

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

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

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

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

INDEX	PAGE
Report on review of condensed consolidated interim financial statements	1
Condensed consolidated interim statement of comprehensive income	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6 - 16



REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Company for Hardware (the "Company") and its subsidiary (collectively referred to as the "Group") as at 30 June 2020 and the related condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2020 and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.


Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

By: 
Bader I. Benmohareb
License Number 471

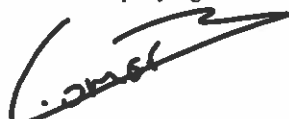
29 July 2020


SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

	Note	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2020	2019	2020	2019
Revenues		389,533,513	343,829,242	747,573,074	714,070,279
Cost of revenues		(308,899,314)	(278,988,995)	(608,009,616)	(585,380,993)
GROSS PROFIT		80,634,199	64,840,247	139,563,458	128,689,286
Selling and marketing expenses		(994,035)	(3,158,989)	(7,031,782)	(8,798,996)
General and administration expenses		(33,051,047)	(28,802,603)	(60,479,708)	(57,153,947)
OPERATING PROFIT		46,589,117	32,878,655	72,051,968	62,736,343
Other income, net		566,411	1,019,624	1,224,543	1,960,774
Finance cost		(10,863,791)	(9,341,188)	(22,113,052)	(18,031,680)
PROFIT BEFORE ZAKAT		36,291,737	24,557,091	51,163,459	46,665,437
Zakat	13	(3,153,034)	(2,866,395)	(6,306,069)	(5,732,790)
NET PROFIT FOR THE PERIOD		33,138,703	21,690,696	44,857,390	40,932,647
Other comprehensive income <i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurement of employees end of service benefit obligation		(83,124)	-	996,018	-
Total comprehensive income for the period		33,055,579	21,690,696	45,853,408	40,932,647
Earnings per share (Saudi Riyals) (Note 16)					
Basic and diluted earnings per share attributable to the equity shareholders of the Company		0.92	0.60	1.25	1.14
Weighted average number of shares		36,000,000	36,000,000	36,000,000	36,000,000

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


Chief Financial Officer


Chief Executive Officer

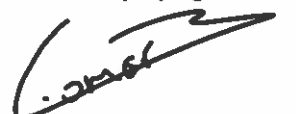

Chairman of Board of Directors


SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)


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

	Notes	June 30, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS			
Non-current assets			
Right-of-use assets	5	558,112,603	584,007,598
Property and equipment	6	273,423,604	267,689,996
Intangible assets	7	34,531,435	36,616,258
Financial assets at fair value through other comprehensive income (FVTOCI)	18	9,662,153	9,662,153
Total non-current assets		875,729,795	897,976,005
Current assets			
Inventories	8	702,395,499	769,224,144
Accounts receivable	9	30,291,624	34,992,739
Prepayments and other receivables	10	46,696,452	43,919,590
Cash and cash equivalents		49,901,251	17,273,202
Total current assets		829,284,826	865,409,675
TOTAL ASSETS		1,705,014,621	1,763,385,680
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve		20,437,790	15,952,051
Retained earnings		204,879,750	163,512,081
Fair value reserve		1,401,700	1,401,700
Total equity		586,719,240	540,865,832
Non-current liabilities			
Long term borrowings	11	19,285,715	27,000,000
Employees end of service benefit obligation		40,308,516	42,951,036
Lease liabilities	12	569,586,168	598,230,133
Total non-current liabilities		629,180,399	668,181,169
Current liabilities			
Short term borrowings	11	95,725,066	135,961,581
Current portion of long-term borrowings	11	18,897,321	22,366,071
Accounts payable		196,307,025	257,140,535
Current portion of lease liabilities	12	56,473,678	47,559,873
Accrued expenses and other liabilities		104,022,115	79,743,311
Zakat payable	13	17,588,049	11,465,580
Dividends payable	21	101,728	101,728
Total current liabilities		489,114,982	554,338,679
Total liabilities		1,118,295,381	1,222,519,848
TOTAL EQUITY AND LIABILITIES		1,705,014,621	1,763,385,680

