

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2023
AND REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023

	Page
Report on review of condensed consolidated interim financial information	2
Condensed consolidated interim statement of profit or loss and other comprehensive income	3
Condensed consolidated interim statement of financial position	4 - 5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7 - 8
Notes to the condensed consolidated interim financial information	9 - 34



Report on review of Condensed Consolidated Interim Financial Information

To the shareholders of United Electronics Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of United Electronics Company (the “Company”) and its subsidiaries (the “Group”) as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2023 and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Ali A. Alotaibi
License number 379

30 July 2023



UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

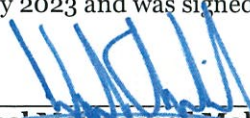


Condensed consolidated interim statement of profit or loss and other comprehensive income

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2023 (Unaudited)	2022 (Restated - Note 17) (Unaudited)	2023 (Unaudited)	2022 (Restated - Note 17) (Unaudited)
Sales and services		1,622,007	1,602,460	2,937,043	2,917,472
Income from Islamic financing contracts		127,725	97,954	250,825	194,920
Total revenue	5	1,749,732	1,700,414	3,187,868	3,112,392
Cost of revenues	1	(1,409,712)	(1,379,518)	(2,533,959)	(2,501,326)
Gross profit		340,020	320,896	653,909	611,066
Selling and distribution expenses		(148,478)	(143,951)	(291,470)	(277,398)
General and administrative expenses	1	(74,464)	(45,467)	(128,896)	(84,950)
Net impairment losses on financial assets	6	(21,517)	(7,239)	(29,281)	(10,857)
Other expenses	1	(12,173)	(441)	(12,919)	(1,081)
Other income		2,312	19,432	4,083	21,907
Finance charges		(15,036)	(11,608)	(30,963)	(21,429)
Profit before zakat and income tax		70,664	131,622	164,463	237,258
Zakat expense		(8,217)	(7,913)	(17,382)	(16,042)
Income tax (expense) credit		(781)	3,411	(965)	3,411
Net profit for the period		61,666	127,120	146,116	224,627
Other comprehensive income					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translation of foreign operations		214	102	(3,479)	130
Total comprehensive income for the period		61,880	127,222	142,637	224,757
Earnings per share					
Basic earnings per share	12	0.81	1.69	1.92	2.99
Diluted earnings per share	12	0.77	1.59	1.83	2.81

The accompanying notes are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information was approved by the Board of Directors on 30 July 2023 and was signed on their behalf by:

		
Wael Mohammed Mohammed Khalil Chief Financial Officer	Mohammed Galal Ali Fahmy Chief Executive Officer	Abduljabbar AbdulRahman Mohammed AlAbduljabbar Chairman

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Assets			
Non-current assets			
Property and equipment		486,435	495,134
Right-of-use assets		421,082	451,185
Net investment in finance lease		46,079	46,908
Intangible assets		55,386	54,565
Goodwill		529	529
Trade and other receivables		9,292	6,395
Investment in Islamic financing contracts	6	992,406	894,032
Total non-current assets		2,011,209	1,948,748
Current assets			
Inventories		1,089,923	1,079,632
Trade and other receivables		185,456	129,794
Net investment in finance lease		3,851	2,095
Investment in Islamic financing contracts	6	749,721	663,162
Cash and cash equivalents	7	332,286	146,669
Total current assets		2,361,237	2,021,352
Assets held for sale	1	4,378	-
Total assets		4,376,824	3,970,100
Equity and liabilities			
Equity			
Share capital		800,000	800,000
Statutory reserve		78,770	64,158
Other reserves		(5,509)	3,657
Retained earnings		306,285	327,136
Treasury shares		(45,461)	(55,651)
Net equity		1,134,085	1,139,300
Liabilities			
Non-current liabilities			
Deferred revenue from extended warranty program		133,960	126,433
Lease liabilities		558,981	573,319
Borrowings	8	715,500	401,667
Employee benefit obligations		84,608	79,090
Total non-current liabilities		1,493,049	1,180,509

(Continued)

UNITED ELECTRONICS COMPANY**(A Saudi Joint Stock Company)****Condensed consolidated interim statement of financial position** (continued)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Current liabilities			
Trade and other payables	9	992,604	690,155
Deferred revenue from extended warranty program		124,189	113,297
Lease liabilities		20,774	28,255
Borrowings	8	562,943	777,384
Zakat and income tax		28,489	41,200
		1,728,999	1,650,291
Liabilities directly associated with assets classified as held for sale	1	20,691	-
Total current liabilities		1,749,690	1,650,291
Total liabilities		3,242,739	2,830,800
Total equity and liabilities		4,376,824	3,970,100

The accompanying notes are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information was approved by the Board of Directors on 30 July 2023 and was signed on their behalf by:

		
Wael Mohammed Mohammed Khalil Chief Financial Officer	Mohammed Galal Ali Fahmy Chief Executive Officer	Abduljabbar AbdulRahman Mohammed AlAbduljabbar Chairman

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity

(All amounts in Saudi Riyals thousands unless otherwise stated)

Note	Share capital	Statutory reserve	Other reserves				Retained earnings	Treasury shares	Total equity
			Share based payment reserve	Foreign currency translation reserve	Actuarial reserve	Total other reserves			
At 1 January 2022 (Audited)	600,000	69,481	21,851	(271)	(6,176)	15,404	339,672	(32,000)	992,557
Profit for the period	-	-	-	-	-	-	224,627	-	224,627
Other comprehensive loss for the period	-	-	-	130	-	130	-	-	130
Total comprehensive income for the period	-	-	-	130	-	130	224,627	-	224,757
Transfer to statutory reserve	-	22,463	-	-	-	-	(22,463)	-	-
Dividends	15	-	-	-	-	-	(146,765)	-	(146,765)
Treasury shares	1	-	-	(11,883)	-	-	-	11,883	-
Employee share schemes - value of employee services	-	-	3,001	-	-	3,001	-	-	3,001
At 30 June 2022 (Unaudited)	600,000	91,944	12,969	(141)	(6,176)	6,652	395,071	(20,117)	1,073,550
At 1 January 2023 (Audited)	800,000	64,158	9,968	(212)	(6,099)	3,657	327,136	(55,651)	1,139,300
Profit for the period	-	-	-	-	-	-	146,116	-	146,116
Other comprehensive loss for the period	-	-	-	(3,476)	-	(3,476)	-	-	(3,476)
Total comprehensive income for the period	-	-	-	(3,476)	-	(3,476)	146,116	-	142,640
Transfer to statutory reserve	-	14,612	-	-	-	-	(14,612)	-	-
Dividends	15	-	-	-	-	-	(152,355)	-	(152,355)
Treasury shares	1	-	-	(10,190)	-	-	-	10,190	-
Employee share schemes - value of employee services	-	-	4,500	-	-	4,500	-	-	4,500
At 30 June 2023 (Unaudited)	800,000	78,770	4,278	(3,688)	(6,099)	(5,509)	306,285	(45,461)	1,134,085

