

**SAUDI COMPANY FOR HARDWARE SACO
AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
together with the
Independent Auditor's Report**

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024

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KPMG Professional Services Company

Roshn Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
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

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

Opinion

We have audited the consolidated financial statements of **Saudi Company for Hardware SACO** (the "Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (Continued)

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

Key Audit Matter (continued)	
<p>Assessing impairment of the Goodwill – See note (3) to the consolidated financial statements for the material accounting policy relating to goodwill and impairment of non-financial assets and note (8) for the related disclosures.</p>	
The key audit matter	How the matter was addressed in our audit
<p>At 31 December 2024, the Group has a goodwill amounting to Saudi Riyals 22.4 million, which arose from the business combination through the acquisition of the subsidiary, Medscan Terminal Company Limited, in 2016.</p> <p>The management performs impairment assessments related to this goodwill, at least annually.</p> <p>In performing such impairment assessment, management compares the carrying value of cash-generating unit (“CGU”) (Medscan Terminal Company Limited) to which goodwill had been allocated with their respective recoverable amount, being the higher of fair value less costs of disposal and value in use, to determine if any impairment loss should be recognised.</p> <p>The recoverable amount of the identified CGU was determined based on Value-In-Use (“VIU”) calculations based on discounted cash flows forecasts.</p> <p>These calculations employ a discounted cashflow (DCF) model, by using cashflow projections based on financial budgets approved by the management covering a five-year period.</p> <p>The Group’s VIU calculations for the CGU includes significant judgement and assumptions relating to cashflow projections, and the discount rates, and is highly sensitive to the changes in these assumptions.</p> <p>We considered impairment of goodwill as a key audit matter, as the assessment includes certain significant assumptions and involves an element of uncertainty.</p>	<p>Among other things, our procedures included the following:</p> <ul style="list-style-type: none"> • Evaluating the assumptions adopted in the preparation of the cash flows forecasts for the purpose of the impairment assessment of the goodwill, including projected future growth rates for income and expenses, with reference to our understanding of the business, historical trends and available industry information and available market data. • Involving our valuation specialists to assist us in evaluating the appropriateness of methodology, certain assumptions and discount rates used by management in the preparation of its discounted cash flows forecasts (DCF). • Comparing the cash flows forecast prepared at the end of last year for the purpose of impairment assessment with the actual performance of the business for the current year and make enquiries of management as to the reasons for any significant variations identified, to assess whether the judgement made by management in the preparation of the cash flow forecasts in the prior year indicated possible management bias. • Performing our own sensitivity analysis which included assessing the impact of changes in the key assumptions, adopted in the discounted cash flow forecasts (DCF) on the conclusions reached in the impairment assessment and assessing whether there were any indicators of management bias in the selection of these assumptions; and • Considering the adequacy of the related disclosures made by the management in the Group’s consolidated financial statements.

Independent Auditor's Report (Continued)

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

Key Audit Matter (continued)	
<p>Impairment assessment of non-financial assets other than goodwill – See note (3) to the consolidated financial statements for the material accounting policy relating to the impairment of non-financial assets and notes (5) and (6) for the related disclosures.</p>	
The key audit matter	How the matter was addressed in our audit
<p>As at December 31, 2024, the carrying value of the property and equipment and the right-of-use assets amounted to Saudi Riyals 208 million and Saudi Riyals 250 million, respectively.</p> <p>The Group did not recognize any impairment loss for property and equipment, as well as right-of-use assets, in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.</p> <p>Management has determined that each individual store and E-commerce are separate cash generating units. Management reviews the performance of each cash generating unit at the end of each reporting period to identify if there is any indication that assets may be impaired.</p> <p>Where indicators of impairment are identified, management performs impairment assessment on the recoverable amount of non-financial assets other than goodwill which is determined on a store-by-store basis and E-commerce at the greater of the value in use and the fair value less costs of disposal of these assets.</p> <p>The recoverable amount of identified CGUs was determined based on Value in use.</p> <p>In determining the value in use of individual CGU, a discounted cash flow forecast is prepared and key inputs, including future revenue growth rates, future margins, future costs and expenses of each CGU and discount rates are determined by management.</p> <p>We considered impairment of non-financial assets other than goodwill as a key audit matter because the assessment includes certain significant assumptions and involves an element of uncertainty.</p>	<p>Among other things, our procedures included the following:</p> <ul style="list-style-type: none"> • Assessing the design and implementation of management's key internal controls which govern the process around assessing potential impairment of non-financial assets other than goodwill. • Assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purposes of the impairment assessment. • Assessing the management's processes in identifying the indicators of impairment. • Comparing the significant assumptions used in stores and E-commerce discounted cash flow forecasts prepared in the prior year with the current year's performance to assess the reliability of management's forecasting process and enquiring of management for any significant variations identified. • Evaluating the significant assumptions used in the discounted cash flow forecasts, including future revenue growth rates, future margins and future costs and expenses, by considering the historical performance of the Group, budgets approved by management, and lease agreements signed. • Performing sensitivity analyses on the key assumptions, including weighted average cost of capital ('WACC'), used in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions. • Using our internal valuation specialists to assist us in evaluating the appropriateness of methodology, certain assumptions and discount rates used by management in the preparation of its discounted cash flow forecasts.; and • Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.



Independent Auditor's Report (Continued)

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards issued by International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Company for Hardware SACO and its subsidiary.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services



Hani Hamza Bedairi
License Number: 460

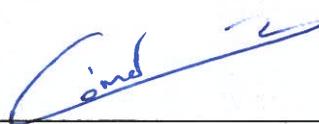


Riyadh on: 11 Ramadan 1446H

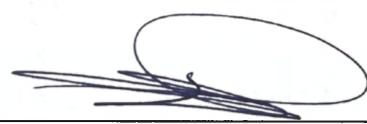
Corresponding to: 11 March 2025

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	2024	2023
ASSETS			
Non-current assets			
Right of use assets	5	250,450,693	248,984,885
Property and equipment	6	208,217,238	324,015,551
Investment property	7	94,259,483	-
Intangible assets and goodwill	8	65,800,222	71,569,354
Investments at fair value through other comprehensive income	9	-	8,889,559
Total non-current assets		618,727,636	653,459,349
Current assets			
Inventories	10	548,838,108	406,323,695
Accounts receivable	11	40,321,915	43,717,827
Prepayments and other receivables	12	26,973,090	22,695,564
Due from a related party	32	965,051	5,468,625
Investments at fair value through other comprehensive income held for sale	9	8,889,559	-
Cash and cash equivalents	13	8,145,817	13,043,548
Total current assets		634,133,540	491,249,259
Total assets		1,252,861,176	1,144,708,608
EQUITY AND LIABILITIES			
Equity			
Share capital	1	360,000,000	360,000,000
Treasury shares	1	(4,650,375)	(516,057)
Statutory reserve	21	-	24,504,713
Accumulated losses		(29,684,735)	(40,871,108)
Fair value reserve	22	629,107	629,107
Total equity		326,293,997	343,746,655
Non-current liabilities			
Borrowings	15	5,000,000	25,000,000
Employees end of service benefit obligation	16	37,410,669	36,484,874
Lease liabilities	14	256,761,516	274,617,699
Total non-current liabilities		299,172,185	336,102,573
Current liabilities			
Short term borrowings	15	123,153,130	20,000,060
Current portion of long-term borrowings	15	20,000,000	20,000,000
Accounts and notes payable	17	252,590,037	223,918,480
Lease liabilities	14	68,131,990	63,644,780
Accrued expenses and other liabilities	18	154,863,018	125,423,523
Zakat payable	19	8,433,236	11,648,954
Dividends payable	20	223,583	223,583
Total current liabilities		627,394,994	464,859,380
Total liabilities		926,567,179	800,961,953
Total equity and liabilities		1,252,861,176	1,144,708,608


