

**UNITED ELECTRONICS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2020  
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**UNITED ELECTRONICS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Shareholders of  
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 at June 30, 2020, the related condensed consolidated interim statement of profit or loss and comprehensive income for the three and six months periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for six months period then ended and notes, including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34), that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### **Scope of Review:**

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion:**

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

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

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

August 12, 2020  
Dhul Hijjah 22, 1441H.



**UNITED ELECTRONICS COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

		<b>June 30, 2020 (Unaudited) SR</b>	<b>December 31, 2019 (Audited) SR</b>
	<b>Note</b>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	11	466,820,130	477,429,746
Right of use		424,544,570	448,471,844
Intangible assets	11	58,217,711	56,053,297
Goodwill		528,692	6,367,451
Trade receivables and other assets – Noncurrent portion		1,202,431	1,472,172
Investment in installment sales receivables and Islamic financing contracts – Noncurrent portion	5	298,691,335	218,417,961
		<u>1,250,004,869</u>	<u>1,208,212,471</u>
<b>Current assets</b>			
Inventories		745,321,259	913,369,876
Trade receivables and other assets		111,495,026	145,864,113
Investment in installment sales receivables and Islamic financing contracts – Current portion	5	279,158,658	264,583,270
Cash and cash equivalents	6	551,537,879	102,971,989
		<u>1,687,512,822</u>	<u>1,426,789,248</u>
<b>TOTAL ASSETS</b>		<u><b>2,937,517,691</b></u>	<u><b>2,635,001,719</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	600,000,000	500,000,000
Statutory reserve		14,289,773	41,783,373
Other reserves		10,398,636	8,562,248
Retained earnings		130,623,036	129,565,441
Treasury shares		(24,000,000)	(20,000,000)
		<u>731,311,445</u>	<u>659,911,062</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred revenue from extended warranty program – Noncurrent portion		83,987,731	76,924,519
Lease liability – Noncurrent portion		488,201,246	507,331,165
Borrowings – Noncurrent portion	7	85,000,000	-
Deferred tax liabilities		1,248,521	1,683,969
End of service benefits		64,573,201	59,900,995
Other liabilities		30,875	3,854,086
		<u>723,041,574</u>	<u>649,694,734</u>
<b>Current liabilities</b>			
Trade payables and other liabilities		1,185,163,486	808,481,501
Deferred revenue from extended warranty program – Current portion		61,094,551	58,363,381
Lease liability – Current portion		55,952,083	47,074,296
Borrowings – Current portion	7	165,000,000	400,000,000
Zakat and income tax provision		15,954,552	11,476,745
		<u>1,483,164,672</u>	<u>1,325,395,923</u>
<b>Total liabilities</b>		<u><b>2,206,206,246</b></u>	<u><b>1,975,090,657</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,937,517,691</b></u>	<u><b>2,635,001,719</b></u>

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 their behalf on August 12, 2020.

\_\_\_\_\_  
**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)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**
**FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2020**

	Note	For the three months periods ended		For the six months periods ended	
		June 30, 2020 (Unaudited) SR	June 30, 2019 (Unaudited) SR	June 30, 2020 (Unaudited) SR	June 30, 2019 (Unaudited) SR
Revenue, net	8	1,550,858,659	1,161,499,545	2,783,107,659	2,219,007,716
Cost of revenue	8	(1,274,742,904)	(935,038,799)	(2,286,222,471)	(1,804,567,609)
<b>Gross profit</b>		<b>276,115,755</b>	<b>226,460,746</b>	<b>496,885,188</b>	<b>414,440,107</b>
Selling, marketing and distribution expenses		(125,980,894)	(118,957,043)	(260,827,858)	(229,329,143)
General and administrative expenses		(37,169,591)	(34,421,540)	(72,416,659)	(64,619,558)
Other expenses		(7,252,984)	(734,338)	(7,329,104)	(913,583)
Other income, net		329,616	18,868,625	1,074,614	22,662,881
Finance charges		(12,607,254)	(15,724,691)	(26,835,697)	(31,015,019)
<b>Profit before zakat and income tax</b>		<b>93,434,648</b>	<b>75,491,759</b>	<b>130,550,484</b>	<b>111,225,685</b>
Zakat and income tax	12	(3,486,794)	(3,031,312)	(5,921,937)	(4,931,312)
Deferred tax		435,448	-	435,448	-
<b>Net profit for the period</b>		<b>90,383,302</b>	<b>72,460,447</b>	<b>125,063,995</b>	<b>106,294,373</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<i>Item that may be reclassified subsequently to statement of profit or loss:</i>					
Exchange differences on translation of foreign operations		(72,791)	(15,107)	(75,283)	79,952
<b>Other comprehensive (loss) income for the period</b>		<b>(72,791)</b>	<b>(15,107)</b>	<b>(75,283)</b>	<b>79,952</b>
<b>Total comprehensive income for the period</b>		<b>90,310,511</b>	<b>72,445,340</b>	<b>124,988,712</b>	<b>106,374,325</b>
<b>Earnings per share attributable to shareholders of the Group</b>					
Basic earnings per share (Saudi Riyal per share)	10	1.57	1.26	2.17	1.85
Diluted earnings per share (Saudi Riyal per share)	10	1.51	1.21	2.08	1.77