The accompanying notes are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information was approved by the Board of Directors on 30 July 2023 and was signed on their behalf by:


Wael Mohammed Mohammed Khalil
 Chief Financial Officer


Mohammed Galal Ali Fahmy
 Chief Executive Officer


Abduljabbar AbdulRahman Mohammed AlAbduljabbar
 Chairman

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the six-month period ended 30 June	
	Note	2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat and income tax		164,463	237,258
<u>Adjustments for:</u>			
Depreciation of property and equipment		25,332	22,572
Amortization of intangible assets		6,691	7,279
Depreciation of right-of-use assets		24,886	26,287
Property and equipment written off		8,123	-
Inventory mark-down		4,717	-
Net impairment losses on financial assets	6	29,281	10,857
Amortization of extended warranty program		(71,789)	(57,321)
Loss (gain) on termination of a lease		1,051	(1,437)
Finance income from net investment in finance lease		(1,427)	(1,007)
Employee share schemes - value of employee services		4,500	3,001
Loss on disposal of property and equipment		23	73
Gain on recognition of net investment in finance lease		-	(15,921)
Finance charges		60,017	29,874
Provision for employee benefit obligations		8,608	7,001
<u>Changes in operating assets and liabilities:</u>			
(Increase) decrease in trade and other receivables		(59,215)	5,003
Increase in investment in Islamic financing contracts		(214,214)	(137,665)
Increase in inventories		(14,352)	(149,780)
Increase (decrease) in trade and other payables		319,793	(120,867)
Increase in deferred revenue from extended warranty program		90,208	80,414
Cash utilized in operations		386,696	(54,379)
Employee benefit obligations paid		(3,090)	(3,785)
Principle element of lease payment received		500	1,007
Finance cost paid		(60,236)	(28,435)
Zakat and income tax paid		(31,058)	(26,807)
Net cash inflow (outflow) from operating activities		292,812	(112,399)
Cash flows from investing activities			
Payments for purchases of property and equipment		(28,106)	(47,514)
Payments for purchases of intangible assets		(4,424)	(3,295)
Proceeds from disposal of property and equipment		72	329
Net cash outflow from investing activities		(32,458)	(50,480)
Cash flows from financing activities			
Proceeds from long-term borrowings		679,500	339,000
Repayment of long-term borrowings		(299,933)	(306,916)
Proceeds from short-term borrowings		680,165	1,014,165
Repayment of short-term borrowings		(960,121)	(740,000)
Dividends paid to the Company's shareholders		(152,355)	(146,765)
Principal elements of lease payments		(17,782)	(33,362)
Net cash (outflow) inflow from financing activities		(70,526)	126,122

(Continued)

UNITED ELECTRONICS COMPANY**(A Saudi Joint Stock Company)****Condensed consolidated interim statement of cash flows** (continued)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Net change in cash and cash equivalents		189,828	(36,757)
Cash and cash equivalents at beginning of period		146,669	173,158
Cash and cash equivalents at end of period	7	336,497	136,401
Non-cash financing activities:			
Right-of-use assets recorded against lease liabilities		5,695	41,315
Reversal of right-of-use assets on termination of a lease and other adjustments		8,723	21,847
Recognition of net investment in finance lease		-	27,426
Reversal of lease liabilities on termination of a lease		7,672	8,905

The accompanying notes are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information was approved by the Board of Directors on 30 July 2023 and was signed on their behalf by:



**Wael Mohammed Mohammed
Khalil
Chief Financial Officer**



**Mohammed Galal Ali
Fahmy
Chief Executive
Officer**



**Abduljabbar AbdulRahman
Mohammed AlAbduljabbar
Chairman**

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

United Electronics Company (the “Company”) is a Saudi Joint Stock Company registered in Al Khobar under Commercial Registration (“CR”) number 2051029841 dated 10 Jumada II, 1425H (corresponding to 27 July 2004). The shares of the Company were listed on the Saudi Stock Exchange (“Saudi Exchange”) on 24 December 2011.

The registered address of the Company is P.O. Box 76688 Al Khobar 31952, Kingdom of Saudi Arabia.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) include the wholesale and retail trade in electric appliances, electronic gadgets, computers and their spare parts and accessories, furniture, office equipment and tools, maintenance and repair services, third-party marketing and consumer financing services.

The accompanying condensed consolidated interim financial information include the activities of the Company and its following wholly owned subsidiaries.

Subsidiaries	Country of incorporation
United Company for Maintenance Services (“UCMS”)	Kingdom of Saudi Arabia
United International Holding Company (“UIHC”)	Kingdom of Saudi Arabia
United Company for Financial Services (“UCFS”)	Kingdom of Saudi Arabia
Procco Financial Services W.L.L. (“Procco”)	Kingdom of Bahrain
United Electronics Company Extra W.L.L. (“eXtra Bahrain”)	Kingdom of Bahrain
United Electronics Company Extra L.L.C (“eXtra Oman”)	Sultanate of Oman
Extra for Import (“eXtra Import”)	Arab Republic of Egypt

As at 30 June 2023, the Group had a total of 53 branches (31 December 2022: 54 branches) out of which 48 branches are in the Kingdom of Saudi Arabia (31 December 2022: 48 branches in the Kingdom of Saudi Arabia).

