

**UNITED ELECTRONICS COMPANY  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
AND INDEPENDENT AUDITOR'S REPORT**

**UNITED ELECTRONICS COMPANY  
(A Saudi Joint Stock Company)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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# *Independent auditor's report to the shareholders of United Electronics Company*

## *Report on the audit of the consolidated financial statements*

### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of United Electronics Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

### *Our audit approach*

#### **Overview**

Key audit matters	Expected credit loss allowance against investment in Islamic financing contracts
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As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including amount other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



## Independent auditor's report to the shareholders of United Electronics Company (continued)

### Our audit approach (continued)

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p style="color: #A52A2A;"><i>Expected credit loss allowance against investment in Islamic financing contracts</i></p> <p>As at 31 December 2022, the Group's gross investment in Islamic financing contracts was Saudi Riyals 2.3 billion against which an expected credit loss ("ECL") allowance of Saudi Riyals 72.5 million was maintained.</p> <p>The determination of ECL involves significant management judgement. The key areas of judgement used by management to determine the ECL include:</p> <ul style="list-style-type: none"> <li>• Categorisation of receivables into stages 1, 2 or 3 based on the identification of:               <ul style="list-style-type: none"> <li>(i) exposures with a significant increase in credit risk ("SICR") since their origination; and</li> <li>(ii) individually impaired / defaulted exposures.</li> </ul> </li> <li>• Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD") including but not limited to the expected future cash flows, changes from assumptions used in the prior year, developing and incorporating forward looking information, macroeconomic factors and the associated scenarios and expected probability weights in line with the requirements of International Financial Reporting Standard 9 'Financial Instruments' ("IFRS 9").</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Updated our understanding of accounting policy adopted and methodology applied by management in the ECL model to determine the ECL allowance for investment in Islamic financing contracts and compared them against the requirements of IFRS 9.</li> <li>• Evaluated and tested the design, implementation and the operating effectiveness of key controls over the ECL model including:               <ul style="list-style-type: none"> <li>(i) governance and approval of key assumptions used;</li> <li>(ii) classification of exposures into stages 1, 2 or 3, criteria for identification of SICR and the determination of individually impaired / defaulted exposures; and</li> <li>(iii) integrity of data inputs into the ECL model.</li> </ul> </li> <li>• Assessed, for a selected sample of Islamic financing contracts, the appropriateness of the staging classification and management's computation of ECL allowance.</li> </ul>



## *Independent auditor's report to the shareholders of United Electronics Company (continued)*

### *Our audit approach (continued)*

<b>Key audit matter</b>	<b>How our audit addressed the Key audit matter</b>
<p>We considered ECL against investment in Islamic financing contracts as of 31 December 2022 as a key audit matter in view of the judgements involved and consequently the associated audit risk around ECL calculations.</p> <p>Refer to the significant accounting policies in Note 2.25 for the impairment of financing contracts; Note 3 which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses; and Notes 15 and 30 which contain the disclosures of impairment losses, impairment allowance assessment methodology, credit quality analysis, key assumptions and factors considered in determination of ECL.</p>	<ul style="list-style-type: none"> <li>• Involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing the reasonableness of assumptions used in the ECL model including those used to determine PD, LGD and EAD including but not limited to actual past performance, expected future cash flows, changes from assumptions used in the prior year, macroeconomic variables, forecasted macroeconomic scenarios and probability weights.</li> <li>• Assessed the adequacy of disclosures in the consolidated financial statements.</li> </ul>

### *Other information*

Management is responsible for the other information. The other information comprises information included in the Group's 2022 annual report, (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Independent auditor's report to the shareholders of United Electronics Company (continued)*

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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## *Independent auditor's report to the shareholders of United Electronics Company (continued)*

### *Auditor's responsibilities for the audit of the consolidated financial statements (continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **PricewaterhouseCoopers**

Ali A. Alotaibi  
License Number 379

14 February 2023




**UNITED ELECTRONICS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated statement of profit or loss and other comprehensive income**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

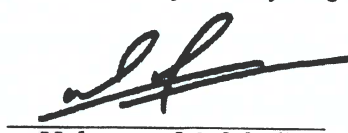
	Note	Year ended 31 December	
		2022	2021 (Restated - Note 32)
Sales and services		5,609,070	5,486,759
Income from Islamic financing contracts		421,996	346,869
<b>Total revenue</b>	4	<b>6,031,066</b>	<b>5,833,628</b>
Cost of revenue		(4,766,002)	(4,649,978)
<b>Gross profit</b>		<b>1,265,064</b>	<b>1,183,650</b>
Selling and distribution expenses	5	(556,338)	(538,038)
General and administrative expenses	6	(183,824)	(167,288)
Net impairment losses on financial assets	15	(40,755)	(25,498)
Other expenses		(4,372)	(4,509)
Other income	7	42,478	16,813
Finance charges	8	(50,107)	(37,771)
<b>Profit before zakat and income tax</b>		<b>472,146</b>	<b>427,359</b>
Zakat expense	25	(34,413)	(27,357)
Income tax credit (expense)	25	2,441	(3,168)
<b>Net profit for the year</b>		<b>440,174</b>	<b>396,834</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations	23	77	1,287
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		59	(120)
<b>Other comprehensive income for the year</b>		<b>136</b>	<b>1,167</b>
<b>Total comprehensive income for the year</b>		<b>440,310</b>	<b>398,001</b>
<b>Earnings per share (Saudi Riyals)</b>			
Basic earnings per share	28	5.85	5.37
Diluted earnings per share	28	5.50	4.96

The accompanying notes are an integral part of these consolidated financial statements.

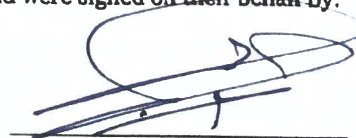
The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 13 February 2023 and were signed on their behalf by:

  
Wael Mohammed  
Mohammed Khalil

Chief Financial Officer

  
Mohammed Galal Ali  
Fahmy

Managing Director  
and Chief Executive  
Officer

  
Abduljabbar  
AbdulRahman  
Mohammed  
AlAbduljabbar

Chairman of the Board of  
Directors



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

	Note	As at 31 December	
		2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	9	495,134	447,102
Right-of-use assets	10	451,185	423,769
Net investment in finance leases	11	46,908	10,988
Intangible assets	12	54,565	54,850
Goodwill	13	529	529
Trade and other receivables	14	6,395	4,898
Investment in Islamic financing contracts	15	894,032	748,424
<b>Total non-current assets</b>		<b>1,948,748</b>	<b>1,690,560</b>
<b>Current assets</b>			
Inventories	16	1,079,632	1,202,517
Net investment in finance leases	11	2,095	648
Trade and other receivables	14	129,794	116,719
Investment in Islamic financing contracts	15	663,162	464,604
Cash and cash equivalents	17	146,669	173,158
<b>Total current assets</b>		<b>2,021,352</b>	<b>1,957,646</b>
<b>Total assets</b>		<b>3,970,100</b>	<b>3,648,206</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	18	800,000	600,000
Statutory reserve	19	64,158	69,481
Other reserves		3,657	15,404
Retained earnings		327,136	339,672
Treasury shares	29	(55,651)	(32,000)
<b>Net equity</b>		<b>1,139,300</b>	<b>992,557</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred revenue from extended warranty program	21	126,433	108,808
Lease liabilities	22	573,319	519,061
Borrowings	20	401,667	603,340
Deferred tax liabilities		-	1,243
Employee benefit obligations	23	79,090	73,875
<b>Total non-current liabilities</b>		<b>1,180,509</b>	<b>1,306,327</b>


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**UNITED ELECTRONICS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated statement of financial position (continued)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December	
		2022	2021
<b>Current liabilities</b>			
Trade and other payables	24	690,155	1,115,414
Deferred revenue from extended warranty program	21	113,297	86,349
Lease liabilities	22	28,255	32,984
Borrowings	20	777,384	82,458
Zakat and income tax payable	25	41,200	32,117
<b>Total current liabilities</b>		<b>1,650,291</b>	<b>1,349,322</b>
<b>Total liabilities</b>		<b>2,830,800</b>	<b>2,655,649</b>
<b>Total equity and liabilities</b>		<b>3,970,100</b>	<b>3,648,206</b>

The accompanying notes are an integral part of these consolidated financial statements.


The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 13 February 2023 and were signed on their behalf by:

  
Wael Mohammed  
Mohammed Khalil

Chief Financial Officer

  
Mohammed Galal Ali  
Fahmy

Managing Director  
and Chief Executive  
Officer

  
Abduljabbar  
AbdulRahman  
Mohammed  
AlAbduljabbar

Chairman of the Board of  
Directors

**UNITED ELECTRONICS COMPANY**  
(A Saudi Joint Stock Company)

**Consolidated statement of changes in equity**  
(All amounts in Saudi Riyals thousands unless otherwise stated)


Note	Share capital	Statutory reserve	Share based payment reserve	Other reserves			Total other reserves	Retained earnings	Treasury shares	Total equity
				Foreign currency translation reserve	Actuarial reserve	Share based payment reserve				
<b>At 1 January 2021</b>	600,000	29,797	15,102	(151)	(7,463)	7,488	212,594	(24,000)	825,879	
Profit for the year	-	-	-	-	-	-	396,834	-	396,834	
Other comprehensive income for the year	-	-	-	(120)	1,287	1,167	-	-	1,167	
<b>Total comprehensive income for the year</b>	-	-	-	(120)	1,287	1,167	396,834	-	398,001	
Transfer to statutory reserve	-	39,684	-	-	-	-	(39,684)	-	-	
Acquisition of treasury shares	-	-	-	-	-	-	-	(8,000)	(8,000)	
Dividends	-	-	-	-	-	-	(230,072)	-	(230,072)	
Employee share schemes - value of employee services	-	-	6,749	-	-	6,749	-	-	6,749	
<b>At 31 December 2021</b>	600,000	69,481	21,851	(271)	(6,176)	15,404	339,672	(32,000)	992,557	
<b>At 1 January 2022</b>	600,000	69,481	21,851	(271)	(6,176)	15,404	339,672	(32,000)	992,557	
Issuance of bonus shares	200,000	(49,340)	-	-	-	-	(115,126)	(35,534)	-	
Profit for the year	-	-	-	-	-	-	440,174	-	440,174	
Other comprehensive income for the year	-	-	-	59	77	136	-	-	136	
<b>Total comprehensive income for the year</b>	-	-	-	59	77	136	440,174	-	440,310	
Transfer to statutory reserve	-	44,017	-	-	-	-	(44,017)	-	-	
Dividends	-	-	-	-	-	-	(293,567)	-	(293,567)	
Issue of treasury shares to employees	-	-	(11,883)	-	-	(11,883)	-	11,883	-	
<b>At 31 December 2022</b>	800,000	64,158	9,968	(212)	(6,099)	3,667	327,136	(55,651)	1,139,300	

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements including notes and other explanatory information were authorized for issue by the Board of Directors on 13 February 2023 and were signed on their behalf by:

  
**Waad Mohammed Mohammed Khalil**  
Chief Financial Officer

  
**Mohammed Galal Ali Fahmy**  
Managing Director and Chief Executive Officer

  
**Abdunjabbar AbdulRahman Mohammed AlAbduljabbar**  
Chairman of the Board of Directors

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

	Note	Year ended 31 December	
		2022	2021
<b>Cash flows from operating activities</b>			
Profit before zakat and income tax		472,146	427,359
<b>Adjustments for:</b>			
Depreciation of property and equipment	9	46,887	41,497
Property and equipment written-off	9	743	289
(Gain) loss on disposal of property and equipment		(38)	120
Depreciation of right-of-use assets	10	48,971	46,463
Gain on recognition of net investment in finance leases	7	(13,635)	-
Amortization of intangible assets	12	13,148	13,097
Intangible assets written-off	12	-	131
Employee share schemes - value of employee services		-	6,749
Amortization of extended warranty program	21	(121,233)	(89,562)
Net impairment losses on financial assets	15	40,755	25,498
Gain on termination of a lease	7	(6,502)	(10,952)
Finance income from net investment in finance leases		(2,491)	(1,888)
Finance charges		77,885	48,988
Provision for employee benefit obligations	23	12,345	12,592
<b>Changes in operating assets and liabilities:</b>			
Increase in trade and other receivables		(11,891)	(24,344)
Increase in investment in Islamic financing contracts		(384,921)	(435,607)
Decrease (increase) in inventories		122,885	(266,899)
(Decrease) increase in trade and other payables		(425,200)	142,618
Increase in deferred revenue from extended warranty program		165,806	124,436
Cash generated from operations		35,660	60,585
Principal elements of lease payments		1,699	-
Employee benefit obligations paid	23	(7,053)	(12,310)
Finance charges paid		(71,752)	(48,169)
Zakat and income tax paid	25	(26,813)	(17,147)
<b>Net cash outflow from operating activities</b>		<b>(68,259)</b>	<b>(17,041)</b>
<b>Cash flows from investing activities</b>			
Payments for purchases of property and equipment	9	(91,771)	(37,201)
Payments for additions to intangible assets	12	(12,863)	(11,194)
Proceeds from disposal of property and equipment		454	616
<b>Net cash outflow from investing activities</b>		<b>(104,180)</b>	<b>(47,779)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings		396,000	510,000
Repayment of long-term borrowings		(239,046)	(55,021)
Proceeds from short-term borrowings		1,818,166	1,480,000
Repayment of short-term borrowings		(1,488,000)	(1,590,000)
Dividends paid to the Company's shareholders	33	(293,567)	(230,072)
Acquisition of treasury shares	29	-	(8,000)
Principal elements of lease payments		(47,603)	(53,692)
<b>Net cash inflow from financing activities</b>		<b>145,950</b>	<b>53,215</b>