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 their behalf on August 12, 2020.

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)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR SIX MONTHS PERIOD ENDED JUNE 30, 2020**

	Share Capital SR	Statutory reserve SR	Other Reserves				Retained earnings SR	Treasury shares SR	Total Equity SR
			Share based payment reserve SR	Foreign currency translation reserve SR	Actuarial reserve SR	Total other reserves SR			
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	(20,000,000)	645,583,403
Adjustment on adoption of IFRS 16	-	-	-	-	-	-	(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	(20,000,000)	561,734,934
Net profit for the period	-	-	-	-	-	-	106,294,373	-	106,294,373
Other comprehensive income for the period	-	-	-	79,952	-	79,952	-	-	79,952
Transfer to statutory reserve	-	10,629,437	-	-	-	-	(10,629,437)	-	-
Dividend paid (Note 13)	-	-	-	-	-	-	(62,500,000)	-	(62,500,000)
Share based payment expense	-	-	3,000,000	-	-	3,000,000	-	-	3,000,000
Balance as at June 30, 2019 (Unaudited)	500,000,000	31,851,381	4,600,000	(28,509)	2,008,873	6,580,364	90,177,514	(20,000,000)	608,609,259
Balance as at January 1, 2020 (Audited)	500,000,000	41,783,373	7,600,000	(11,495)	973,743	8,562,248	129,565,441	(20,000,000)	659,911,062
Net profit for the period	-	-	-	-	-	-	125,063,995	-	125,063,995
Other comprehensive loss for the period	-	-	-	(75,283)	-	(75,283)	-	-	(75,283)
Transfer to statutory reserve	-	12,506,400	-	-	-	-	(12,506,400)	-	-
Reclassification of dividend declared on treasury shares	-	-	-	-	-	-	7,000,000	-	7,000,000
Issuance of bonus share (Note 1)	100,000,000	(40,000,000)	-	-	-	-	(56,000,000)	(4,000,000)	-
Dividend paid (Note 13)	-	-	-	-	-	-	(62,500,000)	-	(62,500,000)
Share based payment expense	-	-	1,911,671	-	-	1,911,671	-	-	1,911,671
Balance as at June 30, 2020 (Unaudited)	600,000,000	14,289,773	9,511,671	(86,778)	973,743	10,398,636	130,623,036	(24,000,000)	731,311,445

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 their behalf on August 12, 2020.

\_\_\_\_\_  
**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)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR SIX MONTHS PERIOD ENDED JUNE 30, 2020**

