

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 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 NINE MONTHS PERIODS ENDED SEPTEMBER 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 September 30, 2020, the related condensed consolidated interim statement of profit or loss and comprehensive income for the three and nine months periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for nine 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), as 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' as 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



October 25, 2020
 Rabi I 8, 1442H.

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
	Note		
ASSETS			
Non-current assets			
Property and equipment	11	461,889,318	477,429,746
Right of use		411,667,968	448,471,844
Intangible assets	11	54,128,362	56,053,297
Goodwill		528,692	6,367,451
Trade receivables and other assets – Noncurrent portion		1,034,088	1,472,172
Investment in installment sales receivables and Islamic financing contracts – Noncurrent portion	5	366,216,053	218,417,961
		<u>1,295,464,481</u>	<u>1,208,212,471</u>
Current assets			
Inventories		980,461,014	913,369,876
Trade receivables and other assets		129,815,767	145,864,113
Investment in installment sales receivables and Islamic financing contracts – Current portion	5	280,627,897	264,583,270
Cash and cash equivalents	6	332,907,826	102,971,989
		<u>1,723,812,504</u>	<u>1,426,789,248</u>
TOTAL ASSETS		<u>3,019,276,985</u>	<u>2,635,001,719</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	1	600,000,000	500,000,000
Statutory reserve		19,633,389	41,783,373
Other reserves		11,888,886	8,562,248
Retained earnings		121,115,583	129,565,441
Treasury shares		(24,000,000)	(20,000,000)
		<u>728,637,858</u>	<u>659,911,062</u>
Liabilities			
Non-current liabilities			
Deferred revenue from extended warranty program – Noncurrent portion		84,202,966	76,924,519
Lease liability – Noncurrent portion		486,872,477	507,331,165
Borrowings – Noncurrent portion	7	80,000,000	-
Deferred tax liabilities		1,694,100	1,683,969
End of service benefits		65,647,035	59,900,995
Other liabilities		1,693,149	3,854,086
		<u>720,109,727</u>	<u>649,694,734</u>
Current liabilities			
Trade payables and other liabilities		1,076,317,185	808,481,501
Deferred revenue from extended warranty program – Current portion		61,471,394	58,363,381
Lease liability – Current portion		51,146,456	47,074,296
Borrowings – Current portion	7	370,000,000	400,000,000
Zakat and income tax provision		11,594,365	11,476,745
		<u>1,570,529,400</u>	<u>1,325,395,923</u>
Total liabilities		<u>2,290,639,127</u>	<u>1,975,090,657</u>
TOTAL EQUITY AND LIABILITIES		<u>3,019,276,985</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 October 25, 2020.

Chief Financial Officer

Chief Executive Officer

Chairman

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

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

	Note	For the three months periods ended		For the nine months periods ended	
		September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR	September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR
Revenue, net	8	1,224,515,984	1,034,559,844	4,007,623,643	3,253,567,560
Cost of revenue	8	(998,929,268)	(848,742,443)	(3,285,151,739)	(2,653,310,052)
Gross profit		225,586,716	185,817,401	722,471,904	600,257,508
Selling, marketing and distribution expenses		(131,672,731)	(116,353,381)	(392,500,589)	(345,682,524)
General and administrative expenses		(28,929,826)	(31,068,545)	(101,346,485)	(95,688,103)
Other expenses		(1,058,827)	(70,236)	(8,387,931)	(983,819)
Other income, net		6,118,073	5,084,938	7,192,687	27,747,819
Finance charges		(11,845,056)	(13,935,568)	(38,680,753)	(44,950,587)
Profit before zakat and income tax		58,198,349	29,474,609	188,748,833	140,700,294
Zakat and income tax	12	(4,762,186)	(2,242,331)	(10,684,123)	(7,173,643)
Deferred tax		-	-	435,448	-
Net profit for the period		53,436,163	27,232,278	178,500,158	133,526,651
OTHER COMPREHENSIVE INCOME					
<i>Item that may be reclassified subsequently to statement of profit or loss:</i>					
Exchange differences on translation of foreign operations		(9,750)	(4,099)	(85,033)	75,853
Other comprehensive (loss) income for the period		(9,750)	(4,099)	(85,033)	75,853
Total comprehensive income for the period		53,426,413	27,228,179	178,415,125	133,602,504
Earnings per share attributable to shareholders of the Group					
Basic earnings per share (Saudi Riyal per share)	10	0.93	0.47	3.10	2.32
Diluted earnings per share (Saudi Riyal per share)	10	0.89	0.45	2.98	2.23

