UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of United Electronics Company (the "Company") and its Subsidiaries (collectively referred to as the "Group") as of March 31, 2019, the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended, and 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" 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 as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Al-Bassam & Co.
Allied Accountants

Ibrahim A. Al Bassam
License No.337
Al Khobar,

المحاسبون المتحالفون
محاسبون قانونيون
رقم الترخيص ٥٢٠
C.R 1010385804
License 520
Allied Accountants
Certified Public Accountants

April 28, 2019
22 Shaaban 1440H

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

	Note	March 31, 2019 (Unaudited) SR	December 31, 2018 (Audited) SR
ASSETS			
Non-current assets			
Property and equipment	15	471,934,095	456,975,522
Right of use	16	464,278,751	-
Intangible assets	15	42,508,118	41,914,808
Trade and other assets – Noncurrent portion		1,150,143	4,142,495
Installment sales receivable – Noncurrent portion	5	94,610,332	87,340,613
		1,074,481,439	590,373,438
Current assets			
Inventories		866,054,671	791,490,691
Trade and other assets		86,075,590	111,026,146
Installment sales receivable - Current portion	5	282,867,489	262,136,609
Cash and cash equivalents	6	223,143,986	211,206,159
		1,458,141,736	1,375,859,605
TOTAL ASSETS		2,532,623,175	1,966,233,043
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	500,000,000	500,000,000
Statutory reserve	1,7	24,605,337	21,221,944
Other reserves		3,100,000	1,600,000
Retained earnings	1	87,463,111	140,861,047
Foreign currency translation reserve		(13,402)	(108,461)
Actuarial reserve		2,008,873	2,008,873
Treasury shares	1,13	(20,000,000)	(20,000,000)
		597,163,919	645,583,403
LIABILITIES			
Non-current liabilities			
Deferred revenue from extended warranty program – Noncurrent portion		67,161,734	67,075,257
Deferred revenue from sale and leaseback – Noncurrent portion	8	-	1,844,179
Operating lease liability – Noncurrent portion		-	16,753,311
Lease liability – Noncurrent portion	17	536,135,428	-
Deferred tax liabilities		638,693	638,693
End of service benefits		57,967,209	55,815,961
Finance lease – Noncurrent portion		-	423,230
		661,903,064	142,550,631
Current liabilities			
Trade and other payables		707,049,951	655,578,224
Deferred revenue from extended warranty program – Current portion		53,529,438	52,396,359
Deferred revenue from sale and leaseback – Current portion	8	-	136,596
Operating lease liability– Current portion		-	1,964,292
Murabah finance	9	490,000,000	460,000,000
Zakat provision		9,800,373	7,900,373
Lease liability – Current portion	17	13,176,430	-
Finance lease – Current portion		-	123,165
		1,273,556,192	1,178,099,009
Total liabilities		1,935,459,256	1,320,649,640
TOTAL EQUITY AND LIABILITIES		2,532,623,175	1,966,233,043

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

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

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

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019

		For three months periods ended	
	Note	**March 31, 2019 (Unaudited)**	March 31, 2018 (Unaudited)
		SR	SR
Revenue, net	**10**	**1,057,508,171**	864,606,220
Cost of revenue	**10**	**(869,528,810)**	(711,860,314)
Gross profit		**187,979,361**	152,745,906
Selling, marketing and distribution expenses		**(110,414,898)**	(102,705,967)
General and administrative expenses		**(30,155,220)**	(24,852,321)
Other expenses		**(179,245)**	-
Other income		**3,794,256**	608,977
Finance cost		**(15,290,328)**	(3,090,079)
Net profit before zakat		**35,733,926**	22,706,516
Zakat	**19**	**(1,900,000)**	(1,134,611)
Net profit for the period		**33,833,926**	21,571,905
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to statement of profilt or loss:			
Exchange differences on translation of foreign operations		**95,059**	3,992
Total comprehensive income for the period		**33,928,985**	21,575,897
Net profit for the period attributable to:			
Shareholders of the Company		**33,833,926**	21,571,905
Total comprehensive income for the period attributable to :			
Shareholders of the Company		**33,928,985**	21,575,897
Earnings per share			
Basic earnings per share	**12**	**0.70**	0.45
Diluted earnings per share	**12**	**0.68**	0.43

