UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders
United Electronics Company
(A Saudi Joint Stock Company)
Al-Khobar, Kingdom of Saudi Arabia

Introduction:
We have reviewed the accompanying condensed consolidated interim statement of financial position of United Electronics Company (a Saudi Joint Stock Company) (the 'Company') and its Subsidiaries (collectively referred to as the "Group") as of September 30, 2019 and the related condensed consolidate4d interim statements of income and comprehensive income for the three and 9 months period ended September 30, 2019, and the condensed consolidated interim statements of changes in equity and cash flows for the 9 months period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial statements based on our review.

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

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

Al-Bassam & Co.
P.O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

October 28 2019
29 Safar 1441H

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNADUITED)
AS AT SEPTEMBER 30, 2019

	Note	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
ASSETS			
Non-current assets			
Property and equipment	15	476,121,604	456,975,522
Right of use	16	440,368,301	-
Intangible assets	15	54,524,971	41,914,808
Trade receivables and other assets – Noncurrent portion		1,106,591	4,142,495
Goodwill	1	6,367,451	-
Investment in islamic contracts and installment sales receivables – Noncurrent portion	5	125,701,069	87,340,613
		1,104,189,987	590,373,438
Current assets			
Inventories		980,010,267	791,490,691
Trade receivables and other assets		106,952,982	111,026,146
Investment in islamic contracts and installment sales receivables – Current portion	5	198,207,073	262,136,609
Cash and cash equivalents	6	227,680,370	211,206,159
		1,512,850,692	1,375,859,605
TOTAL ASSETS		2,617,040,679	1,966,233,043
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	500,000,000	500,000,000
Statutory reserve	7	34,574,609	21,221,944
Other reserves		8,076,265	3,500,412
Retained earnings	1	64,686,564	140,861,047
Treasury shares	1,13	(20,000,000)	(20,000,000)
		587,337,438	645,583,403
LIABILITIES			
Non-current liabilities			
Deferred revenue from extended warranty program – Noncurrent portion		69,995,632	67,075,257
Deferred revenue from sale and leaseback – Noncurrent portion	8	-	1,844,179
Operating lease liability – Noncurrent portion		-	16,753,311
Lease liability – Noncurrent portion	17	493,395,367	-
Deferred tax liabilities		638,693	638,693
End of service benefits		63,759,530	55,815,961
Other liabilities		2,479,170	-
Finance lease – Noncurrent portion		-	423,230
		630,268,392	142,550,631
Current liabilities			
Trade payables and other liabilities		990,839,119	655,578,224
Deferred revenue from extended warranty program – Current portion		55,995,678	52,396,359
Deferred revenue from sale and leaseback – Current portion	8	-	136,596
Operating lease liability– Current portion		-	1,964,292
Murabah finance	9	300,000,000	460,000,000
Zakat provision		6,615,692	7,900,373
Lease liability – Current portion	17	45,984,360	-
Finance lease – Current portion		-	123,165
		1,399,434,849	1,178,099,009
Total liabilities		2,029,703,241	1,320,649,640
TOTAL EQUITY AND LIABILITIES		2,617,040,679	1,966,233,043

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors, on behalf of the shareholders and were signed on its behalf on October 28, 2019.

Chief Financial Officer	Chief Executive Officer	Chairman

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

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019

		For the three months periods ended		For the nine months periods ended	
		September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	**September 30, 2019 (Unaudited)**	September 30, 2018 (Unaudited)
	Note	**SR**	SR	**SR**	SR
Revenue, net	**10**	**1,035,056,722**	894,822,565	**3,254,064,438**	2,774,801,881
Cost of revenue	**10**	**(849,348,778)**	(722,660,431)	**(2,653,916,387)**	(2,264,563,738)
Gross profit		**185,707,944**	172,162,134	**600,148,051**	510,238,143
Selling, marketing and distribution expenses		**(112,910,716)**	(116,414,689)	**(342,906,718)**	(327,625,165)
General and administrative expenses		**(35,299,089)**	(21,673,739)	**(99,918,647)**	(71,879,051)
Other expenses		**(56,317)**	(166,435)	**(303,041)**	(1,633,730)
Other income		**6,316,766**	720,723	**28,979,647**	1,594,118
Finance charges		**(14,283,979)**	(2,289,618)	**(45,298,998)**	(8,085,873)
Profit before zakat		**29,474,609**	32,338,376	**140,700,294**	102,608,442
Zakat	**19**	**(2,242,331)**	(1,383,915)	**(7,173,643)**	(4,492,177)
Net profit for the period		**27,232,278**	30,954,461	**133,526,651**	98,116,265
OTHER COMPREHENSIVE INCOME					
Item that may be reclassified subsequently to statement of profit or loss:					
Exchange differences on translation of foreign operations		**(4,099)**	(53,830)	**75,853**	325
Other comprehensive (loss) income for the period		**(4,099)**	(53,830)	**75,853**	325
Total comprehensive income for the period		**27,228,179**	30,900,631	**133,602,504**	98,116,590
Profit for the period attributable to:					
Shareholders of the Company		**27,232,278**	30,954,461	**133,526,651**	98,116,265
Total comprehensive income for the period attributable to:					
Shareholders of the Company		**27,228,179**	30,900,631	**133,602,504**	98,116,590
Earnings per share					
Basic earnings per share	**12**	**0.57**	0.64	**2.78**	2.04
Diluted earnings per share	**12**	**0.54**	0.62	**2.67**	1.96

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors, on behalf of the shareholders and were signed on its behalf on October 28, 2019.