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Chief Financial Officer

Chief Executive Officer

Chairman

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UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTHS PERIOD ENDED SEPTEMBER 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	-	-	-	-	-	-	133,526,651	-	133,526,651
Other comprehensive income for the period	-	-	-	75,853	-	75,853	-	-	75,853
Transfer to statutory reserve	-	13,352,665	-	-	-	-	(13,352,665)	-	-
Dividend paid (Note 13)	-	-	-	-	-	-	(112,500,000)	-	(112,500,000)
Share based payment expense	-	-	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	(20,000,000)	587,337,438
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	-	-	-	-	-	-	178,500,158	-	178,500,158
Other comprehensive loss for the period	-	-	-	(85,033)	-	(85,033)	-	-	(85,033)
Transfer to statutory reserve	-	17,850,016	-	-	-	-	(17,850,016)	-	-
Reclassification of dividend declared on treasury shares	-	-	-	-	-	-	9,400,000	-	9,400,000
Issuance of bonus share (Note 1)	100,000,000	(40,000,000)	-	-	-	-	(56,000,000)	(4,000,000)	-
Dividend paid (Note 13)	-	-	-	-	-	-	(122,500,000)	-	(122,500,000)
Share based payment expense	-	-	3,411,671	-	-	3,411,671	-	-	3,411,671
Balance as at September 30, 2020 (Unaudited)	600,000,000	19,633,389	11,011,671	(96,528)	973,743	11,888,886	121,115,583	(24,000,000)	728,637,858

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 October 25, 2020.

Chief Financial Officer

Chief Executive Officer

Chairman

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	For the nine months periods ended	
	September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR
<u>Cash flows from operating activities:</u>		
Net profit for the period	178,500,158	133,526,651
<i>Adjustments for:</i>		
Depreciation of property and equipment	32,404,683	28,381,468
Amortization of intangible assets	9,996,850	5,630,411
Depreciation of right of use	39,908,388	35,407,460
Property and equipment written off	7,149,424	-
Intangible assets written off	108,631	-
Share based payment expense	3,411,671	4,500,000
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	3,087
Deferred revenue from extended warranty program	10,386,460	6,519,694
Finance charges	38,680,753	44,950,587
Allowance for impairment recognized on investment in installment sales receivables and Islamic financing contracts	13,406,754	7,503,729
Allowance for impairment recognized on inventories	8,185,274	4,348,813
Deferred tax	(435,448)	-
Zakat and income tax expense	10,684,123	7,173,643
End of service benefits	9,899,160	12,351,796
	361,102,133	272,826,264
<u>Changes in:</u>		
Trade receivables and other assets	16,486,430	(9,550,562)
Investment in installment sales receivables and Islamic financing contracts	(177,249,473)	(111,713,257)
Inventories	(75,276,412)	(192,868,389)
Trade payables and other liabilities	265,674,747	323,799,497
<i>Cash generated from operations</i>	390,737,425	282,493,553
End of service benefits paid	(4,153,120)	(5,583,482)
Finance cost paid	(7,936,264)	(44,950,587)
Zakat and income tax paid	(10,120,924)	(8,458,324)
Net cash generated from operating activities	368,527,117	223,501,160
<u>Cash flows from investing activities</u>		
Additions to property and equipment	(24,584,521)	(62,088,741)
Additions to intangible assets	(1,818,450)	(4,264,045)
Proceeds from disposal of property and equipment	20,000	134,063
Investment in a subsidiary	-	(5,000,000)
Net cash used in investing activities	(26,382,971)	(71,218,723)
<u>Cash flows from financing activities:</u>		
Drawdown of Borrowings	1,609,000,000	1,944,200,000
Repayment of Borrowings	(1,559,000,000)	(2,104,200,000)
Proceeds from sale of installment sales receivables	-	160,024,828
Dividend payment	(122,500,000)	(112,500,000)
Cash received on dividend from treasury shares	9,400,000	-
Repayment of lease liability	(49,023,276)	(24,140,077)
Net cash used in financing activities	(112,123,276)	(136,615,249)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	For the nine months periods ended	
	September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR
Net change in cash and cash equivalents	230,020,870	15,667,188
Effects of foreign exchange translation on cash and cash equivalents	(85,033)	75,853
Cash received from acquisition of a subsidiary	-	731,170
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	332,907,826	227,680,370

Significant Non-cash transaction

Change in goodwill valuation and intangible assets	5,838,759	-
Addition in right of use / lease liability	3,104,512	39,002,736
Transfers from capital work in progress to intangible assets	523,337	-
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
Property and equipment acquired on finance lease	-	214,200

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 October 25, 2020.