Egypt operations

On 30 April 2023, the Board of Directors of the Group resolved to discontinue the Group's plans to expand in Egypt. The Group management has estimated the potential financial impact arising from such decision to be Saudi Riyals 38 million. During the six month period ended 30 June 2023, the Group has recognized an impairment loss on property and equipment amounting to Saudi Riyals 8.1 million, loss on termination of lease agreements amounting to Saudi Riyals 0.6 million (included in other expenses), markdowns on the inventories amounting to Saudi Riyal 4.7 million (included under cost of revenue) and provision against future commitments principally representing salaries and related benefits for employees amounting to Saudi Riyals 24.6 million (included under general and administrative expenses). As of the date of approval of these condensed consolidated interim financial information, the Group is in the process of disposal of the underlying assets and settlement of associated liabilities.

Assets classified as held for sale

The following are the assts classified as held for sale in relation to the Egypt operations:

	As at 30 June 2023 (Unaudited)
Assets classified as held for sale	
Property and equipment	167
Cash and cash equivalent	4,211
	4,378
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	20,691

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information (continued)

The accompanying condensed consolidated interim financial information was approved by the Board of Directors on 30 July 2023.

2 Accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information of the Group are consistent with those of the previous financial year and corresponding interim reporting periods.

2.1 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial information of the Group has been prepared in compliance with IAS 34 “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022.

(b) Historical cost convention

The condensed consolidated interim financial information is prepared under the historical cost convention, except as explained in the relevant accounting policies in the annual consolidated financial statements for the year ended 31 December 2022.

(c) New standards, amendments to standards and interpretations

A number of new and amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

IFRS 17 – Insurance contracts (“IFRS 17”)

Pursuant to the regulations in Kingdom of Saudi Arabia, the Company is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 effective from 1 January 2023, the Company has made a policy choice to continue to account for such exposures under IFRS 9 ‘Financial Instruments’ instead of IFRS 17. Accordingly, based on management’s assessment, there was no impact upon adoption of IFRS 17.

(d) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements.

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Fair value of assets and liabilities

As at 30 June 2023 and 31 December 2022, all financial assets and financial liabilities of the Group are categorized as held at amortized cost. Management believes that the fair values of the Group's financial assets and liabilities as at 30 June 2023 and 31 December 2022 are not materially different from their carrying values since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates. During the six month period ended 30 June 2023, there have been no significant market developments which might indicate towards a potential change in fair value of the Group's financial instruments.

4 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed consolidated interim financial information from those that were applied and disclosed in the annual consolidated financial statements for the year ended 31 December 2022. Also see Notes 6 and 14.

5 Revenue

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Recognized at a point in time				
Retail	1,269,434	1,308,108	2,300,605	2,306,366
Wholesale	42,906	3,081	50,506	5,222
E-commerce	272,413	259,832	513,007	547,220
	1,584,753	1,571,021	2,864,118	2,858,808
Recognized over time				
Extended warranty program	36,701	30,897	71,789	57,321
Others	553	542	1,136	1,343
	37,254	31,439	72,925	58,664
Total sales and services	1,622,007	1,602,460	2,937,043	2,917,472
Income from Islamic financing contracts	127,725	97,954	250,825	194,920
	1,749,732	1,700,414	3,187,868	3,112,392

UNITED ELECTRONICS COMPANY**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information (Unaudited)****For the three-month and six-month periods ended 30 June 2023**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Instalment sales receivables, net	69	2,564
Investment in Tawarruq financing contracts, net	1,358,337	1,149,838
Investment in Murabaha financing contracts, net	360,957	398,324
Investment in Islamic credit cards, net	22,764	6,468
	1,742,127	1,557,194
Less: non- current portion	(992,406)	(894,032)
Current portion	749,721	663,162

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)
6.1 Reconciliation between gross and net investment in Islamic financing contracts is as follows:

	Installment sales		Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	33,109	36,888	2,066,873	1,756,430	480,996	531,820	23,907	6,833	2,604,885	2,331,971
Unearned finance and processing fee income	(7,677)	(8,534)	(659,534)	(566,528)	(110,502)	(127,170)	-	-	(777,713)	(702,232)
Present value of Islamic financing contracts' receivables ("P.V. of I.F.C.")	25,432	28,354	1,407,339	1,189,902	370,494	404,650	23,907	6,833	1,827,172	1,629,739
Allowance for ECL	(25,363)	(25,790)	(49,002)	(40,064)	(9,537)	(6,326)	(1,143)	(365)	(85,045)	(72,545)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	69	2,564	1,358,337	1,149,838	360,957	398,324	22,764	6,468	1,742,127	1,557,194
Net investment in I.F.C. - non-current portion	-	-	(889,846)	(773,390)	(102,560)	(120,642)	-	-	(992,406)	(894,032)
Net investment in I.F.C. - current portion	69	2,564	468,491	376,448	258,397	277,682	22,764	6,468	749,721	663,162

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.2 The movement in allowance for ECL on Islamic financing contracts is as follows:

	Installment sales		Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Opening balance	25,790	25,790	40,064	23,933	6,326	9,431	365	-	72,545	59,154
Charge (reversal) for the period / year	(427)	-	23,383	42,044	9,468	5,451	778	365	33,202	47,860
Recoveries of amounts previously written - off	-	-	(2,538)	(4,692)	(1,383)	(2,413)	-	-	(3,921)	(7,105)
Net (reversal) charge for the period/year	(427)	-	20,845	37,352	8,085	3,038	778	365	29,281	40,755
Write-offs during the period / year	-	-	(11,907)	(21,221)	(4,874)	(6,143)	-	-	(16,781)	(27,364)
Closing balance	25,363	25,790	49,002	40,064	9,537	6,326	1,143	365	85,045	72,545

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.3 Stage-wise analysis of Islamic financing contracts and the respective ECL are as follows:

30 June 2023 (Unaudited)	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V of I.F.C	Allowance for ECL	Net investment in I.F.C	P.V of I.F.C	Allowance for ECL	Net investment in I.F.C	P.V of I.F.C	Allowance for ECL	Net investment in I.F.C	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C	P.V of I.F.C	Allowance for ECL	Net investment in I.F.C
Performing (Stage 1)	-	-	-	1,283,953	(9,712)	1,274,241	327,116	(859)	326,257	21,633	(273)	21,360	1,632,702	(10,844)	1,621,858
Under- performing (Stage 2)	-	-	-	38,480	(2,861)	35,619	12,699	(396)	12,303	337	(24)	313	51,516	(3,281)	48,235
Non-performing (Stage 3)	25,432	(25,363)	69	84,906	(36,429)	48,477	30,679	(8,282)	22,397	1,937	(846)	1,091	142,954	(70,920)	72,034
	25,432	(25,363)	69	1,407,339	(49,002)	1,358,337	370,494	(9,537)	360,957	23,907	(1,143)	22,764	1,827,172	(85,045)	1,742,127

31 December 2022 (Audited)	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	41	(37)	4	1,102,246	(10,500)	1,091,746	378,868	(1,408)	377,460	5,841	(47)	5,794	1,486,996	(11,992)	1,475,004
Under- performing (Stage 2)	90	(82)	8	18,730	(2,890)	15,840	4,759	(196)	4,563	496	(96)	400	24,075	(3,264)	20,811
Non-performing (Stage 3)	28,223	(25,671)	2,552	68,926	(26,674)	42,252	21,023	(4,722)	16,301	496	(222)	274	118,668	(57,289)	61,379
	28,354	(25,790)	2,564	1,189,902	(40,064)	1,149,838	404,650	(6,326)	398,324	6,833	(365)	6,468	1,629,739	(72,545)	1,557,194

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.4 Stage-wise movement in ECL allowance/impairment on investment in Islamic financing contracts is as follows:

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<u>2023</u>				
1 January 2023	11,992	3,264	57,289	72,545
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,631)	3,039	(807)	601
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(3,842)	(1,856)	23,382	17,684
Individual financial assets transferred to performing (12-month expected credit losses)	102	(567)	(714)	(1,179)
New financial assets originated	7,586	-	-	7,586
Amounts written-off	-	-	(16,781)	(16,781)
Other changes	(3,363)	(599)	8,551	4,589
30 June 2023	10,844	3,281	70,920	85,045
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<u>2022</u>				
1 January 2022	8,442	3,409	47,303	59,154
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,865)	3,135	(146)	1,124
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(10,966)	(1,600)	30,267	17,701
Individual financial assets transferred to performing (12-month expected credit losses)	40	(361)	(329)	(650)
New financial assets originated	19,074	-	-	19,074
Amounts written-off	(65)	(128)	(27,171)	(27,364)
Other changes	(2,668)	(1,191)	7,365	3,506
31 December 2022	11,992	3,264	57,289	72,545

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.5 Category-wise movement in stage-wise ECL allowance/impairment is as follows:

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing	Under-	Non-	Performing	Under-	Non-	Performing	Under-	Non-	Performing	Under-	Non-	Performing	Under-	Non-
2023	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)
At 1 January	37	82	25,671	10,500	2,890	26,674	1,408	196	4,722	47	96	222	11,992	3,264	57,289
Individual financial assets transferred to - under-performing (lifetime expected credit losses)	-	-	-	(1,324)	2,629	(690)	(286)	386	(116)	(21)	24	(1)	(1,631)	3,039	(807)
- non-performing (credit-impaired financial assets)	-	-	-	(2,384)	(1,667)	17,526	(1,339)	(115)	5,256	(119)	(74)	600	(3,842)	(1,856)	23,382
- performing (12-month expected credit losses)	-	-	-	96	(526)	(617)	5	(37)	(85)	1	(4)	(12)	102	(567)	(714)
New financial assets originated	-	-	-	5,588	-	-	1,740	-	-	258	-	-	7,586	-	-
Amounts written-off	-	-	-	-	-	(11,906)	-	-	(4,875)	-	-	-	-	-	(16,781)
Other changes	(37)	(82)	(308)	(2,764)	(465)	5,442	(669)	(34)	3,380	107	(18)	37	(3,363)	(599)	8,551
At 30 June	-	-	25,363	9,712	2,861	36,429	859	396	8,282	273	24	846	10,844	3,281	70,920

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.5 Category-wise movement in stage-wise ECL allowance/impairment is as follows: (continued)

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing	Under-	Non-	Performing	Under-	Non-	Performing	Under-	Non-	Performing	Under-	Non-	Performing	Under-	Non-
2022	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)	(Stage 1)	(Stage 2)	(Stage 3)
At 1 January	703	768	24,319	6,019	2,067	15,847	1,720	574	7,137	-	-	-	8,442	3,409	47,303
Individual financial assets transferred to -under-performing (lifetime expected credit losses)	-	-	-	(1,597)	2,837	(136)	(172)	201	(9)	(96)	96	-	(1,865)	3,134	(145)
-non-performing (credit-impaired financial assets)	-	-	-	(8,827)	(1,312)	26,780	(1,917)	(287)	3,264	(222)	-	222	(10,966)	(1,599)	30,266
-performing (12-month expected credit losses)	-	-	-	37	(274)	(222)	3	(87)	(107)	-	-	-	40	(361)	(329)
New financial assets originated	-	-	-	15,753	-	-	2,979	-	-	342	-	-	19,074	-	-
Amounts written-off	-	-	-	(55)	(81)	(21,087)	(10)	(47)	(6,084)	-	-	-	(65)	(128)	(27,171)
Other changes	(666)	(686)	1,352	(830)	(347)	5,492	(1,195)	(158)	521	23	-	-	(2,668)	(1,191)	7,365
At 31 December	37	82	25,671	10,500	2,890	26,674	1,408	196	4,722	47	96	222	11,992	3,264	57,289

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.5 Category-wise movement in stage-wise ECL allowance/impairment is as follows: (continued)

Following factors contributed to the change in the ECL allowance during the six-month period ended 30 June 2023:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information. which contributes to determination of the overall scalar factor used. Furthermore, changes in unemployment statistics are also used in determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation. This did not have a significant impact on the net impairment losses / ECL allowance as of and for the six-month period ended 30 June 2023. There were no other changes made to the underlying methodology and significant judgments used by management in preparation of the ECL model during such period;
- Additional allowances for new financial assets recognised during the year;
- Financial assets written off; and
- 'Other changes' principally represent net impact of additional allowance for ECL recognized upon write-offs and recoveries from previously written-off exposures.