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

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

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

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019

	Share Capital	Statutory reserve	Other reserves	Retained earnings	Foreign currency translation reserve	Actuarial reserve	Equity attributable to shareholders of the Company	Treasury shares	Total Equity
	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2018 (Audited)	420,000,000	25,102,741	-	120,268,174	(101,155)	813,163	566,082,923	-	566,082,923
Adjustment on adoption of IFRS 9 (Notes 5)	-	-	-	(479,953)	-	-	(479,953)	-	(479,953)
Balance as at January 1, 2018 (Adjusted)	420,000,000	25,102,741	-	119,788,221	(101,155)	813,163	565,602,970	-	565,602,970
Net income for the period	-	-	-	21,571,905	-	-	21,571,905	-	21,571,905
Other comprehensive income	-	-	-	-	3,992	-	3,992	-	3,992
Transfer to statutory reserve	-	2,157,191	-	(2,157,191)	-	-	-	-	-
Transactions with shareholders in their capacity as shareholder									
Dividends distributed	-	-	-	(52,500,000)	-	-	(52,500,000)	-	(52,500,000)
Balance as at March 31, 2018 (Unaudited)	420,000,000	27,259,932	-	86,702,935	(97,163)	813,163	534,678,867	-	534,678,867
Balance as at January 1, 2019 (Audited)	500,000,000	21,221,944	1,600,000	140,861,047	(108,461)	2,008,873	665,583,403	(20,000,000)	645,583,403
Adjustment on adoption of IFRS 16 (Note 4)	**-**	**-**	**-**	**(83,848,469)**	**-**	**-**	**(83,848,469)**	**-**	**(83,848,469)**
Balance as at January 1, 2019 (Adjusted)	**500,000,000**	**21,221,944**	**1,600,000**	**57,012,578**	**(108,461)**	**2,008,873**	**581,734,934**	**(20,000,000)**	**561,734,934**
Net income for the period	-	-	-	**33,833,926**	-	-	**33,833,926**	-	**33,833,926**
Other comprehensive income	-	-	-	-	**95,059**	-	**95,059**	-	**95,059**
Transfer to statutory reserve	-	**3,383,393**	-	**(3,383,393)**	-	-	-	-	-
Transactions with shareholders in their capacity as shareholder									
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**	**87,463,111**	**(13,402)**	**2,008,873**	**617,163,919**	**(20,000,000)**	**597,163,919**

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

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

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

UNITED ELECTRONICS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019

	For the three months periods ended	
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
	SR	SR
Cash flows from operating activities:		
Net profit for the period	**33,833,926**	21,571,905
Adjustments for:		
Depreciation of property and equipment	**9,069,496**	8,873,559
Amortization of intangible assets	**1,370,665**	1,513,722
Amortization of right of use	**12,375,026**	-
Share based payment expense	**1,500,000**	-
Loss from disposal of property and equipment	**12,370**	182,553
Deferred revenue on sale and leaseback	**-**	(34,149)
Deferred revenue from additional services program	**1,219,556**	19,917
Finance cost	**15,290,328**	3,090,079
Impairment recognized on installment sales receivable, net	**2,964,167**	655,239
Impairment recognized on trade and other assets, net	**-**	(443,299)
Impairment recognized against inventories	**1,964,615**	2,337,600
Zakat expense	**1,900,000**	1,134,611
Provision for end of service benefits	**4,142,966**	2,470,631
Operating lease liability	**-**	898,013
	85,643,115	42,270,381
Changes in:		
Trade and other assets	**9,675,076**	(16,639,197)
Installment sales receivables	**(30,964,766)**	(40,960,184)
Inventories	**(76,528,595)**	72,393,068
Trade and other payables	**51,593,762**	(188,545,818)
Cash from (used in) operations	**39,418,592**	(131,481,750)
End of service benefits paid	**(1,991,718)**	(2,081,600)
Finance cost paid	**(15,290,328)**	(3,090,079)
Net cash from (used in) operating activities	**22,136,546**	(136,653,429)
Cash flows from investing activities		
Additions to property and equipment	**(24,561,522)**	(6,617,408)
Additions to intangible assets	**(1,963,975)**	(159,381)
Proceeds from disposal of property and equipment	**399,048**	170,500
Net cash used in investing activities	**(26,126,449)**	(6,606,289)
Cash flows from financing activities:		
Drawdown of Murabaha loan	**790,000,000**	280,000,000
Repayment of Murabaha loan	**(760,000,000)**	(140,000,000)
Lease repayments	**(14,167,329)**	-
Net cash from financing activities	**15,832,671**	140,000,000
Net change in cash and cash equivalents	**11,842,768**	(3,259,718)
Effects of foreign exchange translation on cash and cash equivalents	**95,059**	3,992
Cash and cash equivalent at the beginning of the period	**211,206,159**	77,160,609
Cash and cash equivalents at end of the period	**223,143,986**	73,904,883