Chief Financial Officer

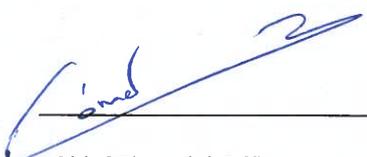

Chief Executive Officer


Chairman of Board of Director

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	2024	2023
Revenue	23	993,640,008	930,119,458
Cost of revenue	25	(852,157,149)	(817,839,740)
Impairment loss on non-financial assets	5,6	-	(8,184,895)
Gross profit		141,482,859	104,094,823
Selling and marketing expenses	26	(28,869,920)	(20,525,574)
General and administrative expenses	27	(115,123,475)	(130,072,808)
Expected credit losses	11,12	(2,001,838)	(1,991,966)
Other income		22,430,802	8,422,012
Operating Income / (loss)		17,918,428	(40,073,513)
Finance cost	28	(29,726,005)	(25,964,796)
Loss before zakat		(11,807,577)	(66,038,309)
Zakat	19	(2,278,372)	(2,927,294)
Net loss for the year		(14,085,949)	(68,965,603)
<u>Other comprehensive income</u>			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of employees' end of service benefit obligation	16	767,609	(542,508)
Net changes in the fair value of investments carried at FVOCI	22	-	-
Total comprehensive loss for the year		(13,318,340)	(69,508,111)
<u>Loss per share (SAR)</u>			
Basic and diluted losses per share attributable to the equity shareholders of the Company	29	(0.39)	(1.92)
Weighted average number of shares		35,903,328	35,998,422


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

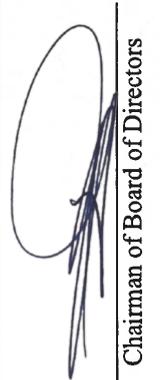
The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(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 2023	360,000,000	-	24,504,713	28,637,003	629,107	413,770,823
Loss for the year	-	-	-	(68,965,603)	-	(68,965,603)
Other comprehensive loss	-	-	-	(542,508)	-	(542,508)
Total comprehensive loss for the year	-	-	-	(69,508,111)	-	(69,508,111)
Purchase of Treasury Shares (note 1)	-	(516,057)	-	-	-	(516,057)
Balance as at 31 December 2023	360,000,000	(516,057)	24,504,713	(40,871,108)	629,107	343,746,655
Balance as at 1 January 2024	360,000,000	(516,057)	24,504,713	(40,871,108)	629,107	343,746,655
Loss for the year	-	-	-	(14,085,949)	-	(14,085,949)
Other comprehensive income	-	-	-	767,609	-	767,609
Total comprehensive loss for the year	-	-	-	(13,318,340)	-	(13,318,340)
Transfer to retained earnings (note 21)	-	-	(24,504,713)	24,504,713	-	-
Purchase of Treasury Shares (note 1)	-	(4,134,318)	-	-	-	(4,134,318)
Balance as at 31 December 2024	360,000,000	(4,650,375)	-	(29,684,735)	629,107	326,293,997


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors



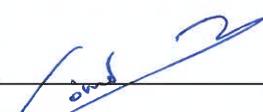
The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

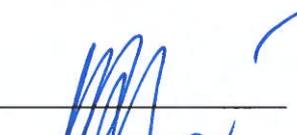
SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	2024	2023
Cash flows from operating activities:			
Loss before zakat		(11,807,577)	(66,038,309)
Adjustments to reconcile loss before zakat to net cash flows from operating activities:			
Interest on borrowings and bank charges	28	10,338,706	6,405,739
Interest on lease liabilities	28	19,387,299	19,559,058
Depreciation and amortisation	6,8,7	46,834,867	50,023,177
Depreciation of right-of-use assets	5	52,580,035	57,269,720
Loss on disposal of property and equipment and intangible assets		153,453	6,004,496
Gain on lease disposal		-	(13,950,823)
Impairment loss on non-financial assets		-	8,184,895
Reversal provision for slow moving items and inventory shortages	10	(5,589,253)	(10,599,023)
Expected credit losses	11,12	2,001,838	1,991,966
Provision for employees end of service benefit obligations	16	8,763,916	6,449,270
Changes in working capital:			
Inventories		(136,925,160)	78,510,416
Accounts receivable		1,800,562	(18,759,262)
Prepayments and other receivables		(4,684,014)	2,937,010
Accounts and notes payable		28,671,557	51,450,849
Accrued expenses and other liabilities		8,314,465	(21,929,937)
Due from a related party		4,503,574	321,685
Cash generated from operations		24,344,268	157,830,927
Zakat paid	19	(5,494,090)	(7,312,795)
Finance cost paid		(10,080,733)	(6,191,247)
Interest paid on lease liabilities		(19,387,299)	(19,559,058)
Employees' end of service benefit obligation paid	16	(7,070,512)	(9,994,251)
Net cash (used in) / generated from operating activities		(17,688,366)	114,773,576
Cash flows from investing activities			
Purchase of property and equipment	6	(19,654,555)	(10,890,115)
Proceed from disposal of property and equipment		425,710	2,423,258
Purchase of intangible assets	8	(451,513)	(1,924,388)
Net cash used in investing activities		(19,680,358)	(10,391,245)
Cash flows from financing activities			
Change in short-term borrowings, net		103,153,070	(37,752,401)
Repayment of long-term borrowings		(20,000,000)	(20,000,000)
Payment of lease liabilities principal portion		(46,547,759)	(57,567,774)
Purchase of treasury Shares	1	(4,134,318)	(516,057)
Net cash flows from / (used in) financing activities		32,470,993	(115,836,232)
Net change in Cash and cash equivalents		(4,897,731)	(11,453,901)
Cash and cash equivalents at the beginning of the year	13	13,043,548	24,497,449
Cash and cash equivalents at the end of the year	13	8,145,817	13,043,548

Significant non-cash transaction:

Lease liabilities	14	(54,045,843)	(42,732,289)
Right-of-use asset	5	54,045,843	(52,136,800)
Transfer to investment property from property and equipment	7	96,786,056	-


 Chief Financial Officer


 Chief Executive Officer


 Chairman of Board of Directors

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(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 under 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 31 December 2024, the Company's share capital was SAR 360 million divided into 36 million shares of SR 10 each (31 December 2023: SAR 360 million divided into 36 million shares of SR 10 each).

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 year, the Company purchased 107,607 shares (2023: 17,945 shares).

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

	<u>2024</u>	<u>2023</u>
At the beginning of the year	516,057	-
Purchased during the year	4,134,318	516,057
At the end of the year	<u>4,650,375</u>	<u>516,057</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 consolidated financial statements include the financial statements of the Company and its 32 leased stores (31 December 2023: 32 stores) located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk and the following subsidiary:

<u>Subsidiary name</u>	<u>Country</u>	<u>Effective ownership percentage</u>		<u>Activities</u>
		<u>31 December 2024</u>	<u>31 December 2023</u>	
Medscan Terminal Company Limited	Kingdom of Saudi Arabia	100%	100%	Transportation and logistics

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

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2024**

(All amounts are in Saudi Riyals unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

The Company and its subsidiary are referred to hereinafter in the notes to the financial statements as (“the Group”). The Group operates through the following branches:

<u>Stores</u>	<u>Region</u>	<u>Date of CR</u>	<u>Commercial registration No.</u>
Takhassoussi	Riyadh	27/08/1431H	1010293034
Hamra	Riyadh	14/04/1420H	1010154852
Badiaa	Riyadh	19/11/1430H	1010276497
Rimal	Riyadh	23/06/1431H	1010289426
Khurais	Riyadh	22/07/1417H	1010144072
Northern Ring Road	Riyadh	08/07/1425H	1010201062
Alia Plaza	Riyadh	06/06/1435H	1010409935
Al Thaagar Plaza	Riyadh	16/04/1436H	1010430261
King Abdullah Branch	Riyadh	04/07/1407H	1010065245
Buraydah	Qasim	13/04/1426H	1131020838
Andalous	Jeddah	10/01/1415H	4030104324
Tahlia	Jeddah	10/02/1409H	4030061896
Prince Sultan Road	Jeddah	15/03/1431H	4030198058
Al Sawary Mall	Jeddah	06/06/1435H	4030268514
Medina Al Mounawara Branch	Medina Al Mounawara	23/06/1428H	4650039295
Yanbu Branch	Yanbu	19/11/1442H	4700113968
Dammam Branch	Dammam	28/05/1416H	2050030529
Dhahran Branch	Dhahran	14/11/1420H	2052000780
Al Ahsa Branch	Al Ahsa	20/01/1421H	2252026146
Jazan Branch	Jazan	16/04/1436H	5900031715
Hail Branch	Hail	16/04/1436H	3350043304
Onayzah Branch	Qasim	29/04/1437H	1128019513
Al Kharj Branch	Al Kharj	22/11/1437H	1011024139
Damman	Dammam	14/01/1439H	2050113956
Skaka	Aljouf	01/09/1439H	3400116314
Jubail Branch	Jubail	19/08/1441H	2055125472
Dareen Mall	Dammam	25/11/1440H	2050128050
Khamis Mushait	Khamis Mushait	19/01/1442H	5855348645
Al Jama	Jeddah	10/07/1441H	4030379378
Makkah	Makkah	17/02/1442H	4031252274
Al Taif	Al Taif	20/01/1440H	4032229985
Hafouf	Hafouf	02/05/1442H	2251498092
<u>Workshop</u>			
Workshop Center	Riyadh	27/08/1431H	1010293034

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2 BASIS OF PREPARATION

2.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (referred to as “IFRS as endorsed in KSA”).

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention and accrual basis of accounting, except for the following items included in the consolidated 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 Functional currency and presentation currency

These consolidated financial statements are presented in SAR, which is the Company’s functional currency. All amounts are in Saudi Riyals unless otherwise stated.

2.4 Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss and other comprehensive income.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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2 BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation (continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2024 and collectively referred to as (“the Group”). Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The financial statements of subsidiary are prepared for the same reporting period as the Group. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group’s accounting policies.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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2.5 New standards and interpretations not yet adopted

1- New Standards, Amendment to Standards and Interpretations:

The Group has applied the following new standards and amendments, that impact the Group, for the first time for their annual reporting period commencing 1 January 2024.

- Amendments IAS 1 – Non-current liabilities with covenants and Classification of Liabilities as Current or Noncurrent Amendments:

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

The adoption of above amendments does not have any material impact on the consolidated Financial Statements during the year.

2- Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2025 and earlier application is permitted for certain new standards and amendments; however, the Group has not early adopted them in preparing these Consolidated Financial Statements. The Group is currently evaluating the impact of the adoption of these standards on the Consolidated Financial Statements.

- Amendments to IAS 21 – Lack of exchangeability:
An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.
- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments
These amendments:
 - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
 - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
 - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
 - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
- IFRS 18, ‘Presentation and Disclosure in Financial Statements’
This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
 - the structure of the statement of profit or loss;
 - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
 - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

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3 Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributed to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Disposal of asset is recognised when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the consolidated statement of profit or loss and other comprehensive income.

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value as it is deemed immaterial.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period, where major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

<u>Asset</u>	<u>Years</u>
Buildings	30
Vehicles	4
Computer hardware	4
Tools and equipment	4 to 7
Furniture and fixtures	2.5 to 10

Leasehold improvements are being amortised on the straight-line basis over the shorter of useful life or lease period. Capital work-in-progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

Land is not subject for depreciation.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment property is initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment loss. Investment properties including properties comprise property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Investment properties is being depreciated using straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 10 to 30 years.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss and other comprehensive income as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

These are recognised and presented separately within "other income" in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives from 2 to 7 years. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably. Intangible assets' residual values, useful lives and impairment indicators are reviewed at each reporting period and adjusted prospectively, if considered necessary.

Goodwill

Goodwill is measured on acquisitions of subsidiaries and is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit .

Any impairment loss for goodwill is recognised directly in the Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used such as valuation multiples (including earnings multiples), quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed projections which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These forecasts generally cover a maximum period of five years or less if only reliable forecasts for a period of less than five years can be prepared for specific CGUs. long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Group (as a lessee) leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. For leases where the Group is a lessee, see note 5.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset. Contracts may contain both lease and non-lease components.

The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Assets and liabilities arising from a lease are initially measured on a present value basis.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Group leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- restoration costs, if any.

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

ii. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items mainly relating to equipment and vehicles.

Currently the Group is involved in leasing activities as lessor. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Financial instruments

Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through OCI), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the financial assets at fair value through other comprehensive income (FVOCI).

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following financial assets:

- Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost is recognised in the Consolidated Statement of Profit or Loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

- Financial Assets at FVOCI

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the Consolidated Statement of Profit or Loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the Consolidated Statement of Profit or Loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other income/expense.

Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset, and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities of the Group comprise borrowings and accounts and notes payables.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI.

For accounts receivable, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

- Definition of default

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

In the above context, the Group considers default when:

the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

When the customer is past due on any material credit obligation to the Group. In-case the industry norm suggests a period fairly represents default scenario for the Group, this might rebut the presumption of 90 days mentioned in IFRS 9.

Management has calculated the PD based on roll-rate and LGD based on information available at year end that substantiate the recoverability of balances.

- Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents

For the purpose of consolidated statement of financial position, cash and bank balances include bank balances and deposits with original maturities of three months or less, if any.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Employees' benefits

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long – term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Employees end of service obligation

For defined end of service benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (continued)

Curtailment gains and losses are accounted for as past service costs.

The employees end of service benefit obligations recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Foreign currencies transactions

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Transactions and balances

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled, or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue

The Group recognises revenues from contracts with customers based on a five-step model as set out in IFRS (15) as follows:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met .

Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The accounting policies for the Group's revenue from contracts with customers are outlined below:

Sale of goods – Wholesale

The Group sells hardware, electronic equipment, furniture, household items, etc. in the wholesale market directly to Wholesale customers. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of goods – Retail

The Group operates a chain of retail stores selling hardware, electronic equipment, mobile phones, furniture, household items, etc. Revenue from the sale of goods is recognised when the Group sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return within 7 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Sale of goods – customer loyalty program

The Group operates a loyalty program "My Rewards", where retail customers accumulate points for purchases made which entitle them to discount on future purchases, subject to a minimum number of points is obtained. A contract liability for the award points is recognised at the time of the initial sale transaction. Revenue is recognized when the points are redeemed or when they expire 12 months after the initial sale. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers. A contract liability is recognized until the points are redeemed or expire.

Rendering of services

- Revenue from logistic services is recognised in the accounting period in which the services are rendered which is based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.
- Revenue from services from delivery, installation and maintenance of items sold to customers recognised when the services are completed and invoiced to the customers.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Cost of revenue

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

Vendor contributions

The Group receives considerations from suppliers for various programs such as volume incentives, markdowns, margin protection and progress support. The considerations received from suppliers are accounted for as a reduction of the cost of sales.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the marketing of the Group's products. All other expenses are classified as general and administration expenses.

General and administration expenses comprise direct and indirect costs, including other expenses related to the main warehouses, not specifically part of cost of revenue. Allocations between general and administration expenses, selling and marketing expenses and cost of revenue, when required, are made on a consistent basis.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are valued at lower of cost and net realisable values after making allowance for any obsolete or slow-moving items. The cost of finished goods is determined on a weighted average costs basis.

Cost comprises purchase cost and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The cost of the inventory comprises the invoice price and an appropriate portion of freight, insurance customs duty and handling charges. Goods in transit are valued on an actual invoice cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made, when necessary, for obsolete, slow moving, and defective stocks.

Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Zakat

The Group is subject to the regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia. The provision is charged to the consolidated statement of profit or loss and other comprehensive income. The zakat charge is computed on the Saudi shareholders' share of the zakat base or adjusted net income whichever is higher. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalised. The Company and its subsidiary are subject to withholding tax on transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with income tax requirements.