Chief Financial Officer	**Chief Executive Officer**	**Chairman**

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

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019

	Share Capital	Statutory reserve	Other Reserves: Other reserves	Other Reserves: Foreign currency translation reserve	Other Reserves: Actuarial reserve	Other Reserves: Total other reserves	Retained earnings	Equity attributable to shareholders of the Company	Treasury shares	Total Equity
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2018 (Audited)	420,000,000	25,102,741	-	(101,155)	813,163	712,008	120,268,174	566,082,923	-	566,082,923
Adjustment on adoption of IFRS 9 (Notes 5)	-	-	-	-	-	-	(479,953)	(479,953)	-	(479,953)
Balance as at January 1, 2018 (Adjusted)	420,000,000	25,102,741	-	(101,155)	813,163	712,008	119,788,221	565,602,970	-	565,602,970
Net income for the period	-	-	-	-	-	-	98,116,265	98,116,265	-	98,116,265
Other comprehensive income for the period	-	-	-	325	-	325	-	325	-	325
Transfer to statutory reserve	-	9,811,627	-	-	-	-	(9,811,627)	-	-	-
Transactions with shareholders in their capacity as shareholder						-				
Dividends distributed	-	-	-	-	-	-	(84,000,000)	(84,000,000)	-	(84,000,000)
Increase in share capital	80,000,000	(20,000,000)	-	-	-	-	(60,000,000)	-	-	-
Issuance of treasury share	-	-	-	-	-	-	20,000,000	20,000,000	(20,000,000)	-
Balance as at September 30, 2018 (Unaudited)	500,000,000	14,914,368	-	(100,830)	813,163	712,333	84,092,859	599,719,560	(20,000,000)	579,719,560
Balance as at January 1, 2019 (Audited)	500,000,000	21,221,944	1,600,000	(108,461)	2,008,873	3,500,412	140,861,047	665,583,403	(20,000,000)	645,583,403
Adjustment on adoption of IFRS 16 (Note 4)	-	-	-	-	-	-	**(83,848,469)**	**(83,848,469)**	-	**(83,848,469)**
Balance as at January 1, 2019 (Adjusted)	**500,000,000**	**21,221,944**	**1,600,000**	**(108,461)**	**2,008,873**	**3,500,412**	**57,012,578**	**581,734,934**	**(20,000,000)**	**561,734,934**
Net income for the period	-	-	-	-	-	-	**133,526,651**	**133,526,651**	-	**133,526,651**
Other comprehensive income for the period	-	-	-	**75,853**		**75,853**	-	**75,853**	-	**75,853**
Transfer to statutory reserve	-	**13,352,665**	-	-	-	-	**(13,352,665)**	-	-	-
Transactions with shareholders in their capacity as shareholder										
Dividend distributed (Note 22)	-	-	-	-	-	-	**(112,500,000)**	**(112,500,000)**	-	**(112,500,000)**
Share based payment expense	-	-	**4,500,000**	-	-	**4,500,000**	-	**4,500,000**	-	**4,500,000**
Balance as at September 30, 2019 (Unaudited)	**500,000,000**	**34,574,609**	**6,100,000**	**(32,608)**	**2,008,873**	**8,076,265**	**64,686,564**	**607,337,438**	**(20,000,000)**	**587,337,438**

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors, on behalf of the shareholders and were signed on its behalf on October 28, 2019.

Chief Financial Officer | **Chief Executive Officer** | **Chairman**

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

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNADUITED)
FOR THE NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019