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


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Total
Balance at January 1, 2019 (audited)		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		-	-	40,932,647	-	40,932,647
Transfer to statutory reserve		-	4,093,265	(4,093,265)	-	-
Dividend distribution	21	-	-	(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
Balance at January 1, 2020 (audited)		360,000,000	15,952,051	163,512,081	1,401,700	540,865,832
Net profit for the period		-	-	44,857,390	-	44,857,390
Other comprehensive income for the period		-	-	996,018	-	996,018
Total comprehensive income		-	-	45,853,408	-	45,853,408
Transfer to statutory reserve		-	4,485,739	(4,485,739)	-	-
Balance at June 30, 2020 (unaudited)		360,000,000	20,437,790	204,879,750	1,401,700	586,719,240

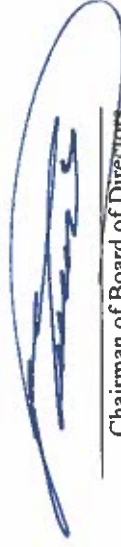
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Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

	Note	For the six-month period ended June 30,	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		44,857,390	40,932,647
Adjustments for:			
Zakat		6,122,469	5,732,790
Finance cost		22,113,052	18,031,680
Depreciation and amortization		26,925,397	23,445,061
Depreciation of right-of-use assets		37,277,472	32,553,145
Loss from shrinkage and inventory shortages		4,011,893	8,673,618
Provision/ (reversal) of slow moving items and inventory shortages		8,721,405	(403,394)
Lease concession – IFRS16	12	(4,397,690)	-
Provision for doubtful debts		1,409,795	187,308
Provision for other receivables		781,059	-
Write-off of property and equipment		-	4,727
Gain on disposal of property and equipment		(72,217)	-
Provision for employees end of service benefit obligation		2,323,483	3,428,826
Movement in working capital:			
Inventories		54,095,347	30,776,618
Accounts receivable		3,291,320	14,038,549
Prepayments and other receivables		(3,557,921)	(8,241,063)
Accounts payable		(60,833,510)	(20,348,798)
Accrued expenses and other current liabilities		23,955,190	(198,383)
Cash generated from operations		167,023,934	148,613,331
Zakat paid		-	(12,234,938)
Finance cost paid		(21,789,438)	(4,047,798)
Employees end of service benefit obligation paid		(3,969,985)	(2,533,442)
Net cash generated from operating activities		141,264,511	129,797,153
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase for property and equipment		(29,904,598)	(22,599,211)
Proceeds from disposal of property and equipment		134,061	-
Purchase for intangible assets		(731,428)	(797,217)
Net cash used in investing activities		(30,501,965)	(23,396,428)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in short term borrowings, net		(40,236,515)	14,535,671
Repayments of long-term borrowings		(11,183,035)	(22,325,894)
Repayment of principal of lease liability		(26,714,947)	(41,163,247)
Repayment of interest portion of lease liability		-	(14,042,606)
Dividends paid		-	(35,973,619)
Net cash used in financing activities		(78,134,497)	(98,969,695)
Net change in cash and cash equivalents		32,628,049	7,431,030
Cash and cash equivalents at beginning of period		17,273,202	16,333,485
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		49,901,251	23,764,515
Significant non-cash transactions:			
Adjustment of prepaid rent with lease liability		-	(22,099,571)
Lease liabilities		(11,382,477)	(565,093,377)
Right-of-use assets		11,382,477	503,587,781
IFRS 16 net adjustment in retained earnings		-	83,605,167
Re-measurement gain of employees end of service benefit obligation		(996,018)	-

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

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors





SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

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

As of June 30, 2020, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (December 31, 2019: SR 360 million divided into 36 million shares of SR 10 each).

The Company is principally engaged in retailing and wholesaling of household and office supplies and appliances, construction tools and equipment, and electrical tools and hardware.

The registered address of the Company is P.O. Box 86387, Riyadh 11622, Kingdom of Saudi Arabia.

The accompanying condensed consolidated interim financial statements include the financial information of the Company and its 32 stores located in various cities in the Kingdom of Saudi Arabia and following subsidiary:

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial statements do not include all of the information and disclosures normally required for a complete set of consolidated financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 December 2019.