Value Added Tax

Expenses and assets are recognised net of the amount of Value Added Tax ("VAT"), except when receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the ZATCA is included as part of receivables or payables in the consolidated statement financial position.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (Chief Operating Decision Maker) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTION

The preparation of consolidated financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which are significant to the consolidated financial statements:

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the consolidated financial statements is included in the following notes:

- Note 6: Property and equipment useful lives
- Note 7: Investment Property fair value
- Note 8: Goodwill- annual impairment testing of goodwill.
- Note 10: Inventories
- Notes 5&14: Determine lease term

Management carried out an impairment test for its non-financial assets during the reporting year ended December 31, 2024, as events and changes in circumstances indicated that the carrying amount of certain Group's cash generating units ("CGU") may not be recoverable, for which management has considered both internal and external information for indicators of impairment. Management used the discounted cash flow model to determine the recoverable amount of the respective CGU. Management identifies each of its retail stores as a separate CGU and E-commerce. Management determines that the recoverable amount of each CGU is its value in use. Management used a discount rate of 10.33% in estimating the value in use. The outcome of such impairment test did not result in an impairment loss for the year ended 31 December 2024.

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5 RIGHT-OF-USE ASSET

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.

	<u>2024</u>	<u>2023</u>
Net book value at the beginning of the year	248,984,885	343,906,518
Disposal (*)	-	(52,136,800)
Lease modification (**)	35,031,850	(2,511,751)
Lease re-assessment (****)	19,013,993	-
Depreciation for the year	(52,580,035)	(57,269,720)
Accumulated depreciation on disposal	-	22,155,334
Impairment charge for the year (***)	-	(5,158,696)
Net book value at the end of the year	<u>250,450,693</u>	<u>248,984,885</u>

*During 2023, a number of lease contracts have been terminated and /or modified changing the payment structure to be variable which resulted in a derecognition of the related right-of-use assets amounting to SAR 52,1 million and lease liability amounting to SAR 43,3 million.

** 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.

*** Management tested the stores to determine whether impairment exists or not. Impairment assessment did not result in an impairment losses for the year ended 31 December 2024 however, the management determined that the carrying value of certain stores was higher than its recoverable amount by SR 8,2 million for the year ended 31 December 2023, The recoverable amount was determined based on the value-in-use calculation and is corresponding to the present value of the future cash flows expected to be obtained from the cash-generating units. The management relied on its previous experience taking into consideration the market indicators and used a discount rate estimated based on the weighted average cost of capital.

**** 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 a increase in the right of use assets by SAR 19 million and a increase in the lease liabilities by SAR 19 million.

The Group operates mainly through retail and E-commerce sectors; accordingly, the Group has determined two types of cash-generating units, which are the 32 stores (please refer to note 1) and E-commerce cash generating unit.

The value in use was used to arrive at the recoverable amount for stores which management recognised impairment for:

	<u>2024</u>	<u>2023</u>
Carrying value	-	26,157,149
Value in use	-	(17,972,254)
Impairment loss on non-financial assets	<u>-</u>	<u>8,184,895</u>

Impairment charged during the year is allocated as follows:

	<u>2024</u>	<u>2023</u>
Right of use assets	-	5,158,696
Property and equipment	-	3,026,199
	<u>-</u>	<u>8,184,895</u>

The recoverable amount has been determined based on actual value and the discounted future cash flows. The WACC rate was 10.33 % (2023:10.40%). Based on the impairment test, recoverable amounts of certain stores were lower than their carrying amounts as of 31 December 2023. The impairment loss on these stores is SR 8,2 million.

An increase/decrease in the WACC rate by 1% for the stores will lead to an increase/(decrease) in the impairment of SAR 393,531, (SAR 456,623), respectively.

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6 PROPERTY AND EQUIPMENT

Cost	Land	Buildings	Leasehold improvements	Furniture and fixtures	Computer hardware	Vehicles	Tools and equipment	Capital work-in-progress (*)	Total
January 1, 2023	49,588,405	151,117,685	291,844,793	138,458,949	37,744,918	38,897,090	49,700,138	702,641	758,054,619
Additions	-	1,314,493	1,907,880	2,407,400	471,106	2,045,900	846,130	1,897,206	10,890,115
Disposals	-	-	(17,842,137)	(670,841)	(26,717)	(979,381)	(5,803,569)	-	(25,322,645)
Transfers (**)	-	-	-	(48,393)	48,393	-	50,000	(50,000)	-
December 31, 2023	49,588,405	152,432,178	275,910,536	140,147,115	38,237,700	39,963,609	44,792,699	2,549,847	743,622,089
Additions	-	-	3,765,669	2,141,701	875,845	4,055,501	1,378,875	7,436,964	19,654,555
Disposals	-	-	(6,020,111)	(11,181,373)	(10,698)	(980,830)	(2,836,918)	-	(21,029,930)
Transfers	(31,820,000)	(65,121,197)	-	(3,580,876)	-	-	-	(4,063,588)	(104,585,661)
December 31, 2024	17,768,405	87,310,981	273,656,094	127,526,567	39,102,847	43,038,280	43,334,656	5,923,223	637,661,053
Accumulated depreciation and impairment									
January 1, 2023	-	21,250,747	189,970,902	79,846,730	30,771,123	30,526,598	41,567,688	-	393,933,788
Depreciation charge	-	4,721,817	16,537,555	11,053,844	3,418,102	1,295,359	2,606,903	-	39,633,580
Disposals	-	-	(9,889,760)	(479,236)	(17,263)	(979,369)	(5,621,401)	-	(16,987,029)
Impairment charge for the year (***)	-	-	3,026,199	-	-	-	-	-	3,026,199
December 31, 2023	-	25,972,564	199,644,896	90,421,338	34,171,962	30,842,588	38,553,190	-	419,606,538
Depreciation charge	-	2,582,598	15,362,104	9,865,986	2,331,667	1,621,634	2,295,631	-	34,059,620
Disposals	-	-	(5,822,432)	(10,841,296)	(10,697)	(980,820)	(2,831,081)	-	(20,486,326)
Transfers (**)	-	(3,217,611)	-	(518,406)	-	-	-	-	(3,736,017)
December 31, 2024	-	25,337,551	209,184,568	88,927,622	36,492,932	31,483,402	38,017,740	-	429,443,815
Net book value as at									
December 31, 2024	17,768,405	61,973,430	64,471,526	38,598,945	2,609,915	11,554,878	5,316,916	5,923,223	208,217,238
December 31, 2023	49,588,405	126,459,614	76,265,640	49,725,777	4,065,738	9,121,021	6,239,509	2,549,847	324,015,551

(*) Capital work-in-progress as at December 31, 2024 and 2023 represents fixed asset purchases and cost of stores under construction / renovation.

(**) During the period, certain assets were transferred to investment property due to the change in use from owner occupied assets to rental purposes (see note 7).

Depreciation charged for the year ended 31 December is allocated as follows:

	2024	2023
Cost of revenue	23,248,015	27,618,248
General and administrative expenses	10,811,605	12,015,332
	34,059,620	39,633,580

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6 PROPERTY AND EQUIPMENT (CONTINUED)

(***) There is no impairment loss recognised for the year ended 31 December 2024 based on the impairment assessment, however, during the year ended December 31, 2023 the Group recorded an impairment charge included in the consolidated statement of profit or loss and other comprehensive income within “Impairment loss on non-financial assets” and allocated to leasehold improvements amounting to Saudi Riyal 3,03 million as a result of the low financial performance of certain retail stores, refer to (Note 5).

7 INVESTMENT PROPERTY

The Group has operating leases 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 incomes. Lease payments are generally fixed and non-cancellable for the duration of the lease term.

	<u>2024</u>	<u>2023</u>
Net book value at the beginning of the year	-	-
Transfers from property and equipment	96,786,056	-
Depreciation for the year	(2,526,573)	-
Net book value at the end of the year	<u>94,259,483</u>	<u>-</u>

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.