Chief Financial Officer

Chief Executive Officer

Chairman

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 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 September 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 nine months periods ended September 30, 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.	

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

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 September 30, 2020, the Group had a total of 50 branches (September 30, 2019: 48 branches) out of which 45 operational branches are in the Kingdom of Saudi Arabia (September 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 nine months periods ended September 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.

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

3. BASIS OF CONSOLIDATION (CONSOLIDATION)

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.

Condensed 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

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the financial information of the Group and accordingly the Group did not have to change its accounting policies or make any retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for September 30, 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

5. INVESTMENT IN INSTALLMENT SALES RECEIVABLES AND ISLAMIC FINANCING CONTRACTS

		September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
	Note		
Installment sales receivables, net	5.1	129,360,596	339,102,159
Investment in Islamic financing contracts, net	5.2	517,483,354	143,899,072
		646,843,950	483,001,231
Less: non-current portion		(366,216,053)	(218,417,961)
Current portion		280,627,897	264,583,270

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

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

5.1 Installment sales receivables, net

	September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Installment sales receivables	169,610,917	379,352,480
Less: allowance for impairment	(40,250,321)	(40,250,321)
Net installment sales receivables	129,360,596	339,102,159
Less: non-current portion	(31,590,721)	(116,931,600)
Installment sales receivables - current portion	97,769,875	222,170,559

The average credit installment granted is SR 10,000.

As at September 30, 2020 and December 31, 2019, 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
September 30, 2020 (Unaudited)				
Installment sales receivables	92,113,788	15,036,993	62,460,136	169,610,917
Allowance for impairment	(1,060,672)	(2,244,767)	(36,944,882)	(40,250,321)
	91,053,116	12,792,226	25,515,254	129,360,596
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 nine months period and year ended September 30, 2020 and December 31, 2019 respectively, is as follows:

	September 30, 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020

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

5.2 Investment in Islamic financing contracts, net

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

	September 30, 2020 (Unaudited)			
	Current portion SR	Non-current portion SR	Allowance for impairment SR	Total SR
Tawarruq contracts receivables, net	78,163,854	273,559,789	(10,682,623)	341,041,020
Murabaha contracts receivables, net	111,048,729	70,761,989	(5,368,384)	176,442,334
	189,212,583	344,321,778	(16,051,007)	517,483,354
	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)	108,737,479
Murabaha contracts receivables, net	24,975,146	11,518,198	(1,331,751)	35,161,593
	43,673,189	102,870,136	(2,644,253)	143,899,072

Tawarruq contracts receivables, net

September 30, 2020 (Unaudited)			
	Current portion SR	Non-current portion SR	Total SR
Tawarruq contracts receivables, gross	159,052,554	409,310,281	568,362,835
Less: deferred financing income	(80,410,074)	(134,947,244)	(215,357,318)
	78,642,480	274,363,037	353,005,517
Unearned origination fees	(1,090,062)	(1,829,383)	(2,919,445)
Deferred transaction costs	611,436	1,026,135	1,637,571
	78,163,854	273,559,789	351,723,643
Less: Allowance for impairment	(2,989,461)	(7,693,162)	(10,682,623)
Tawarruq contracts receivables, net	75,174,393	265,866,627	341,041,020
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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 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

	September 30, 2020 (Unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	154,334,900	91,877,374	246,212,274
Less: deferred financing income	(43,332,645)	(21,138,056)	(64,470,701)
	111,002,255	70,739,318	181,741,573
Unearned origination fees	(832,291)	(405,999)	(1,238,290)
Deferred transaction costs	878,765	428,670	1,307,435
	111,048,729	70,761,989	181,810,718
Less: Allowance for impairment	(3,365,100)	(2,003,284)	(5,368,384)
Murabaha contracts receivables, net	107,683,629	68,758,705	176,442,334

