

**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 PERIOD ENDED MARCH 31, 2020**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

	From January 1 to March 31	
	2020	2019
	SR	SR
	(unaudited)	(unaudited)
Revenue	358,039,561	370,241,037
Cost of revenue	(299,110,302)	(306,391,998)
GROSS PROFIT	58,929,259	63,849,039
Selling and marketing expenses	(6,037,747)	(5,640,007)
General and administration expenses	(27,428,661)	(28,351,344)
OPERATING PROFIT	25,462,851	29,857,688
Other income	658,132	941,150
Finance cost	(11,249,261)	(8,690,492)
PROFIT BEFORE ZAKAT	14,871,722	22,108,346
Zakat	(3,153,035)	(2,866,395)
NET PROFIT FOR THE PERIOD	11,718,687	19,241,951
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Re-measurement of retirement benefit obligations	1,079,142	-
Total other comprehensive income	1,079,142	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,797,829	19,241,951
Earnings per share (Saudi Riyals) (note 17)		
Basic and diluted earnings per share attributable to the equity shareholders of the Group	0.33	0.53
Weighted average number of shares	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 MARCH 31, 2020

	Notes	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
ASSETS			
Non-current assets			
Right-of-use assets	5	575,447,136	584,007,598
Property and equipment	6	274,340,870	267,689,996
Intangible assets	7	35,973,350	36,616,258
Equity investment at FVTOCI		9,662,153	9,662,153
Total non-current assets		895,423,509	897,976,005
Current assets			
Inventories	8	775,414,005	769,224,144
Accounts receivable	9	30,662,359	34,992,739
Prepayments and other receivables	10	44,997,793	43,919,590
Cash and cash equivalents		54,368,787	17,273,202
Total current assets		905,442,944	865,409,675
TOTAL ASSETS		1,800,866,453	1,763,385,680
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Statutory reserve	14	17,123,920	15,952,051
Retained earnings		175,138,041	163,512,081
Fair value reserve of financial assets at FVTOCI		1,401,700	1,401,700
Total equity		553,663,661	540,865,832
Non-current liabilities			
Long term borrowings	11	23,138,738	27,000,000
Retirement benefit obligations		40,008,419	42,951,036
Lease liabilities	12	581,516,740	598,230,133
Total non-current liabilities		644,663,897	668,181,169
Current liabilities			
Short term borrowings	11	162,124,762	135,961,581
Current portion of long term borrowings	11	20,631,696	22,366,071
Accounts payable		273,095,538	257,140,535
Current portion of lease liabilities	12	53,371,571	47,559,873
Accrued expenses and other liabilities		78,778,585	79,743,311
Zakat payable	13	14,435,015	11,465,580
Dividends payable		101,728	101,728
Total current liabilities		602,538,895	554,338,679
Total liabilities		1,247,202,792	1,222,519,848
TOTAL EQUITY AND LIABILITIES		1,800,866,453	1,763,385,680


Chief Financial Officer


Chief Executive Officer

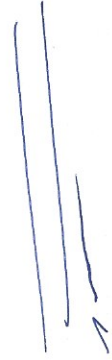

Chairman of Board of Directors

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**


	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve of financial assets at FVTOCI SR	Total SR
December 31, 2018 (audited)		360,000,000	9,788,345	263,643,898	1,401,700	634,833,943
Adjustment in application of IFRS 16		-	-	(83,605,167)	-	(83,605,167)
January 1, 2019 (adjusted)		360,000,000	9,788,345	180,038,731	1,401,700	551,228,776
Net profit for the year		-	-	61,637,056	-	61,637,056
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	61,637,056	-	61,637,056
Transfer to statutory reserve	14	-	6,163,706	(6,163,706)	-	-
Dividend distribution	21	-	-	(72,000,000)	-	(72,000,000)
December 31, 2019 (audited)		360,000,000	15,952,051	163,512,081	1,401,700	540,865,832
Net profit for the period		-	-	11,718,687	-	11,718,687
Other comprehensive income for the period		-	-	1,079,142	-	1,079,142
Total comprehensive income for the period		-	-	12,797,829	-	12,797,829
Transfer to statutory reserve	14	-	1,171,869	(1,171,869)	-	-
March 31, 2020 (unaudited)		360,000,000	17,123,920	175,138,041	1,401,700	553,663,661



Chief Financial Officer



Chief Executive Officer

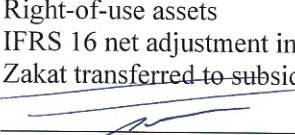

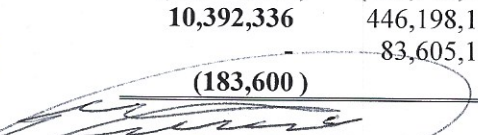


Chairman of Board of Directors

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 CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