(Continued)

**UNITED ELECTRONICS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated statement of cash flows (continued)**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
<b>Net decrease in cash and cash equivalents</b>		<b>(26,489)</b>	<b>(11,605)</b>
Cash and cash equivalents at beginning of year		<u>173,158</u>	<u>184,763</u>
<b>Cash and cash equivalents at end of year</b>	17	<b><u>146,669</u></b>	<b><u>173,158</u></b>
<b>Non-cash investing and financing activities:</b>			
Reversal of lease liabilities on termination of a lease	22	<u>25,997</u>	<u>41,764</u>
Reversal of right-of-use assets on termination of a lease	10	<u>19,495</u>	<u>31,565</u>
Right-of-use assets recorded against lease liabilities	10	<u>100,600</u>	<u>108,867</u>
Recognition of net investment in finance leases	11	<u>36,575</u>	-
Right-of use assets derecognized against recognition of net investment in finance leases	10	<u>22,940</u>	-
Remeasurement of lease liabilities against adjustment to right-of-use asset	22	<u>22,529</u>	-
Depreciation of right-of-use assets capitalized to property and equipment	9,10	<u>4,307</u>	-

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 13 February 2023 and were signed on their behalf by:



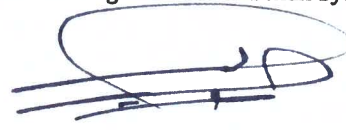
**Wael Mohammed  
Mohammed Khalil**

**Chief Financial Officer**



**Mohammed Galal Ali  
Fahmy**

**Managing Director  
and Chief Executive  
Officer**



**Abduljabbar AbdulRahman  
Mohammed AlAbduljabbar**

**Chairman of the Board of  
Directors**

## **UNITED ELECTRONICS COMPANY**

### **(A Saudi Joint Stock Company)**

#### **Notes to the consolidated financial statements for the year ended 31 December 2022**

(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 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 consolidated financial statements include accounts of the Company and its following wholly owned direct and indirect subsidiaries:

<b>Subsidiaries</b>	<b>Country of incorporation</b>
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 Electronics Company (“eXtra Egypt”)	Arab Republic of Egypt
Extra for Import (“eXtra Import”)	Arab Republic of Egypt

As at 31 December 2022, the Group had a total of 54 branches (31 December 2021: 52 branches) out of which 48 branches are in the Kingdom of Saudi Arabia (31 December 2021: 47 branches in the Kingdom of Saudi Arabia).

During the year ended 31 December 2022, the Group incorporated the following wholly owned subsidiaries which had not commenced commercial activities as at 31 December 2022:

- eXtra Egypt - A limited liability company, with a share capital of Egyptian Pounds 50.0 million (equivalent to Saudi Riyals 9.6 million) divided into 5.0 million shares of Egyptian Pounds 10 per share. The principal activities of eXtra Egypt as per the underlying articles of association include wholesale and retail of electronic devices and related repairs, maintenance and other technical support services.
- eXtra Import - A limited liability company, with a share capital of Egyptian Pounds 2.0 million (equivalent to Saudi Riyals 0.4 million) divided into 0.2 million shares of Egyptian Pounds 10 per share. The principal activities of eXtra Egypt as per the underlying articles of association include import and export, wholesale and retail of electronic devices.

The accompanying consolidated financial statements were authorized for issue by the Group’s Board of Directors on 13 February 2023.

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## **2 Summary of significant accounting policies**

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

#### *(i) Statement of compliance*

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

#### *(ii) Historical cost convention*

These consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the relevant accounting policies below.

#### *(iii) New standards and amendment to standards and interpretations*

The Group has applied the following amendments for the first time for their reporting period commencing on or after 1 January 2022.

- Covid-19 - Related Rent Concessions - amendments to IFRS 16 'Leases' ("IFRS 16");
- A number of narrow-scope amendments to IFRS 3 'Business combinations' ("IFRS 3"), IAS 16 'Property, plant and equipment' ("IAS 16"), IAS 37 'Provisions, contingent liabilities and contingent assets' ("IAS 37") and some annual improvements on IFRS 1 'First-time Adoption of IFRS' ("IFRS 1"), IFRS 9 'Financial instruments' ("IFRS 9"), IAS 41 'Agriculture' ("IAS 41") and IFRS 16; and
- Lessor forgiveness of lease payments (IFRS 9 and IFRS 16).

No material impact was identified upon adoption of the amended standards.

#### *(iv) Standards issued but not yet effective*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2022 reporting period and have not been early adopted by the Group.

The management is in the process of assessing the impact of the new standards and interpretations on its financial statements.

### **2.2 Foreign currencies**

#### *(a) Functional and presentation currency*

The accompanying consolidated financial statements are presented in Saudi Riyals which is the functional currency and presentation currency of the Company. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the subsidiary operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

## **2 Summary of significant accounting policies (continued)**

### **2.2 Foreign currencies (continued)**

#### *(b) Transaction and balances*

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### *(c) Group entities*

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i)* assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
- (ii)* income and expenses for each profit or loss are translated at average exchange rates; and
- (iii)* components of the equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of the foreign subsidiaries and foreign branches into Saudi Riyals are recognized in other comprehensive income.

When investment in foreign subsidiaries is disposed-off or sold, currency translation differences that were recorded in other comprehensive income are recognized in profit or loss as part of gain or loss on disposal or sale.

### **2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Company's voting rights and potential voting rights.



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**2 Summary of significant accounting policies** (continued)

**2.3 Basis of consolidation** (continued)

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**2.4 Property and equipment**

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property and equipment (except freehold land) so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. Depreciation is charged to the profit or loss.

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## **2 Summary of significant accounting policies (continued)**

### **2.4 Property and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

### **2.5 Leases**

The Group assesses at inception of a contract whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has leases for stores, lands, warehouses and office buildings where the rental contracts are typically for fixed periods ranging from 1 to 20 years but may have extension options.

#### *(i) The Group as a lessee*

At the lease commencement date, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, for which the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### ***Lease liabilities***

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing; and
- makes adjustments specific to the lease, for example term, country, currency and security.

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**2 Summary of significant accounting policies** (continued)

**2.5 Leases** (continued)

(i) *The Group as a lessee* (continued)

**Lease liabilities** (continued)

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

**Right-of-use assets**

The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and future restoration costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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### **2 Summary of significant accounting policies (continued)**

#### **2.5 Leases (continued)**

(i) *The Group as a lessee (continued)*

##### ***Right-of-use assets (continued)***

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Also see Note 2.20.

(ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. In such case the lease is a finance lease, otherwise it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in finance lease.

Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term as part of revenues.

#### **2.6 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognized at their fair value. Intangible assets under development are stated at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Intangible assets with infinite useful lives are carried at cost less any accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

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### **2 Summary of significant accounting policies** (continued)

#### **2.6 Intangible assets** (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

#### **2.7 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **2.8 Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost comprises purchase cost and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value comprises estimated selling prices and such markdowns are adjusted against the carrying value of the inventories.

Provision is made, where necessary for slow moving and damaged inventories. Cost of inventories is recognised as an expense and included in cost of revenue.

#### **2.9 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest rate method.

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### **2 Summary of significant accounting policies (continued)**

#### **2.10 Cash and cash equivalents**

For the purpose of consolidated statement of financial position, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

#### **2.11 Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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### **2 Summary of significant accounting policies (continued)**

#### **2.12 Employee benefit obligations**

The Group provides end-of-service benefits to its employees based on the terms and conditions of the labor laws applicable to the Company and its subsidiaries, on termination of their employment contracts.

The employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consists of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as remeasurement in the other comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income in the period in which they occur.

Changes in the present value of defined benefit obligations resulting from the plan amendments or curtailments are recognized immediately in profit or loss as past service costs. The Group has no further payment obligations once the contributions have been paid.

#### **2.13 Short-term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and airfare allowance etc., that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within accrued employees' costs under trade and other payables in the consolidated statement of financial position.

#### **2.14 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer excluding amounts collected on behalf of third parties, if any.

The following is a description of principal activities, from which the Group generates its revenue:

(i) *In-store retail*

The Group operates a chain of retail outlets. Revenue from the sale of goods is recognized when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product. The Group's return policy grants customers the right of return within 7-14 days depending on the type of product with certain requirements and certain exceptions.

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## 2 Summary of significant accounting policies (continued)

### 2.14 Revenue recognition (continued)

#### (i) In-store retail (continued)

Accumulated experience is used to estimate such returns at the time of sale using the expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The Group's revenue from retail operations also includes revenue recognized from provision of certain services incidental to the sale of some of its products, including but not limited to, delivery and installation etc. Revenue from such services is recognized at a point in time since the associated performance obligation is satisfied either instantly or within a short span of time.

#### (ii) Wholesale

The Group also sells its products to other resellers. Revenue is recognized when control of the products is transferred, being when the products are delivered to the reseller and there is no unfulfilled obligation that could affect the reseller's acceptance of the products. This type of sale involves credit terms of 30-90 days and corresponding trade receivables are recognised.

#### (iii) E-commerce

Sales are also conducted online in the territories where the Group operates through their website and mobile application. Revenue is recognized upon transfer of control i.e., when the products are delivered to the customers, typically within 3-5 days. Payment of the transaction price is normally received upon placing online orders and recognized as a liability until the recognition of revenue.

#### (iv) Provision of extended warranty services

The Group provides customers with an option to purchase extended warranty beyond that covered by the manufacturer for certain products. The contract is separately priced as a distinct service. The Group accounts for such arrangement as a separate performance obligation service on the basis of the nature and period of warranty coverage. The Group recognizes the consideration received as a liability, which is later amortized over the period of warranty.

#### (v) Gift cards

The Group sells gift cards to customers which can be redeemed for goods. The consideration received from such sales are recognized as a contract liability being a performance obligation and recognized as revenue when the gift cards are redeemed by the customers. The validity of such gift cards is typically one year and in case of unredeemed gift cards, revenue is recognized in full upon their expiry.

#### (vi) Income from Islamic financing activities

Income from Islamic financing contracts including installment sales, Murabaha, Tawarruq and investment in credit card financing is recognized over the term of the contract using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts. The calculation of effective yield includes transaction costs and origination fees income received.



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### **2 Summary of significant accounting policies (continued)**

#### **2.15 Cost of revenues**

Cost of revenues include actual product cost and the cost of transportation to the Group's distribution facilities and stores from suppliers. Cost of revenues is reduced by supplier payments that are not reimbursements of specific, incremental and identifiable costs. Cost of revenues also include the finance cost associated with Islamic financing contracts.

#### **2.16 Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus shares issued during the year and excluding treasury shares.

Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### **2.17 Borrowings**

Borrowings are initially recognized at fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective profit rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective profit rate method.

Borrowings are derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

#### **2.18 Zakat and income tax**

Zakat is provided for in accordance with Zakat, Tax and Customs Authority ("ZATCA") regulations applicable in the Kingdom of Saudi Arabia. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries where the entities operate and generate taxable income.

Zakat, for the Company and its local subsidiaries, is calculated based on approximate zakat base and adjusted net profit and is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

#### **2.19 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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### **2 Summary of significant accounting policies (continued)**

#### **2.20 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **2.21 Treasury shares**

Own equity instruments that are reacquired ("treasury shares"), for discharging obligations under the Employee Stock Option Programme ("ESOP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs and gains or losses on sale of such shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

#### **2.22 Share-based payment - Employee option plan**

Certain employees of the Group receive remuneration in the form of equity settled share-based payments under the ESOP, whereby employees render services as consideration for the option to purchase fixed number of Company's shares ("Option") at a predetermined price.