	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

September 30, 2020 (Un-audited) *	Stage 1	Stage 2	Stage 3	Total
Investment in finance receivable	510,500,964	7,857,900	16,388,226	534,747,090
Less: Allowance for impairment	(5,308,580)	(1,468,119)	(9,274,308)	(16,051,007)
	505,192,384	6,389,781	7,113,918	518,696,083

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 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 September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Opening balance	2,644,253	-
Impairment for the period/year	13,406,754	2,644,253
Closing balance	16,051,007	2,644,253

6. CASH AND CASH EQUIVALENTS

	September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Cash at banks	312,433,413	85,814,458
Cash on hand	20,474,413	17,157,531
	332,907,826	102,971,989

7. BORROWINGS

	September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Murabaha Islamic financing	380,000,000	400,000,000
Tawarruq Islamic financing	70,000,000	-
	450,000,000	400,000,000
Borrowings – Current portion	(370,000,000)	(400,000,000)
Borrowings – Noncurrent portion	80,000,000	-

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/year ended September 30, 2020 and December 31, 2019 are as follows:

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

8. SEGMENTAL REPORTING (Continued)

For the nine months period ended September 30, 2020 (Unaudited)

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	3,719,679,783	298,537,462	(10,593,602)	4,007,623,643
Cost of revenue	(3,044,851,498)	(248,355,672)	8,055,431	(3,285,151,739)
Gross profit	674,828,285	50,181,790	(2,538,171)	722,471,904
Net profit for the period	186,186,678	13,992,849	(21,679,369)	178,500,158

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	3,054,752,386	201,132,249	(2,317,075)	3,253,567,560
Cost of revenue	(2,482,888,751)	(172,175,669)	1,754,368	(2,653,310,052)
Gross profit	571,863,635	28,956,580	(562,707)	600,257,508
Net profit for the period	117,652,600	3,233,029	12,641,022	133,526,651

For the three months period ended September 30, 2020 (Unaudited)

	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Consolidation adjustments SR	Total SR
Revenue, net	1,110,828,923	117,918,028	(4,230,967)	1,224,515,984
Cost of revenue	(905,268,129)	(97,042,388)	3,381,249	(998,929,268)
Gross profit	205,560,794	20,875,640	-849,718	225,586,716
Net profit for the period	60,971,942	8,097,052	(15,632,831)	53,436,163

For the three 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	971,443,062	64,664,682	(1,547,900)	1,034,559,844
Cost of revenue	(794,991,777)	(55,061,359)	1,310,693	(848,742,443)
Gross profit	176,451,285	9,603,323	(237,207)	185,817,401
Net profit for the period	21,524,996	1,165,114	4,542,168	27,232,278

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

8. SEGMENTAL REPORTING (Continued)

Financial position as at September 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	1,545,225,322	112,210,402	(361,971,243)	1,295,464,481
Current assets	1,816,658,467	102,997,200	(195,843,163)	1,723,812,504
Total Assets	3,361,883,789	215,207,602	(557,814,406)	3,019,276,985
Non-current liabilities	651,546,196	68,563,531	-	720,109,727
Current liabilities	1,642,978,438	123,394,125	(195,843,163)	1,570,529,400
Total Liabilities	2,294,524,634	191,957,656	(195,843,163)	2,290,639,127

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

8. 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	
	September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR	September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Sales to				
Al Fozan Holding Company	109,887	410,630	19,047	31,763
Retal Urban Development Company	198,406	68,261	1,826	50,285
United Homeware Company	-	-	-	247,551
	308,293	478,891	20,873	329,599
Purchases (return) from				
United Homeware Company	8,209,955	5,622,613	7,109,603	1,769,102
Madar Tools & Equipment Co.	1,184,969	(119,605)	400,763	417,367
Al Yassra Trading Co.	-	43,974	30,714	30,713
Al Fozan Holding Co.	5,250,000	-	-	-
	14,644,924	5,546,982	7,541,080	2,217,182
Fixed assets purchases from				
Madar Electrical Materials Co.	-	174,036	-	-
Rental income from				
United Homeware Company	2,915,178	4,942,413	2,522,673	2,549,617
Rent expense from				
Madar Building Materials Co.	320,833	412,500	-	-
Abdullatif and Mohamed Al Fozan Co.	1,103,250	1,103,250	-	-
	1,424,083	1,515,750		
Other expenses from				
United Homeware Company	225,340	362,245	122,022	-
Management fee				
United Homeware Company	-	893,443	-	-

