
Disposal	(27)	(543,604)
Transfer to intangible assets	-	(4,063,588)
Depreciation for the period / year	(16,416,133)	(34,059,620)
Transfers to investment property (*)	-	(96,786,056)
Net book value at the end of the period / year	<u>195,082,525</u>	<u>208,217,238</u>

* During 2024, certain assets were transferred to investment property, following a change in their intended use, from owner-operated assets to being held for rental income (see note 7).

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 2025
(All amounts are in Saudi Riyals unless otherwise stated)

7. INVESTMENT PROPERTY

The Group has operating lease for its warehouse located in Riyadh, which was previously classified as property and equipment but was reclassified upon the change in use from owner-occupied assets to held for rental income.

Lease payments are generally fixed and non-cancellable for the duration of the lease term.

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Net book value at the beginning of the period / year	94,259,483	-
Transfers from property and equipment	-	96,786,056
Depreciation for the period / year	(1,252,928)	(2,526,573)
Net book value at the end of the period / year	93,006,555	94,259,483
Classified as:		
Non-current assets	-	94,259,483
Current assets	93,006,555	-

On 29 June 2025, the Board of Directors approved a plan to sell the Group's investment property located in Riyadh to a third-party buyer, and the transaction is expected to be completed within the next 12 months. As a result, the investment property has been reclassified to Investment Properties Held for Sale in the statement of financial position as at 30 June 2025.

In accordance with IFRS 5, the property meets the criteria to be classified as held for sale, as the asset is available for immediate sale in its present condition, and the sale is highly probable. Accordingly, depreciation on the asset has ceased as of the date of reclassification.

The land and the building classified as investment property, were assessed by an external valuer to determine their fair value as at 31 December 2024. The valuation approach used is the income approach (Discounted cash flow method). The evaluation was carried out by the external valuer accredited by the Saudi Authority for Accredited Values (TAQEEM). (Wasm Valuation: TAQEEM record No. 1210001174).

The fair value measurement is in accordance with IFRS 13 as at 31 December 2024, and the fair value amounted to SAR 114,4 million.

Management believes that the fair value of investment properties as at 30 June 2025 does not materially differ from the fair value determined as at 31 December 2024.

Valuation techniques used to derive Level 3 fair values:

<u>Valuation approach</u>	<u>Input / assumption description</u>	<u>Percentage</u>
Income approach	Discount rate	11.9%
	Capitalisation rate	11%
	Occupancy rate and credit risk	2%
	Cash flow period (years)	5

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 2025
(All amounts are in Saudi Riyals unless otherwise stated)

8. INTANGIBLE ASSETS AND GOODWILL

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Goodwill	22,377,889	22,377,889
Software licenses	39,083,848	43,422,333
	<u>61,461,737</u>	<u>65,800,222</u>

Impairment test for goodwill:

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 a goodwill impairment assessment annually and when there are indicators that the carrying value of 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 2024 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognised for the six-month period ended 30 June 2025.

Movement in intangible assets is as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Net book value at the beginning of the period / year	65,800,222	71,569,354
Additions	687,853	451,513
Transfer to intangible assets	-	4,063,588
Amortisation for the period / year	(5,026,338)	(10,248,674)
Disposal	-	(35,559)
Net book value at the end of the period / year	<u>61,461,737</u>	<u>65,800,222</u>

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 2025
(All amounts are in Saudi Riyals unless otherwise stated)

9. INVENTORIES

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Merchandise in stores and warehouses	526,922,744	508,319,214
Goods-in-transit	29,779,761	58,067,004
Merchandise on consignment	7,959,595	8,262,009
Packing, wrapping, and consumable	2,895,673	2,682,601
	567,557,773	577,330,828
Allowance for slow-moving items and inventory shortages	(26,274,636)	(28,492,720)
	541,283,137	548,838,108

The movement in the allowance for slow-moving items and inventory shortages as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period / year	28,492,720	49,620,015
Provided during the period / year	138,477	7,436,481
Utilized during the period / year	(2,356,561)	(21,202,267)
Write off	-	(7,361,509)
Balance at the end of the period / year	26,274,636	28,492,720

During the period, shrinkage amounting to SAR 6,2 million was written off directly from the inventory (31 December 2024: SAR 8,17 million).