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information (Unaudited)

For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.6 Category-wise movement in stage-wise gross investment in Islamic financing contracts is as follows:

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023															
At 1 January	41	91	28,222	1,102,246	18,730	68,926	378,867	4,759	21,024	5,841	496	496	1,486,995	24,076	118,668
Individual financial assets transferred to -under-performing (lifetime expected credit losses)	-	-	-	(33,650)	35,450	(1,802)	(12,337)	12,851	(518)	(430)	427	-	(46,417)	48,728	(2,320)
-non-performing (credit-impaired financial assets)	-	-	-	(28,917)	(10,170)	39,087	(15,829)	(2,369)	18,198	(628)	(489)	1,118	(45,374)	(13,028)	58,403
-performing (12-month expected credit losses)	-	-	-	5,748	(4,071)	(1,677)	1,219	(817)	(403)	219	(219)	-	7,186	(5,107)	(2,080)
New financial assets originated	-	-	-	474,937	-	-	139,873	-	-	15,430	-	-	630,240	-	-
Amounts written-off	-	-	-	-	-	(11,906)	-	-	(4,875)	-	-	-	-	-	(16,781)
Collections and other changes	(41)	(91)	(2,790)	(236,411)	(1,459)	(7,722)	(164,677)	(1,725)	(2,747)	1,201	122	323	(399,928)	(3,153)	(12,936)
At 30 June	-	-	25,432	1,283,953	38,480	84,906	327,116	12,699	30,679	21,633	337	1,937	1,632,702	51,516	142,954

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)
6.6 Category-wise movement in stage-wise gross investment in Islamic financing contracts is as follows: (continued)

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2022															
At 1 January	10,949	3,865	37,943	812,453	9,814	34,309	341,693	5,149	16,005	-	-	-	1,165,095	18,828	88,257
Individual financial assets transferred to - under-performing (lifetime expected credit losses)	-	-	-	(19,832)	20,130	(298)	(5,499)	5,520	(21)	(496)	496	-	(25,827)	26,146	(319)
- non-performing (credit-impaired financial assets)	-	-	-	(61,526)	(6,107)	67,633	(18,880)	(2,380)	21,260	(496)	-	496	(80,902)	(8,487)	89,389
- performing (12-month expected credit losses)	-	-	-	1,783	(1,300)	(483)	930	(691)	(238)	-	-	-	2,713	(1,991)	(721)
New financial assets originated	-	-	-	666,017	-	-	283,447	-	-	6,833	-	-	956,297	-	-
Amounts written-off	-	-	-	(53)	(81)	(21,087)	(10)	(47)	(6,084)	-	-	-	(63)	(128)	(27,171)
Collections and other changes	(10,908)	(3,774)	(9,721)	(296,596)	(3,726)	(11,148)	(222,814)	(2,792)	(9,898)	-	-	-	(530,318)	(10,292)	(30,767)
At 31 December	41	91	28,222	1,102,246	18,730	68,926	378,867	4,759	21,024	5,841	496	496	1,486,995	24,076	118,668

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Investment in Islamic financing contracts (continued)

6.7 Maturity profile of gross investment in Islamic financing contracts and present value of investment in Islamic financing contracts is as follows:

	30 June 2023	31 December 2022
Gross investment in Islamic financing contracts		
Within one year	1,071,281	1,060,276
From one to two years	768,499	648,086
From two to three years	423,139	369,007
From three to four years	236,231	186,002
Four to five years	105,735	68,600
	2,604,885	2,331,971
Present value of investment in Islamic financing contracts		
Within one year	775,440	789,601
From one to two years	572,630	445,960
From two to three years	284,402	239,064
From three to four years	142,529	114,980
Four to five years	52,171	40,134
	1,827,172	1,629,739

7 Cash and cash equivalents

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash at bank	303,892	132,207
Cash in hand	28,394	14,462
	332,286	146,669

For the purpose of the condensed consolidated interim statement of cash flows comprise the following:

	Note	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Cash at bank		303,892	125,115
Cash in hand		28,394	11,286
Cash and cash equivalents attributable to discontinued operations	1	4,211	-
		336,497	136,401

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Borrowings

The Group has bank facilities from local banks for letters of credit, letters of guarantee, Murabaha and Tawarruq financings. These facilities are subject to Islamic Shariah principles. The loan facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. During the six-month period ended 30 June 2023, the Group made early repayments of borrowings under certain facilities and entered into a new facility agreement (Murabaha VI and Murabaha VII) with another commercial bank on favourable terms agreed under a separate agreement. There was no gain or loss on the extinguishment of the borrowings upon early repayment.

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	961,500	581,934
Short-term borrowings		
Murabaha facilities	310,165	590,165
	1,271,665	1,172,099
Accrued finance cost	6,778	6,952
	1,278,443	1,179,051
Classification of borrowings is presented below:		
Current portion (including short-term borrowings)	562,943	777,384
Non-current portion	715,500	401,667
	1,278,443	1,179,051

The long-term Murabaha borrowings outstanding relate to UCFS, which utilizes the facilities obtained by the Group. The various facilities and their respective utilization levels are as follows:

Murabaha I

Total amount allocated to UCFS under such facility is Saudi Riyals 300 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. During 2023, UCFS made early repayment of borrowings in full amounting to Saudi Riyals 216.9 million (As at 31 December 2022, UCFS had an outstanding loan balance of Saudi Riyals 206.9 million against this facility).