	For the nine months periods ended	
	September 30, 2019 (Unaudited) SR	September 30, 2018 (Unaudited) SR
Cash flows from operating activities:		
Net profit for the period	**133,526,651**	98,116,265
Adjustments for:		
Depreciation of property and equipment	**28,381,468**	26,097,027
Amortization of intangible assets	**5,630,411**	4,328,753
Amortization of right of use	**35,407,460**	-
Share based payment expense	**4,500,000**	-
Gain on sale of installment sales receivables	**(17,471,075)**	-
Loss from disposal of property and equipment	**3,087**	333,804
Property and equipment written off	**-**	441,434
Deferred revenue on sale and leaseback	**-**	(102,447)
Deferred revenue from additional services program	**6,519,694**	3,437,847
Finance charges	**45,298,998**	8,085,873
Impairment recognized on installment sales receivables, net	**7,503,729**	8,817,988
Impairment recognized on trade receivables and other assets, net	**-**	41,551
Impairment recognized against inventories	**4,348,813**	9,185,860
Inventory written off	**-**	858,492
Zakat expense	**7,173,643**	4,492,177
Provision for end of service benefits	**12,351,796**	7,617,961
Operating lease liability	**-**	5,024,568
	273,174,675	176,777,153
Changes in:		
Trade receivables and other assets	**(9,550,562)**	(25,055,498)
Investment in islamic contracts and installment sales receivables, net	**(111,713,257)**	(140,028,944)
Inventories	**(192,868,389)**	(137,466,929)
Trade payables and other liabilities	**323,799,497**	229,414,033
Cash generated from operations	**282,841,964**	103,639,815
End of service benefits paid	**(5,583,482)**	(6,877,903)
Finance cost paid	**(45,298,998)**	(8,085,873)
Zakat paid	**(8,458,324)**	(5,451,533)
Net cash generated from operating activities	**223,501,160**	83,224,506
Cash flows from investing activities		
Additions to property and equipment	**(62,088,741)**	(37,721,593)
Additions to intangible assets	**(4,264,045)**	(428,698)
Proceeds from disposal of property and equipment	**134,063**	138,760
Investment in a subsidiary	**(5,000,000)**	-
Net cash used in investing activities	**(71,218,723)**	(38,011,531)
Cash flows from financing activities:		
Drawdown of Murabaha loan	**1,944,200,000**	495,000,000
Repayment of Murabaha loan	**(2,104,200,000)**	(455,000,000)
Lease repayments	**(24,140,077)**	(15,600)
Proceeds from sale of installment sales receivables	**160,024,828**	-
Dividend payment	**(112,500,000)**	(84,000,000)
Net cash used in financing activities	**(136,615,249)**	(44,015,600)

	For the nine months periods ended	
	September 30, 2019 (Unaudited) SR	September 30, 2018 (Unaudited) SR
Net change in cash and cash equivalents	**15,667,188**	1,197,375
Cash received from acquisition of a subsidiary	**731,170**	-
Effects of foreign exchange translation on cash and cash equivalents	**75,853**	325
Cash and cash equivalent at the beginning of the period	**211,206,159**	77,160,609
Cash and cash equivalents at end of the period	**227,680,370**	78,358,309

Supplemental cash flow information (Note 18)

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors, on behalf of the shareholders and were signed on its behalf on October 28, 2019

Chief Financial Officer	**Chief Executive Officer**	**Chairman**

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Electronics Company (the "Company") is a Saudi joint stock Company initially registered in Riyadh under commercial registration number 1010175357 dated 19 Muharram 1423H (corresponding to April 1, 2002). In 2004, the Company's registered office was transferred from Riyadh to Al Khobar and, accordingly, the commercial Registration number was changed to 2051029841 dated 10 Jumada II,1425H (corresponding to July 27, 2004). The shares of the company were listed on the Saudi Stock Exchange "Tadawul" on December 24, 2011.

The Company's principal activities are the wholesale and retail trade in foodstuff, electric appliances, electronic gadgets, computers and their spare parts and accessories, furniture, office equipment and tools, car recorder installations, maintenance and repair services, establishment of restaurants and third-party marketing.

On 8 Muharam 1440H (corresponding to September 18, 2018), the shareholders of the Company in their Extraordinary General Meeting approved the increase of the Company's share capital by SR 80 million via a transfer from the retained earnings and the statutory reserve of the fiscal year ended 31 December 2017. Accordingly, the share capital increased from SR 420 million to SR 500 million, and number of shares increased from 42 million shares to 50 million shares. Details of increase are as follow:

1- Distribution of 6 million shares as bonus shares to the shareholders at one share for every seven existing shares which represents an increase of 14.29% of the company's share capital, and will be entitled to the shareholders registered at the end of the date of the meeting (registered shareholders in the Company's shareholding register with the Securities Depository Center at the end of the second trading day following the day of the Extraordinary General Meeting).

2- Allocation of 2 million shares representing 4.76% of the Company's share capital to establish the employees' stock program (long-term incentive plan).

The address of the Company's head office is United Electronics Company – P.O. Box 76688 Al Khobar 31952, Kingdom of Saudi Arabia.

1.1 Structure of the group

The condensed consolidated interim financial statements for the nine months period ended September 30, 2019 include the financial statements of the company and following subsidiaries for which the assets, liabilities and result of operations of these subsidiaries have been included in the accompanying condensed consolidated interim financial statements:

Name of consolidated subsidiaries	Effective ownership
1- United Electronics Company Extra S.P.C., a Co. registered in Bahrain	100%
2- United Electronics Company Extra L.L.C., a Co. registered in Oman	100%
3- United Company for Maintenance Services, a Co. registered in Kingdom of Saudi Arabia	100%
4- United Company for Financial Services. a Co. registered in Kingdom of Saudi Arabia	100%
5- Procco Financial Services W.L.L. registered in Kingdom of Bahrain	100%

1- United Electronics Company-Extra S.P.C., is registered in Bahrain on 15 Dhul-Qa'da 1432H (corresponding to October 13, 2011). The principal activities of this subsidiary are importing, exporting and trading of electrical and electronics devices and their spare parts, computers and accessories, selling video and audio media materials, importing and exporting computer software and hardware, importing and exporting electronic games, providing maintenance for electric devices in addition to management and development of personal properties.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

1.1 Structure of the group (Continued)

2- United Electronics Company-Extra L.L.C., is registered in Oman on 15 Jumada I 1433H (corresponding to April 7, 2012), the principal activities of this subsidiary is retail trading of computer, non-customized software, household appliances (radio, television, refrigerators, crockery etc.), toys, games, satellites, and phones.