The cost of ESOP is recognised as an expense in profit or loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting service conditions are fulfilled. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (e.g., the entity's share price), excluding the impact of any service and non-market performance vesting conditions and including the impact of any non-vesting conditions.

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### **2 Summary of significant accounting policies** (continued)

#### **2.22 Share-based payment - Employee option plan** (continued)

The Group has set up an economic hedge by purchasing treasury shares. Accordingly, the share based payment reserve (representing the cumulative expense arising from ESOP) is transferred into retained earnings upon expiry of the ESOP, whether or not the options vest to the employees.

The cumulative expense recognised for ESOP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest.

When the terms of the ESOP are modified the minimum expense recognised is the expense as if the terms had not been modified if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of the modification.

When the ESOP is terminated, it is treated as if the options vested on the date of termination, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting service conditions within the control of either the entity or the employees are not met. However, if a new ESOP is substituted for the terminated ESOP and designated as a replacement award on the date that it is granted, the terminated and new ESOPs are treated as if they were a modification of the original ESOP.

#### **2.23 Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/ non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

#### **2.24 Dividends**

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company. Interim dividends, if any, are recorded when approved by the Board of Directors.

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**2 Summary of significant accounting policies** (continued)

**2.25 Financial instruments**

**2.25.1 Financial assets**

*(a) Classification*

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

**Business model:** The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value Through Profit or Loss ("FVTPL").

**SPPP:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

This classification is based on the business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent SPPP.

*(b) Recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Group's financial assets are at amortised cost. Finance income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Instances of modifications to the terms of the Company's financial assets are rare, considering that the acceptance of modification request from the customers is at the discretion of the Company except for cases as mandated by Saudi Central Bank ("SAMA") regulations. Modifications to the investment in Islamic financing contracts have an immaterial impact on the accompanying consolidated financial statements. Also see Note 30.

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## **2 Summary of significant accounting policies** (continued)

### **2.25 Financial instruments** (continued)

#### **2.25.1 Financial assets** (continued)

##### *(c) De-recognition of financial assets*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in the profit or loss.

##### *(d) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For investments in Islamic financing contracts, the Group applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and finance income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 ("Under-performing") includes financial instruments that have had a significant increase in credit risk since initial recognition, unless they have low credit risk at the reporting date, but that do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these assets, lifetime ECL are recognised, but finance income is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Group is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, which is fully aligned with the definition of credit-impaired under IFRS 9. For these assets, lifetime ECL are recognised and finance income is calculated on the net carrying amount (that is, net of credit allowance).

The Group, when determining whether the credit risk on a financial instrument has increased significantly, since the initial recognition of the financial asset, considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

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## **2 Summary of significant accounting policies (continued)**

### **2.25 Financial instruments (continued)**

#### **2.25.1 Financial assets (continued)**

##### *(d) Impairment (continued)*

For trade and other receivables and net investment in finance lease, the Group applies the simplified approach which requires lifetime expected credit losses to be recognised from initial recognition of the receivables. Financial assets are written-off only when there is no reasonable expectation of recovery. Where financial assets are written-off, the Group continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, are recognized in the profit or loss. Impairment losses on financial assets are presented separately on the consolidated statement of profit or loss and other comprehensive income. For details regarding credit risk management, refer Note 30.

Financial assets are written-off only when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include amongst others, customers' failure to make contractual payments for a period of greater than 365 days past default and or engage with the Group's collection team. Furthermore, all outstanding exposures from deceased customers are written off immediately.

Where financial assets are written-off, the Group continues to engage enforcement activities to attempt to recover the receivable due, except for balances written off for deceased customers, which are immaterial. Recoveries made, after write-off, are recognized in 'Net impairment losses on financial assets' in profit or loss.

Impairment losses on financial assets are presented separately on the consolidated statement of profit or loss and other comprehensive income. For details regarding credit risk management, refer Note 30.

#### **2.25.2 Financial liabilities**

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

#### **2.25.3 Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

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### **2 Summary of significant accounting policies (continued)**

#### **2.26 Investment in Islamic financing contracts**

##### **2.26.1 Tawarruq financing contracts**

Tawarruq is an agreement wherein the Group sells a product to its customer which the Group has purchased and subsequently to such sale, arranges to sell the underlying asset and pay out the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale payments on the Tawarruq agreement (Tawarruq financing contracts). The difference between the Tawarruq financing contracts and the cost of the product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq financing contracts.

##### **2.26.2 Murabaha financing contracts**

Murabaha is an Islamic form of financing wherein, the Group based on request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Group's cost plus profit, payable on deferred basis in installments. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the Murabaha financing contracts.

##### **2.26.3 Installment sales receivables**

Products sold under installment arrangement, which transfer the control of the goods to the customer, are reflected as sales upon delivery of the products to the customer. Amounts due from customers related to such installment sales are included in investment in Islamic financing contracts. The difference between the installment sales contracts receivable and the cost of the sold asset, is recorded as unearned installment sales profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the installment sales financing contracts.

##### **2.26.4 Islamic credit card receivables**

Islamic Credit Card receivables are initially measured at the fair value which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortised cost.

### **3 Critical accounting estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, 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 judgments 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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### 3 Critical accounting estimates and judgments (continued)

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Critical accounting estimates

##### (i) *Measurement of ECL allowance on investment in Islamic financing contracts*

Measurement of ECL allowance is an estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are further detailed in Note 30.

The following components have a major impact on ECL allowance: definition of default, significant increase in credit risk, probability of default (PD), exposure at default (EAD) and loss given default (LGD), as well as models of macro-economic scenarios used as forward-looking information. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

An increase or decrease of 10% in the oil prices scenario weightings with all other variables held constant, will result in an increase or decrease of Saudi Riyals 4.1 million, in the ECL allowance (31 December 2021: Saudi Riyals 3.0 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 0.5 million, in the ECL allowance (31 December 2021: Saudi Riyals 0.3 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 8.2 million or a decrease of Saudi Riyals 7.9 million, respectively, in the ECL allowance (31 December 2021: an increase of Saudi Riyals 6.0 million or a decrease of Saudi Riyals 5.8 million, respectively in the ECL allowance).

##### (ii) *Provision for slow moving inventories*

Inventory markdowns and provision for slow moving and damaged items:

Inventories are held at the lower of cost and net realizable value. When inventories become old, obsolete or subject to technological changes, an estimate is made of their net realizable value. Factors considered in the determination of mark downs include current and anticipated demand, customer preferences and seasonal trends. For individually significant amounts this estimation is performed on an individual basis. Items which are not individually significant, but which are old or obsolete, are assessed collectively and a mark down is applied according to the inventory type and the degree of aging or obsolescence, based on historical selling prices. Furthermore, management maintains provision for slow moving and damaged inventories.

At year-end, if the inventories' markdown and provision increased or decreased by 10% with all other variables held constant, net profit for the year would have been higher or lower by Saudi Riyals 2.3 million (31 December 2021: Saudi Riyals 1.8 million).

#### (b) Critical accounting judgements

##### (ii) *SPPP Test:*

Management has assessed the prepayment and early termination features of the Islamic financing contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.



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**3 Critical accounting estimates and judgments (continued)**

(b) Critical accounting judgements (continued)

(ii) *SPPP Test (continued)*

Furthermore, the contractual provisions also stipulate that in the event of default of payment of two consecutive installments by the customer, the entire contract amount becomes payable upon demand by the Group at its discretion. However, the Group pursues legal action to recover its outstanding dues only upon meeting certain additional requirements as set out in the applicable SAMA regulations and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Islamic financing contracts meet the SPPP test.

**4 Revenue**

	<b>2022</b>	<b>2021</b>
<b>Recognized at a point in time</b>		
Retail	<b>4,407,501</b>	4,135,118
Wholesale	<b>38,985</b>	32,878
E-commerce	<b>1,039,095</b>	1,227,225
	<b>5,485,581</b>	5,395,221
<b>Recognized over time</b>		
Extended warranty program	<b>121,233</b>	89,562
Others	<b>2,256</b>	1,976
	<b>123,489</b>	91,538
Total sales and services	<b>5,609,070</b>	5,486,759
Income from Islamic financing contracts	<b>421,996</b>	346,869
	<b>6,031,066</b>	5,833,628

**5 Selling and distribution expenses**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Salaries and benefits		<b>267,738</b>	267,356
Depreciation	9,10	<b>87,864</b>	84,487
Advertising		<b>46,822</b>	46,229
Bank charges on electronic receipts		<b>29,348</b>	26,053
Utilities, printing and stationery		<b>27,063</b>	27,054
Delivery charges		<b>21,436</b>	21,206
Repairs and maintenance		<b>17,049</b>	16,022
Security services		<b>9,380</b>	9,703
Amortisation	12	<b>4,779</b>	4,587
Others		<b>44,859</b>	35,341
		<b>556,338</b>	538,038

**UNITED ELECTRONICS COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended 31 December 2022**

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**6 General and administrative expenses**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Salaries and benefits		<b>133,423</b>	125,440
Amortisation	12	<b>8,369</b>	8,510
Depreciation	9,10	<b>7,994</b>	3,473
Repairs and maintenance		<b>7,868</b>	4,190
Information technology support		<b>7,785</b>	5,712
Professional fees		<b>6,401</b>	6,436
Others		<b>11,984</b>	13,527
		<b>183,824</b>	167,288

**7 Other income**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Gain on recognition of net investment in finance lease	7.1	<b>13,635</b>	-
Value-added-tax ("VAT") claim	7.2	<b>10,590</b>	-
Gain on termination and remeasurement of leases		<b>6,502</b>	10,952
Product launch incentive		<b>3,750</b>	-
Others		<b>8,001</b>	5,861
		<b>42,478</b>	16,813

7.1 During the year ended 31 December 2022, the Company entered into a sub-lease agreement for a leased land parcel and accordingly, the Company has derecognized a portion of the right-of-use assets for the head lease and recognized a net investment in a finance lease and other income of Saudi Riyals 13.6 million.

7.2 Prior to the year ended 31 December 2022, the Company had received additional assessments for VAT for the years 2018 and 2019 amounting to Saudi Riyals 10.6 million which were recognized as an expense and settled by the Company. However, the Company had filed an appeal against such additional assessments and during the year ended 31 December 2022, the appeal was concluded and the Company's contentions were accepted by the ZATCA, resulting in recognition of other income against such amount refunded to the Company.

**8 Finance charges**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Finance cost on lease liabilities	22	<b>38,733</b>	35,831
Finance cost on borrowings		<b>11,374</b>	1,940
		<b>50,107</b>	37,771

Finance charges amounting to Saudi Riyals 27.8 million (31 December 2021: Saudi Riyals 11.2 million) related to the consumer financing activities have been presented under 'Cost of revenue'.

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**9 Property and equipment**

	<b>Land</b>	<b>Buildings and leasehold improvements</b>	<b>Furniture, fixtures and office equipment</b>	<b>Vehicles</b>	<b>Capital work-in- progress</b>	<b>Total</b>
<b>2022</b>						
<b>Cost</b>						
1 January	110,889	415,415	311,997	19,382	26,107	<b>883,790</b>
Additions	-	8,088	48,773	108	39,109	<b>96,078</b>
Disposals	-	(650)	(466)	(1,421)	(91)	<b>(2,628)</b>
Transfers	-	35,739	73	-	(35,812)	-
Written-off	-	(968)	(2,928)	-	-	<b>(3,896)</b>
31 December	<b>110,889</b>	<b>457,624</b>	<b>357,449</b>	<b>18,069</b>	<b>29,313</b>	<b>973,344</b>
<b>Accumulated depreciation</b>						
1 January	-	(165,065)	(256,159)	(15,464)	-	<b>(436,688)</b>
Additions	-	(21,028)	(25,379)	(480)	-	<b>(46,887)</b>
Disposals	-	650	930	632	-	<b>2,212</b>
Written-off	-	399	2,754	-	-	<b>3,153</b>
31 December	-	<b>(185,044)</b>	<b>(277,854)</b>	<b>(15,312)</b>	-	<b>(478,210)</b>
<b>Net book value</b>	<b>110,889</b>	<b>272,580</b>	<b>79,595</b>	<b>2,757</b>	<b>29,313</b>	<b>495,134</b>
<b>2021</b>						
<b>Cost</b>						
1 January	110,889	406,899	296,090	22,524	17,489	853,891
Additions	-	3,889	17,891	425	14,996	37,201
Disposals	-	-	(705)	(3,025)	-	(3,730)
Transfers	-	4,627	1,751	-	(6,378)	-
Written-off	-	-	(3,030)	(542)	-	(3,572)
31 December	<b>110,889</b>	<b>415,415</b>	<b>311,997</b>	<b>19,382</b>	<b>26,107</b>	<b>883,790</b>
<b>Accumulated depreciation</b>						
1 January	-	(145,070)	(238,823)	(17,769)	-	(401,662)
Additions	-	(19,995)	(20,763)	(739)	-	(41,497)
Disposals	-	-	661	2,527	-	3,188
Written-off	-	-	2,766	517	-	3,283
31 December	-	<b>(165,065)</b>	<b>(256,159)</b>	<b>(15,464)</b>	-	<b>(436,688)</b>
<b>Net book value</b>	<b>110,889</b>	<b>250,350</b>	<b>55,838</b>	<b>3,918</b>	<b>26,107</b>	<b>447,102</b>

The buildings and leasehold improvements of the Group are constructed on land parcels leased under renewable lease agreements for durations ranging from 1 to 20 Hijra years.