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

2.2 Preparation of financial statements

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.3 Use of judgements and estimates

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

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

However, as explained in Note 22, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual consolidated financial statements against the backdrop of the Covid-19 pandemic. Management believes that, all sources of estimation uncertainty remain similar to those disclosed in the last annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Measurement

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B. The resulted impact has reduced the Company's cost of revenues and lease liabilities with SR 4,397,690 (See note 12).

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

There are number of new standards and amendments to standards which are issued but not effective and have been explained in the Group's annual consolidated financial statements. Management believe that the new standards and amendments will not have a material impact on the future consolidated financial statements of the Group in the period of initial application.

4.3 Zakat

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

5. RIGHT -OF USE- ASSETS

	Properties	Vehicles	Total
Net book value at January 1, 2020	581,453,473	2,554,125	584,007,598
Additions	11,382,477	-	11,382,477
Depreciation expense for the period	(36,698,962)	(578,510)	(37,277,472)
Net book value at June 30, 2020	556,136,988	1,975,615	558,112,603

6. PROPERTY AND EQUIPMENT

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Net book value at the beginning of the period/ year	267,689,996	254,536,178
Additions	29,904,598	56,489,146
Write off and other adjustments	-	(94,824)
Transfers to intangible assets	-	(52,425)
Disposals	(61,844)	(191,238)
Depreciation for the period/ year	(24,109,146)	(42,996,841)
Net book value at the end of the period/ year	273,423,604	267,689,996

7. INTANGIBLE ASSETS

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Goodwill	22,377,889	22,377,889
Software and licenses	11,161,564	13,046,157
Others	991,982	1,192,212
	34,531,435	36,616,258

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).

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

7. INTANGIBLE ASSETS (CONTINUED)

The management performs goodwill impairment assessment annually and when there are indicators that the carrying value of the goodwill may be impaired. Group's management believes that any reasonably possible change in the key assumptions used for impairment assessment performed on December 31, 2019 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognised for the six month period ended June 30, 2020.

Movement in intangible assets is as follows:

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Net book value at the beginning of the period/ year	36,616,258	40,981,580
Additions	731,428	1,171,556
Transfer from property and equipment	-	52,425
Amortization for the period/ year	(2,816,251)	(5,589,303)
Net book value at the end of the period/ year	<u>34,531,435</u>	<u>36,616,258</u>

8. INVENTORIES

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Merchandise:		
In stores and warehouses	635,556,984	660,292,973
On consignment	13,582,148	15,058,110
Consumables	5,878,779	6,112,332
Goods-in-transit	75,099,397	106,761,132
	<u>730,117,308</u>	<u>788,224,547</u>
Less: provision for slow moving items and inventory shortages	(27,721,809)	(19,000,403)
	<u>702,395,499</u>	<u>769,224,144</u>

9. ACCOUNTS RECEIVABLE

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Accounts receivable – trade	22,794,664	27,266,553
Accounts receivable – others	11,649,636	10,469,067
Less: allowance for doubtful debts	(4,152,676)	(2,742,881)
	<u>30,291,624</u>	<u>34,992,739</u>

Movement in the allowance for doubtful debts is as follows:

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Balance at the beginning of the period/ year	2,742,881	2,134,988
Provision during the period/ year	1,409,795	607,893
Balance at the end of the period/ year	<u>4,152,676</u>	<u>2,742,881</u>

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

10. PREPAYMENTS AND OTHER RECEIVABLES

	June 30 2020 (unaudited)	December 31, 2019 (audited)
Prepaid expenses	25,316,605	20,509,464
Advances to suppliers and employees' advances	20,473,420	19,188,781
Others	5,789,836	8,323,695
	<u>51,579,861</u>	<u>48,021,940</u>
Less : provision for other receivables	(4,883,409)	(4,102,350)
	<u>46,696,452</u>	<u>43,919,590</u>

Movement in provision for other receivables is as follows:

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Balance at the beginning of the period/ year	4,102,350	3,368,694
Provision during the year	781,059	733,656
Balance at the end of the period/ year	<u>4,883,409</u>	<u>4,102,350</u>

