

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

Table of Content	Page
Independent auditor's review report on condensed consolidated interim financial statements	-
Condensed consolidated interim statement of financial position	1
Condensed consolidated interim statement of profit or loss and other comprehensive income	2
Condensed consolidated interim statement of changes in equity	3
Condensed consolidated interim statement of cash flows	4 – 5
Notes to the condensed consolidated interim financial statements	6 – 15

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 March 31, 2020, the related condensed consolidated interim statements of profit or loss and comprehensive income, changes in equity and cash flows for the three 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, that is 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



May 21, 2020
 Ramadan 28, 1441H.

UNITED ELECTRONICS COMPANY

(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

		March 31, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
	Note		
ASSETS			
Non-current assets			
Property and equipment	10	474,695,390	477,429,746
Right of use		437,766,123	448,471,844
Intangible assets	10	54,665,657	56,053,297
Goodwill		6,367,451	6,367,451
Trade receivables and other assets – Noncurrent portion		1,373,327	1,472,172
Investment in installment sales receivables and Islamic financing contracts – Noncurrent portion	5	284,192,443	218,417,961
		<u>1,259,060,391</u>	<u>1,208,212,471</u>
Current assets			
Inventories		953,552,815	913,369,876
Trade receivables and other assets		94,014,117	145,864,113
Investment in installment sales receivables and Islamic financing contracts – Current portion	5	276,449,379	264,583,270
Cash and cash equivalents	6	894,867,994	102,971,989
		<u>2,218,884,305</u>	<u>1,426,789,248</u>
TOTAL ASSETS		<u>3,477,944,696</u>	<u>2,635,001,719</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		45,251,442	41,783,373
Other reserves		8,971,427	8,562,248
Retained earnings		98,278,065	129,565,441
Treasury shares		(20,000,000)	(20,000,000)
		<u>632,500,934</u>	<u>659,911,062</u>
Liabilities			
Non-current liabilities			
Deferred revenue from extended warranty program – Noncurrent portion		79,330,288	76,924,519
Lease liability – Noncurrent portion		513,067,460	507,331,165
Borrowings – Noncurrent portion	7	90,000,000	-
Deferred tax liabilities		1,683,969	1,683,969
End of service benefits		62,307,764	59,900,995
Other liabilities		64,331	3,854,086
		<u>746,453,812</u>	<u>649,694,734</u>
Current liabilities			
Trade payables and other liabilities		1,031,539,989	808,481,501
Deferred revenue from extended warranty program – Current portion		59,237,862	58,363,381
Lease liability – Current portion		35,300,211	47,074,296
Borrowings – Current portion	7	959,000,000	400,000,000
Zakat provision		13,911,888	11,476,745
		<u>2,098,989,950</u>	<u>1,325,395,923</u>
Total liabilities		<u>2,845,443,762</u>	<u>1,975,090,657</u>
TOTAL EQUITY AND LIABILITIES		<u>3,477,944,696</u>	<u>2,635,001,719</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 May 21, 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 MONTHS PERIOD ENDED MARCH 31, 2020

		For the three months periods ended	
		March 31, 2020 (Unaudited) SR	March 31, 2019 (Unaudited) SR
	Note		
Revenue, net	8	1,232,249,000	1,057,508,171
Cost of revenue	8	(1,011,479,567)	(869,528,810)
Gross profit		220,769,433	187,979,361
Selling, marketing and distribution expenses		(134,846,964)	(110,372,100)
General and administrative expenses		(35,247,068)	(30,198,018)
Other expenses		(76,120)	(179,245)
Other income		744,998	3,794,256
Finance charges		(14,228,443)	(15,290,328)
Profit before zakat		37,115,836	35,733,926
Zakat	11	(2,435,143)	(1,900,000)
Net profit for the period		34,680,693	33,833,926
OTHER COMPREHENSIVE INCOME			
<i>Item that may be reclassified subsequently to statement of profit or loss:</i>			
Exchange differences on translation of foreign operations		(2,492)	95,059
Other comprehensive (loss) income for the period		(2,492)	95,059
Total comprehensive income for the period		34,678,201	33,928,985
Earnings per share attributable to shareholders of the Group			
Basic earnings per share (Saudi Riyal per share)	9	0.72	0.70
Diluted earnings per share (Saudi Riyal per share)	9	0.69	0.68