Supplemental cash flow information (Note 18)

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

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

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

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

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

1.1 Structure of the group

The condensed consolidated interim financial statements include the financial statements of the company and following subsidiaries:

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

The above wholly owned subsidiaries of the Company, for which the assets, liabilities and result of operations of these subsidiaries have been included in the accompanying condensed consolidated interim financial statements.

1- United Electronics Company-Extra S.P.C., is registered in Bahrain on 15 Dhul-Qa'da l432H (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)

2. 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.

3. During the 2018, the Company invested SR 150 million to establish a new Company under the name “United Company for Financial Services”. The principal activities of the Company are to exercise consumer finance in the Kingdom of Saudi Arabia in accordance with implementations regulation of the finance lease law and its Sharia compliant. The operations of the Company is subject to the approval of Saudi Arabian Monetary Authority (SAMA).

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

As at March 31, 2019, The Group had a total of 45 branches (March 31, 2018: 43 branches) out of which 42 operational branches are in the Kingdom of Saudi Arabia (March 31, 2017: 40 branches).

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Preparation of the condensed consolidated interim financial statements

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

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

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

3. BASIS OF CONSOLIDATION

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

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

3. BASIS OF CONSOLIDATION (Continued)

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

4.1 New standards amendments to standards and interpretations

The Group has adopted IFRS-16 Leases from January 1, 2019. The impact of adoption of IFRS 16 is disclosed in the note 4.2. A number of other new standards, interpretations and amendments to the standards are effective from January 1, 2019, but they donot have material effect on the Group's condensed consolidated interim financial statements.

There are number of amendments to standards which are effective from January1, 2020, however, management anticipates that these amendments will not have any material impact on adoption in the Group's consolidated financial statements.

4.2 Changes in accounting policies

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

4.2 Changes in accounting policies (Continued)

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was from 6.48% to 11.21%.

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

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

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

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

5. INSTALLMENT SALES RECEIVABLE

	March 31, 2019 **SR**	December 31, 2018 SR
Installment sales receivable	**411,229,162**	380,356,377
Less: allowance for impairment	**(33,751,341)**	(30,879,155)
Net installment sales receivable	**377,477,821**	349,477,222
Less: non-current portion	**(94,610,332)**	(87,340,613)
Installment sales receivable - current portion	**282,867,489**	262,136,609

The average credit installment granted is SR 9,450.

As at March 31, 2019, stage-wise installment sales receivable balances and the respective ECL are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Installment sales receivable	**345,602,013**	**24,260,851**	**41,366,298**	**411,229,162**
Allowance for impairment	**(3,872,422)**	**(3,556,523)**	**(26,322,396)**	**(33,751,341)**
	341,729,591	**20,704,328**	**15,043,902**	**377,477,821**

5. INSTALLMENT SALES RECEIVABLE (Continued)

During the period, there has been no transfer between stage 1, stage 2 and stage 3.

Movement in the allowance for impairment

	March 31, 2019 SR	December 31, 2018 SR
Opening balance	**30,879,155**	16,571,657
Impact of adoption of IFRS 9	**-**	479,953
Impairment for the period/year	**2,964,167**	13,906,799
Utilized allowance	**(91,981)**	(79,254)
Closing balance	**33,751,341**	30,879,155

6. CASH AND CASH EQUIVALENTS

	March 31, 2019 SR	December 31, 2018 SR
Cash at banks	**210,183,656**	197,887,675
Cash on hand	**12,960,330**	13,318,484
	223,143,986	211,206,159

7. STATUTORY RESERVE

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

8. DEFERRED REVENUE FROM SALES AND LEASEBACK

As per the requirement of IFRS 16 “Leases”. The deferred revenue from sales and leaseback has been adjusted against the right of use.