Murabaha III

Total amount allocated to UCFS under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. During 2023, UCFS made early repayment of borrowings in full amounting to Saudi Riyals 33 million (31 December 2022: early repayment amounting to Saudi Riyals 360.8 million).

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Borrowings (continued)

Murabaha IV

Total amount allocated to UCFS under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 30 June 2023, UCFS has an outstanding loan balance of Saudi Riyals 300 against this facility (31 December 2022: Saudi Riyals 350.0 million).

Murabaha V

Total amount allocated to UCFS under such facility is Saudi Riyals 250 million. The tenure of the borrowing facility is less than one year. During 2023, UCFS made early repayment of borrowings in full amounting to Saudi Riyals 250 million.

Murabaha VI

Total amount allocated to UCFS under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 30 June 2023, UCFS has an outstanding loan balance of Saudi Riyals 387.5 million against this facility (31 December 2022: Saudi Riyals Nil).

Murabaha VII

Total amount allocated to UCFS under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 30 June 2023, UCFS has an outstanding loan balance of Saudi Riyals 274.0 million against this facility (31 December 2022: Saudi Riyals Nil).

All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") ranging between SAIBOR plus 0.85% to 1.4%. The financial charges incurred during the period increased on account of increase in amount of borrowings and increase in SAIBOR since the second half of 2022. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the group was in compliance with at 30 June 2023.

Short term borrowings (Murabaha)

During the period ended 30 June 2023, the Group has availed short term borrowing facilities with certain local commercial banks for working capital management. Total amount available to the Group under such facilities is Saudi Riyals 525 million. Each tranche of such borrowings is repayable between 30 to 90 days from receipt of the borrowed amount. As at 30 June 2023, the Group had an outstanding balance of Saudi Riyals 310.2 million against this facility (31 December 2022: Saudi Riyals 340.2 million).

The contractual maturities of the borrowings are as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Less than 6 months	433,165	692,799
Between 6 - 12 months	123,000	77,633
Between 1 and 2 years	246,000	155,267
Between 2 and 5 years	469,500	242,400
Above 5 years	-	4,000
	1,271,665	1,172,099

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Trade and other payables

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Accounts payable		740,760	469,330
Advances from customers		44,574	37,504
Accruals for employees		32,102	47,986
Accrued expenses		75,092	56,013
Value added tax payable		67,255	45,773
Gift cards		19,736	22,129
Due to related parties	11	635	673
Others		12,450	10,747
		992,604	690,155

10 Segmental information

a) Operating segments

The Group is organized into business units based on factors including distribution method, targeted customers, products and geographic location.

The Group has two major operating segments namely, 'Sales and services' and 'Consumer finance'. The Board of Directors of the Group, considered as Chief Operating Decision Maker, review the internal management reports of each segment at least quarterly for the purpose of resources allocation and assessment of performance. All other operating segments that are not reportable are combined under "Others".

The following summary describes the operations of each reportable segment.

Reportable segment	Operation
Sales and services	Retail, wholesale, e-commerce, installation and repair services of electronic products, computers, smartphones and accessories, extended warranties, gift cards and installment sales.
Consumer finance	Consumer financing under Murabaha, Tawarruq and Islamic credit card financing arrangements (Tas'heel).

The segmental information was as follows:

As at and for the six-month period ended 30 June 2023 (Unaudited)

	Sales and services	Consumer finance	Others	Intersegment eliminations	Total
Revenue					
- At a point in time	2,864,116	-	-	-	2,864,116
- Over time	75,747	249,970	11,569	(13,534)	323,752
	2,939,863	249,970	11,569	(13,534)	3,187,868
Net profit	42,376	103,780	(40)	-	146,116
Total assets	3,403,293	1,849,170	800,072	(1,675,711)	4,376,824
Total liabilities	2,242,945	1,070,824	213,665	(284,695)	3,242,739

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Segmental information (continued)

For the six-month period ended 30 June 2022 (Unaudited)

	Sales and services	Consumer finance	Others	Intersegment eliminations	Total
Revenue					
- At a point in time	2,858,803	-	-	-	2,858,803
- Over time	64,078	191,358	9,633	(11,480)	253,589
	2,922,881	191,358	9,633	(11,480)	3,112,392
Net profit	125,941	98,874	396	(584)	224,627

As at 31 December 2022 (Audited)

Total assets	3,132,672	1,612,664	697,868	(1,473,104)	3,970,100
Total liabilities	1,927,513	938,095	215,363	(250,171)	2,830,800

The group management uses segment revenue and net profit to measure performance being the most relevant in evaluating the results of segments.

b) Geographical segments

The geographical information below analyses the Group's revenue, net profit, total assets and total liabilities as follows:

As at and for the six-month period ended 30 June 2023 (Unaudited)

	Kingdom of Saudi Arabia	Others	Intersegment eliminations	Total
Revenue				
- At a point in time	2,629,255	234,861	-	2,864,116
- Over time	321,703	15,583	(13,534)	323,752
	2,950,958	250,444	(13,534)	3,187,868

Net profit	353,607	(38,992)	(168,499)	146,116
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Total assets	5,772,361	280,174	(1,675,711)	4,376,824
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Total liabilities	3,272,615	254,819	(284,695)	3,242,739
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For the six-month period ended 30 June 2022 (Unaudited)

	Kingdom of Saudi Arabia	Others	Intersegment eliminations	Total
Revenue				
- At a point in time	2,670,937	187,866	-	2,858,803
- Over time	251,898	13,171	(11,480)	253,589
	2,922,835	201,037	(11,480)	3,112,392

Net profit	423,310	645	(199,328)	224,627
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As at 31 December 2022 (Audited)

	Kingdom of Saudi Arabia	Others	Intersegment eliminations	Total
Total assets	5,171,550	271,654	(1,473,104)	3,970,100
Total liabilities	2,877,080	203,891	(250,171)	2,830,800

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's shareholders), and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties). As at 30 June 2023, Al Fozan Holding Company is the major shareholder of the Company with a shareholding of 20.0% (31 December 2022: 23.7%).