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 May 21, 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 THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

	Share Capital SR	Statutory reserve SR	Share based payment reserve SR	Other Reserves			Retained earnings SR	Treasury shares SR	Total Equity 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	-	-	-	-	-	-	33,833,926	-	33,833,926
Other comprehensive income for the period	-	-	-	95,059	-	95,059	-	-	95,059
Transfer to statutory reserve	-	3,383,393	-	-	-	-	(3,383,393)	-	-
Share based payment expense	-	-	1,500,000	-	-	1,500,000	-	-	1,500,000
Balance as at March 31, 2019 (Unaudited)	500,000,000	24,605,337	3,100,000	(13,402)	2,008,873	5,095,471	87,463,111	(20,000,000)	597,163,919
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	-	-	-	-	-	-	34,680,693	-	34,680,693
Other comprehensive loss for the period	-	-	-	(2,492)	-	(2,492)	-	-	(2,492)
Transfer to statutory reserve	-	3,468,069	-	-	-	-	(3,468,069)	-	-
Dividend declared (Note 12)	-	-	-	-	-	-	(62,500,000)	-	(62,500,000)
Share based payment expense	-	-	411,671	-	-	411,671	-	-	411,671
Balance as at March 31, 2020 (Unaudited)	500,000,000	45,251,442	8,011,671	(13,987)	973,743	8,971,427	98,278,065	(20,000,000)	632,500,934

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 May 21, 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 THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

	For the three months periods ended	
	March 31, 2020 (Unaudited) SR	March 31, 2019 (Unaudited) SR
<u>Cash flows from operating activities:</u>		
Net profit for the period	34,680,693	33,833,926
<i>Adjustments for:</i>		
Depreciation of property and equipment	10,955,800	9,069,496
Amortization of intangible assets	2,854,053	1,370,665
Depreciation of right of use	13,810,233	12,375,026
Share based payment expense	411,671	1,500,000
Loss from disposal of property and equipment	1,356	12,370
Deferred revenue from extended warranty program	3,280,250	1,219,556
Finance charges	14,228,443	15,290,328
Allowance for impairment recognized on investment in installment sales receivables and Islamic financing contracts	2,566,396	2,964,167
Allowance for impairment recognized on inventories	2,356,043	1,964,615
Zakat expense	2,435,143	1,900,000
End of service benefits	3,214,296	4,142,966
	90,794,377	85,643,115
<u>Changes in:</u>		
Trade receivables and other assets	51,948,841	9,675,076
Investment in installment sales receivables and Islamic financing contracts	(80,206,987)	(30,964,766)
Inventories	(42,538,982)	(76,528,595)
Trade payables and other liabilities	156,768,733	51,593,762
<i>Cash generated from operations</i>	176,765,982	39,418,592
End of service benefits paid	(807,527)	(1,991,718)
Finance cost paid	(3,698,858)	(15,290,328)
Net cash generated from operating activities	172,259,597	22,136,546
<u>Cash flows from investing activities</u>		
Additions to property and equipment	(8,663,971)	(24,561,522)
Additions to intangible assets	(1,025,242)	(1,963,975)
Proceeds from disposal of property and equipment	-	399,048
Net cash used in investing activities	(9,689,213)	(26,126,449)
<u>Cash flows from financing activities:</u>		
Drawdown of Borrowings	1,272,000,000	790,000,000
Repayment of Borrowings	(623,000,000)	(760,000,000)
Repayment of lease liability	(19,671,887)	(14,167,329)
Net cash generated from financing activities	629,328,113	15,832,671

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

	For the three months periods ended	
	March 31, 2020 (Unaudited) SR	March 31, 2019 (Unaudited) SR
Net change in cash and cash equivalents	791,898,497	11,842,768
Effects of foreign exchange translation on cash and cash equivalents	(2,492)	95,059
Cash and cash equivalent at the beginning of the period	102,971,989	211,206,159
Cash and cash equivalents at end of the period	894,867,994	223,143,986
<u>Significant Non-cash transaction</u>		
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	-	122,035
Dividends declared	62,500,000	-
Addition in right of use / lease liability	3,104,512	-
Transfers from capital work in progress to intangible assets	441,171	-

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 May 21, 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 MONTHS PERIOD ENDED MARCH 31, 2020**

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 March 31, 2020 amounted to SR 500 million (2019: SR 500 million) consisting of 50 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 increase in its share capital from SR 500 million to SR 600 million by granting bonus shares to the company's existing shareholders.