Valuation techniques used to derive Level 3 fair values:

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

The Group as lessor:

The Group earned operating lease income during the year amounting to Saudi Riyals 9,7 million from its investment property.

The following amounts are due to the Group under non-cancellable lease agreements with its tenant:

Not later than one year	<u>12,191,675</u>
Later than one year but not later than five years	<u>43,088,386</u>
More than five years	-
	<u>55,280,061</u>

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8 INTANGIBLE ASSETS AND GOODWILL

	Software licenses	Goodwill	Total
Cost			
January 1, 2023	107,184,780	22,377,889	129,562,669
Additions	1,924,388	-	1,924,388
Disposal	(199,853)	-	(199,853)
December 31, 2023	<u>108,909,315</u>	<u>22,377,889</u>	<u>131,287,204</u>
Additions	451,513	-	451,513
Disposal	(40,882)	-	(40,882)
Transfer	4,063,588	-	4,063,588
December 31, 2024	<u>113,383,534</u>	<u>22,377,889</u>	<u>135,761,423</u>
Amortization			
January 1, 2023	49,435,970	-	49,435,970
Amortisation	10,389,597	-	10,389,597
Disposal	(107,717)	-	(107,717)
December 31, 2023	<u>59,717,850</u>	<u>-</u>	<u>59,717,850</u>
Amortisation	10,248,674	-	10,248,674
Disposal	(5,323)	-	(5,323)
December 31, 2024	<u>69,961,201</u>	<u>-</u>	<u>69,961,201</u>
Net book values as at			
December 31, 2024	<u>43,422,333</u>	<u>22,377,889</u>	<u>65,800,222</u>
December 31, 2023	<u>49,191,465</u>	<u>22,377,889</u>	<u>71,569,354</u>

Allocation of amortisation charge is as follows:

	2024	2023
Cost of revenue	<u>6,834,277</u>	6,834,368
General and administration expenses	<u>3,414,397</u>	3,555,229
	<u>10,248,674</u>	<u>10,389,597</u>

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8 INTANGIBLE ASSETS AND GOODWILL(CONTINUED)**Goodwill**

On 23 Safar 1438H (corresponding to November 23, 2016), the Group acquired Medscan Terminal Company Limited (Medscan) as 100% owned subsidiary.

The goodwill is related to the acquisition of Medscan and is monitored by the management at the level of only one cash-generating unit (Medscan).

	<u>2024</u>	<u>2023</u>
Medscan Terminal Company Limited	<u><u>22,377,889</u></u>	<u><u>22,377,889</u></u>

The management carried out an impairment exercise in respect of goodwill. The impairment test carried out was based on a discounted cash flow analysis (DCF) which utilised the most recent five-year business projections prepared by the Group's management. The results of this exercise did not result in any impairment loss to be recognised. Management determined forecast sales growth and gross margin based on past performance and market developments.

Terminal value is calculated using free cash flow to the CGU and Gordon Growth Model for the final year of the forecasted period.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

	<u>2024</u>	<u>2023</u>
Discount rate	<u>11.4%</u>	10.4%
Sales volume (Annual Growth Rate)	<u>3.37%</u>	3.25%
Long term growth rate	<u>2.1%</u>	2.1%

The management has determined the value assigned to each of the above key assumptions as follows:

Discount rate

Reflect specific risks relating to the relevant segment and the country in which it operates.

Sales volume (Annual Growth Rate)

Average Annual Growth Rate over the five-year forecast period, based on past performance and management's expectations of market development.

Long term growth rate

This is the average growth rate used to extrapolate cash flows beyond the five-year forecast period.

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8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**Sensitivity to changes in assumptions**

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2024		2023	
	From	To	From	To
Discount rate	11.4%	22.18%	10.4%	13.04%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

If the long-term growth rate applied to the cash flow projections of this CGU had been 0.5% lower than management's estimates (1.6% instead of 2.1%), this would not cause the carrying amount of the CGU to exceed its recoverable amount.

The management has considered and assessed reasonably possible changes of the Annual Growth Rate and Long-Term Growth Rate and have not identified any instances that could cause the carrying amount of the CGU to materially exceed its recoverable amount.

In the prior year, there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in CGU.

9. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	2024	2023
<u>Non-Current assets</u>		
ACE International Hardware Holdings, Ltd (AIH) (*)	-	8,889,559
<u>Current assets</u>		
ACE International Hardware Holdings, Ltd (AIH) (*)	8,889,559	-

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

Percentage of shareholding	2.3%	2.3%
Number of shares	22,022	22,022

(*) 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 the 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.

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9. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

The Group has designated its investment in AIH at fair value through other comprehensive income. The fair value of the investment as at 31 December is as follows:

<u>Unquoted investment</u>	<u>Fair value as at</u>		<u>Net changes in the fair value for the year ended</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
ACE Hardware International Holdings	<u>8,889,559</u>	<u>8,889,559</u>	<u>-</u>	<u>-</u>

Movement during the year is as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Beginning balance	<u>8,889,559</u>	<u>8,889,559</u>
Net changes in the fair value	<u>-</u>	<u>-</u>
Closing balance	<u>8,889,559</u>	<u>8,889,559</u>

As at 31 December 2024 and 31 December 2023, management assessed the fair value of the investments at fair value through other comprehensive income being equal to the carrying amount.

10. INVENTORIES

	<u>2024</u>	<u>2023</u>
Merchandise in stores and warehouses	508,319,214	405,141,166
Goods-in-transit	58,067,004	41,226,512
Merchandise on consignment	8,262,009	7,231,918
Packing, wrapping and consumable	2,682,601	2,344,114
	<u>577,330,828</u>	<u>455,943,710</u>
Allowance for slow moving items and inventory shortages	<u>(28,492,720)</u>	<u>(49,620,015)</u>
	<u>548,838,108</u>	<u>406,323,695</u>

Movement in allowance for slow moving items and inventory shortages is as follows:

	<u>2024</u>	<u>2023</u>
January 1	49,620,015	94,600,305
Increase/reversal during the year (Note 25)	7,436,481	(44,980,290)
Utilize during the year	(21,202,267)	-
Write off	(7,361,509)	-
December 31	<u>28,492,720</u>	<u>49,620,015</u>

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of bringing the inventories at their net realizable value is recognized in the consolidated statement of profit or loss.

The Group has a perpetual inventory count system in place to conduct the stock count in stores throughout the year. The provision estimate takes into account the shrinkage that has occurred since the last physical count of inventory for that particular store.

During the year shrinkage amounting to SAR 8,17 million was written off directly from the inventory (2023: SAR 34,4 million).

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11. ACCOUNTS RECEIVABLE

	<u>2024</u>	<u>2023</u>
Accounts receivable – trade	44,069,971	44,812,428
Accounts receivable – others	1,568,032	2,626,137
Allowance for Expected credit loss	(5,316,088)	(3,720,738)
	<u>40,321,915</u>	<u>43,717,827</u>

Trade and other receivables are non-interest bearing and are generally on 30 -120 days terms. As at 31 December, the aging analysis of trade and other receivables is as follows:

December 31, 2024	Trade receivable – days past due						Total
	Not past due	Less than 60 days	61-90 days	91-180 days	181-365 days	More than one year	
Expected credit loss rate %	0.33%	0.55%	6.45%	3.84%	49.10%	100.00%	-
Total gross carrying amount at default	<u>25,885,765</u>	<u>11,795,725</u>	<u>834,734</u>	<u>1,096,908</u>	<u>1,875,612</u>	<u>4,149,259</u>	<u>45,638,003</u>
Expected credit losses	<u>85,257</u>	<u>64,659</u>	<u>53,869</u>	<u>42,137</u>	<u>920,907</u>	<u>4,149,259</u>	<u>5,316,088</u>