(a) *The following significant transactions were entered into by the Group with its related parties:*

Nature of transaction	Relationship	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Sales					
	Major shareholder	42	70	99	105
	Associated Companies	-	621	99	2,004
Purchases (returns)	Associated Companies	388	494	570	633
Rental income	Associated Companies	391	391	783	783
Acquisition of property and equipment	Associated Companies	-	21	-	21
Rent expense	Associated Companies	511	511	1,023	1,023
Other expenses charged	Associated Companies	69	105	151	191

The transactions are based on terms agreed as per the underlying agreements between the Group and the respective related parties.

(b) *Key management compensation*

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Salaries and other employee benefits	2,795	2,730	5,707	5,542
Board of Directors' fees	50	103	76	171
	2,845	2,833	5,783	5,713

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Related party transactions and balances (continued)

(c) Due from related parties - associated companies and major shareholder

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
United Homeware Company	1,874	1,167
Al Fozan Holding Company	25	31
Retal Urban Development Company	19	16
	1,918	1,214

(d) Due to related parties - associated companies

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Madar Hardware Company	604	642
Al Yassra Trading Co.	31	31
	635	673

The above balances are receivable/payable based on the terms agreed as per the signed agreements between the Group and the respective related parties and do not bear any financial charges.

12 Earnings per share

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
Profit for the period attributable to the shareholders of the Company	61,666	127,120	146,116	224,627

The weighted average number of shares used as the denominator are as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in calculating basic earnings per share	76,192,487	75,184,219	76,192,487	75,184,219
Adjustment for treasury shares	3,807,513	4,815,781	3,807,513	4,815,781
Weighted average number of ordinary shares used in calculating diluted earnings per share	80,000,000	80,000,000	80,000,000	80,000,000

Earnings per share (Saudi Riyals)

Basic earnings per share	0.81	1.69	1.92	2.99
Diluted earnings per share	0.77	1.59	1.83	2.81

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

13 Contingencies and capital commitments

	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)
Letters of credit and guarantee	1,299,980	1,022,943
Commitments for the acquisition of property and equipment	8,139	8,139

14 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Group's overall risk management program, which is carried out by senior management under policies approved by the Board of Directors, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to the shareholders.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management and the Board of Directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The risks faced by the Group and their respective mitigating strategies are summarized below:

14.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Group. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 30 June 2023, the Group has maintained an ECL allowance of Saudi Riyals 85.0 million (31 December 2022: Saudi Riyals 72.5 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

The management analyses credit risk into the following categories:

Investment in Islamic financing contracts

Investment in Tawarruq and Murabaha finance contracts is generally exposed to significant credit risk. Therefore, the Group has established procedures to manage credit exposure including evaluation of customers' credit worthiness, formal credit approvals and assigning credit limits.

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Financial risk management (continued)

14.1 Credit risk (continued)

Investment in Islamic financing contracts (continued)

The overall decision to lend to a particular customer is based on the following key parameters:

- Dual credit score i.e. SIMAH and internal application scoring system;
- Minimum income level and maximum debt burden of the borrower; and
- Loan repayment history with other financial institutions sourced from SIMAH.

The Group does not have any significant concentration of credit risk since it enters into Islamic Financing Contracts with individual customers only. At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc.

A significant number of customers are Government sector employees. The Group generally receives repayments through variable channels such as SADAD and bank transfers. The Group has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the Risk and Credit Management Committee and the Board of Directors on a quarterly basis. Furthermore, the Group has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

The following tables sets out information about the credit quality of investment in Islamic financing contracts:

- (a) *Stage-wise analysis of gross investment in Islamic financing contracts, in comparison with internal credit risk rating assigned at the inception of the respective contracts. The amounts in the table represent gross carrying amounts.*

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
30 June 2023				
<i>Internal credit risk ratings</i>				
Low risk	886,375	14,770	34,061	935,206
Medium risk	730,306	24,375	55,010	809,691
High risk	751,001	33,111	75,876	859,988
	2,367,682	72,256	164,947	2,604,885
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 December 2022				
<i>Internal credit risk ratings</i>				
Low risk	829,199	8,413	28,442	866,054
Medium risk	677,160	10,989	43,467	731,616
High risk	627,751	14,410	92,140	734,301
	2,134,110	33,812	164,049	2,331,971

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Financial risk management (continued)
14.1 Credit risk (continued)
Investment in Islamic financing contracts (continued)

(b) Ageing analysis of net investment in Islamic financing contracts based on due balances according to the respective contractual repayment schedules:

	Installment sales receivable		Tawarruq finance		Murabaha finance		Islamic Credit Card		Total	
	31		31		31		31		31	
	30 June	December	30 June	December	30 June	December	30 June	December	30 June	December
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Not past due	-	41	1,222,030	1,067,030	317,326	368,275	19,848	5,652	1,559,204	1,440,998
Past due 1-30 days	-	-	66,042	35,760	11,131	11,020	651	189	77,824	46,969
Past due 31-90 days	-	90	38,237	19,074	12,251	4,496	1,705	496	52,193	24,156
Past due 91-180 days	-	-	31,902	34,893	16,106	9,421	1,703	496	49,711	44,810
Past due 181-364 days	-	-	41,002	24,580	11,454	8,350	-	-	52,456	32,930
Over 365 days	25,432	28,223	8,126	8,565	2,226	3,088	-	-	35,784	39,876
	25,432	28,354	1,407,339	1,189,902	370,494	404,650	23,907	6,833	1,827,172	1,629,739
Less: Impairment for Islamic financing contracts	(25,363)	(25,790)	(49,002)	(40,064)	(9,537)	(6,326)	(1,143)	(365)	(85,045)	(72,545)
Net investment in Islamic financing contracts	69	2,564	1,358,337	1,149,838	360,957	398,324	22,764	6,468	1,742,127	1,557,194

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Financial risk management (continued)

14.1 Credit risk (continued)

c) Changes in assumptions including incorporation of forward-looking information

During the six-month period ended 30 June 2023, there have been no significant changes to the underlying methodology used for determination of ECL, including the weight assigned to each scenario i.e. upturn, baseline and downturn scenarios.

Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information, which contributes to determination of the overall scalar factor used. As at 30 June 2023, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars ("USD") 94.9, USD 84.9 and USD 68.0 per barrel respectively (As at 31 December 2022, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars ("USD") 97.5, USD 88.2 and USD 69.7 per barrel respectively), which contributed to determination of the overall scalar factor used. Furthermore, changes in unemployment statistics are also used in determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation. As at 30 June 2023, the unemployment factor incorporated in the calculation of changes in unemployment statistics was 5.1% (31 December 2022: 5.8%). This did not have a significant impact on the net impairment losses / ECL allowance as of and for the three-month and six-month periods ended 30 June 2023.

d) Sensitivity analysis:

An increase or decrease of 10% in the oil prices scenario weightings with all other variables held constant will result in an increase/decrease of Saudi Riyals 3.2 million, in the ECL allowance (31 December 2022: Saudi Riyals 4.1 million).

An increase or decrease of 10% in the unemployment scenario weightings with all other variables held constant will result in an increase of Saudi Riyals 0.3 million, in the ECL allowance (31 December 2022: Saudi Riyals 0.5 million).

An increase or decrease of 10% in the loss rates (PDs and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 10.0 million or a decrease of Saudi Riyals 9.7 million respectively, in the ECL allowance (31 December 2022: an increase of Saudi Riyals 8.2 million or a decrease of Saudi Riyals 7.9 million, respectively in the ECL allowance).

Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The average credit period on sales of goods is 30-90 days. No interest is charged on trade receivables. Before accepting any new customer, the Group has a credit policy set in place to assess the potential customer's credit quality and defines the credit limits. These procedures are reviewed and updated on an ongoing basis. At 30 June 2023, 62% of trade receivables were due from 1 customer (2022: 60% from 1 customer). Management believes that this concentration of credit risk is mitigated as the customer has established track record of regular and timely payments.

The expected loss rates are based on the payment profiles of sales over a period of 18 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group does not hold any collateral as security.

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Financial risk management (continued)

14.1 Credit risk (continued)

The Group considers any trade receivables overdue for more than a year to be in default and are accordingly fully provided for. The loss rates for the other ageing buckets are not significant. The identified ECL on trade and other receivables is trivial and accordingly, no ECL has been recognised by the Group.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the profit or loss.

The other classes within trade and other receivables do not contain impaired assets and are also not exposed to significant credit risk. The maximum exposure to credit risk at reporting date is the carrying amount of each receivable.

Net investment in finance lease

Net investment in finance lease is stated at amortised cost. The group uses simplified approach under IFRS 9 to calculate the ECL allowance. At 30 June 2023 and 31 December 2022, the ECL allowance on net investment in finance lease was immaterial.

Cash and cash equivalents

The Group uses “low credit risk” practical expedient for the cash and cash equivalents with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months.

These are placed with banks having minimum credit ratings of BBB or better, and therefore are not subject to significant credit risk. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. At 30 June 2023 and 31 December 2022, the ECL allowance on cash at bank was immaterial.

14.2 Profit rate risk

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Group's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Group has profit bearing financial assets of Saudi Riyals 1,742.1 million (31 December 2022: Saudi Riyals 1,565.1 million). However, the profit rates have been agreed with the respective customers upon inception of the Islamic financing contracts. Further, the Group also has variable profit bearing financial liabilities of Saudi Riyals 1,271.7 million (31 December 2022: Saudi Riyals 1,117.9 million) and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 15.1 million (31 December 2022: Saudi Riyals 12.6 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Company's financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Financial risk management (continued)

14.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities as made available by the shareholder.

Total unused credit facilities available to the Group as at 30 June 2023 were approximately Saudi Riyals 2,262.6 million (31 December 2022: Saudi Riyals 1,947.9 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such cash flow forecasts consider, among other items, that the Group has pre-agreed fixed profit rates from its customers under Murabaha and Tawarruq financing contracts, whereas, its borrowings from commercial banks are based on SAIBOR based variable finance costs. The maturity profile of financial assets and financial liabilities demonstrates a significant head room of financial assets over financial liabilities. Management also believes that any change in the variable finance costs of their borrowings would not result in the Group facing any liquidity issues. The cash flows of the Group, during the six-month period ended 30 June 2023, have been principally consistent with the underlying budgeted forecasts and there are no developments which might indicate towards any potential liquidity concerns in the near future.

15 Dividends

The Company's Board of Directors, in their meeting held on 12 April 2023, resolved to distribute cash dividends of Saudi Riyal 2.0 per share, amounting to Saudi Riyal 160.0 million, for the second half of the year ended 31 December 2022 (2021: Saudi Riyals 150.0 million for the second half of the year ended 31 December 2021) which was fully paid during the six-month period ended 30 June 2023.

Dividends presented in the condensed consolidated interim statement of changes in equity are net of dividends on treasury shares.

16 Employees' Stock Option Program

During the period ended 30 June 2023, certain employees of the Group exercised their options awarded under the Group's Employees' Stock Option Program ("ESOP") and purchased 1.09 million shares. The average exercise price for such options was Saudi Riyals 0.81 per share since additional performance targets as set out under the ESOP plan and its related modifications were achieved.

17 Restatement

During the three-month and six-month periods ended 30 June 2023, the Group identified that it had not separately presented income from Islamic financing contracts for the three-month and six month periods ended 30 June 2022, on the condensed consolidated interim statement of profit or loss and other comprehensive income in accordance with the requirements of the applicable financial reporting framework. Such error was corrected and income from Islamic financing contracts has been separately presented on the condensed consolidated interim statement of profit or loss and other comprehensive income. Such restatement has had no impact on the total revenue, gross profit, profit before zakat and income tax, net profit for the three-month and six month periods or basic and diluted earnings per share for the three-month and six-month periods ended 30 June 2022, the condensed consolidated interim statement of financial position as at 31 December 2022 and the condensed consolidated interim statements of changes in equity and cash flows for the six month period ended 30 June 2022.