3- United Company for Maintenance Services Limited, is Saudi limited liability company incorporated on 10 Rajab 1431H (corresponding to September 22, 2010). The principal activities of this subsidiary are maintenance and repair and providing warranty for electronics, digital and electrical devices, home appliances and computers and wholesale trading of spare parts in electrical and digital devices, photocopy and fax machines, telephones, cell phones, video and electric games, digital pocket assistants, printers and computer-related devices.

4- During 2018, the Company invested SR 150 million to establish a new Company under the name "United Company for Financial Services". The principal activities of this subsidiary are to exercise consumer finance in the Kingdom of Saudi Arabia in accordance with implementation regulations of the finance lease law and its Sharia compliant.

5- During the period ended September 30, 2019, the Company invested SR 5 million to acquire a Company under the name "Procco Financial Services". The principal activities of this subsidiary is to provide technical services to financial institutions and other companies. The operations of the Company are subject to the approval of Central Bank of Bahrain in Kingdom of Bahrain. The Company has recognized Goodwill of SR 6,367,451 as a result of this acquisition during the nine months period ended September 30, 2019 which represents the excess consideration over the provisional net assets acquired. The Company is in the process of performing a purchase price allocation within the measurement period of 12 months from the acquisition date and therefore, the provisional net assets recognized and resulting goodwill are subject to retrospective adjustment, if any.

The Company and its subsidiaries are together referred as "the Group"

As at September 30, 2019, the Group had a total of 48 branches (September 30, 2018: 43 branches) out of which 43 operational branches are in the Kingdom of Saudi Arabia (September 30, 2018: 40 branches).

These condensed consolidated interim financial statements are presented in Saudi Riyals, which is the Group's functional and presentation currency. Figures have been rounded off to the nearest Riyal.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements for the nine months period ended September 30 2019 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. The accompanying condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and hence should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018. The Company has adopted IFRS 16 "Leases" from 1 January 2019 and accordingly, the accounting policies for this new standard are disclosed in the note 4.

2.2 Preparation of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements have been prepared on the historical cost convention except for the end of service benefits which is recognized at the present value of future obligation using the projected unit credit method.

The principal accounting policies applied in the preparation of condensed consolidated interim financial statements are consistent with those of the previous financial year and the respective corresponding interim reporting period, except for the adoption of new and amended standards as disclosed in note 4.1.

The preparation of financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation related to the application of IFRS 16 which are disclosed in note 4.2.

3. BASIS OF CONSOLIDATION

The condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries detailed in note 1. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Consolidated profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

4.1 New standards amendments to standards and interpretations

The Group has adopted IFRS-16 Leases from January 1, 2019. The impact of adoption of IFRS 16 is disclosed in the note 4.2. A number of other new standards, interpretations and amendments to the standards are effective from January 1, 2019, but they do not have material effect on the Group's condensed consolidated interim financial statements.

There are number of amendments to standards which are effective from January 1, 2020, however, management anticipates that these amendments will not have any material impact on adoption in the Group's consolidated financial statements.

4.2 Changes in accounting policies

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

4.2 Changes in accounting policies (Continued)

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was from 6.48% to 11.21%.

	2019 SR
Operating lease commitments as at 31 December 2018 - (Audited)	982,335,114
Lease liability recognized as at 1 January 2019 (Discounted using the lessee's incremental borrowing rate of at the date of initial application) – (Unaudited)	523,756,473
Of which are:	
Current lease liabilities	31,732,047
Non-current lease liabilities	492,024,426

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increase by SR 437,477,458
- operating lease liability – decrease by SR 18,717,603
- prepayments – decrease by SR 18,267,832
- lease liabilities – increase by SR 524,302,868
- finance lease liability – decrease by SR 546,395
- deferred revenue on sale and leaseback – decreased by 1,980,775
- The net impact on retained earnings on 1 January 2019 was a decrease of SR 83,848,469

5. INVESTMENT IN ISLAMIC FINANCING CONTRACTS AND INSTALLMENT SALE RECEIVABLES

	Note	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Installment sales receivable, net	5.1	250,434,696	349,477,222
Investment in islamic financing contracts, net	5.2	73,473,446	-
		323,908,142	349,477,222
Less: non-current portion		(125,701,069)	(87,340,613)
Current portion		198,207,073	262,136,609

5.1 Installment sale receivables, net

	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Installment sales receivables	287,806,616	380,356,377
Less: allowance for impairment	(37,371,920)	(30,879,155)
Net Installment sales receivables	250,434,696	349,477,222
Less: non-current portion	(80,924,283)	(87,340,613)
Installment sales receivables - current portion	169,510,413	262,136,609

The average credit installment granted is SR 9,975.

Refer to note 20. for installment sales receivables sold during the nine months period ended September 30, 2019.