	From January 1 to March 31	
	2020	2019
	SR	SR
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	11,718,687	19,241,951
Adjustments for:		
Zakat	3,153,035	2,866,395
Finance cost	11,249,261	8,690,492
Depreciation and amortization	13,319,908	11,661,224
Depreciation of right-of-use assets	18,952,798	15,719,911
Write-off inventories	3,646,373	6,835,620
Provision/ (reversal) for slow moving items and inventory shortages	544,933	(1,606,264)
Provision for doubtful debts	65,001	93,654
Provision for other receivables	781,060	-
Provision for retirement benefit obligations	346,289	1,540,478
Gain on disposal of property and equipment	(33,827)	-
Movement in working capital:		
Inventories	(10,381,167)	36,305,767
Accounts receivable	4,265,379	10,107,854
Prepayments and other receivables	(1,859,263)	(11,803,882)
Accounts payable	15,955,003	(19,405,868)
Accrued expenses and other current liabilities	(1,226,267)	2,117,861
Cash generated from operations	70,497,203	82,365,193
Finance cost paid	(11,171,320)	(8,804,219)
Retirement benefit obligations paid	(2,209,764)	(1,359,177)
Net cash generated from operating activities	57,116,119	72,201,797
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase for property and equipment	(18,572,643)	(9,016,028)
Purchase for intangible assets	(778,448)	(209,184)
Proceeds from disposal of property and equipment	57,044	-
Net cash used in investing activities	(19,294,047)	(9,225,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short term borrowings, net	26,163,181	(2,194,366)
Repayments of long term borrowings	(5,595,637)	(16,734,376)
Repayment of lease liabilities	(21,294,031)	(28,877,592)
Net cash used in financing activities	(726,487)	(47,806,334)
Net change in cash and cash equivalents	37,095,585	15,170,251
Cash and cash equivalents at January 1	17,273,202	16,333,485
CASH AND CASH EQUIVALENTS, MARCH 31	54,368,787	31,503,736
Non-cash transactions:		
Adjustment of prepaid rent with lease liability	-	(22,099,571)
Lease liabilities	(10,392,336)	(507,703,701)
Right-of-use assets	10,392,336	446,198,105
IFRS 16 net adjustment in retained earnings	-	83,605,167
Zakat transferred to subsidiary	(183,600)	-
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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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 Safar 26, 1405H (corresponding to November 19, 1984). The Capital Market Authority (the "CMA") announced on Jumada II 5, 1436H (corresponding to March 25, 2015) the CMA's board decision to approve the launch of 7,200,000 shares in the Company initial public offering which represents 30% of the total shares of the Company's 24,000,000 shares which were allocated to investment funds and licensed individuals. The Company's shares were listed in the Saudi Stock Market ("Tadawul") on Sha'ban 23, 1436H (corresponding to May 12, 2015).

As of March 31, 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 interim condensed consolidated financial statements include the financial statements of the Company and its 32 stores located in various cities in the Kingdom of Saudi Arabia and following subsidiary:

Subsidiary name	Country	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").

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

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

2.1 New and revised standards adopted but do not have any impact

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these interim condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Definition of a Business – Amendments to IFRS 3 Business Combinations

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to References to the Conceptual Framework in IFRS Standards related 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.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments

Amendments regarding pre-replacement issues in the context of the IBOR reform.

2.2 New and revised standards and interpretations issued but not yet effective

New and revised IFRSs

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2022.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

Amendments relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective for annual periods beginning on or after

January 1, 2022

Effective date deferred indefinitely. Adoption is still permitted.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements for the three months period ended March 31, 2020 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, 2019.

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, 2019. There are no changes in accounting policies are expected to be reflected in the annual financial statements as at and for the year ending December 31, 2020. The Group has not early adopted any 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 interim 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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of revenue

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

Significant accounting judgements, estimates and assumptions

The preparation of the interim condensed consolidated 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.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgements and estimates used in the preparation of these interim condensed 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, 2019.