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

	March 31, 2019 SR	December 31, 2018 SR
Current portion	**-**	136,596
Non-current portion	**-**	1,844,179
	-	1,980,775

9. BANK FACILITIES

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

10. SEGMENTAL REPORTING

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

10. SEGMENTAL REPORTING (Continued)

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, 2019 and 2018 are as follows:

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

	Inside the Kingdom of Saudi Arabia	**Outside the Kingdom of Saudi Arabia**	**Consolidation adjustments**	**Total**
Revenue, net	**1,000,267,192**	**57,240,979**	**-**	**1,057,508,171**
Cost of revenue	**(819,860,494)**	**(49,668,316)**	**-**	**(869,528,810)**
Gross profit	**180,406,698**	**7,572,663**	**-**	**187,979,361**
Net profit / (loss)	**30,344,426**	**(707,286)**	**4,196,786**	**33,833,926**

For three months period ended March 31, 2018 (Unaudited)

	Inside the Kingdom of Saudi Arabia	**Outside the Kingdom of Saudi Arabia**	**Consolidation adjustments**	**Total**
Revenue, net	807,580,169	57,324,817	(298,766)	864,606,220
Cost of revenue	(661,697,465)	(50,461,615)	298,766	(711,860,314)
Gross profit	145,882,704	6,863,202	-	152,745,906
Net profit / (loss)	21,578,591	(1,342,808)	1,336,122	21,571,905

Financial position as at March 31, 2019 (Unaudited)

	Inside the Kingdom of Saudi Arabia	**Outside the Kingdom of Saudi Arabia**	**Consolidation adjustments**	**Total**
Current assets	**1,466,386,059**	**53,694,560**	**(61,938,883)**	**1,458,141,736**
Non-current assets	**1,102,183,365**	**103,434,684**	**(131,136,610)**	**1,074,481,439**
Total Assets	**2,568,569,424**	**157,129,244**	**(193,075,493)**	**2,532,623,175**
Current liabilities	**1,225,321,395**	**110,173,680**	**(61,938,883)**	**1,273,556,192**
Non-current liabilities	**599,388,770**	**62,514,294**	**-**	**661,903,064**
Total Liabilities	**1,824,710,165**	**172,687,974**	**(61,938,883)**	**1,935,459,256**

Financial position as at December 31, 2018 (Audited)

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

11. RELATED PARTIES' TRANSACTIONS AND BALANCES

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

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

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

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

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

	Transaction Amount		**Balance at**	
Nature of transaction	**March 31, 2019**	March 31, 2018	**March 31, 2019**	December 31, 2018
	SR	SR	**SR**	SR
Sales to				
Al Fozan Holding Company	**247,847**	1,510	**44,000**	100,700
Retal Urban Development Company	**18,248**	41,672	**9,499**	-
	266,095	43,182	**53,499**	100,700
Purchases (return) from				
United Homeware Company	**441,622**	2,176,823	**769,754**	1,737,679
Madar Tools & Equipment Co.	**(156,782)**	-	**749,936**	904,137
Al Yassra Trading Co.	**43,974**	193,815	**72,971**	166,223
	328,814	2,370,638	**1,592,661**	2,808,039
Fixed assets purchases from				
Madar Electrical Materials Co.	**174,036**	-	**-**	-
Rental income from				
United Homeware Company	**1,647,471**	1,671,210	**3,000,942**	-
Rent expense from				
Madar Building Materials Co.	**137,500**	137,500	**-**	-
Abdullatif and Mohamed Al Fozan Co.	**367,750**	367,750	**-**	-
	505,250	505,250	**-**	-
Other expenses from				
United Homeware Company	**59,540**	-	**-**	-
Management fee				
United Homeware Company	**297,814**	-	**-**	-

11. RELATED PARTIES' TRANSACTIONS AND BALANCES (Continued)

Key management compensation:

	March 31, 2019	March 31, 2018
	SR	SR
Short term benefit	**3,058,719**	9,908,137
Amount payable under retention program	**1,619,320**	1,201,850
BOD and related committees remuneration	**2,409,249**	2,341,211

12. EARNING PER SHARE

	March 31, 2019	March 31, 2018
	SR	SR
Profit for the period attributable to the shareholder of the Company	**33,833,926**	21,571,905
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	**0.70**	0.45
Diluted earnings per share	**0.68**	0.43

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

13. LONG -TERM INCENTIVE PROGRAM

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

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

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

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

The total expenses related to the program for the period ended March 31, 2019 was charged to the employees' benefit expenses with a corresponding increase in the statement of changes in equity in accordance with the requirements of the International Financial Reporting Standard No. (2) "share based payment".