5. INVESTMENT IN ISLAMICS FINANCING CONTRACTS AND INSTALLMENT SALE RECEIVABLES (Continued)

5.1 Installment sale receivales, net (Continued)

As at September 30, 2019, stage-wise installment sales receivables and the respective ECL are as follows:

	Stage 1 (Unaudited) SR	Stage 2 (Unaudited) SR	Stage 3 (Unaudited) SR	Total (Unaudited) SR
Installment sales receivables	184,463,959	32,441,142	70,901,515	287,806,616
Allowance for impairment	(2,680,152)	(4,361,968)	(30,329,800)	(37,371,920)
	181,783,807	28,079,174	40,571,715	250,434,696

Movement in the allowance for impairment for the period and year ended September 30, 2019 and December 31, 2018 respectively, is as follows:

	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Opening balance	30,879,155	16,571,657
Impact of adoption of IFRS 9	-	479,953
Impairment for the period/year	6,584,746	13,906,799
Utilized allowance	(91,981)	(79,254)
Closing balance	37,371,920	30,879,155

5.2 Investment in islamic financing contracts, net

	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Murabaha contracts receivables	40,789,557	-
Tawarruq contracts receivables	33,602,872	-
Less: allowance for impairment	(918,983)	-
Net investment in islamic financing contracts	73,473,446	-
Less: non-current portion	(44,776,786)	-
Current portion	28,696,660	-

As at September 30, 2019, stage-wise investment in islamic financing contracts and the respective ECL are as follows:

	Stage 1 (Unaudited) SR	Stage 2 (Unaudited) SR	Stage 3 (Unaudited) SR	Total (Unaudited) SR
Investment in islamic financing contracts	72,677,516	1,682,913	32,000	74,392,429
Allowance for impairment	(633,482)	(264,713)	(20,788)	(918,983)
	72,044,034	1,418,200	11,212	73,473,446

	September 30, 2019 (Unaudited) SR
Impairment for the period	918,983

6. CASH AND CASH EQUIVALENTS

	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Cash at banks	**148,367,039**	197,887,675
Cash on hand	**19,313,331**	13,318,484
Time deposits	**60,000,000**	-
	227,680,370	211,206,159

7. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group has established a statutory reserve by the appropriation of 10% of net profit. General Assembly may cease such appropriation when reserve equals 30% of the share capital.

8. DEFERRED REVENUE FROM SALES AND LEASEBACK

As per the requirement of IFRS 16 "Leases". The deferred revenue from sales and leaseback has been adjusted against the right of use on adoption of IFRS 16 by the Company during 2019.

The summary of the current and non-current portion of the deferred portions is as follows:

	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Current portion	-	136,596
Non-current portion	-	1,844,179
	-	1,980,775

9. BANK FACILITIES

The Group has bank facilities from local banks for letter of credit, letters of guarantee and Islamic Murabaha financing. These facilities are subject to Islamic Shariah principles. These facilities carry finance charges at market rates and are secured against promissory notes.

10. SEGMENTAL REPORTING

The management of the Group views the entire business activities of the Group as one operating segment for performance assessment and resources allocation. Because the management views the entire business activities of the Group as one segment, segment reporting is provided by geographical segments only.

There are no intra segment transactions except those eliminated under consolidation adjustments. The details of the results pertaining to the Kingdom of Saudi Arabia and subsidiaries results outside the Kingdom with their respective assets and liabilities for the period ended September 30, 2019 and 2018 are as follows:

For the nine months period ended September 30, 2019 (Unaudited)

	Inside the Kingdom of Saudi Arabia SR	**Outside the Kingdom of Saudi Arabia SR**	**Consolidation adjustments SR**	**Total SR**
Revenue, net	**3,053,496,204**	**202,885,309**	**(2,317,075)**	**3,254,064,438**
Cost of revenue	**(2,483,495,804)**	**(172,174,951)**	**1,754,368**	**(2,653,916,387)**
Gross profit	**570,000,400**	**30,710,358**	**(562,707)**	**600,148,051**
Net profit	**117,652,600**	**3,233,029**	**12,641,022**	**133,526,651**

10. SEGMENTAL REPORTING (Continued)

For the nine months period ended September 30, 2018 (Unaudited)

	Inside the Kingdom of Saudi Arabia	Outside the Kingdom of Saudi Arabia	Consolidation adjustments	Total
	SR	SR	SR	SR
Revenue, net	2,585,276,064	190,281,245	(755,428)	2,774,801,881
Cost of revenue	(2,100,160,300)	(165,158,866)	755,428	(2,264,563,738)
Gross profit	485,115,764	25,122,379	-	510,238,143
Net profit / (loss)	98,122,012	295,719	(301,466)	98,116,265

For the three months period ended September 30, 2019 (Unaudited)

	Inside the Kingdom of Saudi Arabia	Outside the Kingdom of Saudi Arabia	Consolidation adjustments	Total
	SR	SR	SR	SR
Revenue, net	**970,186,880**	**66,417,742**	**(1,547,900)**	**1,035,056,722**
Cost of revenue	**(795,598,830)**	**(55,060,641)**	**1,310,693**	**(849,348,778)**
Gross profit	**174,588,050**	**11,357,101**	**(237,207)**	**185,707,944**
Net profit / (loss)	**21,524,996**	**1,165,114**	**4,542,168**	**27,232,278**