	<b>For the six months periods ended</b>	
	<b>June 30, 2020 (Unaudited) SR</b>	<b>June 30, 2019 (Unaudited) SR</b>
<b><u>Cash flows from operating activities:</u></b>		
Net profit for the period	125,063,995	106,294,373
<i>Adjustments for:</i>		
Depreciation of property and equipment	22,313,681	18,647,210
Amortization of intangible assets	5,648,767	2,840,897
Depreciation of right of use	27,031,786	23,602,114
Property and equipment written off	7,149,424	-
Intangible assets written off	108,631	-
Share based payment expense	1,911,671	3,000,000
Discounts received on lease liability	(1,212,253)	-
Gain on sale of installment sales receivables	-	(17,471,075)
Loss from disposal of property and equipment	27,505	11,251
Deferred revenue from extended warranty program	9,794,382	3,883,723
Finance charges	26,742,659	31,015,019
Allowance for impairment recognized on investment in installment sales receivables and Islamic financing contracts	8,072,674	8,540,424
Allowance for impairment recognized on inventories	6,559,242	4,477,670
Deferred tax	(435,448)	-
Zakat and income tax expense	5,921,937	4,931,312
End of service benefits	6,538,021	9,135,604
	<b>251,236,674</b>	<b>198,908,522</b>
<b><u>Changes in:</u></b>		
Trade receivables and other assets	34,638,828	8,068,531
Investment in installment sales receivables and Islamic financing contracts	(102,921,436)	(63,017,182)
Inventories	161,489,375	24,118,845
Trade payables and other liabilities	372,858,774	14,657,914
<b><i>Cash generated from operations</i></b>	<b>717,302,215</b>	<b>182,736,630</b>
End of service benefits paid	(1,865,815)	(3,468,725)
Finance cost paid	(6,210,766)	(31,015,019)
Zakat and income tax paid	(1,444,130)	(8,458,324)
<b>Net cash generated from operating activities</b>	<b>707,781,504</b>	<b>139,794,562</b>
<b><u>Cash flows from investing activities</u></b>		
Additions to property and equipment	(19,424,331)	(34,721,694)
Additions to intangible assets	(1,559,716)	(14,287,167)
Proceeds from disposal of property and equipment	20,000	20,316
Investment in a subsidiary	-	(5,000,000)
<b>Net cash used in investing activities</b>	<b>(20,964,047)</b>	<b>(53,988,545)</b>
<b><u>Cash flows from financing activities:</u></b>		
Drawdown of Borrowings	1,079,000,000	1,550,000,000
Repayment of Borrowings	(1,229,000,000)	(1,705,000,000)
Proceeds from sale of installment sales receivables	-	160,024,828
Dividend payment	(62,500,000)	(62,500,000)
Cash received on dividend from treasury shares	7,000,000	-
Repayment of lease liability	(32,676,284)	(19,943,496)
<b>Net cash used in financing activities</b>	<b>(238,176,284)</b>	<b>(77,418,668)</b>

**UNITED ELECTRONICS COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR SIX MONTHS PERIOD ENDED JUNE 30, 2020**

	<b>For the six months periods ended</b>	
	<b>June 30,</b>	June 30,
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>SR</b>	SR
<b>Net change in cash and cash equivalents</b>	<b>448,641,173</b>	8,387,349
Effects of foreign exchange translation on cash and cash equivalents	(75,283)	79,952
Cash received from acquisition of a subsidiary	-	731,170
Cash and cash equivalent at the beginning of the period	<b>102,971,989</b>	211,206,159
<b>Cash and cash equivalents at end of the period</b>	<b>551,537,879</b>	220,404,630

**Significant Non-cash transaction**

IFRS 16 - Impact of adoption on equity	-	(83,848,469)
IFRS 16 - Sales and lease back adjustment	-	(1,980,775)
IFRS 16 - Transfer of finance lease liability	-	(546,395)
IFRS 16 - Transfer of operating lease liability	-	(18,717,603)
IFRS 16 - Transfer of prepayments	-	18,267,832
Property and equipment written off	-	868,810
Transfer of right of use to prepayment	-	704,433
Addition in right of use / lease liability	<b>3,104,512</b>	39,002,736
Transfers from capital work in progress to intangible assets	<b>523,337</b>	-
Change in goodwill valuation	<b>5,838,759</b>	-

**Additions on transfer of investment in a subsidiary :**

Trade and other assets	-	903,769
Property and equipment	-	92,502
Intangible assets	-	114,596
End of service indemnities	-	(1,175,255)
Trade and other payables	-	(2,034,233)

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 their behalf on August 12, 2020.

\_\_\_\_\_  
**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)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2020**

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**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.

The Company’s share capital as at June 30, 2020 amounted to SR 600 million (2019: SR 500 million) consisting of 60 million (2019: 50 million) shares of SR 10 each.