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10. ACCOUNTS RECEIVABLES

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Accounts receivable – Trade	35,667,560	44,069,971
Accounts receivable – Others	1,289,126	1,568,032
Allowance for expected credit losses	(5,049,684)	(5,316,088)
	31,907,002	40,321,915

The movement in the allowance for expected credit loss is as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period / year	5,316,088	3,720,738
Reversal / provided during the period / year	(266,404)	1,595,350
Balance at the end of the period / year	5,049,684	5,316,088

11. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Prepaid expenses	18,588,360	14,874,083
Advance payments to suppliers and employees	9,191,967	9,499,160
Accrued lease income	2,765,667	3,219,935
Others	3,960,681	4,304,527
	34,506,675	31,897,705
Allowance for prepayments and other assets	(4,924,615)	(4,924,615)
	29,582,060	26,973,090

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

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period / year	4,924,615	4,518,127
Provided during the period / year	-	406,488
Balance at the end of the period / year	4,924,615	4,924,615

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12. BORROWINGS

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Short-term borrowings	108,787,272	123,153,130
Current portion of long-term borrowings	15,000,000	20,000,000
Non-current portion of long-term borrowings	-	5,000,000
Total borrowings	123,787,272	148,153,130

The maturity profile of the non-current portion of long-term borrowings is as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
More than 1 year	-	5,000,000
	-	5,000,000

The Group has credit facilities amounting to Saudi Riyal 288 million from various local banks. Such facilities comprise short and long-term borrowings, letters of credit and guarantees, and notes payable for bills of exchange to finance working capital, investments, and capital expenditures.

These facilities, which are in the form of Murabaha and Tawarroq financing, bear financial charges at prevailing market rates based on Saudi Inter-bank Offer Rate ("SIBOR").

The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

Borrowings contain certain qualitative and quantitative covenants, including (debt service coverage ratio, specific gearing ratio, and minimum facilities utilization percentage). A future breach of these 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 2025 and for the year ended 31 December 2024.

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

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13. LEASE LIABILITIES

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period / year	324,893,506	338,262,479
Lease modification (*)	2,687,698	35,031,850
Lease re-assessment (**)	-	19,013,993
Interest on lease liabilities for the period / year	8,745,856	19,387,299
Lease derecognition	(5,223,818)	-
Payments during the period / year	(33,071,858)	(65,935,058)
Transfer to lease liabilities due not yet paid (note 15)	(10,370,806)	(20,867,057)
Balance at the end of the period / year	287,660,578	324,893,506

* During 2024, a number of lease contracts have been modified changing the payment and extending the lease term which resulted in a modification amount of SAR 35 million to right-of-use assets and amounting to SAR 35 million to lease liability.

**During 2024, the Group's Real Estate Committee reassessed the renewal option for certain contracts. Accordingly, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in an increase in the right of use assets by SAR 19 million and an increase in the lease liabilities by SAR 19 million.

The lease liability balance consists as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Lease liabilities undiscounted principal payments	335,058,632	381,610,035
Unamortised interest	(47,398,054)	(56,716,529)
	287,660,578	324,893,506

Presented as:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Current portion	66,623,729	68,131,990
Non-current portion	221,036,849	256,761,516
	287,660,578	324,893,506
Lease liabilities due not yet paid – (note 15)	10,370,806	20,867,057

The Group does not face a significant liquidity risk regarding its liabilities. Lease liabilities are monitored within the Group's treasury function.

All leases insurance and maintenance costs are being incurred by the Group. No purchase option in any lease contract.