For the three months period ended September 30, 2018 (Unaudited)

	Inside the Kingdom of Saudi Arabia	Outside the Kingdom of Saudi Arabia	Consolidation adjustments	Total
	SR	SR	SR	SR
Revenue, net	838,483,711	56,468,883	(130,029)	894,822,565
Cost of revenue	(674,190,490)	(48,599,970)	130,029	(722,660,431)
Gross profit	164,293,221	7,868,913	-	172,162,134
Net profit / (loss)	30,938,013	(513,067)	529,515	30,954,461

Financial position as at September 30, 2019 (Unaudited)

	Inside the Kingdom of Saudi Arabia	Outside the Kingdom of Saudi Arabia	Consolidation adjustments	Total
	SR	SR	SR	SR
Current assets	**1,542,412,639**	**73,618,943**	**(103,180,890)**	**1,512,850,692**
Non-current assets	**1,112,088,786**	**113,415,616**	**(121,314,415)**	**1,104,189,987**
Total Assets	**2,654,501,425**	**187,034,559**	**(224,495,305)**	**2,617,040,679**
Current liabilities	**1,363,491,655**	**139,124,084**	**(103,180,890)**	**1,399,434,849**
Non-current liabilities	**569,342,337**	**60,926,055**	**-**	**630,268,392**
Total Liabilities	**1,932,833,992**	**200,050,139**	**(103,180,890)**	**2,029,703,241**

10. SEGMENTAL REPORTING (Continued)

Financial position as at December 31, 2018 (Audited)

	Inside the Kingdom of Saudi Arabia	Outside the Kingdom of Saudi Arabia	Consolidation adjustments	Total
Current assets	1,390,710,151	54,220,328	(69,070,874)	1,375,859,605
Non-current assets	659,663,010	65,298,036	(134,587,608)	590,373,438
Total Assets	2,050,373,161	119,518,364	(203,658,482)	1,966,233,043
Current liabilities	1,123,816,997	123,352,886	(69,070,874)	1,178,099,009
Non-current liabilities	130,692,856	11,857,775	-	142,550,631
Total Liabilities	1,254,509,853	135,210,661	(69,070,874)	1,320,649,640

11. RELATED PARTIES' TRANSACTIONS AND BALANCES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below as terms and conditions of such transactions are approved by the Company's management, Board of Directors and General Assembly.

The Group transacts with the following related parties in the ordinary course of business,

Entity	Relationship
Al Fozan Holding Company	Shareholder
United Homeware Company	Affiliate of a shareholder
Abdullatif and Mohamed Al Fozan Co.	Affiliate of a shareholder
Retal Urban Development Company	Affiliate of a shareholder
Madar Building Materials Co.	Affiliate of a shareholder
Madar Electrical Materials Co.	Affiliate of a shareholder
Madar Tools & Equipment Co.	Affiliate of a shareholder
Al Yassra Trading Co.	Affiliate of a board member

The due amounts are on commercial substance and will be settled in cash. Balance due to related parties are included under Trade payables and other liabilities and balance due from related parties are included in trade receivables and other assets.

During the period, the Group entered into the following transactions with related parties that are not members of the Group:

	Transaction Amount		Balance at	
Nature of transaction	**September 30, 2019 (Unaudited) SR**	September 30, 2018 (Unaudited) SR	**September 30, 2019 (Unaudited) SR**	December 31, 2018 (Audited) SR
Sales to				
Al Fozan Holding Company	**410,630**	44,818	**35,566**	100,700
Retal Urban Development Company	**68,261**	61,928	**28,825**	-
	478,891	106,746	**64,391**	100,700
Purchases (return) from				
United Homeware Company	**5,622,613**	20,131,896	**5,630,977**	1,737,679
Madar Tools & Equipment Co.	**(119,605)**	145,419	**211,788**	904,137
Al Yassra Trading Co.	**43,974**	301,260	**30,714**	166,223
	5,546,982	20,578,575	**5,873,479**	2,808,039
Fixed assets purchases from				
Madar Electrical Materials Co.	**174,036**	2,109,522	-	-

11. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

	Transaction Amount		Balance at	
Nature of transaction	**September 30, 2019 (Unaudited) SR**	September 30, 2018 (Unaudited) SR	**September 30, 2019 (Unaudited) SR**	December 31, 2018 (Audited) SR
Rental income from				
United Homeware Company	**4,942,413**	5,013,630	**2,559,407**	-
Rent expense from				
Madar Building Materials Co.	**412,500**	412,500	-	-
Abdullatif and Mohamed Al Fozan Co.	**1,103,250**	1,103,250	-	-
	1,515,750	1,515,750	-	-
Other expenses from				
United Homeware Company	**362,245**	214,740	**302,705**	-
Other expenses to				
Madar Building Materials Co.	-	230,996	-	-
Management fee				
United Homeware Company	**893,443**	637,115	**524,433**	-

Key management compensation:

	September 30, 2019 (Unaudited) SR	September 30, 2018 (Unaudited) SR
Short term benefit	**28,695,174**	15,532,264
Amount payable under retention program	**2,202,203**	1,383,302
BOD and related committees remuneration	**3,272,329**	2,518,799

12. EARNINGS PER SHARE

	September 30, 2019 (Unaudited) SR	September 30, 2018 (Unaudited) SR
Profit for the period attributable to the shareholder of the Company	**133,526,651**	98,116,265
Weighted average number of ordinary shares for the purposes of basic earnings	**48,000,000**	48,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings	**50,000,000**	50,000,000
Earnings per share		
Basic earnings per share	**2.78**	**2.04**
Diluted earnings per share	**2.67**	**1.96**

Weighted average number of shares are retrospectively adjusted to reflect the effect of Bonus Shares and are adjusted to take account of Treasury Shares held under the long-term incentive program.