Further 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.

Subsequent to the period end, the shareholders of the Company in their annual general meeting dated May 05, 2020 approved the recommendations of the board of directors for increase in share capital and purchase of 100,000 shares of the Company.

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

These condensed consolidated interim financial statements for the three months period ended March 31, 2020 include the financial statements of the company and following subsidiaries:

<u>Name of consolidated subsidiaries</u>	<u>Effective ownership</u>
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 operations of the Company are subject to the approval of Central Bank of Bahrain in Kingdom of Bahrain. The Group has recognized Goodwill of SR 6,367,451 as a result of this acquisition which represents the excess consideration over the provisional net assets acquired.

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

As at March 31, 2020, the Group had a total of 50 branches (March 31, 2019: 45 branches) out of which 45 operational branches are in the Kingdom of Saudi Arabia (March 31, 2019: 42 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 months period ended March 31, 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 consolidated financial statements have been prepared on the historical cost convention, except where International Financial Reporting Standards (IFRS) 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 financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual audited financial statements.

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:

UNITED ELECTRONICS COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020****3. BASIS OF CONSOLIDATION (Continued)**

- 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. 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

		March 31, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
	Note		
Installment sales receivables, net	5.1	263,281,847	339,102,159
Investment in Islamic financing contracts, net	5.2	297,359,975	143,899,072
		560,641,822	483,001,231
Less: non-current portion		(284,192,443)	(218,417,961)
Current portion		276,449,379	264,583,270

UNITED ELECTRONICS COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
5. INVESTMENT IN INSTALLMENT SALES RECEIVABLES AND ISLAMIC FINANCING CONTRACTS (Continued)
5.1 Installment sales receivables, net

	March 31, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Installment sales receivables	303,532,168	379,352,480
Less: allowance for impairment	(40,250,321)	(40,250,321)
Net installment sales receivables	263,281,847	339,102,159
Less: non-current portion	(83,419,868)	(116,931,600)
Installment sales receivables - current portion	179,861,979	222,170,559

The average credit installment granted is SR 10,000.

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

	Stage 1 SR	Stage 2 SR	Stage 3 SR	Total SR
March 31, 2020 (Unaudited)				
Installment sales receivables	218,087,663	29,317,078	56,127,427	303,532,168
Allowance for impairment	(2,489,021)	(4,892,630)	(32,868,670)	(40,250,321)
	215,598,642	24,424,448	23,258,757	263,281,847
December 31, 2019 (Audited)				
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 three months period and year ended March 31, 2020 and December 31, 2019 respectively, is as follows:

	March 31, 2020 (Unaudited) SR	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	40,250,321	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:

	March 31, 2020 (Unaudited)			
	Current portion SR	Non-current portion SR	Allowance for impairment SR	Total SR
Tawarruq contracts receivables, net	39,077,848	166,362,328	(2,886,035)	202,554,141
Murabaha contracts receivables, net	59,811,798	37,318,650	(2,324,614)	94,805,834
	98,889,646	203,680,978	(5,210,649)	297,359,975

UNITED ELECTRONICS COMPANY

(A SAUDI JOINT STOCK COMPANY)

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

	March 31, 2020 (Unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Tawarruq contracts receivables, gross	92,331,616	244,672,660	337,004,276
Less: deferred financing income	(52,927,918)	(77,446,850)	(130,374,768)
	39,403,698	167,225,810	206,629,508
Unearned origination fees	(490,521)	(1,299,848)	(1,790,369)
Deferred transaction costs	164,671	436,366	601,037
	39,077,848	166,362,328	205,440,176
Less: Allowance for impairment	(790,709)	(2,095,326)	(2,886,035)
Tawarruq contracts receivables, net	38,287,139	164,267,002	202,554,141