5. RIGHT-OF-USE ASSETS

	Properties SR	Vehicles SR	Total SR
January 1, 2020	581,453,473	2,554,125	584,007,598
Additions	11,189,286	-	11,189,286
Depreciation expense for the period	(18,648,494)	(304,304)	(18,952,798)
Adjustment	(796,950)	-	(796,950)
March 31, 2020	573,197,315	2,249,821	575,447,136
	Properties SR	Vehicles SR	Total SR
Recognized on initial adoption of IFRS 16	442,291,646	3,906,459	446,198,105
Additions	210,499,434	57,589	210,557,023
Depreciation expense for the year	(66,661,374)	(1,409,923)	(68,071,297)
Adjustment	(4,676,233)	-	(4,676,233)
December 31, 2019	581,453,473	2,554,125	584,007,598

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

6. PROPERTY AND EQUIPMENT

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Net book value at the beginning of the period \ year	267,689,996	254,536,178
Additions	18,572,643	56,489,146
Write off	-	(94,824)
Disposals	(23,217)	(191,238)
Transfer to intangible assets	-	(52,425)
Depreciation for the period \ year	(11,898,552)	(42,996,841)
Carrying value at the end of the period \ year	<u>274,340,870</u>	<u>267,689,996</u>

7. INTANGIBLE ASSETS

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Goodwill	22,377,889	22,377,889
Software and licenses	12,403,249	13,046,157
Others	1,192,212	1,192,212
	<u>35,973,350</u>	<u>36,616,258</u>

Movement in intangible assets is as follows:

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Net book value at the beginning of the period \ year	36,616,258	40,981,580
Additions	778,448	1,171,556
Transfer from property and equipment	-	52,425
Amortization for the period \ year	(1,421,356)	(5,589,303)
Carrying value at the end of the period \ year	<u>35,973,350</u>	<u>36,616,258</u>

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, 2019 will not cause the carrying value of the goodwill to materially exceed its recoverable amount. Accordingly, no impairment loss was recognised for the three months period ended March 31, 2020.

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

8. INVENTORIES

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Merchandise:		
In stores and warehouses	702,090,167	660,292,973
On consignment	12,926,423	15,058,110
Consumables	6,287,198	6,112,332
Goods-in-transit	73,655,553	106,761,132
	<u>794,959,341</u>	<u>788,224,547</u>
Less: provision for slow moving items and inventory shortages	<u>(19,545,336)</u>	<u>(19,000,403)</u>
	<u>775,414,005</u>	<u>769,224,144</u>

9. ACCOUNTS RECEIVABLE

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Accounts receivable – trade	19,791,335	27,266,553
– others	13,678,906	10,469,067
Less : allowance for doubtful debts	<u>(2,807,882)</u>	<u>(2,742,881)</u>
	<u>30,662,359</u>	<u>34,992,739</u>

Movement in the allowance for doubtful debts is as follows:

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Balance at the beginning of the period \ year	2,742,881	2,134,988
Provision during the period \ year	<u>65,001</u>	<u>607,893</u>
Balance at the end of the period \ year	<u>2,807,882</u>	<u>2,742,881</u>

10. PREPAYMENTS AND OTHER RECEIVABLES

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Prepaid expenses		
- Rent	2,317,809	1,638,984
- Insurance	7,143,119	3,061,294
- Others	18,465,427	15,809,186
Advances to employees	7,067,249	8,244,461
Advances to suppliers	9,062,228	10,944,320
Value added tax	697,750	2,039,743
Others	5,127,621	6,283,952
	<u>49,881,203</u>	<u>48,021,940</u>
Less : provision for other receivables	<u>(4,883,410)</u>	<u>(4,102,350)</u>
	<u>44,997,793</u>	<u>43,919,590</u>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

10. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Others includes an amount of sub-lease receivables amounting to SR 1.5 million (December 31, 2019: SR 1.5 million) which is fully impaired.

Movement in provision for other receivables is as follows:

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Balance at the beginning of the period \ year	4,102,350	3,368,694
Provision during the period/ year	781,060	733,656
Balance at the end of the period \ year	4,883,410	4,102,350

11. BORROWINGS

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Short term borrowings	162,124,762	135,961,581
Long term borrowings	43,770,434	49,366,071
Total borrowings	205,895,196	185,327,652
Short term borrowings	162,124,762	135,961,581
Current portion of long term borrowings	20,631,696	22,366,071
Non-current portion of long term borrowings	23,138,738	27,000,000
Total borrowings	205,895,196	185,327,652

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

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Later than 1 year	15,428,572	15,428,572
Later than 2 years but not more than 5 years	7,710,166	11,571,428
	23,138,738	27,000,000

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 Tawarraq 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 March 31, 2020. The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

12. LEASE LIABILITIES

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
At beginning of the period/ year	645,790,006	-
Recognized on initial adoption of IFRS 16	-	507,703,701
Additions	11,189,286	210,557,023
Adjustment	(796,950)	(4,676,233)
Interest on lease liability for the period/ year	8,976,564	29,816,646
Repayments during the period/ year	(30,270,595)	(97,611,131)
Closing balance at the end of the period/ year	<u>634,888,311</u>	<u>645,790,006</u>
Analyzed at;		
	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Current portion	53,371,571	47,559,873
Non-current portion	581,516,740	598,230,133
	<u>634,888,311</u>	<u>645,790,006</u>

13. ZAKAT

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

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
At beginning of the period / year	11,465,580	12,240,295
Provided during the period / year	3,153,035	11,465,580
Over provision for prior period / year	-	(5,357)
Paid during the period / year	-	(12,234,938)
Transferred to the Subsidiary	(183,600)	-
Closing balance at the end of the period / year	<u>14,435,015</u>	<u>11,465,580</u>

The Company received the final zakat assessment up to 2006 and the assessments for the years 2007 to 2019 are under review 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.