December 31, 2023	Trade receivable – days past due						Total
	Not past due	Less than 60 days	61-90 days	91-180 Days	181-365 days	More than one year	
Expected credit loss rate %	0.50%	1.16%	3.16%	2.52%	42%	100.00%	
Total gross carrying amount at default	<u>22,714,783</u>	<u>12,714,535</u>	<u>2,479,570</u>	<u>3,387,419</u>	<u>4,921,843</u>	<u>1,220,415</u>	<u>47,438,565</u>
Expected credit losses	<u>114,347</u>	<u>147,527</u>	<u>78,349</u>	<u>85,472</u>	<u>2,074,628</u>	<u>1,220,415</u>	<u>3,720,738</u>

Movement in impairment loss on financial assets:

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	3,720,738	1,728,772
Provided during the year	1,595,350	1,991,966
Balance at the end of the year	<u>5,316,088</u>	<u>3,720,738</u>

12. PREPAYMENTS AND OTHER RECEIVABLES

	<u>2024</u>	<u>2023</u>
Prepaid expenses	14,874,083	15,255,544
Advance payments to suppliers and employees	9,499,160	8,843,315
Accrued lease income	3,219,935	-
Others	4,304,527	3,114,832
	<u>31,897,705</u>	<u>27,213,691</u>
Allowance for prepayments and other assets	(4,924,615)	(4,518,127)
	<u>26,973,090</u>	<u>22,695,564</u>

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

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	4,518,127	4,518,127
Provision during the year	406,488	-
Balance at the end of the year	<u>4,924,615</u>	<u>4,518,127</u>

13. CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
Cash on hand	471,589	300,499
Bank balances	7,674,228	12,743,049
	<u>8,145,817</u>	<u>13,043,548</u>

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14. LEASE LIABILITIES

The Group leased certain of its stores. The average lease term is 25 years (2023: 25 years).

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	338,262,479	447,199,845
Disposal (*)	-	(43,332,289)
Lease modification (**)	35,031,850	(2,511,751)
Lease reassessment (***)	19,013,993	-
Interest on lease liabilities for the year (Note 28)	19,387,299	19,559,058
Payments during the year	(65,935,058)	(77,726,832)
Transfer to lease liabilities due not yet paid (Note 18)	(20,867,057)	(4,925,552)
Balance at the end of the year	<u>324,893,506</u>	<u>338,262,479</u>

*During 2023, a number of lease contracts have been terminated and /or modified changing the payment structure to be variable which resulted in a derecognition of the related right-of-use assets amounting to SAR 52,1 million and lease liability amounting to SAR 43,3 million.

** During the year, 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 a increase in the lease liabilities by SAR 19 million.

Lease liability balance consists as follows:

	<u>2024</u>	<u>2023</u>
Lease liabilities undiscounted principal payments	381,610,035	404,037,948
Unamortised interest	(56,716,529)	(65,775,469)
	<u>324,893,506</u>	<u>338,262,479</u>

Analysed as:

	<u>2024</u>	<u>2023</u>
Current portion	68,131,990	63,644,780
Non-current portion	256,761,516	274,617,699
	<u>324,893,506</u>	<u>338,262,479</u>
Lease liabilities due not yet paid (Note 18)	<u>20,867,057</u>	<u>4,925,552</u>

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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15. BORROWINGS

	<u>2024</u>	<u>2023</u>
Short-term borrowings	123,153,130	20,000,060
Current portion of long-term borrowings	20,000,000	20,000,000
Non-current portion of long-term borrowings	5,000,000	25,000,000
Total borrowings	<u>148,153,130</u>	<u>65,000,060</u>

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

	<u>2024</u>	<u>2023</u>
- Later than 1 year	5,000,000	20,000,000
- Later than 2 years but not more than 5 years	-	5,000,000
	<u>5,000,000</u>	<u>25,000,000</u>

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 guarantee and notes payable for bills of exchange to finance working capital, investments, and capital expenditures. These facilities, which are in form of Murabaha and Tawarraq 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 31 December 2024.

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

Net debt reconciliation

An analysis of net debt and the movements in net debt for each of the periods presented.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	8,145,817	13,043,548
Borrowings	(148,153,130)	(65,000,060)
Lease liabilities	(324,893,506)	(338,262,479)
Net debt	<u>(464,900,819)</u>	<u>(390,218,991)</u>

Net debt reconciliation

	<u>Other assets</u>	<u>Liabilities from Financing activities</u>		
	<u>Cash and cash equivalents</u>	<u>Borrowings</u>	<u>Lease liabilities</u>	<u>Total</u>
Net debt as at January 1, 2023	24,497,449	(122,752,461)	(447,199,845)	(545,454,857)
Adjustments	-	-	31,810,534	31,810,534
Net cash flows	(11,453,901)	57,752,401	77,126,832	123,425,332
Net debt as at December 31 2023	<u>13,043,548</u>	<u>(65,000,060)</u>	<u>(338,262,479)</u>	<u>(390,218,991)</u>
Adjustments	-	-	(52,566,085)	(52,566,085)
Net cash flows	(4,897,731)	(83,153,070)	65,935,058	(22,115,743)
Net debt as at 31 December 2024	<u>8,145,817</u>	<u>(148,153,130)</u>	<u>(324,893,506)</u>	<u>(464,900,819)</u>

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16. EMPLOYEES' BENEFITS – DEFINED BENEFIT OBLIGATION

Movement in employees' benefits – defined benefits obligations recognized in the statement of financial position is as follows:

	<u>2024</u>	<u>2023</u>
Balance at 1 January	36,484,874	39,487,347
Current service cost	6,923,494	5,097,681
Interest cost	1,840,422	1,351,589
Actuarial (gain) / loss on the obligation (OCI)	(767,609)	542,508
Benefits paid during the year	(7,070,512)	(9,994,251)
Balance at 31 December	<u>37,410,669</u>	<u>36,484,874</u>

Benefit expense recognised in profit or loss

	<u>2024</u>	<u>2023</u>
Current service cost	6,923,494	5,097,681
Interest cost	1,840,422	1,351,589
	<u>8,763,916</u>	<u>6,449,270</u>

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	<u>2024</u>	<u>2023</u>
Discount rate	5.2%	4.5%
Future salary increases rate	2.5%	2.5%

Sensitivity analyses

The sensitivity analysis of the quantitative effect of assumptions for change in salaries and the discount rate on defined benefit obligations is as follows:

	<u>2024</u>		<u>2023</u>	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	(37,090,051)	40,258,982	(33,122,059)	38,483,336
Future salary increases rate	40,469,023	(36,871,525)	38,753,832	(32,800,741)

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employees' defined benefits obligations as a result of reasonable changes in key assumptions occurred at the end of the reporting date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

Expected total undiscounted benefit payments are as follows:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>More than 5 years</u>
2024	10,022,672	5,889,021	4,706,290	4,237,679	3,655,269	20,888,209

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17. ACCOUNTS AND NOTES PAYABLE

	<u>2024</u>	<u>2023</u>
Accounts payable- trade	210,725,759	194,536,756
Accounts payable-other	14,008,445	13,362,478
Notes payable	27,855,833	16,019,246
	<u>252,590,037</u>	<u>223,918,480</u>

The average credit period on purchases of goods is 30 - 120 days. No interest is charged on the trade payables outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>2024</u>	<u>2023</u>
Accrued expenses	50,106,905	40,392,111
Contract liability – Gift cards and vouchers	37,469,414	32,947,655
Employee related liabilities	19,468,916	18,525,855
Lease liabilities due not yet paid (Note 14)	20,867,057	4,925,552
Value Added Tax	10,648,580	5,192,738
Accrued rentals	6,858,829	10,940,969
Contract liability – Advances from customers	6,113,017	4,073,914
Others	3,330,300	8,424,729
	<u>154,863,018</u>	<u>125,423,523</u>

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19. ZAKAT

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

Calculation of adjusted net profit

	<u>2024</u>	<u>2023</u>
Loss before zakat	(11,807,577)	(66,038,309)
Provisions	8,433,236	16,626,131
Adjusted net loss	<u>(3,374,341)</u>	<u>(49,412,178)</u>

Components of zakat base

	<u>2024</u>	<u>2023</u>
Share capital at beginning of the year	360,000,000	360,000,000
Statutory reserve at beginning of the year	-	24,504,713
(Accumulated losses) / retained earnings at beginning of the year	(40,871,108)	28,637,003
Lease liabilities and others	421,412,646	566,734,549
Property and equipment and intangible assets	(274,017,460)	(395,584,905)
Investment property	(94,259,483)	-
Right of use assets	(250,450,693)	(248,984,885)
Packing wrapping and consumables	(2,682,601)	-
Adjusted net loss	-	(49,412,178)
Financial asset at FVOCI	-	(8,889,559)
Estimated zakat base	<u>119,131,301</u>	<u>277,004,738</u>

Zakat payable

The movement in the zakat payable was as follows:

	<u>2024</u>	<u>2023</u>
beginning balance	11,648,954	16,034,455
Charged to the consolidated statement of profit or loss and other comprehensive income	2,278,372	2,927,294
Paid during the year	(5,494,090)	(7,312,795)
Ending balance	<u>8,433,236</u>	<u>11,648,954</u>

Zakat status

The Group has finalized its zakat status for the years until 2022.