The Board of Directors of the Company, on March 5, 2020, recommended to the Extra Ordinary General Assembly of the Company for the increase in its share capital from SR 500 million to SR 600 million by granting bonus shares to the company's existing shareholders. On May 05, 2020 the shareholders of the Company in their annual general meeting approved the recommendations of the board of directors for increase in share capital and accordingly, the share capital was increased from SR 500 million to SR 600 million, and number of shares increased from 50 million shares to 60 million shares.

On March 18, 2020, the Board of Directors of the Company announced intention to purchase 100,000 shares of the Company as part of the employees’ share program, subject to the approval of the Extra Ordinary General Assembly. The shareholders of the Company approved the recommendation in their annual general meeting dated May 05, 2020.

**1.1 Structure of the group**

These condensed consolidated interim financial statements for the three and six months’ periods ended June 30, 2020 include the financial statements of the company and following subsidiaries:

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

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES** (Continued)

**1.1 Structure of the group** (Continued)

- 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 Group 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 financial year ended December 31, 2019, the Group invested SR 5 million to acquire a Company under the name "Procco Financial Services W.L.L". The principal activities of this subsidiary is to provide technical services to financial institutions and other companies. The Group had previously recognized Goodwill of SR 6,367,451 as a result of this acquisition. During the period the Group, completed its purchase price allocation as allowed by IFRS 3 – Business combinations that resulted in increase of net assets and decrease in goodwill by SR 5,838,759.

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

As at June 30, 2020, the Group had a total of 50 branches (June 30, 2019: 47 branches) out of which 45 operational branches are in the Kingdom of Saudi Arabia (June 30, 2019: 43 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 Saudi Riyal.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed consolidated interim financial statements for the three and six months' periods ended June 30, 2020 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, 2019.

**2.2 Preparation of the condensed consolidated interim financial statements**

The accompanying condensed consolidated interim financial statements have been prepared on the historical cost convention, except where International Financial Reporting Standards (IFRSs) require other measurement basis.

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.

The preparation of these financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual audited consolidated financial statements.

**UNITED ELECTRONICS COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2020**

**3. BASIS OF CONSOLIDATION**

The condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries ("the Group") as 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 condensed consolidated interim 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 interim 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 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. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

**New standards, amendments to standards and Interpretations**

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

**5. INVESTMENT IN INSTALLMENT SALES RECEIVABLES AND ISLAMIC FINANCING CONTRACTS**

	<b>Note</b>	<b>June 30, 2020 (Unaudited) SR</b>	<b>December 31, 2019 (Audited) SR</b>
Installment sales receivables, net	<b>5.1</b>	<b>200,672,918</b>	339,102,159
Investment in Islamic financing contracts, net	<b>5.2</b>	<b>377,177,075</b>	143,899,072
		<b>577,849,993</b>	483,001,231
Less: non-current portion		<b>(298,691,335)</b>	(218,417,961)
Current portion		<b>279,158,658</b>	264,583,270

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**5. INVESTMENT IN INSTALLMENT SALES RECEIVABLES AND ISLAMIC FINANCING CONTRACTS (Continued)**

**5.1 Installment sales receivables, net**

	<b>June 30, 2020 (Unaudited) SR</b>	December 31, 2019 (Audited) SR
Installment sales receivables	<b>240,923,239</b>	379,352,480
Less: allowance for impairment	<b>(40,250,321)</b>	(40,250,321)
Net installment sales receivables	<b>200,672,918</b>	339,102,159
Less: non-current portion	<b>(50,061,081)</b>	(116,931,600)
Installment sales receivables - current portion	<b>150,611,837</b>	222,170,559

The average credit installment granted is SR 10,000.