13. LONG -TERM INCENTIVE PROGRAM

The Company provides a long-term incentive program (the "program") to certain qualified employees who will be rewarded for their role in achieving the Company's long-term goals and to attract and retain talented employees. The program focuses on both current and future performance and enables participants to contribute to the Company's success and is measured based on performance rates determined by the nomination and remuneration Committee.

13. LONG -TERM INCENTIVE PROGRAM (Continued)

The program is entirely based on in kind settlement where the approved participants will receive the Company's shares (restricted shares "treasury shares") upon completing the vesting period and achieving the performance measures and fulfilling the necessary conditions by the participant in addition to completing the required approvals.

To participate in the plan, employees must meet the eligibility criteria as set by the Company including a minimum years of service in the Company maintaining excellent performance rating in addition to other factors. Under the terms of the plan, the option will be vested by end of 2021, 2022 and 2023. Only employee that remain in service will become entitle for this option.

This program is under the supervision of the nomination and remuneration Committee that is approved by the Board of Directors.

The total expenses related to the program for the period ended September 30, 2019 was charged to the employees' benefit expenses with a corresponding increase in the statement of changes in equity in accordance with the requirements of the International Financial Reporting Standard No. (2) "share based payment".

Treasury shares

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	SR	SR
At the beginning of the period / year	**20,000,000**	-
Acquired during the period / year	**-**	20,000,000
	20,000,000	20,000,000

14. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise Trade payables and other liabilities and loans. The Group's principal financial assets comprise cash and cash equivalents, trade receivables, installment sales receivables and investment in Islamic financing contracts.

Financial instruments by category

	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Financial assets at amortized cost:		
Investment in islamic financing contracts and installment sale receivables	**323,908,142**	349,477,222
Trade receivables	**39,264,159**	31,115,945
Cash and cash equivalents	**227,680,370**	211,206,159
Total Financial assets	**590,852,671**	591,799,326
Financial liabilities at amortized cost:		
Trade payables and other liabilities	**990,839,119**	655,578,224
Murabaha financing	**300,000,000**	460,000,000
Leases liability	**539,379,727**	-
Finance lease liability	**-**	546,395
Total financial liabilities	**1,830,218,846**	1,116,124,619

The Company has no financial asset / liability at fair value through profit and loss.

The main financial risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates may affect the Group's income. The Group was exposed to market risk, in the form of interest rate risk and foreign currency risk as described below, during the period under review.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

14. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Group's major financial assets and financial liabilities are denominated in Saudi Riyal, Omani riyal(OR), Bahraini Dinar (BD), US Dollars (USD), Arab Emirates Dirham (AED) and Euro (Euro). Saudi riyals are pegged to the US Dollar, similarly Bahraini Dinar and Omani Riyals and consequently balances in those currencies are not considered to represent a currency risk.

Management monitors the fluctuations in Euro currency exchange rates with Saudi Riyals and manages its effect on the financial statements accordingly. Management monitors fluctuations in other foreign exchange rates and manages their effect on the consolidated financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented. The group is exposed to foreign currency risk as follows:

	Currency	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Cash and cash equivalent	USD	**1,463,655**	284,604
	EUR	**28,941**	634,548
Trade payables and other liabilities	USD	**121,514,681**	23,493,141
	AED	**303,321**	253,410
Advances to suppliers	EUR	**25,776**	59,553

Interest rate and liquidity risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at September 30, 2019 and December 31, 2018. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk

The Group maintains sufficient cash. Management review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The average creditor payment period is 56 days (December 31, 2018: 54 days).

Contractual maturity analysis for financial liabilities

The following table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

September 30, 2019 (Unaudited)	**Interest rate**	**Within 1 year**	**1-20 years**	**Total**
		SR	**SR**	**SR**
Trade payables and other liabilities	**Interest free**	**990,839,119**	**-**	**990,839,119**
Murabaha finance	**3.12% - 4.15%**	**300,000,000**	**-**	**300,000,000**
Lease liability	**6.48% - 11.21%**	**45,984,360**	**493,395,367**	**539,379,727**

Contractual maturity analysis for financial liabilities (Continued)

December 31, 2018 (Audited)	**Interest rate**	**Within 1 year**	**1-5 years**	**Total**
		SR	**SR**	**SR**
Trade payables and other liabilities	Interest free	655,578,224	-	655,578,224
Murabaha finance	3.56% - 4.05%	460,000,000	-	460,000,000
Finance lease liability	Interest free	123,165	423,230	546,395

14. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk
Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its short term cash investments, and trade and installment sales receivables. Short term cash investments are placed with banks and institutions with sound credit ratings.