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

Group submitted zakat returns for the financial year ended on 31 December 2021 and 2022, and the Authority issued the final assessment for the years mentioned.

Group submitted the Zakat return for the fiscal year ended on 31 December 2023, and the return is still under study by the Authority.

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20. DIVIDENDS

At the 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 March 11, 2021, resolved to distribute cash dividends for second half of the year 2020 to the Company's shareholders who owned the shares on March 28, 2021, amounting to Saudi Riyals 27 million at Saudi Riyals 0.75 per share. Those dividends have been paid on April 11, 2021. (2020: The Board of Directors in their meeting held on July 23, 2020, resolved to distribute cash dividends to the Company's shareholders who owned the shares on August 16, 2020, amounting to SAR 18 million at SAR 0.5 per share. Those dividends have been paid on 30 August 2020.)

21. STATUTORY RESERVES

In accordance with the Company's previous By-laws, the Company set aside 10% of its net income each year as statutory reserve until such reserve equals to 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 has amended its Bylaws related to profit distribution, accordingly the existing statutory reserve balance as of 31 December 2023 amounting to SAR 24,504,713 was transferred to accumulated losses.

22. FAIR VALUE RESERVE

The Group recognise changes in the fair value of investments in unquoted securities of ACE international which are measured under fair valuation model as explained in note 33. These changes are accumulated within the change in fair value reserve within equity.

Movement of financial asset at FVOCI is as follow:

	<u>2024</u>	<u>2023</u>
Balance at 1 January	629,107	629,107
Net change in fair value	-	-
Balance at 31 December	<u>629,107</u>	<u>629,107</u>

23. REVENUE

The revenue comprises of revenue from contract with customers generated from the sale of goods, rendering of transportation and logistics services.

	<u>2024</u>	<u>2023</u>
Sales of goods, net of discounts	950,446,772	906,398,785
Service revenue	841,442	2,832,147
Logistics revenue	42,351,794	20,888,526
	<u>993,640,008</u>	<u>930,119,458</u>

Service revenue represents the Group's services department's revenue from delivery, installation and maintenance of items sold to customers.

Logistics revenue represents the revenue earned by Medscan, the subsidiary of the Group.

Sales of goods constitutes the followings:

	<u>2024</u>	<u>2023</u>
Retail sales	927,790,312	884,937,708
Wholesale	22,656,460	21,461,077
	<u>950,446,772</u>	<u>906,398,785</u>

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24. SEGMENTS INFORMATION

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

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

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

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

The segment information provided to the strategic steering committee for the operating segment as of and for the year ended December 31, 2024, and 2023 is as follows:

For the year ended 31 December 2024	Sales and services	Logistics	Total
Revenues:			
Total segment revenue	951,288,214	86,354,427	1,037,642,641
Inter-segment revenue	-	(44,002,633)	(44,002,633)
Revenue from external customers	<u>951,288,214</u>	<u>42,351,794</u>	<u>993,640,008</u>
Timing of revenue recognition:			
At a point in time	950,653,010	-	950,653,010
Over time	635,204	42,351,794	42,986,998
Revenue from external customers	<u>951,288,214</u>	<u>42,351,794</u>	<u>993,640,008</u>
Other income	22,405,806	24,996	22,430,802
profit from operations	<u>12,694,583</u>	<u>5,223,845</u>	<u>17,918,428</u>
Finance cost	(29,631,747)	(94,258)	(29,726,005)
(Loss) / profit before zakat	<u>(16,937,164)</u>	<u>5,129,587</u>	<u>(11,807,577)</u>
Zakat	(2,278,372)	-	(2,278,372)
Net (loss) / profit for the year	<u>(19,215,536)</u>	<u>5,129,587</u>	<u>(14,085,949)</u>

Other segment information:

For the year ended 31 December 2024	Sales and services	Logistics	Total
Capital expenditures	13,119,000	6,987,068	20,106,068
Depreciation and amortisation	44,515,660	2,319,207	46,834,867
Depreciation on right-of-use assets	52,520,970	59,065	52,580,035
Total segment assets:			
31 December 2024	<u>1,220,979,790</u>	<u>31,881,386</u>	<u>1,252,861,176</u>
Total segment liabilities:			
31 December 2024	<u>907,799,567</u>	<u>18,767,612</u>	<u>926,567,179</u>

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24. SEGMENTS INFORMATION(CONTINUED)

For the year ended 31 December 2023	<u>Sales and services</u>	<u>logistics</u>	<u>Total</u>
Revenues:			
Total segment revenue	909,230,932	40,273,493	949,504,425
Inter-segment revenue	-	(19,384,967)	(19,384,967)
Revenue from external customers	<u>909,230,932</u>	<u>20,888,526</u>	<u>930,119,458</u>
Revenue recognition timing:			
At a point in time	908,351,401	-	908,351,401
Over time	879,531	20,888,526	21,768,057
Revenue from external customers	<u>909,230,932</u>	<u>20,888,526</u>	<u>930,119,458</u>
Other income	8,265,508	156,504	8,422,012
Loss from operations	<u>(39,885,902)</u>	<u>(187,611)</u>	<u>(40,073,513)</u>
Finance cost	(25,867,819)	(96,977)	(25,964,796)
Loss before zakat	<u>(65,753,721)</u>	<u>(284,588)</u>	<u>(66,038,309)</u>
Zakat	(2,927,294)	-	(2,927,294)
Net loss for the year	<u>(68,681,015)</u>	<u>(284,588)</u>	<u>(68,965,603)</u>

Other segment information:

For the year ended 31 December 2023	<u>Sales and services</u>	<u>logistics</u>	<u>Total</u>
Capital expenditures	10,643,146	2,171,357	12,814,503
Depreciation and amortisation	47,943,910	2,079,267	50,023,177
Depreciation on right of use	57,210,813	58,907	57,269,720
Impairment loss on non-financial assets	8,184,895	-	8,184,895
Total segment assets:			
31 December 2023	<u>1,117,296,443</u>	<u>27,412,165</u>	<u>1,144,708,608</u>
Total segment liabilities:			
31 December 2023	<u>790,808,050</u>	<u>10,153,903</u>	<u>800,961,953</u>

25. COSTS OF REVENUE

	<u>2024</u>	<u>2023</u>
Cost of goods sold	575,582,170	576,217,908
Salaries and other benefits	126,950,044	128,098,889
Depreciation of right-of-use asset	52,386,045	57,076,257
Depreciation and amortisation	32,608,865	34,452,616
Short term, variable lease and utilities expenses	23,363,818	6,416,857
Franchisee commission	3,629,238	3,285,680
Provision for slow moving items and inventory shortages	(5,589,253)	(10,599,023)
Others	43,226,222	22,890,556
	<u>852,157,149</u>	<u>817,839,740</u>

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26. SELLING AND MARKETING EXPENSES

	<u>2024</u>	<u>2023</u>
Advertisement and promotion	26,954,838	18,272,121
Salaries and other benefits	1,915,082	2,253,453
	<u>28,869,920</u>	<u>20,525,574</u>

27. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2024</u>	<u>2023</u>
Salaries and other benefits	67,484,637	68,441,193
Support services and transportations	31,724,057	43,232,773
Depreciation and amortization	14,226,002	15,570,561
Depreciation on right-of-use-asset	193,990	193,463
Rental and leasehold expenses	1,764,014	2,247,259
Other	(269,225)	387,559
	<u>115,123,475</u>	<u>130,072,808</u>

28. FINANCE COST

	<u>2024</u>	<u>2023</u>
Interest on lease liability	19,387,299	19,559,058
Interest on short term borrowings	5,313,696	1,621,946
Bank and other charges	2,579,896	1,104,749
Interest on long term borrowings	2,445,114	3,679,043
	<u>29,726,005</u>	<u>25,964,796</u>

29. LOSS PER SHARE

The calculation of loss per share is given below:

	<u>2024</u>	<u>2023</u>
Net loss for the year attributable to ordinary equity holders of the Company	(14,085,949)	(68,965,603)
Weighted average number of shares in issue during the year	35,903,328	35,998,422
Loss per share	<u>(0.39)</u>	<u>(1.92)</u>

The calculation of diluted loss per share is not applicable to the Group as there is no dilutive effect on the basic losses per share of the Group.

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30. CONTINGENCIES

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

The Group had the following contingencies:

	<u>2024</u>	<u>2023</u>
Letters of credit	<u>38,772,159</u>	53,698,022
Letters of guarantee	<u>4,295,845</u>	21,805,398
	<u>43,068,004</u>	<u>75,503,420</u>

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

31. COMMITMENTS

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

	<u>2024</u>	<u>2023</u>
Group's store/warehouse commitments	<u>4,383,163</u>	<u>4,164,505</u>

32. RELATED PARTY TRANSACTIONS**32.1 Due from a related party**

	<u>2024</u>	<u>2023</u>
Current portion	<u>965,051</u>	<u>5,468,625</u>

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.

32-2 Related parties' transactions

	<u>Nature of Relationship</u>	<u>Nature of the transaction</u>	<u>2024</u>	<u>2023</u>
Inheritors of Abdullah Taha Baksh	One of the owners of Abrar International Holding Company, which is one of the main shareholders in the Company	Payments of lease liabilities for two showrooms and a plot of land	4,084,250	4,084,250

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32. RELATED PARTY TRANSACTIONS (CONTINUED)

32.3 Compensation of key management personnel

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

Description	2024			2023		
	CEO & Directors	Other executives	Total	CEO & Directors	Other executives	Total
Managerial remuneration (short term)	2,760,000	4,398,444	7,158,444	2,760,000	3,282,404	6,042,404
Allowances (Short term)	256,337	1,302,049	1,558,386	111,239	1,090,546	1,201,785
Bonuses (short term)	-	-	-	-	110,000	110,000
End of Service Benefits (long term)	112,500	284,634	397,124	112,500	679,517	792,017
Board member fees (short term)	1,800,000	-	1,800,000	1,800,000	-	1,800,000

33. FAIR VALUE MEASUREMENT

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

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

	2024	2023
Level 3		
Investments carried at FVOCI	8,889,559	8,889,559

There were no transfers between Levels 1, 2 and 3 for the year ended 31 December 2024, and 31 December 2023.

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

As at 31 December 2024 and 31 December 2023, management assessed the fair value of the investments at fair value through other comprehensive income being equal to the carrying amount.

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34. FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT**Financial Assets at amortised cost**

	<u>2024</u>	<u>2023</u>
Accounts receivable	40,321,915	43,717,827
Other financial assets at amortised cost	3,860,146	3,418,185
Cash and cash equivalents	8,145,817	13,043,548
Due from a related party	965,051	5,468,625
	<u>53,292,929</u>	<u>65,648,185</u>

Financial Assets at FVOCI

	<u>2024</u>	<u>2023</u>
Financial assets at fair value through other comprehensive income (FVOCI)	8,889,559	8,889,559

Financial Liabilities at amortised cost

	<u>2024</u>	<u>2023</u>
Accounts and notes payable	252,590,037	223,918,480
Borrowing	148,153,130	65,000,060
Lease liabilities	324,893,506	338,262,479
Accrued expenses and other liabilities	111,280,587	88,401,954
	<u>836,917,260</u>	<u>715,582,973</u>

The Group is subjected to various financial risks due to its activities including (commission rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Senior management is responsible for the risk management. Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, investments, accounts receivable, due from related party and other current assets, Murabaha finance, trade payables and accrued expenses and other current liabilities. The recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability are offset and net amounts reported in the consolidated statement of financial position, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

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34. FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: Interest rate risk and currency risk such as equity price risk.

Financial instruments affected by market risk include loans and borrowings. The sensitivity analyses in the following sections relate to the position as at December 31, 2024.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term loans with floating interest rates.

The Group manages its exposure to interest rate risk by continuously monitoring movements in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's loss before zakat is affected through the impact on floating rate borrowings, as follows:

	<u>2024</u>	<u>2023</u>
Loss before Zakat	(11,807,577)	(66,038,309)
Increase by 100 points	1,481,531	650,001
Decrease by 100 points	(1,481,531)	(650,001)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, United Arab Emirates dirham (AED) and US Dollars, during the year and, accordingly, the Group has no significant exposure to other foreign currencies.

Since the Saudi Riyal is pegged to the US Dollar and United Arab Emirates dirham, the Group is not exposed to significant foreign currency risk.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its accounts receivable, cash and cash equivalent and due from related party and other current assets.

	<u>2024</u>	<u>2023</u>
Bank balances	7,674,228	12,743,049
Accounts receivable	45,638,003	47,438,565
Due from a related party	965,051	5,468,625
Other current assets	3,860,146	3,418,185
	<u>58,137,428</u>	<u>69,068,424</u>

The carrying amount of financial assets represents the maximum credit exposure.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined Policies and procedures.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis.

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34. FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

Bank balances

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks that have a sound credit rating ranging from A2 and above. At the reporting date, no significant concentration of credit risk was identified by the management.

Trade receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Trade receivables of the Group are spread across large number of credit customers. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups. An impairment analysis is performed at each reporting date on an individual basis for certain customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. As of December 31, 2024, the trade receivable balances due from two major customers represent 56% of the total account receivables. The Group evaluates the credit risk related to those customers as low as those customers are in KSA and based on their credit history and profile.

Other current assets

Other current assets include advances to employees and employee loans that are secured against end of service balances.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group's objective is to maintain a balance between continuity of funding and flexibility using bank loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Contractual undiscounted payments			Total
	On Demand or less than 1 year	After one year but not more than 5 years	More than 5 years	
2024				
Accounts payable and notes payable	252,590,037	-	-	252,590,037
Lease liabilities	85,048,505	266,061,532	30,499,998	381,610,035
Borrowings	144,381,716	5,085,981	-	149,467,697
Accrued expenses and other liabilities	111,280,587	-	-	111,280,587
	<u>593,300,845</u>	<u>271,147,513</u>	<u>30,499,998</u>	<u>894,948,356</u>
2023				
Accounts payable and notes payable	223,918,480	-	-	223,918,480
Lease liabilities	80,517,386	275,450,845	48,069,717	404,037,948
Borrowings	41,242,494	25,474,827	-	66,717,321
Accrued expenses and other liabilities	88,401,954	-	-	88,401,954
	<u>434,080,314</u>	<u>300,925,672</u>	<u>48,069,717</u>	<u>783,075,703</u>

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35. CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which is determined by the Group as a result of operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

1. To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
2. To provide an adequate return to shareholders.

There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

36. COMPARATIVE INFORMATION

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

37. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements

38. CONSOLIDATED FINANCIAL STATEMENTS APPROVAL

These consolidated financial statements have been approved by the Board of Directors on 6 Ramadan 1446 H (corresponding 6 March 2025).