As at June 30, 2020 and December 31, 2019, stage-wise installment sales receivables and the respective allowance for impairment are as follows:

<b>June 30, 2020 (Unaudited)</b>	<b>Stage 1 SR</b>	<b>Stage 2 SR</b>	<b>Stage 3 SR</b>	<b>Total SR</b>
Installment sales receivables	<b>153,202,258</b>	<b>16,992,756</b>	<b>70,728,225</b>	<b>240,923,239</b>
Allowance for impairment	<b>(1,428,558)</b>	<b>(2,604,335)</b>	<b>(36,217,428)</b>	<b>(40,250,321)</b>
	<b>151,773,700</b>	<b>14,388,421</b>	<b>34,510,797</b>	<b>200,672,918</b>
December 31, 2019 (Audited)	Stage 1 SR	Stage 2 SR	Stage 3 SR	Total SR
Installment sales receivables	305,251,791	22,754,680	51,346,009	379,352,480
Allowance for impairment	(3,776,594)	(4,359,525)	(32,114,202)	(40,250,321)
	301,475,197	18,395,155	19,231,807	339,102,159

Movement in the allowance for impairment for the six months' period and year ended June 30, 2020 and December 31, 2019 respectively, is as follows:

	<b>June 30, 2020 (Unaudited) SR</b>	December 31, 2019 (Audited) SR
Opening balance	40,250,321	30,879,155
Impairment for the period / year	-	9,828,673
Utilized allowance for the period / year	-	(457,507)
Closing balance	<b>40,250,321</b>	40,250,321

**5.2 Investment in Islamic financing contracts, net**

Investment in financings contract comprised of investment in Tawarruq and Murabaha contracts as mentioned below:

	<b>June 30, 2020 (Unaudited)</b>			
	<b>Current portion SR</b>	<b>Non-current portion SR</b>	<b>Allowance for impairment SR</b>	<b>Total SR</b>
Tawarruq contracts receivables, net	<b>50,848,030</b>	<b>204,230,079</b>	<b>(6,836,536)</b>	<b>248,241,573</b>
Murabaha contracts receivables, net	<b>82,100,420</b>	<b>50,715,473</b>	<b>(3,880,391)</b>	<b>128,935,502</b>
	<b>132,948,450</b>	<b>254,945,552</b>	<b>(10,716,927)</b>	<b>377,177,075</b>

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**5. INVESTMENT IN INSTALLMENT SALES RECEIVABLES AND ISLAMIC FINANCING CONTRACTS (Continued)**

**5.2 Investment in Islamic financing contracts, net (Continued)**

	December 31, 2019 (Audited)		
	Current portion SR	Non-current portion SR	Allowance for impairment SR
			Total SR
Tawarruq contracts receivables, net	18,698,043	91,351,938	(1,312,502)
Murabaha contracts receivables, net	24,975,146	11,518,198	(1,331,751)
	43,673,189	102,870,136	(2,644,253)

**Tawarruq contracts receivables, net**

	June 30, 2020 (Unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Tawarruq contracts receivables, gross	113,559,222	296,832,328	410,391,550
Less: deferred financing income	(62,453,348)	(91,928,272)	(154,381,620)
	51,105,874	204,904,056	256,009,930
Unearned origination fees	(585,093)	(1,529,374)	(2,114,467)
Deferred transaction costs	327,249	855,397	1,182,646
	50,848,030	204,230,079	255,078,109
Less: Allowance for impairment	(1,891,734)	(4,944,802)	(6,836,536)
Tawarruq contracts receivables, net	48,956,296	199,285,277	248,241,573

	December 31, 2019 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
Tawarruq contracts receivables, gross	44,698,384	137,984,759	182,683,143
Less: deferred financing income	(25,822,944)	(46,314,651)	(72,137,595)
	18,875,440	91,670,108	110,545,548
Unearned origination fees	(331,802)	(595,105)	(926,907)
Deferred transaction costs	154,405	276,935	431,340
	18,698,043	91,351,938	110,049,981
Less: Allowance for impairment	(321,133)	(991,369)	(1,312,502)
Tawarruq contracts receivables, net	18,376,910	90,360,569	108,737,479

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**5. INVESTMENT IN INSTALLMENT SALES RECEIVABLES AND ISLAMIC FINANCING CONTRACTS (Continued)**