The maximum exposure to credit risk at the reporting date was:

Description	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Cash at banks	**227,680,370**	211,206,159
Accounts receivables, investment in islamic financing contracts and installment sale receivable*	**363,172,301**	380,593,167

*For investments in financing contracts have been measured based on Expected Credit Loss (ECL) method. The class wise categorization of installment sales receivable ECL are included in note 5.

The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. With respect to credit risk arising from the financial assets of the Group, including receivables from employees and bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the consolidated financial position.

Capital management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year. The capital structure of the Group consists of equity and debt comprising share capital, the statutory reserve, retained earnings, the foreign currency translation reserve and loans. The Group is not subject to any externally imposed capital requirements.

15. CONTINGENCIES AND CAPITAL COMMITMENTS

	September 30, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
Letters of credit	**361,728,740**	498,522,081
Letters of guarantee	**50,032,448**	117,364,117
Commitments for the acquisition of property and equipment	**12,364,408**	30,706,597
Commitments for the acquisition of intangible assets	**465,880**	10,665,688

16. RIGHT OF USE

Right of use assets related to Group's leases are as follows

	September 30, 2019 (Unaudited) SR	January 1, 2019 (Unaudited) SR
Store	**404,003,227**	436,777,453
Warehouse	**36,365,074**	700,005
	440,368,301	437,477,458

17. LEASE LIABILITY

	September 30, 2019 (Unaudited) SR	January 1, 2019 (Unaudited) SR
Current	**45,984,360**	31,732,047
Non-current	**493,395,367**	492,024,426
	539,379,727	523,756,473

18. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions are as follows,

	September 30, 2019 (Unaudited) SR	September 30, 2018 (Unaudited) SR
IFRS 16 - Transfer of prepayments	**18,267,832**	-
Property and equipment written off	**868,810**	4,586,063
Transfer of right of use to prepayment	**704,433**	
Addition in right of use	**39,002,736**	-
IFRS 16 - Transfer of finance lease liability	**(546,395)**	-
IFRS 16 - Sales and lease back adjustment	**(1,980,775)**	-
IFRS 16 - Transfer of operating lease liability	**(18,717,603)**	-
Impact of adoption of IFRS 16 on equity	**(83,848,469)**	
Addition in lease liability	**(39,002,736)**	-
Insurance claim receivables for inventories	-	16,311,055
Insurance claim receivables for property and equipment	-	8,387,245
Impact of adoption of IFRS 9	-	(479,953)
Property and equipment acquired on finance lease	**214,200**	162,000
Additions on transfer of investment in a subsidiary :		
Trade receivables and other assets	**903,769**	-
Property and equipment	**92,502**	-
Intangible assets	**114,596**	-
End of service indemnities	**(1,175,255)**	-
Trade payables and other liabilities	**(2,034,233)**	-

19. ZAKAT STATUS

The Company received on January 8, 2018, the final assessment for years 2006 to 2010 from the General Authority of Zakat and Tax ("GAZT") that claimed an additional zakat and tax liability of SR 24 million. The Company has filed an objection to the above-mentioned assessment and obtained a revised assessment of SR 322,278 which was settled in 2018. Assessment for years 2011 to 2017 still under review by the General Authority of Zakat and Tax ("GAZT"). The Company obtained the zakat certificate for the year ended December 31, 2018.

During the period ended September 30, 2019, the Company received an assessment for the year 2017 from General Authority of Zakat and Tax ("GAZT") claiming zakat and tax of SR 26.2 million. The Company has filed the objection letter on the above mentioned assessment and settled the claim by SR 359,691.

20. PURCHASE AND AGENCY AGREEMENTS

During the period ended September 30, 2019, the Company entered into purchase and agency agreements (the "agreements") with a local bank based on which the Company has sold its designated installment sales receivables to the bank and then managing these receivables on behalf of the bank as an agent as per the terms of these purchase and agency agreements. The Company sold SR 129.78 million of its net receivables against which a gain of SR 17.47 million has been recognized during the current quarter.

As on September 30, 2019, the Company has the provision with present value of SR 9,953,229 for expected defaults and early termination.

According to the terms and condition of the agreement, the Company has also recognized servicing liability for this agreement by estimating the present value of servicing liability which is classified as follows.

	September 30, 2019 (Unaudited) SR
Present value of net servicing liability	1,935,180
Less: current portion	(1,375,240)
Non-current portion (disclosed as other non-current liabilities)	559,940

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current period.

22. DIVIDENDS DISTRIBUTION

On April 08, 2019, the Board of Directors in their meeting, resolved to distribute SR 62.5 million cash dividend of SR 1.25 per share to the shareholders of the Company for the second half of 2018. The dividends were settled during the period.

Further, the Board of Directors in their meeting held on July 08, 2019, resolved to distribute SR 50 million cash dividend of SR 1 per share to the shareholders of the Company for the first half of 2019. The dividends were settled during the period.

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the board of directors and authorized for issue on October 28, 2019 corresponding to 29 Safar 1441H.