11. BORROWINGS

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Short-term borrowings	95,725,066	135,961,581
Long-term borrowings	38,183,036	49,366,071
Total borrowings	<u>133,908,102</u>	<u>185,327,652</u>
Short term borrowings	95,725,066	135,961,581
Current portion of long-term borrowings	18,897,321	22,366,071
Non-current portion of long-term borrowings	19,285,715	27,000,000
Total borrowings	<u>133,908,102</u>	<u>185,327,652</u>

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

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Later than 1 year	15,428,572	15,428,572
Later than 2 years but not more than 5 years	3,857,143	11,571,428
	<u>19,285,715</u>	<u>27,000,000</u>

The Group obtained borrowing facilities in the amount of SR 551 million from various local banks. Such facilities provide short and long-term borrowings, letters of credit and guarantee and notes payable for bills of exchange to finance working capital, investments, and capital expenditures. These facilities, which are in the form of Murabaha and Tawarroq financing, bear financial charges at prevailing market rates based on Saudi Inter-bank Offer Rate ("SIBOR") and Riyadh Inter-bank Offer Rate ("RIBOR"). These facility agreements also include covenants which require maintenance of certain financial ratios, restrict payments of dividends and other requirements which the Group was in compliance with as of June 30, 2020. The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

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(SAUDI JOINT STOCK COMPANY)

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

12. LEASE LIABILITIES

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
At beginning of the period/ year	645,790,006	507,703,701
Additions	11,382,477	210,557,023
Interest on lease liability for the period/ year	17,923,389	29,816,646
Payments during the period/ year	(44,638,336)	(97,611,131)
Lease Concession for the period/year	(4,397,690)	
Adjustment	-	(4,676,233)
At the end of the period/ year	<u>626,059,846</u>	<u>645,790,006</u>
Analyzed at;		
	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Current portion	56,473,678	47,559,873
Non-current portion	569,586,168	598,230,133
	<u>626,059,846</u>	<u>645,790,006</u>

13. ZAKAT

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

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
At beginning of the period/ year	11,465,580	12,240,295
Provided during the period/ year	6,306,069	11,465,580
Due from a prior year	(183,600)	-
Over provision for prior year	-	(5,357)
Paid during the period/ year	-	(12,234,938)
Closing balance at the end of the period/ year	<u>17,588,049</u>	<u>11,465,580</u>

The Company received the final zakat assessment for the years 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 from January 1, 2017. The final zakat assessment for the subsidiary is under review by the GAZT for the years 2011 to 2016.

14. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Letters of credit	42,125,617	79,515,688
Letters of guarantees	<u>11,577,944</u>	<u>12,577,944</u>

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

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

15. COMMITMENT FOR EXPENDITURE

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

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Commitments for Group's various exhibitions	<u>25,284,857</u>	<u>33,575,319</u>

The Group signed a contract dated February 18, 2020 for a period of 22 years starting April 1, 2020 and ends on March 31, 2042 for a total amount of SR 194 million. This contract consists of 22 annual unequal payments starting April 1, 2020 for leasing a parcel of land. Management intends to use this parcel of land to build an investment property. As of the date of the approval of the condensed consolidated interim financial statements, the land was not handed over to the Group due to the incompleteness of certain conditions of the contract (see also note 17) and thus there was no financial impact on the condensed consolidated interim financial statements for the current period.

16. EARNINGS PER SHARE (EPS)

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

The EPS calculation is given below:

	June 30, 2020 (unaudited)	June 30, 2019 (unaudited)
Net profit for the period attributable to ordinary equity holders of the Company	<u>44,857,390</u>	<u>40,932,647</u>
Weighted average number of shares in issue during the period	<u>36,000,000</u>	<u>36,000,000</u>
Earnings per share	<u>1.25</u>	<u>1.14</u>

17. RELATED PARTIES TRANSACTIONS

17.1 Related parties transactions

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

The Group has signed a contract dated February 18, 2020 with a related party for a total value of SR 194 million to lease a parcel of land for a period of 22 years (see also note 15).