**5.2 Investment in Islamic financing contracts, net (Continued)**

**Murabaha contracts receivables, net**

	<b>June 30, 2020 (Unaudited)</b>		
	<b>Current portion SR</b>	<b>Non-current portion SR</b>	<b>Total SR</b>
Murabaha contracts receivables, gross	<b>117,834,156</b>	<b>64,341,843</b>	<b>182,175,999</b>
Less: deferred financing income	<b>(35,527,363)</b>	<b>(13,513,683)</b>	<b>(49,041,046)</b>
	<b>82,306,793</b>	<b>50,828,160</b>	<b>133,134,953</b>
Unearned origination fees	<b>(583,542)</b>	<b>(318,636)</b>	<b>(902,178)</b>
Deferred transaction costs	<b>377,169</b>	<b>205,949</b>	<b>583,118</b>
	<b>82,100,420</b>	<b>50,715,473</b>	<b>132,815,893</b>
Less: Allowance for impairment	<b>(2,509,895)</b>	<b>(1,370,496)</b>	<b>(3,880,391)</b>
Murabaha contracts receivables, net	<b>79,590,525</b>	<b>49,344,977</b>	<b>128,935,502</b>

  

	<b>December 31, 2019 (Audited)</b>		
	<b>Current portion SR</b>	<b>Non-current portion SR</b>	<b>Total SR</b>
Murabaha contracts receivables, gross	33,922,658	13,947,289	47,869,947
Less: deferred financing income	(8,765,830)	(2,432,485)	(11,198,315)
	25,156,828	11,514,804	36,671,632
Unearned origination fees	(208,777)	(3,530)	(212,307)
Deferred transaction costs	27,095	6,924	34,019
	24,975,146	11,518,198	36,493,344
Less: Allowance for impairment	(939,345)	(392,406)	(1,331,751)
Murabaha contracts receivables, net	24,035,801	11,125,792	35,161,593

<b>June 30, 2020 (Un-audited)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Investment in finance receivable	<b>371,421,794</b>	<b>9,069,936</b>	<b>8,653,153</b>	<b>389,144,883</b>
Less: Allowance for impairment	<b>(3,543,491)</b>	<b>(2,473,932)</b>	<b>(4,699,504)</b>	<b>(10,716,927)</b>
	<b>367,878,303</b>	<b>6,596,004</b>	<b>3,953,649</b>	<b>378,427,956</b>

<b>December 31, 2019 (Audited) *</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Investment in finance receivable	142,607,547	2,613,890	1,995,743	147,217,180
Less: Allowance for impairment	(1,350,703)	(384,654)	(908,896)	(2,644,253)
	141,256,844	2,229,236	1,086,847	144,572,927

\* The above presented stage-wise analysis of investment in finance receivables and allowance for impairment exclude unearned origination fee and deferred transaction cost.

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**5. INVESTMENT IN INSTALLMENT SALES RECEIVABLES AND ISLAMIC FINANCING CONTRACTS (Continued)**

**5.2 Investment in Islamic financing contracts, net (Continued)**

Movement in allowance for impairment for the period and year ended June 30, 2020 and December 31, 2019 is as follows:

	<b>June 30, 2020 (Unaudited) SR</b>	<b>December 31, 2019 (Audited) SR</b>
Opening balance	2,644,253	-
Impairment for the period/year	<b>8,072,674</b>	2,644,253
Closing balance	<b>10,716,927</b>	2,644,253

**6. CASH AND CASH EQUIVALENTS**

	<b>June 30, 2020 (Unaudited) SR</b>	<b>December 31, 2019 (Audited) SR</b>
Time deposits	<b>290,000,000</b>	-
Cash at banks	<b>237,043,897</b>	85,814,458
Cash on hand	<b>24,493,982</b>	17,157,531
	<b>551,537,879</b>	102,971,989

**7. BORROWINGS**

	<b>June 30, 2020 (Unaudited) SR</b>	<b>December 31, 2019 (Audited) SR</b>
Murabaha Islamic financing	<b>180,000,000</b>	400,000,000
Tawarruq Islamic financing	<b>70,000,000</b>	-
	<b>250,000,000</b>	400,000,000
Borrowings – Current portion	<b>(165,000,000)</b>	(400,000,000)
Borrowings – Noncurrent portion	<b>85,000,000</b>	-

The Group has bank facilities from local banks for letter of credit, letters of guarantee, Murabaha Islamic and Tawarruq Islamic financings. These facilities are subject to Islamic Shariah principles. These facilities carry finance charges at market rates and are secured against promissory notes. Long-term financing is repayable in 20 equal quarterly installments commencing from December 2020.