Key management compensation:

	September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR
Short term benefits	16,804,209	19,633,950
Retention program benefits	699,423	491,420
BOD and related committees remuneration	2,421,433	2,999,004

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

10. EARNINGS PER SHARE

	For the three months		For the nine months	
	periods ended		periods ended	
	September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR	September 30, 2020 (Unaudited) SR	September 30, 2019 (Unaudited) SR
Profit for the period attributable to the shareholder of the Group	53,436,163	27,232,278	178,500,158	133,526,651
Weighted average number of ordinary shares for the purposes of basic earnings	57,600,000	57,600,000	57,600,000	57,600,000
Weighted average number of ordinary shares for the purposes of diluted earnings	60,000,000	60,000,000	60,000,000	60,000,000
Earnings per share				
Basic earnings per share	0.93	0.47	3.10	2.32
Diluted earnings per share	0.89	0.45	2.98	2.23

11. CONTINGENCIES AND CAPITAL COMMITMENTS

	September 30, 2020 (Unaudited) SR	December 31, 2019 (Audited) SR
Letters of credit	509,957,204	368,435,430
Letters of guarantee	54,346,235	55,032,448
Commitments for the acquisition of property and equipment	-	8,982,458
Commitments for the acquisition of intangible assets	101,200	1,756,691

12. ZAKAT AND INCOME TAX STATUS

The Group received zakat and income tax assessments from General Authority of Zakat and Tax ("GAZT") for the years 2004 to 2010 which were settled in prior years. During 2019, the Group received assessment for the year 2017 which was settled during the same year. During the period ended September 30, 2020, the Group received and settled the final assessment for the year 2014 amounting to SR 81,371.

Subsequent to the period ended September 30, 2020, the Group received an assessment from GAZT for the year 2015, 2016 and 2018 claiming zakat and tax amounting to SR 1.81 million. The management is currently in the process of review of the assessment and believes that no further provision is required in these condensed consolidated interim financial statements.

The Group obtained the zakat certificate for the year ended December 31, 2019.

13. DIVIDENDS DISTRIBUTION

On July 19, 2020, the Board of Directors of the Group resolved to distribute SR 60 million cash dividend of SR 1 per share to the shareholders of the Group for the first half of 2020. The dividends were distributed during the period.

On March 05, 2020, the Board of Directors of the Group resolved to distribute SR 62.5 million cash dividend of SR 1.25 per share to the shareholders of the Group for the second half of 2019. The dividends were distributed during the period.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2020**

13. DIVIDENDS DISTRIBUTION (Continued)

On July 08, 2019 the Board of Directors of the Group resolved to distribute SR 50 million cash dividend of SR 1 per share to the shareholders of the Group for the first half of 2019. The dividends were settled during the period ended September 30, 2019.

On April 08, 2019, the Board of Directors of the Group resolved to distribute SR 62.5 million cash dividend of SR 1.25 per share to the shareholders of the Group for the second half of 2018. The dividends were settled during the period ended June 30, 2019.

14. SIGNIFICANT EVENT

COVID-19

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, at this stage, believes that the potential impact of this event on the future results will not be material for the financial statements of the Group. However, the Group will continue monitoring the current epidemic and the economic conditions to protect customers and employees and follow up on future developments, if any, that cannot be accurately estimated.

Increase in share capital of the subsidiary "United Company for Financial Services"

On September 7, 2020 corresponding to Muharram 19, 1442, the shareholders of a subsidiary Company, **United Company for Financial Services**, in their Extra Ordinary General Meeting resolved to increase the share capital of the subsidiary Company from SR 150 million to SR 350 million by issuance of 20 million shares of SR 10 each. As at period end, the subsidiary was in process of completing its legal formalities.

Increase in share capital of the subsidiary "United Electronics Company Extra L.L.C"

On May 14, 2020, corresponding to Ramadan 21 1441, the shareholders of a subsidiary Company i.e. **United Electronics Company Extra L.L.C** resolved to increase the share capital of the subsidiary Company from Omani Riyals 100,000 to Omani Riyals 250,000 by issuance of 15,000 shares of Omani Riyals 10 each.

15. COMPARATIVE FIGURES

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

16. 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 25, 2020 corresponding to Rabi I 8, 1442H.