Treasury shares

	March 31, 2019	December 31, 2018
	SR	SR
At the beginning of the period / year	**20,000,000**	-
Acquired during the period / year	**-**	20,000,000
Disposal upon exercising the options	**-**	-
	20,000,000	20,000,000

14. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise trade and other payables and loans. The Group's principal financial assets comprise cash and cash equivalents, trade receivables and installment sale receivables.
/

Financial instruments by category

	March 31, 2019 SR	March 31, 2018 SR
Financial assets at amortized cost:		
Installment sales receivable	**377,477,821**	349,477,222
Trade receivables	**30,354,690**	31,115,945
Cash and cash equivalents	**223,143,986**	211,206,159
Total Financial assets	**630,976,497**	591,799,326
Financial liabilities at amortized cost:		
Trade and other payables	**707,049,951**	655,578,224
Murabaha financing	**490,000,000**	460,000,000
Finance lease liability	**-**	546,395
Leases	**549,311,858**	-
Total financial liabilities	**1,746,361,809**	1,116,124,619

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

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

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates may affect the Group's income. The Group was exposed to market risk, in the form of interest rate risk and foreign currency risk as described below, during the period under review. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

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

Management monitors the fluctuations in Euro currency exchange rates with Saudi Riyals and manages its effect on the financial statements accordingly. Management monitors fluctuations in other foreign exchange rates and manages their effect on the consolidated financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations.

Consequently, no foreign currency sensitivity analysis has been presented. The group is exposed to foreign currency risk as follows:

	Currency	**March 31, 2019 SR**	December 31, 2018 SR
Cash and cash equivalent	USD	**776,878**	284,604
	EUR	**141,197**	634,548
Trade and other payables	USD	**124,771,276**	23,493,141
	AED	**1,388,448**	253,410
	EUR	**122,722**	-
Advances to suppliers	EUR	**-**	59,553

14. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate and liquidity risk management

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

Liquidity risk

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

Contractual maturity analysis for financial liabilities

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

March 31, 2019	**Interest rate**	**Within 1 year**	**1-20 years**	**Total**
		SR	**SR**	**SR**
Trade and other payables	**Interest free**	**707,049,951**	**-**	**707,049,951**
Murabaha finance	**3.78 % - 4.15 %**	**490,000,000**	**-**	**490,000,000**
Lease liability	**6.48% - 11.21%**	**13,176,430**	**536,135,428**	**549,311,858**

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

Credit risk

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

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

Description	**March 31, 2019 SR**	December 31, 2018 SR
Cash and cash equivalents	**223,143,986**	211,206,159
Accounts receivables and installment sales receivable*	**407,832,511**	380,593,167

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

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

Capital management

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

15. CONTINGENCIES AND CAPITAL COMMITMENTS

	March 31, 2019 SR	December 31, 2018 SR
Letters of credit	**368,326,863**	498,522,081
Letters of guarantee	**17,451,198**	117,364,117
Commitments for the acquisition of property and equipment	**45,437,132**	30,706,597
Commitments for the acquisition of intangible assets	**8,990,276**	10,665,688

16. RIGHT OF USE

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

	March 31, 2019 (Unaudited) SR	January 1, 2019 (Unaudited) SR
Store	**425,502,711**	436,777,453
Warehouse	**38,776,040**	700,005
	464,278,751	437,477,458

17. LEASE LIABILITY

	March 31, 2019 (Unaudited) SR	January 1, 2019 (Unaudited) SR
Current	**13,176,430**	31,732,047
Non-current	**536,135,428**	492,024,426
	549,311,858	523,756,473

18. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions are as follows,

	March 31, 2019 SR	March 31, 2018 SR
Impact of adoption of IFRS 16 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**	2,061,530
Dividend payable	**-**	52,500,000
Impact of adoption of IFRS 9	**-**	(479,953)

19. ZAKAT STATUS

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

During the period ended March 31, 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 is currently under review by GAZT, accordingly, no additional provision was provided.

20. COMPARATIVE FIGURES

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

21. SUBSEQUENT EVENT

Subsequent the period end, the Board of Directors in their meeting held on April 08, 2019 have 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.

22. 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 April 28, 2019 corresponding to 22 Shaaban 1440H.