**8. 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 June 30, 2020 and 2019 are as follows:

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**8. SEGMENTAL REPORTING (Continued)**

*For the six months' period ended June 30, 2020 (Unaudited)*

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	2,608,850,860	180,619,434	(6,362,635)	2,783,107,659
Cost of revenue	(2,139,583,369)	(151,313,284)	4,674,182	(2,286,222,471)
Gross profit	469,267,491	29,306,150	(1,688,453)	496,885,188
Net profit for the period	125,214,736	5,895,797	(6,046,538)	125,063,995

*For the six months' period ended June 30, 2019 (Unaudited)*

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	2,083,309,324	136,467,567	(769,175)	2,219,007,716
Cost of revenue	(1,687,896,974)	(117,114,310)	443,675	(1,804,567,609)
Gross profit	395,412,350	19,353,257	(325,500)	414,440,107
Net profit for the period	96,127,604	2,067,915	8,098,854	106,294,373

*For the three months' period ended June 30, 2020 (Unaudited)*

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	1,448,396,831	105,505,876	(3,044,048)	1,550,858,659
Cost of revenue	(1,186,797,211)	(90,133,559)	2,187,866	(1,274,742,904)
Gross profit	261,599,620	15,372,317	(856,182)	276,115,755
Net profit for the period	94,546,089	3,431,602	(7,594,389)	90,383,302

*For the three months' period ended June 30, 2019 (Unaudited)*

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	1,083,042,134	79,226,586	(769,175)	1,161,499,545
Cost of revenue	(868,036,483)	(67,445,991)	443,675	(935,038,799)
Gross profit	215,005,651	11,780,595	(325,500)	226,460,746
Net profit for the period	65,783,178	2,775,201	3,902,068	72,460,447



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**8. SEGMENTAL REPORTING (Continued)**

*Financial position as at June 30, 2020 (Unaudited)*

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Non-current assets	1,282,807,402	113,534,107	(146,336,640)	1,250,004,869
Current assets	1,726,330,273	118,200,658	(157,018,109)	1,687,512,822
Total Assets	3,009,137,675	231,734,765	(303,354,749)	2,937,517,691
Non-current liabilities	654,205,967	68,835,607	-	723,041,574
Current liabilities	1,492,444,495	147,738,286	(157,018,109)	1,483,164,672
Total Liabilities	2,146,650,462	216,573,893	(157,018,109)	2,206,206,246

*Financial position as at December 31, 2019 (Audited)*

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Non-current assets	1,258,526,599	112,560,063	(162,874,191)	1,208,212,471
Current assets	1,440,464,342	90,595,304	(104,270,398)	1,426,789,248
Total Assets	2,698,990,941	203,155,367	(267,144,589)	2,635,001,719
Non-Current liabilities	583,044,371	66,650,363	-	649,694,734
Current liabilities	1,300,977,240	128,689,081	(104,270,398)	1,325,395,923
Total Liabilities	1,884,021,611	195,339,444	(104,270,398)	1,975,090,657

**9. 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 Company	Affiliate of a shareholder
Retal Urban Development Company	Affiliate of a shareholder
Madar Building Materials Company	Affiliate of a shareholder
Madar Electrical Materials Company	Affiliate of a shareholder
Madar Tools & Equipment Company	Affiliate of a shareholder
Al Yassra Trading Company	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.

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**9. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)**

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

Nature of transaction	Transaction Amount		Balance at	
	June 30, 2020 (Unaudited) SR	June 30, 2019 (Unaudited) SR	June 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
<b>Sales to</b>				
Al Fozan Holding Company	89,143	360,736	10,749	31,763
Retal Urban Development Company	130,982	37,936	98,982	50,285
United Homeware Company	-	-	-	247,551
	<b>220,125</b>	<b>398,672</b>	<b>109,731</b>	<b>329,599</b>
<b>Purchases (return) from</b>				
United Homeware Company	3,071,431	1,012,304	4,769,055	1,769,102
Madar Tools & Equipment Co.	436,169	(227,430)	538,150	417,367
Al Yassra Trading Co.	-	43,974	30,714	30,713
Al Fozan Holding Co.	5,000,000	-	-	-
	<b>8,507,600</b>	<b>828,848</b>	<b>5,337,919</b>	<b>2,217,182</b>
<b>Fixed assets purchases from</b>				
Madar Electrical Materials Co.	-	174,036	-	-
<b>Rental income from</b>				
United Homeware Company	2,103,040	3,294,942	2,103,040	2,549,617
<b>Rent expense from</b>				
Madar Building Materials Co.	275,000	275,000	-	-
Abdullatif and Mohamed Al Fozan Co.	735,500	735,500	-	-
	<b>1,010,500</b>	<b>1,010,500</b>	<b>-</b>	<b>-</b>
<b>Other expenses from</b>				
United Homeware Company	126,158	149,470	126,158	-
<b>Management fee</b>				
United Homeware Company	-	595,629	-	-
<b>Key management compensation:</b>				
			June 30, 2020 (Unaudited) SR	June 30, 2019 (Unaudited) SR
Short term benefits			14,536,809	17,231,862
Retention program benefits			698,421	422,541
BOD and related committees remuneration			2,380,433	2,480,835