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

17.2 Transactions with key management personnel

	June 30, 2020 (unaudited)	June 30, 2019 (unaudited)
Short term benefits	1,553,143	2,671,396
End of service benefits	97,369	155,312
	<u>1,650,512</u>	<u>2,826,708</u>

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

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

18. FINANCIAL INSTRUMENTS

Financial assets at fair value through other comprehensive income (FVTOCI) represents investments in unquoted securities of ACE international which are measured at repurchase quotation available from the investee company at every year end. All other financial assets and liabilities of the Group are classified and measured at amortised cost.

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

19 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

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

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

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

20. SEGMENT INFORMATION

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

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

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

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

The segment information provided to the strategic steering committee for the operating segment as of and for the six month periods ended June 30, 2020 and 2019 is as follows:

For the six-month period ended June 30, 2020 (unaudited)	Sales and services	Logistic services	Total
Revenues:			
Total segment revenues	741,056,031	28,193,724	769,249,755
Inter-segment revenues	-	(21,676,681)	(21,676,681)
Revenue from external customers	741,056,031	6,517,043	747,573,074
Timing of revenue recognition:			
At a point in time	738,680,733	6,517,043	745,197,776
Overtime	2,375,298	-	2,375,298
	741,056,031	6,517,043	747,573,074
Profit from operations	68,983,983	3,067,985	72,051,968
Finance cost	(22,060,781)	(52,271)	(22,113,052)
Other income, net	1,150,691	73,852	1,224,543
Profit before zakat	48,073,893	3,089,566	51,163,459
Zakat	(6,306,069)	-	(6,306,069)
Net profit for the period	41,767,824	3,089,566	44,857,390

Other segment information:

For the six-month period ended June 30, 2020 (unaudited)For the six-month period ended June 30, 2020 (unaudited)	Sales and services	Logistic services	Total
Capital expenditures	28,669,716	1,966,310	30,636,026
Depreciation and amortization	25,041,680	1,883,717	26,925,397
Total segment assets:			
June 30, 2020 (unaudited)	1,679,614,898	25,399,723	1,705,014,621
December 31, 2019 (audited)	1,741,298,225	22,087,455	1,763,385,680
Total segment liabilities:			
June 30, 2020 (unaudited)	1,104,819,125	13,476,256	1,118,295,381
December 31, 2019 (audited)	1,211,531,719	10,988,129	1,222,519,848

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

20 SEGMENT INFORMATION (CONTINUED)

For the six-month period ended June 30, 2019 (unaudited)	Sales and services	Logistic services	Total
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
Timing of revenue recognition:			
At a point in time	708,509,441	4,054,106	712,563,547
Overtime	1,506,732	-	1,506,732
	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

Other segment information:

For the six-month period ended June 30, 2019 (unaudited)	Sales and services	Logistic services	Total
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
December 31, 2018 (audited)	1,081,101,209	16,020,173	1,097,121,382
Total segment liabilities:			
June 30, 2019 (unaudited)	946,785,853	5,455,205	952,241,058
December 31, 2018 (audited)	455,146,328	7,141,111	462,287,439

21. DIVIDENDS

In accordance with ordinary general assembly meeting held on April 30, 2019, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2019. Accordingly, the Board of Directors in their meeting held on July 23, 2019 resolved to distribute cash dividends to the Company's shareholders who owns the shares on the date of August 29, 2019 amounting to SR 36 million at SR 1 per share. The dividends were paid on September 11, 2019.

In 2020, the Board of directors recommended not to distribute additional dividends for the year 2019.

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

22. CORONA VIRUS PANDEMIC (COVID-19)

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

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

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

23. EVENTS OCCURRING AFTER REPORTING PERIOD

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

In accordance with ordinary general assembly meeting held on April 30, 2020, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2020. The Board of Directors in their meeting held on July 23, 2020 resolved to distribute cash dividends to the Company's shareholders who owns the shares on the date of August 16, 2020 amounting to SR 18 million at SR 0.5 per share. Those dividends will be paid on 30 August 2020.

24. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on July 23, 2020, corresponding to Dhul Hijjah 2, 1441H.