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**9 Property and equipment (continued)**

The Group's capital-work-in-progress as at 31 December 2022 principally comprises, among other items, the costs incurred related to leasehold improvements and construction of a new store which is expected to be completed by June 2023 with a total estimated costs of Saudi Riyals 25.0 million.

The estimated useful lives of assets are as follows:

	<b>Number of years</b>
• Building and leasehold improvements	10 - 33
• Furniture, fixtures and office equipment	4 - 10
• Vehicles	5

Depreciation for the years ended 31 December has been allocated as follows:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Selling and distribution expenses	5	<b>40,092</b>	38,139
General and administrative expenses	6	<b>6,795</b>	3,358
		<b>46,887</b>	41,497

**10 Right-of-use assets**

	<b>Land</b>	<b>Stores</b>	<b>Warehouses</b>	<b>Office buildings</b>	<b>Total</b>
<b>2022</b>					
<b>Cost</b>					
1 January	393,757	152,169	13,285	3,104	<b>562,315</b>
Additions	-	56,446	32,636	11,518	<b>100,600</b>
Recognition of net investment in finance leases	-	(24,267)	-	-	<b>(24,267)</b>
Termination	-	(20,762)	(9,479)	-	<b>(30,241)</b>
Remeasurement	-	22,529	-	-	<b>22,529</b>
31 December	<b>393,757</b>	<b>186,115</b>	<b>36,442</b>	<b>14,622</b>	<b>630,936</b>
<b>Accumulated depreciation</b>					
1 January	(63,004)	(66,661)	(6,927)	(1,954)	<b>(138,546)</b>
Additions	(20,426)	(23,961)	(2,932)	(1,652)	<b>(48,971)</b>
Recognition of net investment in finance leases	-	1,327	-	-	<b>1,327</b>
Termination	-	5,457	5,289	-	<b>10,746</b>
Right-of-use assets capitalised	-	(4,307)	-	-	<b>(4,307)</b>
31 December	<b>(83,430)</b>	<b>(88,145)</b>	<b>(4,570)</b>	<b>(3,606)</b>	<b>(179,751)</b>
<b>Net book value</b>	<b>310,327</b>	<b>97,970</b>	<b>31,872</b>	<b>11,016</b>	<b>451,185</b>

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**10 Right-of-use assets** (continued)

	<b>Land</b>	<b>Stores</b>	<b>Warehouses</b>	<b>Offices building</b>	<b>Total</b>
<b>2021</b>					
<b>Cost</b>					
1 January	314,952	131,052	51,086	3,104	500,194
Additions	76,702	32,165	-	-	108,867
Recognition of net investment in finance leases	-	(11,048)	-	-	(11,048)
Termination	-	-	(37,801)	-	(37,801)
Remeasurement	2,103	-	-	-	2,103
31 December	<u>393,757</u>	<u>152,169</u>	<u>13,285</u>	<u>3,104</u>	<u>562,315</u>
<b>Accumulated depreciation</b>					
1 January	(42,232)	(45,706)	(11,618)	(1,387)	(100,943)
Additions	(20,772)	(22,255)	(2,869)	(567)	(46,463)
Recognition of net investment in finance leases	-	1,300	-	-	1,300
Termination	-	-	7,560	-	7,560
31 December	<u>(63,004)</u>	<u>(66,661)</u>	<u>(6,927)</u>	<u>(1,954)</u>	<u>(138,546)</u>
<b>Net book value</b>	<u>330,753</u>	<u>85,508</u>	<u>6,358</u>	<u>1,150</u>	<u>423,769</u>

Adjustments during the year ended 31 December 2022 pertains to remeasurement of a lease amounting to Saudi Riyals 22.5 million (2021: Saudi Riyals 2.1 million), derecognition on account of sub-lease amounting to Saudi Riyals 22.9 million (2021: Saudi Riyals 9.7 million) and termination of a lease amounting to Saudi Riyals 26.0 million (2021: Saudi Riyals 41.8 million). Also see Note 22.

**11 Net investment in finance lease**

**11.1 Reconciliation between gross and net investment in finance leases is as follows:**

	<b>2022</b>	<b>2021</b>
Gross investment in finance leases	<b>81,848</b>	21,000
Unearned finance income	<b>(32,845)</b>	(9,364)
Net investment in finance leases	<b>49,003</b>	11,636
Non-current portion	<b>(46,908)</b>	(10,988)
Current portion	<b>2,095</b>	648

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**11 Net investment in finance lease (continued)****11.2 Maturity profile of gross investment in finance leases and present value of minimum lease payments receivables is as follows:**

	<b>2022</b>	<b>2021</b>
<b>Gross investment in finance leases</b>		
Within one year	<b>5,309</b>	1,500
From one to two years	<b>4,076</b>	1,000
From two to three years	<b>4,076</b>	1,000
From three to four years	<b>4,326</b>	1,000
Four years and above	<b>64,061</b>	16,500
	<b>81,848</b>	21,000
	<b>2022</b>	<b>2021</b>
<b>Present value of minimum lease payments receivable</b>		
Within one year	<b>2,095</b>	648
From one to two years	<b>1,262</b>	159
From two to three years	<b>1,345</b>	170
From three to four years	<b>1,683</b>	185
Four year and above	<b>42,618</b>	10,474
	<b>49,003</b>	11,636

Also see Note 30.

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**12 Intangible assets**

	<b>Computer software</b>	<b>Assets under development</b>	<b>Total</b>
<b>2022</b>			
<b>Cost</b>			
1 January	125,075	6,927	<b>132,002</b>
Additions	6,382	6,481	<b>12,863</b>
Write-off / transfers	7,792	(7,882)	<b>(90)</b>
31 December	<u>139,249</u>	<u>5,526</u>	<u><b>144,775</b></u>
<b>Accumulated amortization</b>			
1 January	(77,152)	-	<b>(77,152)</b>
Additions	(13,148)	-	<b>(13,148)</b>
Write-off / transfers	90	-	<b>90</b>
31 December	<u>(90,210)</u>	<u>-</u>	<u><b>(90,210)</b></u>
<b>Net book value</b>	<u><b>49,039</b></u>	<u><b>5,526</b></u>	<u><b>54,565</b></u>
<b>2021</b>			
<b>Cost</b>			
1 January	116,244	4,695	120,939
Additions	8,962	2,232	11,194
Write-off / transfers	(131)	-	(131)
31 December	<u>125,075</u>	<u>6,927</u>	<u>132,002</u>
<b>Accumulated amortization</b>			
1 January	(64,055)	-	(64,055)
Additions	(13,097)	-	(13,097)
31 December	<u>(77,152)</u>	<u>-</u>	<u>(77,152)</u>
<b>Net book value</b>	<u><b>47,923</b></u>	<u><b>6,927</b></u>	<u><b>54,850</b></u>

Intangible assets, with finite useful lives, are amortized on a straight-line basis over their estimated useful lives of 5 - 10 years. The remaining useful lives of such intangible assets range from 1 - 10 years.

The Group's assets under development as at 31 December 2022 principally comprises the costs incurred related to computer software and website which is expected to be completed by May 2023 with a total estimated cost of Saudi Riyals 7.5 million.

**13 Goodwill**

During 2019, the Group acquired Procco against a cash consideration of Saudi Riyals 5.0 million. Goodwill arising from such acquisition has been recorded in the consolidated statement of financial position after the Group completed the purchase price allocation, within 12 months of the acquisition.

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**14 Trade and other receivables**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Trade receivables		<b>60,387</b>	48,967
Less: allowance for expected credit losses (ECL)	30	<b>(2,507)</b>	(2,507)
Net trade receivables		<b>57,880</b>	46,460
Prepaid expenses		<b>24,110</b>	20,782
Advances to employees		<b>11,302</b>	7,357
Claim receivable and refundable deposits		<b>10,918</b>	12,901
Advances to suppliers		<b>5,165</b>	11,561
Due from related parties	27	<b>1,214</b>	2,231
Other assets		<b>25,600</b>	20,325
		<b>136,189</b>	121,617
<b>Non-current portion</b>			
Prepaid expenses and advances to employees		<b>(6,395)</b>	(4,898)
<b>Current portion</b>		<b>129,794</b>	116,719

Also see Note 30.

**15 Investment in Islamic financing contracts**

	<b>2022</b>	<b>2021</b>
Installment sales receivables, net	<b>2,564</b>	26,967
Investment in Tawarruq financing contracts, net	<b>1,149,838</b>	832,644
Investment in Murabaha financing contracts, net	<b>398,324</b>	353,417
Investment in Islamic credit cards, net	<b>6,468</b>	-
	<b>1,557,194</b>	1,213,028
Non-current portion	<b>(894,032)</b>	(748,424)
Current portion	<b>663,162</b>	464,604



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**15 Investment in Islamic financing contracts (continued)**

**15.1 Reconciliation between gross and net investment in Islamic financing contracts is as follows:**

	Installment sales		Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Gross investment in Islamic financing contracts	36,888	66,412	1,756,430	1,314,159	531,820	490,020	6,833	-	2,331,971	1,870,591
Unearned finance and processing fee income	(8,534)	(13,655)	(566,528)	(457,582)	(127,170)	(127,172)	-	-	(702,232)	(598,409)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	28,354	52,757	1,189,902	856,577	404,650	362,848	6,833	-	1,629,739	1,272,182
Allowance for ECL/net impairment on financial assets	(25,790)	(25,790)	(40,064)	(23,933)	(6,326)	(9,431)	(365)	-	(72,545)	(59,154)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	2,564	26,967	1,149,838	832,644	398,324	353,417	6,468	-	1,557,194	1,213,028
Net investment in I.F.C. - Non-current portion	-	-	(773,390)	(616,060)	(120,642)	(132,364)	-	-	(894,032)	(748,424)
Net investment in I.F.C. - Current portion	2,564	26,967	376,448	216,584	277,682	221,053	6,468	-	663,162	464,604

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**15 Investment in Islamic financing contracts (continued)**

**15.2 The movement in allowance for ECL/impairment on Islamic financing contracts is as follows:**

	Installment sales		Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	25,790	27,148	23,933	14,735	9,431	5,882	-	-	59,154	47,765
(Reversal) charge for the year	-	(798)	42,044	19,375	5,451	6,921	365	-	47,860	25,498
Recoveries of amounts previously written - off	-	-	(4,692)	-	(2,413)	-	-	-	(7,105)	-
Net (reversal) charge for the year	-	(798)	37,352	19,375	3,038	6,921	365	-	40,755	25,498
Amounts written-off	-	(560)	(21,221)	(10,177)	(6,143)	(3,372)	-	-	(27,364)	(14,109)
Closing balance	25,790	25,790	40,064	23,933	6,326	9,431	365	-	72,545	59,154

**15.3 Stage-wise analysis of Islamic financing contracts and the respective allowance for ECL/impairment are as follows:**

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total
	P.V of I.F.C.	Net investment in I.F.C.	Allowance for ECL	P.V of I.F.C.	Net investment in I.F.C.	Allowance for ECL	P.V of I.F.C.	Net investment in I.F.C.	Allowance for ECL	P.V of I.F.C.	Net investment in I.F.C.	Allowance for ECL	
31 December 2022	41	(37)	4	1,102,246	(10,500)	1,091,746	377,460	5,841	(47)	5,794	1,486,996	(11,992)	1,475,004
Performing (Stage 1) Under-performing (Stage 2)	90	(82)	8	18,730	(2,890)	15,840	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	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	398,324	6,833	(365)	6,468	1,629,739	(72,545)	1,557,194
31 December 2021													
Performing (Stage 1) Under-performing (Stage 2)	10,949	(703)	10,246	812,454	(6,019)	806,435	339,974	-	-	-	1,165,097	(8,442)	1,156,655
Non-performing (Stage 3)	3,865	(768)	3,097	9,814	(2,067)	7,747	4,575	-	-	-	18,828	(3,409)	15,419
	37,943	(24,319)	13,624	34,309	(15,847)	18,462	8,868	-	-	-	88,257	(47,303)	40,954
	52,757	(25,790)	26,967	856,577	(23,933)	832,644	353,417	-	-	-	1,272,182	(59,154)	1,213,028