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**10. EARNINGS PER SHARE**

	<b>For the three months</b>		<b>For the six months</b>	
	<b>periods ended</b>		<b>periods ended</b>	
	<b>June 30,</b>	June 30,	<b>June 30,</b>	June 30,
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b>SR</b>	SR	<b>SR</b>	SR
Profit for the period attributable to the shareholder of the Group	<b>90,383,302</b>	72,460,447	<b>125,063,995</b>	106,294,373
Weighted average number of ordinary shares for the purposes of basic earnings	<b>57,600,000</b>	57,600,000	<b>57,600,000</b>	57,600,000
Weighted average number of ordinary shares for the purposes of diluted earnings	<b>60,000,000</b>	60,000,000	<b>60,000,000</b>	60,000,000
<b>Earnings per share</b>				
Basic earnings per share	<b>1.57</b>	1.26	<b>2.17</b>	1.85
Diluted earnings per share	<b>1.51</b>	1.21	<b>2.08</b>	1.77

**11. CONTINGENCIES AND CAPITAL COMMITMENTS**

	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Audited)
	<b>SR</b>	SR
Letters of credit	<b>422,680,053</b>	368,435,430
Letters of guarantee	<b>54,346,235</b>	55,032,448
Commitments for the acquisition of property and equipment	<b>2,094,116</b>	8,982,458
Commitments for the acquisition of intangible assets	<b>2,034,857</b>	1,756,691

**12. ZAKAT AND INCOME TAX STATUS**

On January 8, 2018, the Group received, 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 Group has filed an objection to the above-mentioned assessment and obtained a revised assessment of SR 322,278 which was settled during 2018. Assessment for years 2011 to 2018 (except for the year 2017 as mentioned in below paragraph) is still under review by the General Authority of Zakat and Tax ("GAZT"). The Group obtained the zakat certificate for the year ended December 31, 2019.

In the financial year 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.

**13. DIVIDENDS DISTRIBUTION**

On March 05, 2020, the Board of Directors of the Company 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 2019. The dividends were distributed during the period.

On April 08, 2019, the Board of Directors of the Company 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 ended June 30, 2019.

#### **14. SIGNIFICANT EVENT**

The new Coronavirus disease (COVID-19) has spread worldwide, causing disruption to businesses and economic activity on the business level. The government of the Kingdom of Saudi Arabia announced additional decisions to control the impact of the outbreak which includes the 24 hours' curfew across certain cities in the Kingdom. Further the Government through its Royal decrees also announced to support the private sector to limit the impact of the precautionary actions taken.

The Group believe that, at this stage, it is not possible to accurately estimate the potential financial impact of the business disruption and the support from the Government on the Group as of now as it depends on the future factors, the spread rate of the virus, the extent of the outbreak, and the measures the government takes to limit the spread of the epidemic.

The Group will continue monitoring the current epidemic and the economic conditions to protect customers and employees and follow up on future developments that cannot be accurately estimated.

#### **15. SUBSEQUENT EVENT**

On July 19, 2020, the Board of Directors of the Company resolved to distribute SR 60 million cash dividend of SR 1 per share to the shareholders of the Company for the first half of 2020.

#### **16. COMPARATIVE FIGURES**

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

#### **17. 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 August 12, 2020 corresponding to Dhul Hijjah 22, 1441H.