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14. 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 on a consolidated basis 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 Group has finalised its zakat status for the years until 2023.
- The Group has submitted its Zakat return for the year ended 31 December 2024, which is still under assessment by the Authority. The Zakat provision recognised reflects management's best estimate of the anticipated liability for the aforementioned year.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Accrued expenses	48,913,408	50,106,905
Contract liabilities - Gift cards and vouchers	34,472,259	37,469,414
Employee-related liabilities	17,184,340	19,468,916
Lease liabilities due but not yet paid (Note 13)	10,370,806	20,867,057
Value Added Tax	4,155,255	10,648,580
Accrued rentals	612,526	6,858,829
Contract liability – advances from customers	6,237,350	6,113,017
Others	4,044,162	3,330,300
	125,990,106	154,863,018

16. CONTINGENCIES

During the course of business, local banks issue letters of guarantee and letters of credit to third-party suppliers in favor of the group.

The Group had the following contingencies:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Letters of credit	54,150,861	38,772,159
Letters of guarantee	3,295,846	4,295,845
	57,446,707	43,068,004

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.

17. COMMITMENTS

Significant capital expenditure contracted for ongoing activities of the Group's store/warehouse at the end of the reporting period is as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Group's store / warehouse commitments	5,108,262	4,383,163

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18. PROFIT / (LOSS) PER SHARE

Basic profit / (loss) per share is calculated by dividing the net profit / (loss) for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding.

The calculation of diluted earnings 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 earnings / (loss) per share is given below:

	30 June 2025 (Unaudited)	30 June 2024 (Unaudited)
Profit / (loss) for the period attributable to ordinary equity holders	10,154,709	(8,533,110)
Weighted average number of shares outstanding during the period	35,874,448	35,918,000
Profit / (loss) per share	0.28	(0.24)

19. RELATED PARTY BALANCES AND TRANSACTIONS

19-1 Due from a related party

- The Group is entitled to receive a total amount of SAR 6.4 million (excluding VAT) from Telal Jeddah Real Estate Company, 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 SAR 643,370 and SAR 1,286,735, respectively.
- During 2024, the Group received the third and final payment amounting to SAR 4,503,574.
- The balance as at 30 June 2025 is SAR 965,051 (31 December 2024: SAR 965,051).

19-2 Related parties' transactions

	Nature Relationship	Nature of the transaction	30 June 2025 (Unaudited)	30 June 2024 (Unaudited)
Inheritors of Abdullah Taha Baksh	One of the owners of Abrar International Holding Company, which is one of the main shareholders in the Company	Payment of lease liabilities for two showrooms	3,784,250	4,084,250

19-3 Compensation of key management personnel

The Group provides remuneration to directors, executive officers, and key management personnel as follows:

	30 June 2025 (Unaudited)	30 June 2024 (Unaudited)
Short term benefits	4,292,926	4,403,435
End-of-service benefits	182,733	179,324
	4,475,659	4,582,759

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20. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
ACE International Hardware Holdings, Ltd (AIH) (*)	<u>8,671,163</u>	<u>8,889,559</u>
Percentage of shareholding	<u>2.3%</u>	<u>2.3%</u>
Number of shares	<u>22,022</u>	<u>22,022</u>

The Group intends to liquidate its investment in ACE International Hardware Holdings, Ltd. (AIH), accordingly, the investment was classified as a current asset.

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

The Class A-2 shares of the AIH are transferable among eligible owners; however, certain transfer restrictions and minimum Class A-2 share ownership requirements exist as set forth in AIH By-Laws. Upon termination of the relationship with the Company, investors have the opportunity to sell their Class A-2 shares to successor investors. AIH may, but is not legally obligated to, purchase the Class A-2 shares from investors at the prevailing purchase price.

The Group has designated its investment in AIH at fair value through other comprehensive income. The fair value of the investment as follows:

	Fair value as at		Net changes in the fair value for the six-month period ended 30 June	
	30 June 2025 (Unaudited)	31 December 2024 (Audited)	2025 (Unaudited)	2024 (Unaudited)
Unquoted				
ACE International Hardware Holdings	<u>8,671,163</u>	<u>8,889,559</u>	<u>(218,396)</u>	<u>-</u>

Movement during the period / year is as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Beginning balance for the period / year	<u>8,889,559</u>	<u>8,889,559</u>
Net changes in the fair value	<u>(218,396)</u>	<u>-</u>
Closing balance	<u>8,671,163</u>	<u>8,889,559</u>