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**15 Investment in Islamic financing contracts (continued)**

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

<b>2022</b>	<b>Performing performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
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	<b>11,992</b>	<b>3,264</b>	<b>57,289</b>	<b>72,545</b>

<b>2021</b>	<b>Performing performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
1 January 2021	6,789	2,515	38,461	47,765
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(96)	1,062	(104)	862
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(516)	(925)	14,854	13,413
Individual financial assets transferred to performing (12-month expected credit losses)	11	(378)	(593)	(960)
New financial assets originated	5,410	1,555	7,286	14,251
Amounts written-off	(126)	(112)	(13,871)	(14,109)
Other changes	(3,030)	(308)	1,270	(2,068)
31 December 2021	<b>8,442</b>	<b>3,409</b>	<b>47,303</b>	<b>59,154</b>

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**15 Investment in Islamic financing contracts (continued)**

**15-5 Category-wise movement in stage-wise ECL allowance/impairment is as follows:**

2022	Instalment sales 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)	Murabaha finance Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Islamic credit card Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total Under- performing (Stage 2)	Total Under- performing (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	3,409	47,303
Individual financial assets transferred to -under-performing (lifetime expected credit losses) - non-performing (credit-impaired financial assets) - performing (12-month expected credit losses) New financial assets originated	-	-	-	37	(274)	(222)	3	(87)	(107)	(8,827)	(1,312)	(26,780)	(1,917)	(287)	3,264	(222)	-	-	40	(361)	(329)	(361)	(329)
Amounts written-off	-	-	-	15,753	-	-	2,979	-	-	-	-	-	-	-	-	342	-	-	19,074	-	-	-	-
Other changes	(666)	(686)	1,352	(830)	(347)	5,492	(1,195)	(158)	521	(158)	(158)	521	(158)	(158)	521	23	-	-	(2,668)	(1,191)	7,365	(1,191)	7,365
At 31 December	<b>37</b>	<b>82</b>	<b>25,671</b>	<b>10,500</b>	<b>2,890</b>	<b>26,674</b>	<b>1,408</b>	<b>196</b>	<b>4,722</b>	<b>47</b>	<b>11,992</b>	<b>3,264</b>	<b>57,289</b>										

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**15 Investment in Islamic financing contracts (continued)**

**15-5 Category-wise movement in stage-wise ECL allowance/impairment is as follows: (continued)**

	Performing (Stage 1)	Under-Performing (Stage 2)	Instalment sales (Stage 2)	Non-performing (Stage 3)	Performing (Stage 1)	Under-Performing (Stage 2)	Tawarruq finance (Stage 2)	Non-performing (Stage 3)	Performing (Stage 1)	Under-Performing (Stage 2)	Murabaha finance (Stage 2)	Non-performing (Stage 3)	Performing (Stage 1)	Under-Performing (Stage 2)	Islamic credit card (Stage 2)	Non-performing (Stage 3)	Performing (Stage 1)	Under-Performing (Stage 2)	Total Under-Performing (Stage 2)	Non-performing (Stage 3)
At 1 January	531	1,134	1,134	25,483	4,425	1,071	9,239	1,833	309	3,740	-	-	6,789	2,514	-	-	6,789	2,514	38,462	38,462
Individual financial assets transferred to -under-performing (lifetime expected credit losses) - non-performing (credit-impaired financial assets)	-	-	-	-	(445)	(121)	10,186	(156)	(119)	3,970	-	-	(601)	(240)	-	-	(601)	(240)	14,156	14,156
- performing (12-month expected credit losses)	-	-	-	-	4,049	1,150	4,450	1,361	405	2,836	-	-	5,410	1,555	-	-	5,410	1,555	7,286	7,286
New financial assets originated	-	-	-	(560)	(117)	(93)	(9,967)	(9)	(19)	(3,344)	-	-	(126)	(112)	-	-	(126)	(112)	(13,871)	(13,871)
Amounts written-off	172	(366)	(366)	(604)	(1,893)	60	1,939	(1,309)	(2)	(65)	-	-	(3,030)	(308)	-	-	(3,030)	(308)	1,270	1,270
Other changes	703	768	768	24,319	6,019	2,067	15,847	1,720	574	7,137	-	-	8,442	3,409	-	-	8,442	3,409	47,303	47,303
At 31 December	703	768	768	24,319	6,019	2,067	15,847	1,720	574	7,137	-	-	8,442	3,409	-	-	8,442	3,409	47,303	47,303

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**15 Investment in Islamic financing contracts (continued)**

**15-5 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 year ended 31 December 2022:

- 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;
- While the total exposure in Stage 1 and 2 has increased during 2022, the Group has updated the historical collection and default information used to arrive at the weighted average PDs which are lower than the prior year. Furthermore, impact of change in LGD used for computing ECL on Murabaha portfolio has contributed towards a decrease in ECL. Also see Note 30;
- Additional allowances for new financial assets recognised during the year;
- Financial assets written off; and
- On exposures under Stage 3, 'Other changes' principally represent net impact of additional allowance for ECL recognized upon write-offs amounting to Saudi Riyals 12.5 million which has been partially offset by recoveries from previously written-off exposures amounting to Saudi Riyals 5.3 million. Also see Note 30.

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**15 Investment in Islamic financing contracts (continued)**

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

	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)	Total Under-performing (Stage 2)	Non-performing (Stage 3)	
At 1 January	13,783	4,865	47,764	1,246,334	14,700	53,127	461,596	6,694	21,727	-	-	-	1,721,713	26,259	122,618
Individual financial assets transferred to -under-performing (lifetime expected credit losses) - non-performing (credit-impaired financial assets) - performing (12-month expected credit losses) New financial assets originated	-	-	-	(31,096)	31,538	(441)	(7,477)	7,515	(29)	(495)	496	-	(39,068)	39,549	(470)
Amounts written-off Collections and other changes	-	-	-	(97,467)	(9,133)	106,600	(26,152)	(3,146)	29,298	(496)	-	496	(124,115)	(12,279)	136,394
At 31 December	(13,730)	(4,747)	(11,047)	(513,105)	(7,642)	(36,751)	(316,912)	(4,344)	(18,479)	-	-	-	(843,747)	(16,733)	(66,277)
	<b>53</b>	<b>118</b>	<b>36,717</b>	<b>1,628,252</b>	<b>27,455</b>	<b>100,723</b>	<b>499,965</b>	<b>5,742</b>	<b>26,113</b>	<b>5,841</b>	<b>496</b>	<b>496</b>	<b>2,134,111</b>	<b>33,811</b>	<b>164,049</b>

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**15 Investment in Islamic financing contracts (continued)**

**15.6 Category-wise movement in stage-wise gross investment in Islamic financing contracts is as follows: (continued)**

	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)	Total Under-Performing (Stage 2)	Total Under-Performing (Stage 1)	Total Under-Performing (Stage 3)
At 1 January	91,311	14,719	82,071	719,468	7,652	26,615	340,753	5,069	10,755	-	-	-	27,440	1,151,532	119,441
Individual financial assets transferred to - under-performing (lifetime expected credit losses) - non-performing (credit-impaired financial assets)	-	-	-	(16,074)	16,471	(397)	(8,501)	8,516	(15)	-	-	-	24,987	(24,575)	(412)
- performing (12-month expected credit losses)	-	-	-	(50,376)	(4,568)	54,944	(22,900)	(1,467)	24,367	-	-	-	(6,035)	(73,276)	79,311
New financial assets originated	-	-	-	9,107	(2,675)	(6,432)	7,844	(3,250)	(4,594)	-	-	-	(5,925)	16,951	(11,026)
Amounts written-off	-	-	-	(117)	(93)	(9,967)	(9)	(19)	(3,344)	-	-	-	(112)	(126)	(13,311)
Collections and other changes	(77,528)	(9,854)	(34,307)	(302,518)	(2,087)	(11,638)	(230,704)	(2,155)	(5,440)	-	-	-	(14,096)	(610,750)	(51,385)
<b>At 31 December</b>	<b>13,783</b>	<b>4,865</b>	<b>47,764</b>	<b>1,246,334</b>	<b>14,700</b>	<b>53,125</b>	<b>461,597</b>	<b>6,694</b>	<b>21,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,259</b>	<b>1,721,714</b>	<b>122,618</b>



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**15 Investment in Islamic financing contracts (continued)**

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

	<b>2022</b>	<b>2021</b>
<b>Gross investment in Islamic financing contracts</b>		
Within one year	<b>1,060,276</b>	811,234
From one to two years	<b>648,086</b>	507,928
From two to three years	<b>369,007</b>	305,160
From three to four years	<b>186,002</b>	182,192
Four to five years	<b>68,600</b>	64,077
	<b>2,331,971</b>	1,870,591
<b>Present value of investment in Islamic financing contracts</b>		
Within one year	<b>789,601</b>	590,328
From one to two years	<b>445,960</b>	341,111
From two to three years	<b>239,064</b>	192,735
From three to four years	<b>114,980</b>	110,520
Four to five years	<b>40,134</b>	37,488
	<b>1,629,739</b>	1,272,182

**16 Inventories**

	<b>2022</b>	<b>2021</b>
Inventories	<b>1,070,117</b>	1,166,211
Goods-in-transit	<b>15,171</b>	39,602
	<b>1,085,288</b>	1,205,813
Provision for slow moving inventories	<b>(5,656)</b>	(3,296)
	<b>1,079,632</b>	1,202,517

Movement in the provision for slow moving inventories is as follows:

	<b>2022</b>	<b>2021</b>
At 1 January	<b>3,296</b>	-
Additions	<b>11,051</b>	12,798
Write-offs	<b>(8,691)</b>	(9,502)
At 31 December	<b>5,656</b>	3,296

At 31 December 2022, inventories amounting to Saudi Riyals 132.4 million (31 December 2021: Saudi Riyals 107.1 million) were carried at their net realizable value. The cost of inventories recognised as expense amounted to Saudi Riyals 4,738.0 million (31 December 2021: Saudi Riyals 4,614.3 million) including inventory markdowns amounting to Saudi Riyals 11.5 million (31 December 2021: Saudi Riyals 21.9 million). During the year ended 31 December 2022, transportation costs required to bring inventories to their present location and condition amounting to Saudi Riyals 22.5 million (31 December 2021: Saudi Riyals 24.4 million) have been charged to cost of revenue.

**17 Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
Cash at bank	<b>132,207</b>	160,749
Cash in hand	<b>14,462</b>	12,409
	<b>146,669</b>	173,158

Also see Note 30.

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**18 Share capital**

The share capital of the Company as of 31 December 2022 consisted of 80.0 million shares (2021: 60.0 million shares) stated at Saudi Riyals 10 per share.

The Company's Board of Directors in their meeting held on 8 August 2022 recommended to the shareholders to increase the share capital of the Company from Saudi Riyals 600.0 million to Saudi Riyals 800.0 million, by utilizing retained earnings and statutory reserve amounting to Saudi Riyals 140.0 million and Saudi Riyals 60.0 million respectively, through issuance of 20.0 million bonus shares of which 3.2 million shares to be allocated to the Company for fulfilling its obligations under the employee share option program. The shareholders in their extraordinary general assembly meeting held on 5 October 2022 have approved such recommendation.

*Reconciliation of number of shares outstanding as at 31 December:*

	<b>2022</b>	<b>2021</b>
At 1 January	<b>57,518,216</b>	57,600,000
Issuance of bonus shares	<b>20,000,000</b>	-
Net movement in treasury shares	<b>(2,333,997)</b>	(81,784)
At 31 December	<b><u>75,184,219</u></b>	<u>57,518,216</u>

Also see Note 28 and 29.

**19 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to transfer 10% of the net profit for the year to a statutory reserve until such reserve equals to 30% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is currently not available for distribution to shareholders of the Company. Also see Note 18.

**20 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. 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 31 December 2022.