14. 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.

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15. COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies and commitments:

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Letters of credit	<u>54,750,214</u>	<u>79,515,688</u>
Letters of guarantee	<u>12,577,944</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.

16. COMMITMENTS FOR EXPENDITURE

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

	March 31, 2020 SR (unaudited)	December 31, 2019 SR (audited)
Commitments for Group's various exhibitions	<u>30,681,659</u>	<u>33,575,319</u>

17. 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 parent by the weighted average number of ordinary shares 36,000,000 outstanding as of March 31, 2020 (March 31, 2019: 36,000,000). 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 EPS calculation is given below:

	March 31, 2020 SR (unaudited)	March 31, 2019 SR (unaudited)
Net profit for the period attributable to ordinary equity holders of the Group	<u>11,718,687</u>	<u>19,241,951</u>
Weighted average number of shares outstanding - beginning of period	<u>36,000,000</u>	<u>36,000,000</u>
Earnings per share	<u>0.33</u>	<u>0.53</u>

18. 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.

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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 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.

	March 31, 2020 SR (unaudited)	December 31, 2019 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 three months period ended March 31, 2020 and for the year ended December 31, 2019.

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20. SEGMENT INFORMATION

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

Sales and Services segment: This segment includes sale of goods made to retail and wholesale customers. Service department represents 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 three months periods ended March 31, 2020 and 2019 is as follows:

For the three months period ended March 31, 2020 (unaudited)

	Sales and services SR	Logistic services SR	Total SR
Revenues:			
Total segment revenues	351,440,427	12,720,871	364,161,298
Inter-segment revenues	-	(6,121,737)	(6,121,737)
Revenue from external customers	351,440,427	6,599,134	358,039,561
Profit from operations	23,572,468	1,890,383	25,462,851
Finance cost	(11,222,080)	(27,181)	(11,249,261)
Other income	602,082	56,050	658,132
Profit before zakat	12,952,470	1,919,252	14,871,722
Zakat	(3,153,035)	-	(3,153,035)
Net profit for the period	9,799,435	1,919,252	11,718,687

Other segment information: For the three months period ended March 31, 2020 (unaudited)

Capital expenditures	17,340,236	2,010,855	19,351,091
Depreciation and amortization	12,466,276	853,632	13,319,908
Total segment assets:			
March 31, 2020 (unaudited)	1,778,153,087	22,713,366	1,800,866,453
Total segment liabilities:			
March 31, 2020 (unaudited)	1,233,785,302	13,417,490	1,247,202,792

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20. SEGMENT INFORMATION (CONTINUED)

For the three months' period ended March 31, 2019 (unaudited)

	Sales and services SR	Logistic services SR	Total SR
Revenues:			
Total segment revenues	367,492,371	6,050,061	373,542,432
Inter-segment revenues	-	(3,301,395)	(3,301,395)
Revenue from external customers	367,492,371	2,748,666	370,241,037
Profit from operations	28,801,984	1,055,704	29,857,688
Finance cost	(8,690,492)	-	(8,690,492)
Other income, net	826,702	114,448	941,150
Profit before zakat	20,938,194	1,170,152	22,108,346
Zakat	(2,866,395)	-	(2,866,395)
Net profit for the period	18,071,799	1,170,152	19,241,951

Other segment information: For the three months period ended March 31, 2019 (un audited)

Capital expenditures	9,175,212	50,000	9,225,212
Depreciation and amortization	11,032,232	628,992	11,661,224
Total segment assets:			
December 31, 2019 (audited)	1,741,298,225	22,087,455	1,763,385,680
Total segment liabilities:			
December 31, 2019 (audited)	1,211,531,719	10,988,129	1,222,519,848

21. 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

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 for the first half of 2019 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 distributed on September 11, 2019.

In 2020, the Board of Directors did not recommend any further dividends for the year 2019.

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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. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

This interim condensed consolidated financial statements have been approved by the Board of Directors on May 7, 2020, corresponding to 14 Ramadan 1441.