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

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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 includes the sale of goods made to retail and wholesale customers. The service department represents the services department's income from the 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 resource 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 Three-month and six-month periods ended 30 June 2025 and 2024 is as follows:

For the six-month period ended 30 June 2025 (Unaudited)	Sales and services	Logistics	Total
Revenues:			
Total segment revenue	494,503,222	36,382,162	530,885,384
Inter-segment revenue	-	(16,194,357)	(16,194,357)
Revenue from external customers	494,503,222	20,187,805	514,691,027
Timing of revenue recognition:			
At a point in time	493,868,018	-	493,868,018
Overtime	635,204	20,187,805	20,823,009
Revenue from external customers	494,503,222	20,187,805	514,691,027
Other income	11,961,586	515,886	12,477,472
Profit from operations	20,871,405	3,872,451	24,743,856
Finance cost	(14,095,233)	(44,414)	(14,139,647)
Profit before Zakat	6,776,172	3,828,037	10,604,209
Zakat	(449,500)	-	(449,500)
Profit for the period	6,326,672	3,828,037	10,154,709

Other segment information:

For the six-month period ended 30 June 2025 (Unaudited)	Sales and services	logistics	Total
Capital expenditures	2,234,126	1,735,174	3,969,300
Depreciation and amortisation	21,313,534	1,381,865	22,695,399
Depreciation of right-of-use asset	26,785,331	29,211	26,814,542
Total segment assets:			
30 June 2025 (Unaudited)	1,160,894,106	37,135,388	1,198,029,494
31 December 2024 (Audited)	1,220,979,790	31,881,386	1,252,861,176
Total segment liabilities:			
30 June 2025 (Unaudited)	846,331,208	15,467,976	861,799,184
31 December 2024 (Audited)	907,799,567	18,767,612	926,567,179

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21. SEGMENTS INFORMATION (continued)

For the six-month period ended 30 June 2024 (Unaudited)	Sales and services	Logistics	Total
Revenues:			
Total segment revenue	450,944,027	36,757,509	487,701,536
Inter-segment revenue	-	(18,587,292)	(18,587,292)
Revenue from external customers	450,944,027	18,170,217	469,114,244
Timing of revenue recognition:			
At a point in time	450,064,496	-	450,064,496
Overtime	879,531	18,170,217	19,049,748
	450,944,027	18,170,217	469,114,244
Other income	10,860,649	24,995	10,885,644
Profit from operations	4,189,193	1,681,148	5,870,341
Finance cost	(13,980,735)	(46,384)	(14,027,119)
Loss / profit before zakat	(9,791,542)	1,634,764	(8,156,778)
Zakat	(376,332)	-	(376,332)
Loss / profit for the period	(10,167,874)	1,634,764	(8,533,110)
Other segment information:			
For the six-month period ended 30 June 2024 (Unaudited)	Sales and services	logistics	Total
Capital expenditures	6,296,478	2,294,249	8,590,727
Depreciation and amortisation	22,448,090	1,082,306	23,530,396
Depreciation of right-of-use asset	25,974,083	29,372	26,003,455
Total segment assets:			
30 June 2024 (Unaudited)	1,155,705,917	30,297,156	1,186,003,073
31 December 2023 (Audited)	1,117,296,443	27,412,165	1,144,708,608
Total segment liabilities:			
30 June 2024 (Unaudited)	841,176,786	12,979,451	854,156,237
31 December 2023 (Audited)	790,808,050	10,153,903	800,961,953

22. COMPARATIVE INFORMATION

Comparatives information for the previous year has been reclassified, where necessary, in order to Conform to the current period's presentation. Such reclassifications do not affect the previously reported profit, net asset or equity of the Group.

23. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 14 July 2025, the Group's management signed a contract for the sale of its warehouse, located in the Al-Mashael neighborhood in Riyadh (classified as investment property as of 30 June 2025), to a third party for SAR 140.43 million. The process of transferring ownership to the new owner is currently in progress.

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

24. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on 13 Safar 1447 H (corresponding to 7 August 2025).