	<b>2022</b>	<b>2021</b>
<b>Long-term borrowings</b>		
Murabaha facilities	<b>581,934</b>	674,979
<b>Short-term borrowings</b>		
Murabaha facilities	<b>590,165</b>	10,000
	<b>1,172,099</b>	684,979
Accrued finance cost	<b>6,952</b>	819
	<b><u>1,179,051</u></b>	<u>685,798</u>
Classification of borrowings is presented below:		
Current portion (including short-term borrowings)	<b>777,384</b>	82,458
Non-current portion	<b>401,667</b>	603,340
	<b><u>1,179,051</u></b>	<u>685,798</u>

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:

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**20 Borrowings (continued)**

***Long-term borrowings***

**Murabaha I**

Total amount allocated to UCFS under such facility is Saudi Riyals 250.0 million. Each tranche of facility utilisation is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2022, the UCFS has an outstanding loan balance of Saudi Riyals 206.9 million against this facility (31 December 2021: Saudi Riyals 233.0 million).

**Murabaha II**

Total amount allocated to UCFS under such facility is Saudi Riyals 50.0 million. The tenure of the borrowing facility was less than one year, and the amount was settled in February 2021.

**Murabaha III**

Total amount allocated to UCFS under such facility is Saudi Riyals 500.0 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. During 2022, UCFS made early repayment of borrowings in full amounting to Saudi Riyals 360.8 million.

Subsequently, UCFS obtained an additional amount of Saudi Riyals 25.0 million against such facility which is the outstanding loan balance as at 31 December 2022 (31 December 2021: Saudi Riyals 392.0 million).

**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 31 December 2022, UCFS has an outstanding loan balance of Saudi Riyals 350.0 million against this facility (31 December 2021: Saudi Riyals 50.0 million).

**Tawarruq I**

Total amount allocated to UCFS under such facility is Saudi Riyals 70.0 million. The tenure of the borrowing facility was less than one year, and the amount was settled in February 2021.

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 1.1% to 1.4%. 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 31 December 2022.

***Short term borrowings***

**Murabaha V**

Total amount allocated to UCFS under such facility is Saudi Riyals 250.0 million. The tenure of the borrowing facility is less than one year. As at 31 December 2022, UCFS had an outstanding loan balance of Saudi Riyals 250.0 million against this facility (31 December 2021: Nil).

**Other facilities**

Total amount available to the Company under such facilities is Saudi Riyals 1,670.0 million. The tenure of such borrowing facilities is less than one year. As at 31 December 2022, the Company has an outstanding balance of Saudi Riyals 340.2 million against such facilities (31 December 2021: Saudi Riyals 10.0 million).

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**20 Borrowings** (continued)

The contractual maturities of the borrowings at 31 December are as follows:

	<b>2022</b>	<b>2021</b>
Less than 6 months	<b>692,799</b>	81,639
Between 6 - 12 months	<b>77,633</b>	85,708
Between 1 and 2 years	<b>155,267</b>	171,417
Between 2 and 5 years	<b>242,400</b>	342,215
Above 5 years	<b>4,000</b>	4,000
	<b>1,172,099</b>	684,979

Maturity profile of borrowings, including finance cost component, is disclosed in Note 30.

**21 Deferred revenue from extended warranty program**

Revenue from the Group's extended warranty program is deferred upon consideration received from the customers and amortised over the period of contract.

The breakup of current and non-current portion of the deferred revenue is as follows:

	<b>2022</b>	<b>2021</b>
Non-current portion	<b>126,433</b>	108,808
Current portion	<b>113,297</b>	86,349
	<b>239,730</b>	195,157

Movement of deferred revenue from extended warranty program is as follows:

	<b>2022</b>	<b>2021</b>
At January	<b>195,157</b>	160,283
Contracts issued	<b>165,806</b>	124,436
Revenue recognised	<b>(121,233)</b>	(89,562)
At 31 December	<b>239,730</b>	195,157

The carrying value of deferred revenue from extended warranty program on the consolidated statement of financial position represents unsatisfied performance obligations at the end of the reporting period.

Revenue recognised that was included in the contract liability balance at the beginning of the period amounted to Saudi Riyals 86.3 million (31 December 2021: Saudi Riyals 66.8 million).

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**22 Lease liabilities**

	Note	2022	2021
At 1 January		552,045	535,960
Additions		100,600	108,867
Finance cost	8	38,733	35,831
Repayments		(86,336)	(86,849)
Remeasurement		22,529	-
Termination		(25,997)	(41,764)
At 31 December		<u>601,574</u>	<u>552,045</u>

Lease liabilities on the consolidated statement of financial position are presented as follows:

Non-current portion	573,319	519,061
Current portion	<u>28,255</u>	<u>32,984</u>
	<u>601,574</u>	<u>552,045</u>

Maturity profile of lease liabilities is disclosed in Note 30.

(i) *Other amounts recognised in profit and loss*

	2022	2021
Expense relating to short-term (included in selling and marketing and general and administrative expenses)	<u>3,474</u>	<u>4,925</u>

The total cash outflow for leases in 2022 was Saudi Riyals 89.8 million (2021: Saudi Riyals 91.8 million).

(ii) *Additional information about the Group's leasing activities*

The Group has leases for stores, lands, warehouses and office buildings. Rental contracts are typically for fixed periods ranging from 1 to 20 years but generally have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor.

**23 Employee benefit obligations**

**23.1 General description of the plan**

The Group operates defined benefit plans in line with the labor law requirements in the Kingdom of Saudi Arabia ("KSA"), the Kingdom of Bahrain ("Bahrain") and the Sultanate of Oman ("Oman"). The end of service benefit payments under the plans are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of KSA, Bahrain and Oman. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met when they fall due upon employee's termination of employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as at 31 December 2022.

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**23 Employee benefit obligations (continued)**

**23.2 Movement in net liability recognised in the consolidated statement of financial position**

	<b>2022</b>	<b>2021</b>
1 January	<b>73,875</b>	74,880
Current service cost	<b>10,079</b>	10,913
Interest expense	<b>2,266</b>	1,679
Remeasurements	<b>(77)</b>	(1,287)
Payments	<b>(7,053)</b>	(12,310)
31 December	<b>79,090</b>	73,875

**23.3 Amounts recognised in the consolidated statement of profit or loss and other comprehensive income**

	<b>2022</b>	<b>2021</b>
Current service cost	<b>10,079</b>	10,913
Interest expense	<b>2,266</b>	1,679
<b>Total amount recognised in profit or loss</b>	<b>12,345</b>	12,592
<u>Remeasurements</u>		
Gain due to change in financial assumptions	<b>(612)</b>	(3,376)
Loss due to change in demographic assumptions	<b>156</b>	51
Loss due to change in experience adjustments	<b>379</b>	2,038
<b>Total amount recognised in other comprehensive income</b>	<b>(77)</b>	(1,287)

**23.4 Key actuarial assumptions**

	<b>2022</b>	<b>2021</b>
Discount rate	<b>4.55% - 6.5%</b>	2.95% - 5.50%
Salary growth rate	<b>2.00%</b>	2.00%
Retirement age	<b>60 years</b>	60 years
Withdrawal rate	<b>8% to 35%</b>	6% to 28%

**23.5 Sensitivity analysis for significant actuarial assumptions**

	<b>Change in assumption</b>		<b>Impact on employee benefit obligations</b>	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
<b>2022</b>				
Discount rate	<b>0.50%</b>	<b>0.50%</b>	<b>(2,148)</b>	<b>1,243</b>
Salary growth rate	<b>0.50%</b>	<b>0.50%</b>	<b>1,281</b>	<b>(2,199)</b>
	<b>Change in assumption</b>		<b>Impact on employee benefit obligations</b>	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
<b>2021</b>				
Discount rate	0.50%	0.50%	(2,403)	2,534
Salary growth rate	0.50%	0.50%	2,032	(1,953)

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**23 Employee benefit obligations** (continued)

**23.5 Sensitivity analysis for significant actuarial assumptions** (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefit obligations.

The methods and assumptions used in preparing the sensitivity analysis for 2022 and 2021 presented above are consistent.

**23.6 Expected maturity analysis**

The weighted average duration of the defined benefit obligation is 4.4 years (2021: 6.7 years). The expected maturity analysis of employee benefit obligations is as follows:

	<b>Less than a year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>5 -10 years</b>	<b>Total</b>
<b>31 December 2022</b>	<b>19,307</b>	<b>14,937</b>	<b>32,308</b>	<b>40,822</b>	<b>107,374</b>
<b>31 December 2021</b>	9,560	11,567	29,621	48,976	99,724

**24 Trade and other payables**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Trade payables		<b>469,330</b>	901,069
Advance from customers		<b>37,504</b>	47,443
Salaries and benefits		<b>47,986</b>	45,513
Accrued expenses		<b>56,013</b>	43,416
VAT payable		<b>45,773</b>	41,862
Gift cards		<b>22,129</b>	25,088
Due to related parties	27	<b>673</b>	818
Others		<b>10,747</b>	10,205
		<b>690,155</b>	1,115,414

The carrying value of deferred revenue from gift cards and advances from customers on the consolidated statement of financial position represents unsatisfied performance obligations at the end of the reporting period. Advances from customers principally represent orders awaiting shipment and the amounts are recognised as revenue upon satisfaction of related performance obligation.

**25 Zakat and income tax matters**

The Group is subject to zakat and income tax. In accordance with the regulations of the ZATCA, zakat is payable at 2.578% on all components of the zakat base except for adjusted net profit for the year which is subject to zakat at the rate of 2.5%. The Group, along with its Saudi Arabian subsidiaries, files its zakat return on consolidated basis, except for UCFS which files its separate zakat return on a stand-alone basis since zakat is payable at 2.578% of zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before zakat, in accordance with the ZATCA regulations. The income tax provision is related to eXtra Oman where the income tax is calculated at a tax rate of 15% as per Omani income tax regulations.

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**25 Zakat and income tax matters** (continued)

**25.1 Components of approximate zakat base**

The significant components of the zakat base under the applicable zakat regulations principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net profit, less deduction for the net book value of property and equipment, investments and certain other items.

**25.2 Provision for zakat and income tax**

The movement in the zakat and tax provision for the year was as follows:

	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
<b>2022</b>			
1 January 2022	29,321	2,796	<b>32,117</b>
Provision	34,413	1,483	<b>35,896</b>
Payments	(23,507)	(3,306)	<b>(26,813)</b>
<b>31 December 2022</b>	<b>40,227</b>	<b>973</b>	<b>41,200</b>
<b>2021</b>			
1 January 2021	15,524	3,215	18,739
Provision	27,357	3,168	30,525
Payments	(13,560)	(3,587)	(17,147)
<b>31 December 2021</b>	<b>29,321</b>	<b>2,796</b>	<b>32,117</b>

**25.3 Status of final assessments**

The Group has obtained zakat certificates from the ZATCA for the years through 2021. The ZATCA has finalized the Group's zakat assessments for the years through 2010 and years 2014 and 2017.

During 2020, the Group received revised assessments from the ZATCA for the years 2015, 2016 and 2018 claiming additional zakat amounting to Saudi Riyals 1.8 million out of which Saudi Riyals 1.0 million were paid by the Group/ The Group also filed an appeal against the remaining amounts with ZATCA. Management believes that no further provision is required in these consolidated financial statements.

During 2021, the Group received assessments from the ZATCA for the years 2019 and 2020 claiming additional zakat amounting to Saudi Riyals 9.1 million. During the year ended 31 December 2022, the Group filed an appeal against such assessment with the General Secretariat of Zakat, Tax and Customs Committees. Management believes that the provisions maintained in these consolidated financial statements are adequate and no further provision is required.

Assessments for the years 2011 through 2013, and 2021 are currently under review by the ZATCA. Zakat and income tax assessments for UCFS and eXtra Oman respectively for years since inception are currently under review by the relevant tax authorities.

**26 Segmental information**

*a) Operating segments*

The Group is organised 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".



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**26 Segmental information** (continued)

a) *Operating segments (continued)*

The following summary describes the operations of each reportable segment.