	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

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

5.2 Investment in Islamic financing contracts, net (Continued)

Murabaha contracts receivables, net

	March 31, 2020 (Unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	86,878,934	46,733,405	133,612,339
Less: deferred financing income	(26,800,207)	(9,271,171)	(36,071,378)
	60,078,727	37,462,234	97,540,961
Unearned origination fees	(421,874)	(226,932)	(648,806)
Deferred transaction costs	154,945	83,348	238,293
	59,811,798	37,318,650	97,130,448
Less: Allowance for impairment	(1,511,537)	(813,077)	(2,324,614)
Murabaha contracts receivables, net	58,300,261	36,505,573	94,805,834

	December 31, 2019 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
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

March 31, 2020 (Un-audited)	Stage 1	Stage 2	Stage 3	Total
Investment in finance receivable	297,977,578	2,984,794	3,208,097	304,170,469
Less: Allowance for impairment	(2,872,652)	(608,253)	(1,729,744)	(5,210,649)
	295,104,926	2,376,541	1,478,353	298,959,820

December 31, 2019 (Audited)	Stage 1	Stage 2	Stage 3	Total
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.

UNITED ELECTRONICS COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020****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 March 31, 2020 and December 31, 2019 is as follows:

	March 31, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Opening balance	2,644,253	-
Impairment for the period/year	2,566,396	2,644,253
Closing balance	5,210,649	2,644,253

6. CASH AND CASH EQUIVALENTS

	March 31, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Time deposits	549,994,057	-
Cash at banks	333,683,627	85,814,458
Cash on hand	11,190,310	17,157,531
	894,867,994	102,971,989

7. BORROWINGS

	March 31, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Murabaha Islamic financing	979,000,000	400,000,000
Tawarruq Islamic financing	70,000,000	-
	1,049,000,000	400,000,000
Borrowings – Current portion	(959,000,000)	(400,000,000)
Borrowings – Noncurrent portion	90,000,000	-

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 March 31, 2020 and 2019 are as follows:

UNITED ELECTRONICS COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020****8. SEGMENTAL REPORTING (Continued)***For the three months period ended March 31, 2020 (Unaudited)*

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	1,160,454,029	75,113,558	(3,318,587)	1,232,249,000
Cost of revenue	(952,786,158)	(61,179,725)	2,486,316	(1,011,479,567)
Gross profit	207,667,871	13,933,833	(832,271)	220,769,433
Net profit for the period	30,668,647	2,464,195	1,547,851	34,680,693

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

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	1,000,267,190	57,240,981	-	1,057,508,171
Cost of revenue	(819,860,491)	(49,668,319)	-	(869,528,810)
Gross profit	180,406,699	7,572,662	-	187,979,361
Net profit / (loss) for the period	30,344,426	(707,286)	4,196,786	33,833,926

Financial position as at March 31, 2020 (Unaudited)

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Non-current assets	1,280,910,154	115,396,604	(137,246,367)	1,259,060,391
Current assets	2,199,444,730	91,040,718	(71,601,143)	2,218,884,305
Total Assets	3,480,354,884	206,437,322	(208,847,510)	3,477,944,696
Non-current liabilities	675,549,797	70,904,015	-	746,453,812
Current liabilities	2,045,363,963	125,227,130	(71,601,143)	2,098,989,950
Total Liabilities	2,720,913,760	196,131,145	(71,601,143)	2,845,443,762

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

UNITED ELECTRONICS COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020****9. EARNINGS PER SHARE**

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	SR	SR
Profit for the period attributable to the shareholder of the Group	34,680,693	33,833,926
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	0.72	0.70
Diluted earnings per share	0.69	0.68

10. CONTINGENCIES AND CAPITAL COMMITMENTS

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	SR	SR
Letters of credit	395,472,915	368,435,430
Letters of guarantee	55,107,478	55,032,448
Commitments for the acquisition of property and equipment	4,125,978	8,982,458
Commitments for the acquisition of intangible assets	3,370,857	1,756,691

11. ZAKAT 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, 2018.

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.

12. 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.

13. SUBSEQUENT EVENT

Coronavirus disease (COVID-19) has spread nationwide, causing disruption to businesses and economies. The government of the Kingdom of Saudi Arabia announced additional decisions to control the impact of outbreak which include the 24 hours' curfew across some 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 this disruption and support from the Government on the Group as of now. The Group is currently assessing the financial impacts and the results will be reflected in year ended December 31, 2020 financial statements, if any.

14. COMPARATIVE FIGURES

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

15. 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 May 21, 2020 corresponding to Ramadan 28, 1441H.