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

The segmental information was as follows:

**As at and for the year ended 31 December 2022**

	<b>Sales and services</b>	<b>Consumer finance</b>	<b>Others</b>	<b>Intersegment eliminations</b>	<b>Total from external customers</b>
Revenue					
- Point in time	<b>5,485,581</b>	-	-	-	<b>5,485,581</b>
- Over time	<b>132,430</b>	<b>416,956</b>	<b>20,033</b>	<b>(23,934)</b>	<b>545,485</b>
	<b>5,618,011</b>	<b>416,956</b>	<b>20,033</b>	<b>(23,934)</b>	<b>6,031,066</b>
Net profit	<b>444,099</b>	<b>193,625</b>	<b>193,631</b>	<b>(391,181)</b>	<b>440,174</b>
	<b>Sales and services</b>	<b>Consumer Finance</b>	<b>Others</b>	<b>Intersegment eliminations</b>	<b>Total</b>
Total assets	<b>3,132,672</b>	<b>1,612,664</b>	<b>697,868</b>	<b>(1,473,104)</b>	<b>3,970,100</b>
Total liabilities	<b>1,927,513</b>	<b>938,095</b>	<b>215,363</b>	<b>(250,171)</b>	<b>2,830,800</b>

**As at and for the year ended 31 December 2021**

	<b>Sales and services</b>	<b>Consumer Finance</b>	<b>Others</b>	<b>Intersegment eliminations</b>	<b>Total from external customers</b>
Revenue					
- Point in time	<b>5,395,221</b>	-	-	-	<b>5,395,221</b>
- Over time	<b>135,536</b>	<b>300,895</b>	<b>20,985</b>	<b>(19,009)</b>	<b>438,407</b>
	<b>5,530,757</b>	<b>300,895</b>	<b>20,985</b>	<b>(19,009)</b>	<b>5,833,628</b>
Net profit	<b>262,611</b>	<b>128,774</b>	<b>6,617</b>	<b>(1,168)</b>	<b>396,834</b>
	<b>Sales and services</b>	<b>Consumer Finance</b>	<b>Others</b>	<b>Intersegment eliminations</b>	<b>Total</b>
Total assets	<b>3,224,873</b>	<b>1,257,586</b>	<b>259,587</b>	<b>(1,093,840)</b>	<b>3,648,206</b>
Total liabilities	<b>2,182,755</b>	<b>776,845</b>	<b>5,460</b>	<b>(309,411)</b>	<b>2,655,649</b>

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**26 Segmental information** (continued)

*a) Operating segments (continued)*

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 year ended 31 December 2022**

	<b>Kingdom of Saudi Arabia</b>	<b>Others</b>	<b>Intersegment eliminations</b>	<b>Total</b>
Revenue				
- Point in time	<b>5,089,576</b>	<b>396,005</b>	-	<b>5,485,581</b>
- Over time	<b>542,141</b>	<b>27,278</b>	<b>(23,934)</b>	<b>545,485</b>
	<b>5,631,717</b>	<b>423,283</b>	<b>(23,934)</b>	<b>6,031,066</b>
Net profit	<b>826,485</b>	<b>4,870</b>	<b>(391,181)</b>	<b>440,174</b>
Total assets	<b>5,171,550</b>	<b>271,654</b>	<b>(1,473,104)</b>	<b>3,970,100</b>
Total liabilities	<b>2,877,080</b>	<b>203,891</b>	<b>(250,171)</b>	<b>2,830,800</b>

**As at and for the year ended 31 December 2021**

	<b>Kingdom of Saudi Arabia</b>	<b>Others</b>	<b>Intersegment eliminations</b>	<b>Total</b>
Revenue				
- Point in time	4,967,770	427,451	-	5,395,221
- Over time	435,945	21,471	(19,009)	438,407
	5,403,715	448,922	(19,009)	5,833,628
Net profit	526,712	22,056	(151,934)	396,834
Total assets	4,488,394	253,652	(1,093,840)	3,648,206
Total liabilities	2,761,793	203,267	(309,411)	2,655,649

**27 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 31 December 2022, Al Fozan Holding Company is the major shareholder of the Company with a shareholding of 23.7 % (31 December 2021: 29.7%).

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**27 Related party transactions and balances** (continued)

(a) *Following are the significant transactions entered into by the Group with its related parties:*

<b>Nature of transactions</b>	<b>Relationship</b>	<b>2022</b>	<b>2021</b>
Sales	Major shareholder	<b>360</b>	224
	Associated companies	<b>2,298</b>	243
Purchases	Associated companies	<b>1,118</b>	4,871
Rental income	Associated companies	<b>1,566</b>	1,512
Rent expense	Associated companies	<b>2,021</b>	1,776
Other expenses charged by the Company	Associated companies	<b>427</b>	485
Other expenses charged to the Company	Associated companies	<b>641</b>	687
Acquisition of property and equipment	Associated companies	<b>21</b>	-
Shared services provided	Associated companies	<b>1,069</b>	1,043

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

(b) *Key management personnel compensation*

	<b>2022</b>	<b>2021</b>
Salaries and other employee benefits	<b>19,911</b>	21,179
Board of Directors' fees	<b>3,631</b>	2,468
	<b>23,542</b>	23,647

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

	<b>2022</b>	<b>2021</b>
United Homeware Company	<b>1,167</b>	2,185
Retal Urban Development Company	<b>31</b>	24
Al Fozan Holding Company	<b>16</b>	22
	<b>1,214</b>	2,231

(d) *Due to related parties - associated companies*

	<b>2022</b>	<b>2021</b>
Madar Hardware Company	<b>642</b>	787
Al Yassra Trading Company	<b>31</b>	31
	<b>673</b>	818

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

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**28 Earnings per share**

	<b>2022</b>	<b>2021</b>
Profit for the year attributable to the shareholders of the Company	<u>440,174</u>	<u>396,834</u>

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

	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	75,184,219	73,964,764
Adjustment for treasury shares	<u>4,815,781</u>	<u>6,035,236</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>80,000,000</u>	<u>80,000,000</u>

**Earnings per share (Saudi Riyals)**

Basic earnings per share	<u>5.85</u>	<u>5.37</u>
Diluted earnings per share	<u>5.50</u>	<u>4.96</u>

As a result of issuance of bonus shares, as also explained in Note 18 to these consolidated financial statements, the outstanding weighted average number of ordinary shares post the bonus shares issuance have been used for calculation of basic earnings per share, for all years presented. Furthermore, the corresponding impact of bonus shares issuance has also been incorporated in the adjustment for treasury shares used for the calculation of diluted earnings per share, for all years presented.

**29 Employees' Stock Option Program**

The Group has offered certain employees (the "Eligible Employees") the Option for equity ownership opportunities to attract and retain Eligible Employees and reward them for their role in achieving the Group's long-term goals. The program focuses on both current and future performance and enables participants to contribute towards the Group's success.

The program is entirely based on in-kind settlement where the Eligible Employees will receive the Company's shares upon completing the vesting period and achieving the performance measures set under the plan. The eligibility criteria includes a minimum number of years of service in the Group and maintaining excellent performance rating in addition to certain other factors. The vesting of the Option is dependent on meeting performance targets set by the Group along with the required period of stay in service by the Eligible Employees.

Under the terms of the plan, the Options will vest by the end of years from 2021 through 2023. Only employees that remain in service until the vesting dates of their respective Options, will become entitled to exercise the Options.

The ESOP is under the supervision of the Nomination and Remuneration Committee of the Board of Directors.

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**29 Employees' Stock Option Program** (continued)

Under the ESOP, Options were granted on 19 September 2018 ("ESOP 2018), 1 January 2020 ("ESOP 2020) and 1 January 2021 ("ESOP 2021").

The total expense related to the program for the year ended 31 December 2022 amounting to Saudi Riyals nil (2021: Saudi Riyals 5.3 million) was charged to the employees' benefit expenses with a corresponding increase in the consolidated statement of changes in equity.

The following table sets out the movements in share options (number of shares in thousands) during the year:

	<b>Average exercise price per share option</b>	<b>2022</b>	<b>Average exercise price per share option</b>	<b>2021</b>
At 1 January	41.45	2,239	41.02	2,270
Granted during the year		-	85.00	30
Forfeited during the year	85.00	(1)	45.32	(61)
Exercised during the year	40.04	(1,568)	-	-
Adjustment for capital increase	-	223	-	-
At 31 December		<b>893</b>		<b>2,239</b>

	<b>Average exercise price per share option</b>	<b>2022</b>	<b>Average exercise price per share option</b>	<b>2021</b>
Exercisable at the end of the year	32.27	858	40.04	2,125

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Share options 2022</b>	<b>Share options 2021</b>
19 September 2018	December 2027	40.04	743	2,125
1 January 2020	June 2028	62.25	115	86
1 January 2021	December 2028	85.00	35	28
Total			<b>893</b>	<b>2,239</b>

The fair value per Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

During the year ended 31 December 2022, certain employees of the Company exercised their options awarded under the Group's Employees' Stock Option Program (ESOP) during 2018 and purchased 1.2 million shares of the Company at an average exercise price of Saudi Riyals 40.04 per share. The Group settled such obligations under the ESOP by utilizing the treasury shares held.

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**29 Employees' Stock Option Program (continued)**

	<b>ESOP 2021</b>	<b>ESOP 2020</b>	<b>ESOP 2018</b>
<b>Inputs to the model:</b>			
Dividend Yield (%)	<b>5</b>	5	5
Expected Volatility (%)	<b>37</b>	32.05	31.9
Risk Free Interest Rate (%)	<b>1.9</b>	2.13	3.23
Contractual Life of Share Options (Years)	<b>8.0</b>	8.5	9.3
Share Price (Saudi Riyals) at Grant Date	<b>85.0</b>	74.7	48.05
Share Price (Saudi Riyals) at Grant Date (Adjusted for Capital increase)	<b>N/A</b>	62.25	40.04
Exercise Price (Saudi Riyals) at Grant Date	<b>85.0</b>	74.7	48.05
Exercise Price (Saudi Riyals) at Grant Date (Adjusted for Capital increase)	<b>N/A</b>	62.25	40.04
Exercise Price (Saudi Riyals) at Grant Date (if additional performance target met)	<b>N/A</b>	-	-
Fair Value per Option	<b>18.1</b>	13.7	9.6
Fair Value per Option (Adjusted for Capital increase)	<b>N/A</b>	11.4	8
Fair Value per Option (Adjusted for Capital increase and modified grant terms)	<b>N/A</b>	13.4	9.4
Remaining Contractual Life (Years)	<b>7.0</b>	6.5	6

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

**30 Financial risk management**

**30.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, profit risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Risk and Credit Management Committee of the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk and Credit Management Committee is 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.

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**30 Financial risk management** (continued)

**30.1 Financial risk factors** (continued)

(a) *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks - currency risk, profit rate risk and price risk.

(i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, United States Dollars (USD), United Arab Emirates Dirhams (AED), Omani Riyal (RO), Bahraini Dinar (BD), Canadian Dollars (CAD), Egyptian Pounds (EGP) and Euros (EUR). Since Saudi Riyal, AED, RO and BD are directly or indirectly pegged, management of the Group believes that the currency risk for the financial instruments related to AED, USD, RO and BD is not significant.

The fluctuation in exchange rates against Euro, AED, EGP and CAD are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk, expressed in Saudi Riyals, arising from currencies that are not pegged to USD was as follows:

	EGP	EUR	CAD
<b>31 December 2022</b>			
Trade and other liabilities	27,675	163	-
Total	<u>27,675</u>	<u>163</u>	<u>-</u>
	EGP	EUR	CAD
<b>31 December 2021</b>			
Cash and cash equivalents	-	8	-
Trade and other liabilities	-	622	134
Total	<u>-</u>	<u>630</u>	<u>134</u>

The impact of reasonably possible change in the exchange rates on the Group's net profit before zakat and tax is not considered to be material.

(ii) *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 financing activities and long-term borrowings. As at the consolidated statement of financial position date, the Group has profit bearing financial assets of Saudi Riyals 1,565.1 million (31 December 2021: Saudi Riyals 1,213.3 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 1,1179.1 million (31 December 2021: Saudi Riyals 685.8 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 12.6 million (31 December 2021: Saudi Riyals 5.6 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Group's trade receivables and payables carried at amortised cost are not subject to interest rate risk since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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**30 Financial risk management** (continued)

**30.1 Financial risk factors** (continued)

(a) *Market risk* (continued)

(iii) *Price risk*

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

(b) *Credit risk*

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from investment in Islamic financing contracts, trade and other receivables and cash and cash equivalents.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful.

The Group has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of the respective financial assets. The management analyses credit risk into the following categories of financial assets:

(i) *Investment in Islamic financing contracts*

Investment in Islamic financing 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 to avoid undue concentration of risks.

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 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.



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**30 Financial risk management** (continued)

**30.1 Financial risk factors** (continued)

(b) *Credit risk* (continued)

(i) *Investment in Islamic financing contracts* (continued)

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

(a) Stage-wise analysis of gross carrying amounts as at 31 December, in comparison with internal credit risk rating assigned at the inception of the respective contracts. The amounts in the table represent gross carrying amounts.

	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
<b>31 December 2022</b>				
<i>Internal credit risk ratings</i>				
Low risk	829,199	8,413	28,442	<b>866,054</b>
Medium risk	677,160	10,989	43,467	<b>731,616</b>
High risk	627,751	14,410	92,140	<b>734,301</b>
	<b>2,134,110</b>	<b>33,812</b>	<b>164,049</b>	<b>2,331,971</b>
	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
<b>31 December 2021</b>				
<i>Internal credit risk ratings</i>				
Low risk	713,653	4,839	18,393	736,885
Medium risk	643,238	14,772	80,307	738,317
High risk	364,820	6,649	23,918	395,387
	<b>1,721,711</b>	<b>26,260</b>	<b>122,618</b>	<b>1,870,589</b>

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(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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Not past due	41	10,949	1,067,030	788,821	368,275	329,973	5,652	-	1,440,998	1,129,743
Past due 1-30 days	-	611	35,760	23,797	11,020	11,642	189	-	46,969	36,050
Past due 31-90 days	90	816	19,074	9,832	4,496	5,268	496	-	24,156	15,916
Past due 91-180 days	-	1,117	34,893	13,920	9,421	6,604	496	-	44,810	21,641
Past due 181-364 days	-	1,321	24,580	14,677	8,350	7,231	-	-	32,930	23,229
Over 365 days	28,223	37,943	8,565	5,530	3,088	2,130	-	-	39,876	45,603
	28,354	52,757	1,189,902	856,577	404,650	362,848	6,833	-	1,629,739	1,272,182
Less: Impairment for Islamic financing contracts	(25,790)	(25,790)	(40,064)	(23,933)	(6,326)	(9,431)	(365)	-	(72,545)	(59,154)
Net investment in Islamic financing contracts	2,564	26,967	1,149,838	832,644	398,324	353,417	6,468	-	1,557,194	1,213,028

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**30 Financial risk management** (continued)

**30.1 Financial risk factors** (continued)

(b) *Credit risk* (continued)

(i) *Investment in Islamic financing contracts* (continued)

**Measurement of ECL**

The Group applies the IFRS 9 general approach to measuring expected credit losses which uses a 12 month or lifetime expected loss allowance as applicable for investment in Islamic financing contracts. The Group's ECL model is sensitive to macroeconomic variables such as expected movements of oil prices and unemployment scenario weightings. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2022.

The assessment of credit risk in the net investment in Islamic financing receivables requires further estimations of credit risk using ECL which is derived by Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Group measures an ECL at a contract level considering the EAD, PD, LGD and discount rates. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Group uses present value of recoveries for loss accounts adjusted by the forward-looking information and further adjusts it in accordance with the Basel guidelines for investment in tawarruq financing contracts. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract i.e. contractual repayments. Such financing contracts are not collateralised. For discounting, the Group has used each contract's effective profit rate.

The Group's management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 15.

**(a) Generating the term structure of PD**

PD measures the estimated likelihood of default over a time period. PD has been calculated as a probability that an exposure will move to more than 30 days past due in the next 12 months or over the remaining lifetime of the obligation. "Through the cycle" default rates are calculated, which are later converted to Point-in-time PD using scalar factors, by incorporating forward-looking information. For credit cards, the Company has used loss rates driven from historical data of other Islamic financing products, considering unavailability of extensive historical data.

**(b) Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, management considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

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**30 Financial risk management** (continued)

**30.1 Financial risk factors** (continued)

(b) *Credit risk* (continued)

(i) *Investment in Islamic financing contracts* (continued)

**Measurement of ECL** (continued)

**(c) Incorporation of forward-looking information**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on an extensive exercise carried out by the management, it had concluded that the crude oil price was the macroeconomic factor with the highest correlation to the historical collection and default trends. The Group measures the ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stage 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings of 30%, 40% and 30% for “upturn”, “baseline” and “downturn” scenarios respectively. Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information. As at 31 December 2022, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United States Dollars (“USD”) 97.5, USD 88.2 and USD 69.7 per barrel respectively (equivalent to Saudi Riyals 365.6, 330,7 and 261.4 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.

**(d) Changes in assumptions including incorporation of forward-looking information**

During the year ended 31 December 2022, there have been no significant changes to the underlying methodology used for determination of ECL.

Starting 2022, the Group, upon obtaining approval from the Risk and Credit Management Committee, has used present value of historic recoveries from loss accounts to arrive at the LGD for Murabaha portfolio. Previously, the LGD was adjusted with reference to the Basel guidelines. The LGD used for Tawarruq portfolio continues to be adjusted by the Basel guidelines, considering that the Group has insufficient historical information as at the balance sheet date. The change in LGD for Murabaha portfolio resulted in a decrease of Saudi Riyals 3.8 million, in the ECL allowance for the year ended 31 December 2022. Management believes that it is impracticable to assess the impact of this change in LGD for the future reporting periods.

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**30 Financial risk management** (continued)

**30.1 Financial risk factors** (continued)

(b) *Credit risk* (continued)

(ii) *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 aging analysis for trade receivables is as follows:

	<b>2022</b>	<b>2021</b>
Current	<b>37,835</b>	17,628
0-90 days past due	<b>19,399</b>	28,106
91-180 days past due	<b>1,296</b>	190
181-365 days past due	<b>31</b>	1,266
Above 365 days past due	<b>1,826</b>	1,777
	<b>60,387</b>	48,967

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 31 December 2022, 60% of trade receivables were due from 1 customer (2021: 74% 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 31 December 2022 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.

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.

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**30 Financial risk management** (continued)

**30.1 Financial risk factors** (continued)

*(b) Credit risk (continued)*

*(iii) Net investment in finance lease*

Net investment in finance lease is stated at amortised cost. The Company uses simplified approach under IFRS 9 to calculate the ECL allowance. At 31 December 2022 and 2021, the ECL allowance on net investment in finance lease was immaterial.

*(iv) Cash and cash equivalents*

The Company 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 31 December 2022 and 2021, the ECL allowance on cash at bank was immaterial.

*(c) 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. In addition, the Group has access to credit facilities as made available.

Total unused credit facilities available to the Group as at 31 December 2022 were approximately Saudi Riyals 1,947.9 million (2021: Saudi Riyals 914.9 million) principally representing short-term loans, long-term loans, letters of credit and letters of guarantee.

Cash flow forecasting is performed by 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 or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group’s debt financing plans, covenant compliance and compliance with internal ratio targets.

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**30 Financial risk management** (Continued)

**30.1 Financial risk factors** (continued)

(c) *Liquidity risk* (continued)

The table below summarises the Group's financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the ultimate amounts to be realised is not significantly different from the carrying amounts.

	<b>Less than one year</b>	<b>1-2 Years</b>	<b>3-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
<b>31 December 2022</b>					
Trade and other payables	555,428	-	-	-	<b>555,428</b>
Borrowings	482,621	226,660	322,514	122,799	<b>1,154,594</b>
Lease liabilities	82,200	166,659	218,903	481,250	<b>949,012</b>
<b>Total</b>	<b>1,120,249</b>	<b>393,319</b>	<b>541,417</b>	<b>604,049</b>	<b>2,659,034</b>

**31 December 2021**

Trade and other payables	930,590	-	-	-	930,590
Borrowings	181,334	357,276	173,516	4,004	716,130
Lease liabilities	64,298	143,887	197,326	449,644	855,155
<b>Total</b>	<b>1,176,222</b>	<b>501,163</b>	<b>370,842</b>	<b>453,648</b>	<b>2,501,875</b>

(d) *Capital risk management*

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus borrowings, which is analysed as follows:

	<b>2022</b>	<b>2021</b>
Total equity	<b>1,139,300</b>	992,557
Borrowings	<b>1,179,051</b>	685,798
<b>Total</b>	<b>2,318,351</b>	1,678,355
Gearing ratio	<b>50.86%</b>	40.9%

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**30 Financial risk management** (Continued)

**30.1 Financial risk factors** (continued)

*(d) Capital risk management (continued)*

During the year ended 31 December 2022, the Group has availed short term Murabaha facilities for working capital management which have an outstanding amount of Saudi Riyals 390.4 million (2022: Saudi Riyals 20 million) resulting in the variation of the gearing ratio.

The management and Board of Directors do not consider lease liabilities for the purpose of calculating its gearing ratio.

Under the terms of certain borrowing facilities of UCFS, UCFS is required to maintain a minimum ratio of 1.2 is to 1 of earnings before interest, depreciation and amortization ("EBITDA") to Debt Service Ratio. As at 31 December 2022, UCFS' of debt service to EBITDA was 1.6 (31 December 2021: 2.3), in compliance with the requirements of the minimum ratio as set out by the commercial banks.

*(e) Fair value estimation*

As at 31 December 2022 and 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the consolidated statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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**30 Financial risk management** (Continued)

**30.1 Financial risk factors** (continued)

(f) *Net debt reconciliation*

The net debt of the Group at 31 December is as follows:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	<b>(146,669)</b>	(173,158)
Lease liabilities	<b>601,574</b>	552,045
Borrowings	<b>1,179,051</b>	685,798
<b>Total</b>	<b><u>1,633,956</u></b>	<u>1,064,685</u>

The Group's net debt reconciliation is as follows:

	<b>1 January</b>	<b>Cash flows</b>	<b>Others</b>	<b>31 December</b>
<b><u>2022</u></b>				
Cash and cash equivalents	(173,158)	26,489	-	<b>(146,669)</b>
Lease liabilities	552,045	(86,336)	135,865	<b>601,574</b>
Borrowings	685,798	487,120	6,133	<b>1,179,051</b>
<b>Net debt</b>	<b><u>1,064,685</u></b>			<b><u>1,633,956</u></b>
<b><u>2021</u></b>				
Cash and cash equivalents	(184,763)	11,605	-	<b>(173,158)</b>
Lease liabilities	535,960	(86,848)	102,933	<b>552,045</b>
Borrowings	340,000	343,858	1,940	<b>685,798</b>
<b>Net debt</b>	<b><u>691,197</u></b>			<b><u>1,064,685</u></b>

**31 Financial instruments**

As at 31 December 2022 and 2021, 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 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 consolidated statement of financial position. The fair values of the non-current financial instruments are also not expected to be materially different to their carrying values as these carry profit rates which are based on prevailing market profit rates.

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**31 Financial instruments (continued)**

The breakdown of these financial assets and liabilities is as follows:

	<b>2022</b>	<b>2021</b>
<b>Assets carried at amortised cost as per statement of financial position</b>		
Investment in Islamic financing contracts	<b>1,577,040</b>	1,213,028
Trade and other receivables	<b>83,994</b>	73,099
Cash and cash equivalents	<b>146,628</b>	173,158
<b>Total</b>	<b>1,807,662</b>	1,459,285
	<b>2022</b>	<b>2021</b>
<b>Liabilities carried at amortised cost as per statement of financial position</b>		
Trade and other payables	<b>551,013</b>	930,590
Borrowings	<b>1,179,050</b>	685,798
Lease liabilities	<b>601,574</b>	601,519
<b>Total</b>	<b>2,331,637</b>	2,217,907

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 49.8 million and Saudi Riyals 159.2 million, respectively (2021: Saudi Riyals 48.7 million and Saudi Riyals 184.8 million, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

**32 Restatement**

During the year ended 31 December 2022, the Company identified that it had not separately presented income from Islamic financing contracts for the year ended 31 December 2021, on the consolidated 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 consolidated 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 year or basic and diluted earnings per share for the year ended 31 December 2021, the consolidated statement of financial position as at 31 December 2021 and the consolidated statements of changes in equity and cash flows for the year ended 31 December 2021.

**33 Dividends**

The Company's Board of Directors, in their meeting held on 7 March 2022, resolved to distribute cash dividends of Saudi Riyals 2.5 per share, amounting to Saudi Riyals 150.0 million for the second half of the year ended 31 December 2021 (2021: Saudi Riyals 120.0 million for the second half of the year ended 31 December 2020), which were fully paid during the year ended 31 December 2022. Such dividends were also approved by the shareholders of the Company in their general assembly meeting held on 12 May 2022.

The Company's Board of Directors, in their meeting held on 8 August 2022, resolved to distribute cash dividends of Saudi Riyal 2.5 per share, amounting to Saudi Riyals 150.0 million. For the first half of the year ending 31 December 2022 (2021: Saudi Riyals 120.0 million for the first half of the year ended 31 December 2021), which were fully paid during the year ended 31 December 2022.

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

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**34 Contingencies and commitments**

- (i) At 31 December 2022, the Group was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 1,031.1 million (2021: Saudi Riyals 563.7 million).
- (ii) As at 31 December 2022, there were no significant capital expenditure or other commitments (2021: Saudi Riyals 7.1 million).